



**2016**

Sustainability Report

# Our strategic intent

Shanta Gold is a gold mining company with a project portfolio in Tanzania held predominantly through its Tanzanian subsidiary, Shanta Mining Company. Shanta Gold has a growth objective and is focused on investor-friendly Africa and beyond. Our strategy is to replicate the innovative business approach adopted at the New Luika Gold Mine built around leadership, technical and sustainability practices.

## Overview

### Mission

To produce superior returns as a responsible mining company.

### Vision

To be a respected mining company that makes a meaningful difference.

- Protects its people, environment and community from harm
- Seeks to continually improve
- Provides opportunities for growth

### Values

Shanta has at its heart a set of beliefs that define our behaviour, as individuals and as a company, at work and beyond:

- Safety and Health and protection of the Environment are our first priority
- *Integrity*—we take pride in all that we do: we are honest; ethical; law-abiding and transparent
- *Respect*—we are respectful towards one another and we acknowledge and value our diversity
- *Accountability*—we are accountable for our performance and for upholding the policies and values of the Company
- *Add value to the community*—we provide enduring benefit's in health, education, training, infrastructure and economic opportunity

### We are successful when:

- All our people seek to continually improve and grow, and have clear plans and achievements
- Our communities, suppliers and business partners value their relationships and engagement with us
- Our assets are developed through our agile, and sustainable business practices
- Our operational agility and financial discipline enables our future growth
- Our commitments to shareholders and the market are consistently delivered.





# In this sustainability report

Our strategic intent

In this sustainability report

Chairman of the Board's review	1
Chief Executive Officer's review	2
Our business	3
Our Sustainability Context	6
Sustainability at a glance	8
Managing our responsibility for people's safety	10
Addressing potential health impacts associated with our operations	12
Adding value to the community	15
Operating with integrity	23
Responsibly managing and enabling a flourishing environment	25
Valuing our people and realising diversity	32
Respecting human rights	36
Protecting our people and assets	39
Our way forward	41

## About this Sustainability Report

The reporting period for this Sustainability Year is the 2016 Financial year (1 January 2016 to 31 December 2016).

This Sustainability Report covers Shanta Gold Limited's assets (including those under exploration, projects in development or execution phases) that are wholly owned and operated by Shanta Gold Limited, subsidiaries and those that are jointly owned with majority shareholding.

This Sustainability Report follows the Global Reporting Initiative Sustainability Reporting Guidelines (G4 Guidelines), global standards for sustainability reporting.



# Chairman of the Board's review



On behalf of the Board, I would like to recognise the importance and effort devoted by the Shanta team throughout 2016 to prudent and sustainable management of risk.

A Committee of the Board is charged with ensuring that the Board of directors fully understand and appreciate the many external factors that are relevant to and influence the production of and exploration for mineral resources. The sound and mutually beneficial relationships the Company develops

and maintains in and around its operations are fundamental to delivering optimal value from its many activities to all its stakeholders.

The Board supports the Company's efforts to continue and improve practice, accountability and efficiencies in this vital area of our business. Shanta's ongoing Sustainability strategy will contribute to delivering on our commitment to long term and responsible value creation.

Tony Durrant  
**Chairman of the Board**

17 July 2017

# Chief Executive Officer's review



Dear Reader,

To ensure that we utilise the most effective sustainability reporting methods, we have subscribed to the internationally recognised Global Reporting Initiative Sustainability Reporting Guidelines (G4 Guidelines). These guidelines allow us to disclose our most critical impacts, both positive and negative on the environment, society and economy. We are committed to delivering on our promises to realise our true potential and position ourselves for growth by putting in place processes to manage risks and opportunities. During 2016, we developed our Sustainability Management System and began rolling it out. This system helps us successfully manage our business and realise opportunities whilst simultaneously reducing risk and the impact of unforeseen external influences and unplanned events. Moreover, the System equips us with processes to manage risks when they do occur.

We set ourselves up for realising our future by setting tangible plans as a sustainable company. At Shanta, we view our business sustainability to incorporate: our reputation; stakeholder and community engagement; communication; asset protection; the environment; community health; and safety. Our mission, our vision and our values talk directly to this sustainability. What is fundamental is that we recognise the expertise required to manage these risks. We employ many experts to help us manage the specific technical aspects of our business and we have done the same for sustainability.

Sustainability is a capability we have that supports the whole business but also provides competitive advantage.

In 2016, we endeavoured to carry out our work with integrity, while attributing considered value to our people and their diversity and keeping them and our surrounding communities safe and secure. We worked to protect our assets and maintain a flourishing environment. One of our greatest accomplishments was the different ways in which we catalysed new enhanced livelihoods in our host communities. This included the development of local economies through local skills development and job creation. I am proud of the partnerships we have created with the District and Regional Authorities where we operate. The Agriculture Project, which we helped to initiate, is testament to our steadfast commitment to doing right by the one-off privilege that mining brings to host communities. Our aim is to reduce, not create, dependence on our business so that when mine closure eventually happens, the community has the capacity to continue. This approach helps secure and maintain our social licence to operate and fundamentally reduces risk.

I am grateful to the Shanta Family for all their efforts, to our stakeholders who have worked with and charted a future with us. I thank everyone who has contributed to the success of our company. In 2017, we will continue to work responsibly, build on our Sustainability performance and live up to our values.

Dr Toby Bradbury  
**Chief Executive Officer**

17 July 2017

# Our business

Shanta Gold, through its wholly owned companies, most notably Shanta Mining Company Limited ("SMCL"), is engaged in gold mining, development and exploration in Tanzania – one of Africa's most significant gold-producing countries. SMCL has its headquarters in Dar es Salaam. The Company's focus is on building and expanding its portfolio of high quality, low cost gold assets.

Currently there is one producing project, New Luika Gold Mine ("NLGM") which has 435 permanent and fixed term contract employees and 772 temporary employees and contractors. In 2016, NLGM produced 88,000 oz from its high grade resources in the under explored and highly prospective Lupa Goldfield. The NLGM mining licence is surrounded by prospecting licences totalling 1300 km<sup>2</sup> which are under the control of SGL and which provide the potential for future feedstock to a long life mining operation at Luika.

There is a further development project at Singida for which a Pilot Mining Project is underway and a mining licence has been issued.

SGL has 65 km<sup>2</sup> of prospecting licences in the Mbinga and Songea Administrative Districts in the Ruvuma Region of southern Tanzania. These projects are dormant at this time.

## NLGM

### Location

Songwe Administrative District, Songwe region in the Lupa Goldfield of south west Tanzania, the second largest gold producing region in Tanzania in the 1900s.

### Size

One prospecting licence covering 49 km<sup>2</sup> and three combined mining licences which cover 15.76 km<sup>2</sup>.

### Ownership

100% owned by SMCL.



## Project Status

Active Open Pit Mining with initiation of Underground Mining activity.

NLGM comprises a number of relatively small deposit's that together make up a total resource in excess of 1 million oz of gold. Mining was initiated at the Bauhinia Creek ore body, which is a high-grade resource and since 2014 has progressively brought on stream open pit mining at Luika, Jamhuri and Ilunga deposit's. Bauhinia Creek and Luika deposit's reached their economic limit's for surface mining in 2016 and are being developed for a continuation of mining from underground. Project development started in September 2015 following board approval of an underground feasibility study.

SGL has hired experienced underground mining engineers and operators and is procuring the necessary equipment for underground mining at NLGM. It is anticipated that the underground mine will start producing from production stopes in the second quarter of 2017 with a pre-production investment of \$45 million. SMCL expects that the underground mining project will provide NLGM with high grade ore supply for at least five years.

#### *Location*

Ikungi Administrative District, Singida Region, central Tanzania

#### *Size*

Three prospecting licences covering approximately 92 km<sup>2</sup>.  
Three mining licences covering 30 km<sup>2</sup>

#### *Ownership*

Of the three mining licences, SMCL has 100% ownership of one, 90% ownership of another and 100%/90% split ownership of the third. The prospecting licences are held 100% by SGL.

#### *Project Status*

An Environmental and Social Impact Assessment (ESIA) for the Singida Pilot Mining Project commenced in October 2016. The scoping report and the terms of reference of the Singida Pilot Project ESIA were submitted to the Tanzanian National Environment Council (NEMC) at the end of 2016 and as of January 2017, have both been approved. SGL has submitted the complete ESIA to NEMC and is currently under review.







# Our Sustainability Context

## Our sustainability objective

SGL's Sustainable Development objective is to protect the environment and catalyse the creation of activities that increase the resilience and competitiveness of people in the areas where we operate such that dependence and risk for the Company is reduced. The strategy is designed to achieve the following, (but not limited to), possible outcomes:

- Reduced dependency on mining operations and eradication of paternalistic practices;
- Increased livelihood security among the people in the areas where we operate independent of our mining activity;
- Environmental protection and regeneration through conservation and connecting of wild spaces;
- Economically viable alternative reuse of mining sites and infrastructure based on an innovative approach to mine closure;

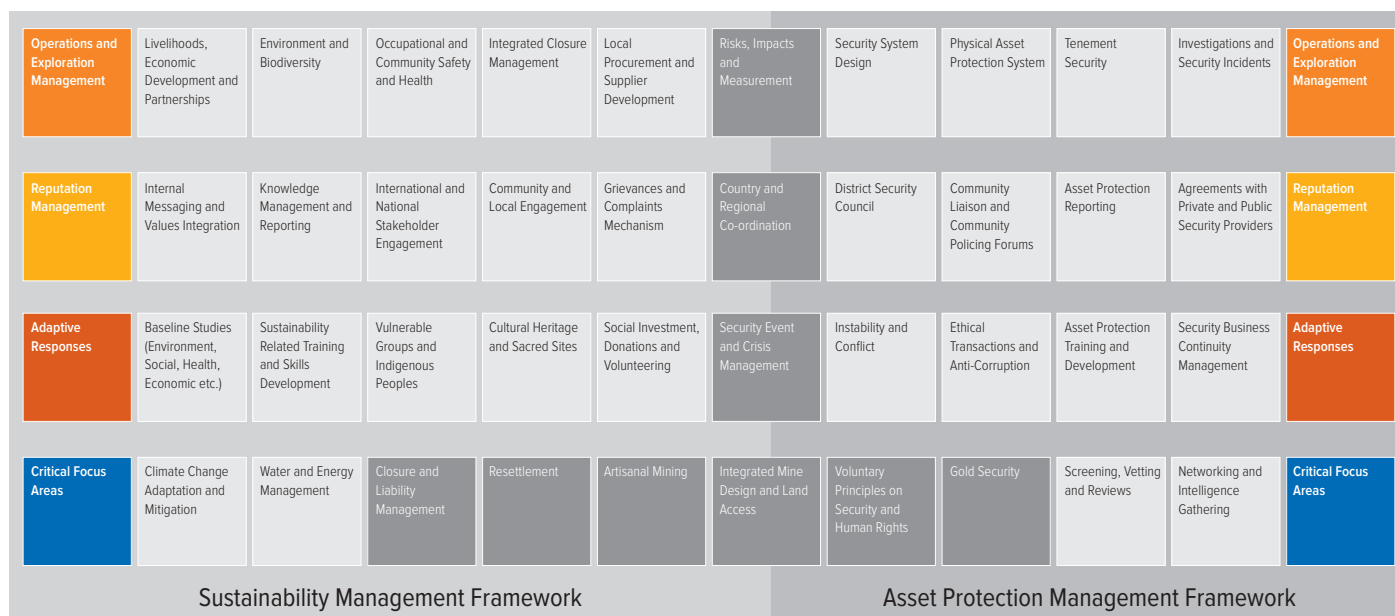
- Reduction of the illegal and highly dangerous and environmentally destructive artisanal mining activity, in and around our operations; and
- Improved water security in the areas where we operate.

SGL is working through solid partnership agreements with the Songwe and Singida Districts and Regional Authorities to implement its strategy which has been developed in conjunction and integrated with the local development plans.

## Managing Sustainability Risk

The SGL Sustainability and Asset Protection Management System outlines the company's approach to managing Sustainability related risks. Understanding and managing sustainability related risks was identified by the SGL Board as a key objective for 2016.

## Sustainability and Asset Protection Management Framework





## OUR SUSTAINABILITY CONTEXT

The SGL Sustainability and Asset Protection Management System helps the Company to manage its business, take advantage of key opportunities, reduce risk and the impact of external surprises and to give SGL processes for managing unplanned events if they do occur. The consequences of an unplanned event can be major to the Company.

The proper management of Sustainability and Asset Protection related risk *creates the conditions required for mining and exploration to occur* – “an enabling environment”.

This enabling environment, the Sustainability and Asset Protection Management System, includes all Policies, the Management Framework and Standards, Job Descriptions, and Procedures that govern the Sustainability and Asset Protection

Functions and behaviours at SGL. The application of the System is to all employees and stakeholders that operate in our business.

The table below provides an update of work to date.

The review and introduction of the management standards that support the Sustainability and Asset Protection Management System began with the Community and Asset Protection teams in the second half of 2016. The Management System will be further rolled out, translated and implemented through 2017 and will be subject to ongoing review, update and refresher training. An overview of the system is to be incorporated into the Company's induction for employees, contractors and visitors, as appropriate.

### Elements of Sustainability and Asset Protection Management System

#### Update

Leadership Charter	<ul style="list-style-type: none"> <li>Complete and rolled out to Executive Team</li> <li>Executive Team Coaching and adoption of Charter</li> </ul>
Governance Policy	<ul style="list-style-type: none"> <li>Completed, translated and roll out commenced</li> </ul>
Sustainability Policy	<ul style="list-style-type: none"> <li>Completed, translated and roll out commenced</li> </ul>
Security Policy	<ul style="list-style-type: none"> <li>Completed, translated and roll out commenced</li> </ul>
Requirements of the Sustainability Function	<ul style="list-style-type: none"> <li>Completed , rolled out and utilised</li> <li>Ongoing training required</li> </ul>
Roles and Job Descriptions	<ul style="list-style-type: none"> <li>Completed , rolled out and utilised for recent recruitment and people development processes.</li> </ul>
Long-term Sustainability Strategy (Feb 2016)	<ul style="list-style-type: none"> <li>Completed , rolled out and utilised, presented at April 2016 Board meeting, Submitted to Government, socialised with external parties</li> </ul>
Overview of the Sustainability Management Framework for SGL	<ul style="list-style-type: none"> <li>Complete and rolled out to Executive Team</li> <li>Submitted to Government, socialised with external parties</li> </ul>
Sustainability and Asset Protection Management Framework	<ul style="list-style-type: none"> <li>Completed , presented at April 2016 Board meeting, rolled out to Exco</li> </ul>
Management Standards and Procedures	<ul style="list-style-type: none"> <li>Ethical Transaction and Anti- Corruption Management Standard drafted and under review</li> <li>Resettlement Management Standard rolled out and implemented</li> <li>Other Management Standards roll out commenced</li> </ul>





# Sustainability at a glance

Material topics	Performance targets
Managing our responsibility for people's safety (page 10) (including Occupational and Community safety)	<ul style="list-style-type: none"> <li>■ Zero work-related injuries</li> </ul>
Addressing potential health impacts associated with our operations (page 12) (including Occupational and Community Health)	<ul style="list-style-type: none"> <li>■ Provision of proactive medical care and medical facilities</li> </ul>
Adding value to the community (page 15) (including Engaging with Local Communities, International and National Stakeholder Engagement, Grievances and Complaints Mechanisms, Social Investment, Donations and Volunteering, Building Partnerships for Livelihood and Economic Development for Communities, Protecting Subsistence-Related Resources, Local Procurement and Supplier Development)	<ul style="list-style-type: none"> <li>■ Partnership Agreements with Regional and District Authorities.</li> <li>■ Implementation of Agriculture Projects as a future economy catalysation process</li> </ul>
Operating with integrity (page 23) (including Ethical Transactions and Anti-Corruption and Integrated Closure and Liability Management)	<ul style="list-style-type: none"> <li>■ Implementation of the Ethical Transactions and Anti-Corruption Management Standard, including socialisation with stakeholders</li> <li>■ Mine Closure Design at the commencement of new projects and updated for all new initiatives at the design stage</li> </ul>
Responsibly managing and enabling a flourishing environment (page 25) (including Environment, Energy, Water, Biodiversity, Land Use, and Waste Management and Air Quality)	<ul style="list-style-type: none"> <li>■ No significant environmental incidents. Managing environmental risks for the company and host communities</li> <li>■ Minimising environmental impacts through the mine life (typically provides the lowest cost/highest value option in any event)</li> </ul>
Valuing our people and realising diversity (page 32)	<ul style="list-style-type: none"> <li>■ Achieve an inclusive, talented and diverse workforce that best represents the communities in which our projects are located and in which our employees live</li> </ul>
Respecting human rights (page 36) (including the Voluntary Principles on Security and Human Rights and Resettlement)	<ul style="list-style-type: none"> <li>■ Conduct training, and internal reviews for alignment with the Voluntary Principles on Security and Human Rights and implement improvements plans to close identified gaps.</li> <li>■ Adopt standards for resettlement in accordance with international guidelines</li> </ul>
Protecting our people and assets (page 39) (including Illegal Mining)	<ul style="list-style-type: none"> <li>■ No significant security events, implement community policing forums.</li> <li>■ Implement illegal mining engagement to eradicate all artisanal mining within license areas</li> <li>■ Catalyse the creation of economic alternatives to illegal mining</li> </ul>



# Managing our responsibility for people's safety

## Our Position

In line with SGL's values, safety, health and environmental management are the first priorities in the Company's business activities. Safety performance is a key measure of SGL's duty of care; it's ability to mine efficiently and safely and furthermore, demonstrates its approach to productivity. The Company's low injury and absentee rates are generally linked to positive trends in staff morale, overall ownership in the Company's success and the care that employees have for each other. SGL wants every employee to return home safely and unharmed.

## Our Performance

In 2016, all of SGL's employees, subcontractors, consultants and visitors returned home to their families – there were no injuries that resulted in time lost from work (Lost Time Injuries were nil).

At NLGM, formal joint management - worker health and safety committees operate in small groups within their sections and departments. The committees comprise of SGL employees and on site contractors. Representation depends on the size of the section and department as per the

Occupational Safety and Health Act, Tanzania (2003). The safety representatives are identifiable by distinct uniforms and their function is to be an alternative to report safety related issues if for any reason it is not possible to report the same to their supervisor. All hazards and near misses are reported for follow up action by the relevant department and recording and analysis by the Safety Department.

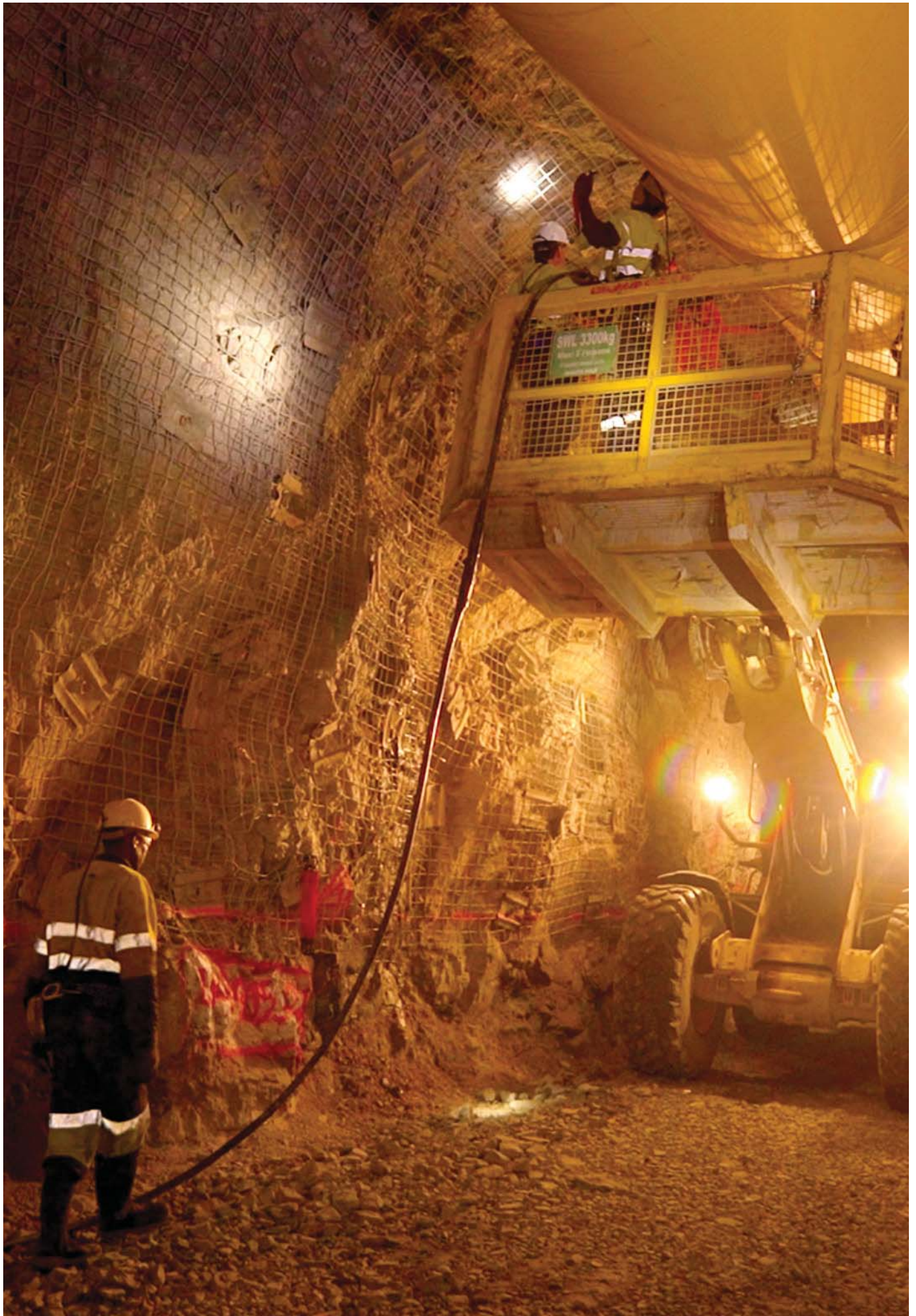
In June 2015, a Cyanide Management Improvement Project started which entailed the review of the Cyanide Management Process at New Luika Gold Mine against the requirements of the International Cyanide Management Code. Improvement opportunities were identified, several of which were implemented in 2016. These included upgrading emergency response equipment, reviewing safe operating procedures and re-training personnel in cyanide specific emergency response procedures.

At present SGL has an Emergency Response Plan ("ERP") in use and an Emergency Crisis and Management Plan ("ECMP") in review. In 2016, we had 32 Emergency Response Team volunteers, 12 of whom are always on stand-by onsite. All the volunteers went through a rigorous Emergency Response training course which comprised:

- Operating self-contained regenerative oxygen breathing apparatus
- Operating self-contained air breathing apparatus
- Undertaking vertical rescue
- Undertaking motor traffic vehicle incidents; and
- Response to mine and fire incidents.

Additionally, close to a third of our employees underwent a basic fire fighting course.





# Addressing potential health impacts associated with our operations

**Our Position**

Environmental, Health and Safety (EHS) issues may arise at any stage of a mining project life cycle and can have an impact beyond the life of the project. Furthermore, some aspects of SGL's project activities can take place outside of the traditional project boundaries, for example within communities around operations, but are nonetheless related to the project operations. In all cases, ensuring Occupational and Community Health is paramount to the way we think about, plan, execute and account for our activities.

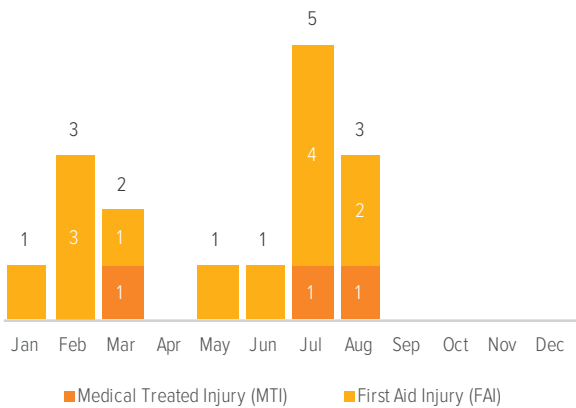
The health risks at our workplaces and within surrounding communities include opportunistic, stress related and communicable diseases. We manage these risks through programmes that monitor the health of our people to detect early signs of illness.

**Our Performance**

*Occupational Health*

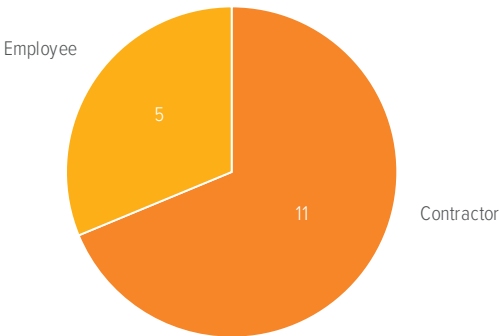
In 2016, 16 work related injuries were reported, 13 of which required first aid treatment, whilst three required medical treatment. However, none of these injuries resulted in lost time for the individuals concerned.

**Work related injuries**

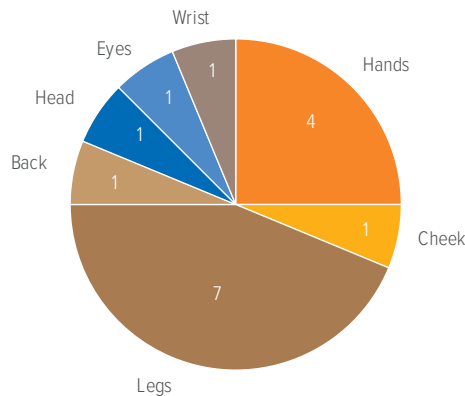


Of the total injured employees, 5 were SGL employees and 11 were contractors. The majority of injuries were leg and hand injuries, whilst there were also instances of cheek, back and head injuries.

**Number of injuries by employee type**



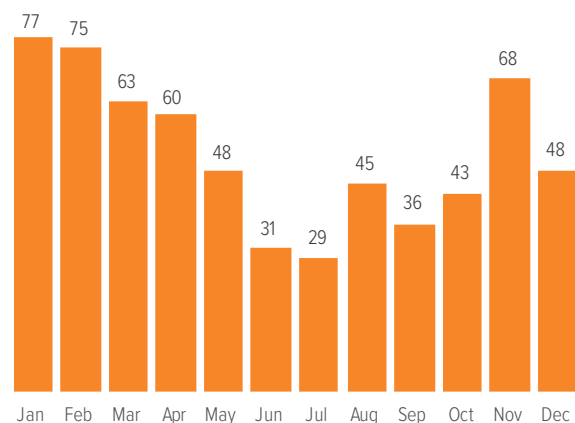
**Number of injuries by body part**





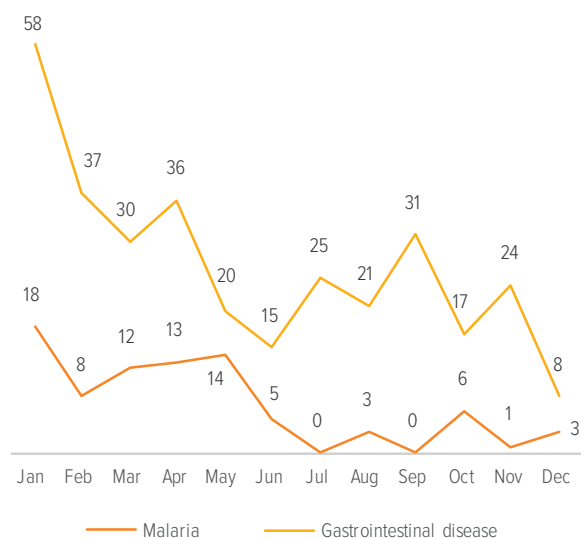
In 2016 total of 623 days were lost due to illness.

#### Lost days due to illness



The most recorded illnesses were Malaria and Gastrointestinal related illnesses. 77 cases of Malaria were reported whilst 322 cases of Gastrointestinal disease were reported.

#### Lost days due to illness



Measures have been taken to help combat Gastrointestinal problems including the completion of a new kitchen, an upgraded water treatment plant and increased health education on-site.

Health education is a key focus of our activities and focus on issues that include, but is not limited to sexually transmitted diseases like HIV/AIDS, diabetes, stress and other serious occupational diseases.

In a bid to improve the health and well-being of our employees we encourage people to engage in healthy activities such as walking or cycling to the office, playing sports such as volleyball, football, hiking and use of the onsite gymnasium. The Company provides bicycles and has developed more than 10

kilometres of walking and cycling tracks that also double up as fire breaks that protect the mine camp and the environs.

We have a contract with our medical insurer to provide an independent Employee Assistance Program via counselling services to our employees (49% of whom come from local communities) and their families, in person or via phone whenever the need arises.

#### Community Health

In 2016, SGL contributed to several health-related projects within the host communities around NLGM which included the construction of a medical dispensary for the Maleza Village.

This contributed to the improvement of the quality of lives of the people. Prior to the construction of this dispensary, villagers from Maleza village walked up a sharp incline from the lake area to the escarpment, approximately 4.5km to the Mbangala Village Dispensary.

In 2016, SGL built a Maternity Home at the Mbangala Village. The Maternity Home has accommodation facilities for patients, which allows expectant mothers to check-in to the hospital, before they are due, and stay until they deliver their babies, all under close medical supervision that is provided by the community.

The focus for Shanta is around providing assets and building capacity in projects that the communities must operate and maintain for themselves. This is a key part of Shanta's sustainable business model. No projects are undertaken by Shanta that would increase community dependence on the Company. Very often, the community volunteer themselves to do the work where Shanta can supply the materials and skills training.

Shanta has employed a mason and a carpenter to lead community construction projects, save cost relative to a contractor, and develop local skills in the local population.

To improve the service delivery of the Mbangala Village Dispensary, SGL installed solar power at the dispensary. Furthermore, SGL extended the doctors and nurses housing in Mbangala Village.

SGL provides medical supplies to the villages in an emergency if there are shortages, but these are replaced once the dispensaries receive supplies. The Company does provide ambulance services on humanitarian grounds if required in an emergency.

At the end of 2016, due to blood shortages in the Mwangani Hospital Blood Bank, NLGM organised a blood donation campaign. The campaign was carried out in collaboration with the Mwangani Hospital and Zonal Blood Bank teams. A total of 88 unit's of blood were collected from SMCL employees at NLGM.





Maleza Dispensary



# Adding value to the community

## Our position

We recognise the potential significant impact that our business has for the communities in which we operate. We therefore strive to empower these communities by mitigating our impact by catalysing programs to provide the long-term sustainable development of the community, it's people and the economy, beyond the finite duration of our mining activity; always given that we aim to continue operating for as long as possible. We understand the complexities involved in sustainable partnership development, and have done research into viable options that will benefit, grow, develop and sustain the region. We have engaged experienced sustainability professionals, who have worked in various industries, sectors and geographies where they have supported similar processes. We have secured partners, and are working to engage more, that will assist in the development and implementation of projects that create longer term sustainability for the communities in which we operate.

We, however, do not work alone. Community and local engagement is an important part of how we operate. We work with local communities to achieve sustainable economic and social benefit's. Our intention is that all our operations build successful and mutually beneficial relationships with local communities. This will ensure the viability and durability of any development projects we introduce, as communities will take ownership, allowing the projects' lives to go beyond that of the mine. We acknowledge that communities are rarely homogeneous and we therefore aim to be as inclusive as possible when identifying stakeholders and engaging with them.

## Our performance

### *Engaging with Local Communities*

The local communities we engage with are those who host and neighbour our operations. At NLGM, the General Manager conducts monthly and quarterly meetings with the four village councils of Saza, Patamela, Mbanga and Maleza villages.

### *Engagement with Key Stakeholders*

SGL acknowledges the right of host governments to ultimately make decisions in relation to the development of natural

resources. SGL further understands the need for host governments to create the investment climate needed to foster the realisation of natural resource endowments.

The administration of Tanzania is managed through a Regional structure subdivided into Districts. SMCL has developed an excellent working relationship with the Regional and District Commissioners; and has signed partnership agreements with both.

These partnership agreements will have a significantly positive impact on SMCL's:

- Ability to engage with all stakeholders and retain and improve support for SMCL's projects in Tanzania
- Reputation—as an important and strong corporate partner, in the District, in the Region, and beyond
- Network to senior influential stakeholders
- Ability to ask for support and assistance when needed
- Business environment as the Regional Development Plan has potential to attract large investment to the region; and
- Business risk management.

The Partnership agreements include the following key elements:

1. The Songwe Region will champion a different approach to mining, where SMCL actively works with stakeholders to catalyse investment that diversifies and responsibly grows the economy of Songwe.
2. The first programme in this partnership is an agricultural programme, with an agricultural commodities company. In 2016, SMCL has catalysed the training of people in every host community around NLGM (farmers and artisanal miners).
  - i. Agricultural Field Extension Officers from Wards in the Songwe District have participated in the demonstration farm programme
  - ii. SMCL has engaged the local community to establish a store where agricultural inputs will be purchased so those that want to expand the programme may do so.







- iii. SMCL has established a further 8 model farms (ranging from 5-10 hectares) as the livelihood restoration solution to the resettlement efforts for 8 resettlement families.
3. Tenement and District Security
- i. SMCL has provided the District Terms of Reference (TOR) for the engagement between the Company and the Songwe District Security Committee. The majority of engagement principles covered in the TOR are acted out on a daily basis between the Company's Asset Protection Department (APD) and the District team in a manner that formalises that engagement at District level
  - ii. Tenement security in relation to active mining licenses and all current and future prospecting licenses is vital to the success of the Company. The TOR covers the respective roles and responsibilities of each party, the meeting frequencies and membership. The enactment of the TOR is over and above the current effective level of engagement that exists between the Company and the district and regional police and government. It also refers to the importance of implementing the Voluntary Principles on Security and Human Rights for both private and public security organisations.

#### *Grievances and Complaints Mechanism*

SMCL seeks to build strong relationships with stakeholders and manage the impact of our business activities on local communities. SMCL recognises that despite our efforts,

stakeholders may have concerns about the Company's activities from time to time. These concerns may manifest as complaints or from the outset be significant grievances. The SMCL Community Complaints and Grievances Procedure provides a platform for stakeholders to raise queries or concerns with the Company and have them addressed in a prompt and respectful manner. SMCL aims to address all complaints and grievances received, regardless of whether they stem from real or perceived issues.

SMCL seeks to foster trust in the process of managing the impacts of our operations on communities. To this end SMCL will communicate the Community Complaints and Grievances Procedure to all stakeholders. The Community Complaints and Grievances Procedure respects confidentiality and requires SMCL to take all reasonable steps to protect and be fair to all concerned parties.

In 2016 and prior years, records of community complaints and grievances for SMCL operations were recorded in meeting minutes and/or letters. Most of the issues brought forward by local communities were associated with blasting activities at New Luika Gold Mine. These included complaints about blast vibrations, blast noises and roads being closed during blasting hours. However, the most dominant grievance of 2016 was a boundary dispute between NLGM and one of the nearby villages at the beginning of 2016.



Left photo: 4th from left in the first row is Regional Commissioner for Songwe, Hon. Chiku Galawa during NLGM site visit. To her right is NLGM acting General Manager—Honest Mrema, with other regional, district and village officials. Right photo: visitors at Bauhinia Creek Pit lookout area.

## Case study

### SGL Saza Boundary Dispute

On the 8th of January 2016, in a meeting between SMCL and Saza Village Council the council raised a concern based on a perception that NLGM had extended its boundary and was conducting mining activities on Saza Village land without consultation of the community. Responses by SMCL representatives in that meeting and subsequent meetings did not satisfy the community and a Ministerial Public Meeting was held to resolve the issue on the 15th of January 2016 in Saza.

This meeting was attended by the Minister of Minerals and Energy, Professor Sospeter Muhongo, Mbeya Regional Commissioner, Abbas Kandoro, Chunya District Commissioner, Elias Tarimo, SMCL Chief Executive Officer, Dr. Toby Bradbury, NLGM General Manager Scott Yelland, Saza Community and other SMCL and Government senior members and approximately 1,500 – 1,700 villagers. To determine whether SMCL was encroaching on Saza village's land, the Minister selected a group of villagers, Government officials and SMCL representatives to walk the boundary of NLGM mining licence ML-518/2014.

The boundary walk took place on the 16 January 2016 and the conclusion was that all mining activities were within the legally obtained SMCL Mining Licences.

#### *Social Investment, Donations and Volunteering*

SMCL has an Education Programme which addresses educational needs of surrounding communities by investing in infrastructure and funding scholarships.

In 2016, SMCL carried out extensive renovations at Mbangala Primary School, Patamela Primary School, and Saza Secondary School. These are schools in the local communities surrounding NLGM.

As part of the renovations, SGL installed a 20,000-litre rainwater harvesting system at Mbangala Primary School. At Saza Secondary School the Company installed a 7,000-litre water storage tank and built what was said, by the Tanzanian Former Prime Minister, Hon. Peter Pinda, to be one of the best secondary school laboratories in Tanzania. The laboratories are of a high standard and have given students the opportunity to take practical classes and exams in Physics, Biology, and Chemistry. The building has 3 separate laboratories for each science discipline, a store room and offices for the teachers.

Furthermore, SMCL is in the process of completing one duplex house for teachers at Saza Primary School and one for teachers at Saza Secondary School.

Through its Education Programme, in 2016, SMCL provided scholarships to underprivileged students who showed academic excellence. 90 scholarships were given to primary school students, 60 scholarships to Ordinary Level secondary school students, and 2 scholarships for Advanced Level secondary school students. Furthermore, SMCL provided scholarships to youth in villages surrounding NLGM.

Scholarships were awarded to youths who qualified for artisan or vocational training for various jobs, including process plant operators, boilermakers and automobile mechanics. In 2016, a scholar who was supported by SMCL completed his final year training as a clinical officer.

#### *Building Partnerships for Livelihood and Economic Development*

In 2016, SMCL initiated several partnerships and economic development initiatives.

The implementation of a bee keeping project, in collaboration with a Honey Industry development organisation. This project currently involves 30 local women and men from Mbangala village. SMCL supported the project by supplying 150 bee hives and providing basic bee keeping training. The partnership gives those involved in the project market assurance for the honey produced from the project.

In November 2016, SMCL implemented an agricultural development programme within the host communities around NLGM. The goal of the project is to increase the net income and the overall well-being of families through agricultural production and green energy solutions in the villages surrounding NLGM, Songwe District, Songwe Region. In particular, the project focused on increasing food security and income generation for 8 resettled families in the Mbangala village and Elizabeth Hill areas that are required to relocate prior to mining activity. Additionally, at the villages of Maleza, Mbangala, Saza and Patamela, 4 demonstration plots have been set up for livelihood training purposes.

Currently, smallholder farmers in the area produce crops for subsistence/food security, while most community members rely on income from the informal and illegal and legal mining sectors.

At the start of the process SMCL established that the local community was utilising only three months of the average six-month rainy season that is experienced in the area for growing. Farmers spent the first three months of the rainy season producing feed for cattle, allowing them to graze, and allowing the farmers themselves to get strong for the remaining three-

## ADDING VALUE TO THE COMMUNITY

month planting season. Farmers in this area had access to very poor quality seed as most seed was generated from reserve crops. Intercropping, soil health, and yield were all suboptimal. In general, communities were planting crops that did not fulfil annual household subsistence requirements.

Food shortages were supplemented by purchasing basic inputs from Mbeya at highly inflated prices which exacerbated the pressures at the household level.

Most households further diverted time and resources from farming to illegal and informal artisanal gold mining, which further perpetuated a never-ending cycle of poverty.

For the participants in the agricultural project, the cycle has been broken in one year. The project has encouraged the participants to see farming as a business by combining food and cash crops to increase household income in a sustainable way. With technical support in agricultural training and capacity building, SMCL's partnership with a farming foundation has aimed to support smallholder farmers in becoming active members of the value chain of several crops and link them to a guaranteed and reliable market through an additional partnership with an agricultural commodities company.

The project has commenced and will be implemented in three stages:

**Stage 1 (2016/2017)**—laying the initial foundation to increase production and market access through demonstration plots and training;

**Stage 2 (2017/2018)**—developing the areas agricultural infrastructure, including input financing, extension services and purchase guarantees; and

**Stage 3 (2018/2019)**—expanding the model through engagement of more farmers.

The last quarter of 2016 was focused on hiring field personnel, setting up demonstration plots in the various villages, preparing and planting the new plots of the resettled farmers, and initiating meetings and training sessions in the target area.

The following training has been undertaken by the farmers:

- Group Formation
- Training on Group Meetings
- Training on Roles and Responsibilities of Elected Group Leaders
- Creating a Group Constitution
- Training with Group Leaders on Constitution Writing and Group By-laws
- Training on Planning and Work Schedules to Farmer Groups; and
- Group Management and Agricultural Practices.



Training session with farmers in the classroom



Training session with farmers on a demonstration plot



Training on group formation



So far, the work that has been carried out on the demonstration plots includes;

- Land preparation
- Planting
- Thinning and gap filling
- Weeding
- Spraying of pesticides and application of top dressing
- Clearing of pathways around the demonstration plots
- Creating ridges/ terracing to control soil erosion
- Monitoring development of demonstration plots
- Set up of irrigation structure on demonstration plot to counter effects of drought; and
- Installation of signs at demonstration plots.

The farmers are growing a variety of crops on the demo plots including maize, sorghum, cassava, Bambara nuts, ground nuts, sweet potatoes (varieties: Kakamega and Kaega), sesame and green gram.



## ADDING VALUE TO THE COMMUNITY

Progress of crops being grown by various farmers and resettled families on their demonstration plots between November 2016 and March 2017:

### Preparation for planting



Maleza Village

### Planting



Dutu Farm

### First weeding



Mwita Farm

### Thinning and gap filling



Dutu Farm

### Second weeding



Dutu Farm

### Top dressing



Mwita Farm

### Maize



Maleza Village

### Sorghum



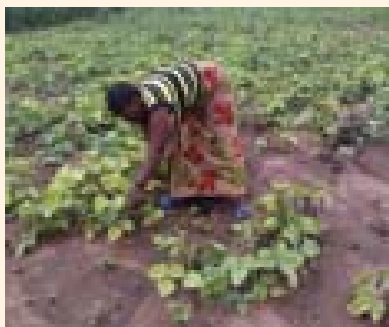
Maleza Village

### Sesame



Maleza Village

### Greengram



Maleza Village

### Ground nuts



Elizabeth Hill Resettlement Farm

### Cassava



Elizabeth Hill Resettlement Farm

*Contributing to Local and National Economies*

Since its inception SMCL has invested more than US\$150 million in Tanzania. The Company has paid and continues to pay all relevant taxes and royalties in full compliance with Tanzanian law. In 2016, SMCL generated an annual revenue of \$107.7 million bringing valuable foreign exchange to Tanzania.

The economic value generated by SMCL was distributed in the following way:

- More than US\$15 million contribution to the Tanzanian fiscus in royalties and taxes, excluding VAT
- Generation of US\$1 million of VAT payments per month supporting indirect business activity in Tanzania of around US\$40 million per year; and
- Social investments of US\$350,000.



# Operating with integrity

## Our Position

We take pride in all that we do. We are honest, ethical, law-abiding and transparent and we are committed to acting fairly, ethically and with integrity in all communities in which we operate.

## Our Performance

### *Ethical Transactions and Anti-Corruption*

SGL's stance is to ensure no engagement in or tolerance of bribery in any form within the Company, the Company's subsidiaries, or within organisations, groups or individuals with which it does business. Although SGL does not conduct any part of its business in the United Kingdom, as part of the Company's compliance procedures in maintaining the highest standards of corporate governance, SGL adheres to the standards of the UK Bribery Act 2010. All officers and staff of SGL are required to comply with the Anti Bribery Policy and, so far as is practicable, so are third parties with whom the Company does business. The Company has implemented an Ethical Transactions and Anti-Corruption Management Standard, including socialisation with some stakeholders. The Board of Directors of SGL have overall responsibility for bribery prevention within SGL.

### *Integrated Closure and Liability Management*

SMCL are members of two closure committees in Tanzania: the Integrated Mine Closure and Sustainable Development Committee of Chunya District (renamed Songwe District); and the National Mine Closure Committee. In 2016, SMCL participated in meetings for both committees where the Company engaged with stakeholders and members from other mines.

SMCL currently has a Draft Interim Mine Closure Plan for the New Luika Gold Mine operation. The plan covers:

- Water Management and Closure
- Mining Management and Closure
- Other Waste Related Management and Closure
- Tailings Management and Closure
- Landfill Management and Closure
- Hazardous Materials Management and Closure
- Land Use and Biodiversity Management and Closure
- Physical Integrity and Closure; and
- Socio-Economic Development and Closure.





# Responsibly managing and enabling a flourishing environment

## Our position

SGL realises that the nature of its operations can have significant environmental impacts. Moreover, the growth and success of its operations are reliant on gaining and maintaining access to natural resources. These same resources SGL depends on for its business's success are also important to local communities. Competition for land and water resources amongst industries and societies is increasing and our natural ecosystems are becoming more vulnerable as a result. SGL demonstrates its environmental responsibility by diligently managing and minimising its impacts at every stage of its operations in order to sustain a flourishing environment.

## Our performance

### Environment

In 2016, SMCL received no fines for non-compliance with environmental regulation. The Company was 100% compliant with key legislation and received positive comments from the Tanzanian Ministry of Health and Social Welfare (Government Chemist Laboratory Agency) for outstanding environmental performance. Furthermore there was a 90% decrease in reportable environmental incidents<sup>1</sup> in 2016.

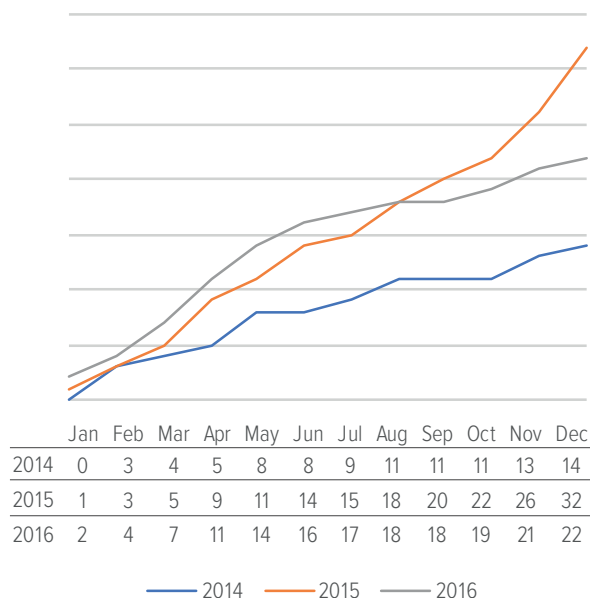
Environment	2016
Reportable environmental incidents	3
Fines (US\$)	0

The environmental incidents reported in 2016 related to fauna fatality. One incident involved a bushbuck that was found injured near one of NLGM's pit's and later died despite efforts to tend to its injuries. The other two incidents were a mongoose and monkey that were found already deceased on site.

SGL carried out several initiatives to mitigate significant environmental impacts of its operations in 2016.

Metal reflective plates were put along the NLGM boundary fence to assist animals in identifying the fence as a barrier, greatly reducing the number of animals found on site. Additionally, the Company carried out site wide awareness training on waste management, chemical management, material use and water management. This contributed positively to appropriate waste management, reduction of hydrocarbon spillages incidents and proper material usage and led to a decrease in cumulative environmental incidents<sup>2</sup> in 2016.

### Cumulative environmental incidents



<sup>1</sup> A reportable incident is an incident that is reported to local authorities or Government if it is above the acceptable Regulatory Requirements taking into account the magnitude and severity of impact. NLGM is located in a forest reserve (Patamela Forest) and it is a legal requirement to report any serious incidents relating to flora and fauna.

<sup>2</sup> The Environmental Incidents shown in the graph includes reportable and non-reportable incidents





### Transport

SGL takes necessary measures to mitigate the impacts its transportation can potentially have on the environment including soil erosion, spills of hazardous materials, noise and air pollution. Applicable environmental obligations<sup>1</sup> are considered when assessing impacts created by the Company's transportation. The criteria and methodology used to determine which environmental impacts are significant include:

1. The likelihood of occurrence
2. The severity of the impact on the environment
3. The extent to which this impact affects various stakeholders; and
4. The cost associated with corrective measures.

SGL mitigates the environmental impacts of transporting products, members of its workforce, and other goods and materials by:

1. Training and creating awareness within the transportation team
2. Use of speed control measures

3. Use of Safe Operating Procedures (SOPs) and working instructions including defensive driving techniques
4. Creating community awareness of the potential impacts of the Company's transportation and giving notification of when the Company is transporting hazardous materials; and
5. Ensuring that the service providers' vehicles that transport hazardous chemicals are properly labelled and the crews are trained and competent.

### NLGM energy supply

Year	Fuel		Solar plant		
	Heavy fuel oil HFO) (L)	Diesel (L)	Power generated (Mwh)	Power generated (Mwh)	Carbon dioxide saved (Ton)
2014	3,242,396	1,951,744	19,727	50	35
2015	4,366,191	988,174	19,811	96	67
2016	4,466,936	1,275,103	21,605	95	67

In 2016, there was significant expansion of the NLGM operations and therefore greater demand for energy (fuel and electricity). Despite this, NLGM's energy consumption did not significantly increase from 2015, this was a direct result of its conservation and efficiency initiatives. SMCL increased awareness amongst its employees of the importance of energy conservation such as switching off lights and air conditioning when not in use. Moreover, NLGM decreased fuel theft onsite with the assistance of its Asset Protection team.

<sup>1</sup> Water Resources Management Act, 2009; Water Resources Management (water abstraction, use and discharge) Regulation, 2010; Ground Water Regulation, 2013; Environmental Management Act, 2004; The Industrial and Consumer Chemicals (management and control) Act, 2003; The Mining Act, 2010; The Occupation Health and Safety Act, 2003; The Land (amendment) Act, 2004; The Environmental Management (air quality standard) Regulation, 2007; The Environmental Management (hazardous waste control and management) Regulation, 2009; The Environmental Management (water quality standard) Regulation, 2007; Environmental Management (solid waste management) Regulation, 2009; Wildlife Act, 2009.

## Case study

### Power Station

NLGM is not connected to the national grid and it generates its own power. As a result of its move from surface mining to underground mining its power consumption has increased to include main and auxiliary fans, mining equipment, compressors, de-watering pumps and lighting. NLGM projects that its power demand will increase from 3.3 megawatts to 6 megawatts. In preparation, a new Heavy Fuel Oil (HFO) fired power station was constructed through 2016 and commissioned in February 2017.

The power station is a 7.5 megawatt, state of the art facility using both HFO and DFO (diesel). The generators start using DFO and after reaching 25% load, move over to HFO as a significantly lower cost fuel. Importantly, the HFO engines last much longer than DFO – >20 years as opposed to 3 years. Power makes up about 60% of NLGM's process costs, therefore the savings from the power plant will be significant. The new power station can generate enough power for the process plant as well as the demand of the new underground mine.

In November 2016, SMCL awarded a contract to expand the solar capacity at NLGM. The expansion project is the second phase of New Luika's solar hybridisation. Increased solar energy use at the mine is provided by a low-cost, contracted solar power service, which will reduce fuel cost and fuel transport logistics. This provides NLGM, as an off-grid mine, a reliable, renewable energy solution.

The new 609 kW plant will produce around 940 000 kWh per year in addition to the 63 kW that was installed as a pilot plant in 2014. The current 63 kW plant produces around 96,000 kWh per year, but once the new plant is up and running, it will produce an estimated 1 040 000 kWh per year. Below are more technical specifications about the capacity of the plant:

- Each year the plant will supply on average more than 1,500 kWh's per kWp
- The current estimated fuel saving at the plant is 28 000 litres of fuel, which will increase to around 250 000 litres in Phase 2; and
- Phase 2 CO2 savings are estimated at 350 tons.

Work on the expansion project has already begun and will continue into 2017.



## Water Management

Water	
Surface water withdrawal (m <sup>3</sup> )	408,435
Ground water withdrawal (m <sup>3</sup> )	109,500
Total water withdrawal (m <sup>3</sup> )	517,935
Water recycled and reused (percentage of the total water withdrawal)	36%
Water discharge (m <sup>3</sup> )	0

The Luika River flows on average from December to June each year. It is an important source of water for the local communities and NLGM, for potable use, mining and agricultural activities. The river flows into Lake Rukwa which is a valuable resource for fishing. In 2016, NLGM abstracted 408 435 m<sup>3</sup> of surface water from Luika River. This is estimated at around 2% of annual flow.

In the dry season both local communities and NLGM rely on other sources of water. NLGM has boreholes, each approximately 70 meters deep and giving an average daily yield of 100m<sup>3</sup>. In 2016, 109 500m<sup>3</sup> of water was abstracted from these boreholes.

Waste water from various processes on site (including grey water) is collected via waste water systems, treated and re-used in the processing plant. NLGM has a zero-water discharge policy and in 2016 there was no contaminated water discharge into the environment. 36% of the water that was abstracted, both surface water (river) and groundwater (boreholes) was recycled and reused.



## Case study

### Luika Dam

NLGM relies on Luika River for its water supply. Luika river is a seasonal river that stops flowing on average for five months every year. In those months when the water in the Luika River does not flow, NLGM was exposed to water shortages for process operations and for the camp. Based on the need to secure an economic and reliable water source, the Company looked at alternatives to ensure its water security and put in place a plan to build a new dam over the Luika River.

The dam was hand built by more than 100 local people over an 8-month construction period. Hand-picked rocks were used from NLGM's open-pit mine waste dumps and were hand placed to create a mass gravity dam.

The Luika River dam holds 350,000 cubic metres of water and has a 100m wide spillway. This is sufficient to last NLGM for approximately 5 months, taking into consideration evaporation and other natural factors. The dam is designed in such a way that NLGM can increase the dam's capacity from 350,000 to 1,700,000 cubic metres by raising the height of the wall. Such

an expansion would be linked to a community project and or an expansion in the mining operation.

When the river is flowing, it has a very high siltation load which if not controlled could consume valuable storage capacity. To solve this problem, there is a scour valve in the dam wall that eliminates the build-up of sediment. Additionally, the dam is designed to withstand any seismic activity that may impact the area. It is a significant piece of infrastructure and, while it's there to service NLGM over the life of the mine, ultimately it will become part of the regional infrastructure for Songwe.

#### *Biodiversity*

New Luika Gold Mine Licences cover a total area of about 1580 Ha. Of this, 29.6 Ha of land has been disturbed and not yet been rehabilitated. Technical studies for mine closure were undertaken in 2016. Plans for progressive rehabilitation are in place and with the closure of the Luika Pit in 2016, the shaping of the Luika waste rock dump for subsequent rehabilitation is ongoing.

Of the total land disturbed, 19.3 Ha is within the Patamela Forest Reserve. *Pterocarpus angolensis* DC or Bleedwood tree is found in the Patamela Forest Reserve listed as near threatened.



NLGM's operations directly impact this threatened species as well as other local fauna.

In 2016, NLGM addressed the impacts on the forest by offsetting any unavoidable impacts on biodiversity and supporting conservation activities in the communities surrounding NLGM. The Company has begun plans to rehabilitate the impacted areas through establishment of vegetation cover and recreating biodiverse ecosystems that interacts sustainably with the surrounding landscape as part of the Closure Plan. NLGM conducted its bi-annual Flora and Fauna surveys to find out if there were significant changes from the baseline studies. Internal administrative controls such as the introduction of clearance and excavation permit's have also been put in place.

#### Air quality

Air quality monitoring stations are located at strategic areas around NLGM. Some are located upwind and some downwind of the operations. Ambient air quality monitoring for pollutants (SO<sub>2</sub>, NO<sub>2</sub>, NO, CO and CO<sub>2</sub>) which are considered harmful to public health and environment was conducted during 2016. The results for all parameters were within Tanzania Bureau of Standards ("TBS") for air quality standard.

Dust monitoring for the same period was conducted. Results for particulate matters were less than ten microns ("PM 10") and total suspended particles ("TSP") were within the allowable limit's.

In 2016, SMCL developed and began implementation of an air quality monitoring system at NLGM. To manage fugitive emissions, the Company uses water to suppress dust on all its roads on a daily basis. During the dry season, molasses is applied on haul roads to bind the surface and reduce dust. Moreover, speed bumps and signs are placed on all the Company's roads to control speed that could lead to generation of dust. All the Company's equipment and machinery is maintained to ensure that fuel consumption and combustion is efficient. All solid waste is incinerated in an enclosed incinerator and no open burning is permitted.

#### Waste management

Waste	Waste treatment method	Total for 2016 (tonnes)
<b>Non-hazardous waste</b>		
General and domestic waste	Landfill	190
Waste oil	Recycled by waste contractor	94.7
Oil filter	Recycled by waste contractor	3.8
Worn out tyres	Recycled by waste contractor	8.2
Scrap metal	Recycled by waste contractor	278
Plastic bottles	Recycled by waste contractor	9
Wood	Reused/incinerated	40
Used batteries	Reused/recycled	2
Old clothes/boxes	Reused/incinerated	1.8
<b>Non-hazardous waste</b>		
Cyanide boxes	Incinerated	2
Clinical waste	Incinerated	0.7

NLGM decreased the amount of waste disposed of in the landfill and increased the amount of waste recycled. The general and domestic landfill decreased from 210 tonnes in 2015 to 190 tonnes in 2016.

#### Land use management

NLGM owns, leases and manages a total of 15.7 km<sup>2</sup> of land which is a combination of its three mining licences.

Land	Km <sup>3</sup>
Land footprint—total disturbed	2.65
Land footprint—total disturbed and within protected area (Patamela Forest)	1.93
Land footprint—disturbed within 2016	0.31
Land footprint—rehabilitated	0

#### Tailings

At NLGM the tailings facility is a pond/impoundment. The key risks associated with this is seepage causing ground water pollution. In 2016, a total of 226,710m<sup>3</sup> of tailings were generated.

## Case study

### New Luika Gold Mine (NLGM): New Tailings Storage Facility (TSF)

SMCL has been working with the Government of Tanzania at all levels since 2015 to gain approval for the installation of a new fit for purpose, appropriate, compliant and cost effective Tailings Storage Facility (“TSF”) at NLGM to secure operationing capacity for a further 8 years at current production. Approval for the new TSF was granted with the issue of an Environmental Permit received from the Minister of State (Environment), Office of the Vice President on 25 February 2016. The Ministry of Water and Irrigation provided it's approval on an improved design (i.e. better than that approved by NEMC) on 11 July 2016, signed by the Permanent Secretary.

The TSF design approved by the Minister of the Environment was based around an unlined facility which took into account the high impermeability of the local soils and strata and the very low contamination risk due to the benign nature of the tailings. The Ministry of Water, in partnership with SMCL subsequently agreed to an upgraded design which included a central clay liner to provide even greater assurance.

This new TSF is crucial for NLGM's ongoing operation. SMCL has through specialist engineering design and project engagement identified the most scientifically sound methodology for this new TSF. As with all industrial applications, SGL's methodologies adapt as the mining industry advances in new knowledge and learning. This process of continuous improvement is the hallmark of productive, responsive and environmentally responsible industrial development. We have employed this process of prudent, continuous improvement to the staged design of the new TSF.





# Valuing our people and realising diversity

## Our Position

We are respectful towards one another and we acknowledge and value our diversity.

## Our Performance

At SMCL, as at 31 December 2016, there were 1,207 employees, including permanent, fixed term contract, contractors and temporary employees. 1164 of these employees were male, and 43 female.

Employees by gender and employment type	Male	Female	Total
Permanent employees	398	13	411
Fixed term contract employees (Expats)	24	0	24
<b>Total SMCL employees</b>	<b>422</b>	<b>13</b>	<b>435</b>
Temporary employees	91	0	91
Contractors	651	30	681
<b>Total</b>	<b>1,164</b>	<b>43</b>	<b>1,207</b>

There are 411 permanent employees with open ended contracts. Of this total, 13 are female and 398 are male

SGL provides the following standard benefit's for full-time employees (temporary or part-time employees may receive certain of these benefit's):

- Health care
- Leave
- Retirement provision
- Travel allowance
- Loans from financial institutions
- Incentive and bonus schemes; and
- Training and personal development plan

The Company applies a policy of promotion from within whenever possible and all positions are advertised internally in the first instance.

SMCL applies the Tsh 400,000 minimum wage recommended by the government in mining sector. The specific wage per employee is dependent on the job grade, experience

and qualifications. This is applies equally to both male and female employees.

SMCL employs locals from surrounding villages, Tanzanian nationals and expats from other countries. Currently, 49% of our total Tanzanian workforce at NLGM is hired from the local community (Maleza, Mbangala, Saza, Patamela and Mkwajuni villages).

The table below shows the breakdown of the 435 permanent and fixed-term employees by region and gender

SMCL employees by region and gender	Male	Female	Total
International	24	0	24
National	194	5	199
Local villages	204	8	212
<b>Total</b>	<b>422</b>	<b>13</b>	<b>435</b>

SGL has a common practice of granting preference to local residents when hiring in our operations. It coordinates with village leaders and councillors to find out if the skills needed on site are available in the nearby villages, and we only outsource when the skills are not available. In a rapidly globalising world, the benefit's of hiring and developing local talent is more important than ever before. The advantages include the deep knowledge locals have of the local culture and business practices, fluency in the local language and the ability to manage people according to local practices. However, given the remote location of the mine in South West Tanzania, there is a limited pool of local people that have some of the specialised skills needed in the mining industry. Qualified locals are hard to find and retain. In response to this gap in local skills, we meticulously explore local talent pools and invest heavily in training programs to develop and retain local talent. In 2016, SGL trained a total of 742 local employees and offered 3 locals scholarships. The engagement of expatriates is a risk management issue for the Company. If the requisite skills are not available in country, only then expatriates will be used.



## Case study

### Localisation

#### Technical Services and Mining Department

The Technical Services and Mining Department at our New Luika Gold Mine (NLGM) project encompasses Mine Planning, Mining Operations, Mine Geology and Mine Survey. Localisation in this department is high at 97.1%. The department employs a total of 66 employees, of which 65 are Tanzanian nationals and one is an expatriate. Expatriate employees are not permanent employees, they are engaged in specialised tasks with an emphasis on training, and their contracts do not exceed two years.

The table below provides a summary of the department's skills in FY2016:

	National	Expatriate	Subtotal
Technical Services Manager	1	0	1
Pit Superintendent	2	0	2
Chief Mine Geologist	1	0	1
Chief Mine Surveyor	1	0	1
Senior Mining Engineer	2	0	2
Senior Mine Surveyor	2	0	2
Senior Mine Geologist	1	0	1
Mine Geologist	3	1	4
Mine Surveyor	3	0	3
Mining Engineer	3	0	3
Graduate Mining Engineer	1	0	1
Pit Supervisor	5	0	5
Data Clerk	1	0	1
Mine Dispatch	1	0	1
Spotter	4	0	4
Service Support	3	0	3
Geological Technician	6	0	6
Sampler	19	0	19
Survey Assistant	6	0	6
Total	65	1	66

SMCL continues its efforts to maximise its localisation in the Technical Services and Mining Department by identifying and attracting suitably qualified Tanzanian nationals. It employs new graduates across all disciplines, and provides them with suitable skills development programs with a goal of retaining their talent once they complete the program. This strategy attracts and develops local skills and is viewed very positively by all employees.

In September 2016, SMCL put into action a new contract in partnership with our mining contractor, BC Mining. The terms of this new contract are based on equipment hire with SMCL overseeing all open pit mining operations. The production months of July and August 2016 saw us go through a transition

period, from operations that were wholly supervised by the contractor to supervising our own operations. Understandably, there was a general feeling of uncertainty of whether we would be able to maintain the same quality of operations at NLGM. Our Technical Services and Mining Department managed a seamless transition, utilising our predominant local skills. Two external consultants (expatriates) who were tasked with specific quality assurance and quality control roles were involved in the process.

#### Asset Protection

Our Asset Protection department at NLGM has a total of 103 staff members, with five expatriates on the team. Localisation in this department is also high at 95.1%. The 98 Tanzanian nationals include locals from four local villages: Saza; Maleza; Mbanga; and Patamela, as well as local nationals from other areas of the country.

The table below provides a summary of the department's skills in 2016:

	National	Expatriate	Subtotal
Group Security Manager	0	1	1
High-Risk Security Specialist	0	1	1
Gold Room Security Supervisor	1	3	4
Asset Protection Coordinator (Operations)	1	0	1
Asset Protection Coordinator (Investigations)	1	0	1
Asset Protection Administration Supervisor	1	0	1
Asset Protection Community Liaison Officer	1	0	1
Asset Protection SOC (CCTV & Watch keeper)	8	0	8
Asset Protection Team Leader	3	0	3
Asset Protection Operative	82	0	82
Total	98	5	103

The Asset Protection department aims to maintain a balance of employees from the local communities and elsewhere in Tanzania in order to reduce the opportunity for collusion.



## VALUING OUR PEOPLE AND REALISING DIVERSITY

In 2016, SMCL hired 70 new employees and had a turnover of 13 employees.

	Male	Female	Total
<b>SMCL employee new hires</b>	5	0	5
National	91	2	93
Local villages	62	8	70
<b>SMCL employees turnover</b>			
International	4	0	4
National	9	0	9
Local villages	13	0	13
<b>SMCL employee new hires and turnover rate</b>	<b>Employee new hires rate</b>	<b>Employee turnover rate</b>	
International	1%	1%	
National	21%	2%	
Local villages	16%	3%	



# Respecting human rights

## Our Position

SGL recognises that its operations could, if unmanaged, potentially have varying impacts on communities and infringe on their human rights, particularly vulnerable groups. The Company acknowledges that some households are more vulnerable than others. Households that are particularly vulnerable include landless squatters and tenants and those with limited labour resources, such as households headed by women, the elderly, nomadic tribes and those in poor health.

In some cases, a pre-existing vulnerability exists regardless of the project development as a result of poverty in the project area. Project-induced vulnerability, on the other hand, is caused

by project related physical and economic displacement. These households are coping on their own, but the changes brought about by the project may cause impoverishment.

The Company's aim is to mitigate these impacts by giving special consideration to vulnerable groups during land access and resettlement processes and respecting their human rights.

## Our Performance

### *Voluntary Principles on Security and Human Rights*

As part of SGL's values, our compliance with national and international law, our commitments in terms of lending covenants, and international guidelines, the Company ensures it



understands it's business in the context of human rights. A key risk area is the exposure of security personnel to situations that may impact human rights. SGL's asset protection professionals are essential to uphold security and create the right relationship to ensure respect for human rights.

In 2016, SGL started training on the Voluntary Principles on Security and Human Rights (VPSHR) with NLGM's internal and contracted security personnel. Two group training sessions were carried out. One group comprised of 80 Asset Protection Operatives ("APO's") and the other 9 Field Force Unit personnel ("FFU's").

In training the following topics were covered:

- What are human rights and a brief history of human rights?
- The importance of human rights in terms of SGL's mission, vision and values
- What are Voluntary Principles on Security and Human Rights?
- Why does SGL need to implement these?
- How do we go about implementing the guidelines?
- Benefit's to SGL for implementing the Voluntary Principles
- Collaborative engagement and stakeholder interaction.

Voluntary Principles on Security and Human Rights training will continue in 2017, involving both internal and external stakeholders. The training material will also be translated and published to Kiswahili in order to reach an even wider audience.

### Resettlement

In 2016, a resettlement process, which would see eight families in the Elizabeth Hill and Shamba areas resettled, began at NLGM. The consultation process with the families to be resettled included visit's by the SMCL resettlement team where the resettlement process was explained, the families' belongings were recorded and their land was plotted using GPS. The SMCL resettlement team comprised of a Community Relations Officer, representatives of the Sustainability and Asset Protection teams as well as Mbangala and Saza Village leaders. This resettlement engagement process is ongoing.

In 2012, SGL completed an Environmental and Social Impact Assessment (ESIA) in Singida. The ESIA was conducted for a large-scale mining project envisaged at that time. The ESIA carried out in 2012 provides information for a medium scale (40,000 oz/pa) medium term (5 years) project which required extensive resettlement. Due to the smaller scale of a pilot project at Singida that SMCL has chosen to proceed with, the resettlement exercise has not been as widespread. In 2016, at the site of the Singida pilot project, 16 graves were relocated, three families were resettled and land compensation was independently assessed for affected parties.





# Protecting our people and assets

## Our position

SGL is committed to maintaining an appropriate combination of skills and experience that support SGL's security model to protect our people and assets.

## Our performance

### Illegal Mining

In 2016, there was a significant increase of illegal miners encroaching on NLGM licensed land. 75% of this activity was in the southern boundary and 25% in the eastern boundary. However, as can be seen in the table below, the number of illegal miners around NLGM's licence dropped in the last months of 2016. The decrease in illegal mining activity was a result of the successful intervention of the new District Commissioner of the new Songwe District in partnership with NLGM's Asset Protection Department.

Month	Number of illegal miners
January	207
February	61
March	366
April	282
May	266
June	270
July	260
August	490
September	266
October	16
November	2
December	35

patrols the license boundaries daily and reports any illegal mining activity or evidence of their presence. If possible, responsible individuals are temporarily detained, long enough to get their details and pass them on to the local community police force. Generally, this is enough to deter incursions but some do try again. Repeat offenders or those who become aggressive or show signs of aggression are dealt with by the police.

On a daily basis, however, the risk posed by illegal mining activities to NLGM's operations is low. This is because the tools the illegal miners use are picks and shovels. This method of mining poses minimal threat to our resources but does cause environmental destruction which can be in areas that are not covered by our own mining plans. SGL understands that the key to the success of protecting our people and assets is continuous engagement with local government and police while at the same time assisting to provide an alternative livelihood that does not require people to risk their lives for a life of perpetual poverty.

In 2016, the Company identified a high-risk area at Elizabeth Hill, where there are exposed orebodies which are attractive to illegal miners. In the course of their activities, illegal and artisanal miners leave deep, dangerous, open excavations and create extensive environmental damage. To mitigate this and any other possible threats, the Asset Protection Department







# Our way forward

In 2017, SGL will continue to work responsibly to maintain its sustainability performance. The following key elements will define our activities during the 2017 Financial Year:

1. Engagement with key stakeholders, including District, Regional and National Government
2. Regional and District level partnership implementation, with a core focus on Asset Protection and Community Engagement
3. Continued implementation of the Sustainability Management Standards and Management Framework – with a particular focus on Health and Environment
4. Documenting the SGL and SMCL story – and roll-out of the corporate video
5. Educating key stakeholders on the scourge of artisanal mining and charcoal related deforestation; and
6. Operational excellence through proactive sustainability risk management.







