SHANTA GOLD

2020

Annual Report and Accounts


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Country of incorporation
Guernsey

Nature of business
East Africa-focused gold producer, developer and explorer

Company registration number
43133

Registered office
11 New Street
St Peter Port
Guernsey GY1 2PF

Secretary
Vistra Fund Services (Guernsey) Limited
11 New Street
St Peter Port
Guernsey GY1 3EG

Auditor
BDO LLP
55 Baker Street
London W1U 7EU

Nominated advisor and broker
Liberum Capital Limited
Ropemaker Place, Level 12
25 Ropemaker Street
London EC2Y 9LY

Joint Broker
Tamesis Partners LLP
125 Old Broad Street
London EC2N 1AR

Website
www.shantagold.com

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About Shanta Gold

Shanta Gold is an East Africa-focused gold producer. It currently has defined ore resources at the New Luika Gold Mine ("New Luika") and the Singida Project ("Singida") in Tanzania and holds exploration licences covering approximately 1,100 km^2 in the country. Shanta Gold also owns the West Kenya Project in Kenya with defined ore resources of 1.2 Mt grading 12.6 g/t and holds approximately 1,121 km^2 wholly owned exploration licences and 40 km^2 partially owned licences in the country.

Shanta's flagship New Luika Gold Mine commenced production in 2012 and produced 82,978 ounces in 2020. The Company is listed on the AIM Market (AIM) of the London Stock Exchange (ticker: SHG) and has approximately 1,048 million shares in issue.

For further information please visit: www.shantagold.com.


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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 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 long-standing links to East Africa.

Eric Zurrin

Chief Executive Officer, Director

Eric Zurrin has 20 years' experience in mining and investment banking including previous roles with UBS Investment Bank and BMO Capital Markets. Eric has worked and lived in North America, the UK, Asia and Africa and held senior positions in advisory, private equity and operational roles. Eric is a Canadian national and completed his Bachelor of Commerce Hons. (Accounting) in Canada.

Luke Leslie

Chief Financial Officer, Director

Luke is a mining investor with a background in Mergers & Acquisitions. He was formerly a member of UBS Investment Bank's Corporate Finance team based in London. Luke began his career as a management consultant with Accenture where he specialised in post-acquisition integration and cost reduction strategies.

Ketan Patel
Non-executive Director

Mr Patel was a founder of Shanta Mining Company Limited (now a subsidiary of Shanta Gold) in 2001 and chairs the company's 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 is currently the interim CEO for SolGold. His previous operational roles were 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

Despite a global COVID-19 pandemic and the consequent disruptions to supply chains, Shanta Gold has had a record year. We have taken the opportunity to strengthen the business through the acquisition of the West Kenya Project from Barrick Gold and construction has started at Shanta's second mine at the Singida project where the first gold pour is expected in late 2022.

Our underlying EBITDA increased 34% on 2019 to US$63.9 million, buoyed by higher gold prices. We also achieved a record net profit of US$17.2 million. During the year, Shanta extinguished its hedge book and significantly deleveraged, moving from a net debt position of US$14.3 million to finish the year with a net cash position of US$37.3 million. Importantly, the team at New Luika continued to meet high safety standards recording a third full year of zero Lost Time Injuries.

Performance and operating highlights

As the COVID-19 pandemic spread rapidly across the globe, Shanta was quick to implement safety protocols across its operations while increasing critical inventories at New Luika and forging new partnerships to prevent disruption to the operations. As a result, New Luika had another steady year of production and costs were within guidance. We expanded the plant towards the end of the year to allow for the processing of lower grade ore. The Company continued to target costs with significant savings achieved from the partial integration of the national power grid. In 2020 we replaced ounces ("oz") and increased the mine life at New Luika for a second consecutive year, through successful exploration campaigns.

Portfolio developments

The acquisition of the West Kenya Project plays to the Company's strengths as a Long Hole Open Stoping specialist. This project is a high-quality addition to Shanta's asset portfolio, believed to be among the highest grading gold projects in Africa. Following the successful equity raise conducted in the year, drilling is now underway to determine the viability of a new gold mine.

Construction is underway at Singida which is being funded from free cash flow generation at New Luika. Once in production the project is expected to produce an average of 32,000 oz of gold annually over an initial seven-year mine life. We expect Singida to transform lives for the better in the Ikungi region of Central Tanzania.

Sustainability

Our economic contributions in Tanzania continue to be significant. In 2020 the Company paid US$26 million to the Government of Tanzania in the form of taxes and royalties. New Luika supports the local economy in Songwe through provision of employment opportunities and skill-based training initiatives, and all our operations provide indirect contributions via their supply chains which consist almost exclusively of Tanzanian or Kenyan vendors. We aim to have a workforce that reflects the countries that we operate in and 99% of our employees are Tanzanian or Kenyan nationals, with 40% of the Group's employees coming from communities neighbouring New Luika.

The Company places great importance on its social and environmental responsibilities. In recognition of this we will publish our 2021 Sustainability Report later this year, detailing our ambitions for increasing the Company's positive impact in the future.

Business and market outlook

In 2021, Shanta will benefit from a strong balance sheet and operations generating healthy cash flows. We are now investing in the largest exploration programme in Shanta's history with 6 drill rigs currently operating in parallel across three projects which we expect to extend mine life and provide growth.

I am delighted to be in a position to announce that the Board has proposed a final dividend of 0.10 pence per share to be paid in April 2021, subject to shareholder approval.

Robin Fryer, who has been a Non-Executive Director and Chairman of the Board's Audit Committee for seven years, has decided to retire after the AGM. I would like here to recognize his most valuable contribution to the Company's transformation and to its current financial health, and to wish him well for the future. We will be taking the opportunity to make new appointments to our Board and expect to make a further announcement on this shortly.

During 2020 our employees have performed exceptionally once again in difficult conditions. On behalf of the Board I would like to thank them for their dedication and hard work. I would also like to thank our shareholders for their support and the communities for hosting our projects. We enter 2021 committed to build on our consistent record, and excited for the opportunities that lie ahead.

Anthony Durrant
Chairman

1 March 2021

Chief Executive Officer's Review

During the year Shanta made great strides across its portfolio, acquiring the high-grade West Kenya Project from Barrick Gold, beginning mine construction at Singida and increasing the mine life at New Luika. There is now significant future value embedded in the portfolio.

We finished the year meeting the better end of guidance for production and cost and established new safety records. In a year where disruptions were felt across the supply chain, working procedures had to be changed to ensure safety at the mine, including the lengthening of rotation periods. I would like to extend my gratitude to our employees for the sacrifices this entailed together with their tireless hard work and commitment to our operations, which ensured a successful 2020 for our shareholders.

Shanta's investment proposition is robust, with a diversified and highly complementary asset portfolio. The Company is in excellent financial health, completing the year with US$37.3 million of net cash and with most of the remaining US$11.4 million of outstanding debt expected to be repaid in April 2021. The recent closure of the Company's hedge book provides our shareholders with full exposure to the gold price.

Shanta is now in a strong financial position which will enable us to expand our reserves, increase production and pay dividends. The Company will now start to pay dividends, and a final dividend has been proposed for payment in April 2021.

Highlights

Exceptional safety record
The Company delivered an industry-leading safety performance during the year. We adopted robust safeguards, introduced to mitigate the risks presented at our operations by COVID-19. These measures helped Shanta operate largely unaffected by the COVID-19 pandemic throughout 2020 and remain in place for the ongoing protection of our team.

There were no Lost Time Injuries ("LTI's") during 2020 and the Company has now surpassed a milestone 6 million man-hours without an LTI. Having now successfully operated for over three years without an LTI, Shanta continues to mark itself as one of the safest gold mining operations worldwide, achieving a Total Recordable Injury Frequency Rate ("TRIFR") (per 1 million hours worked) of 0.97 in the year, a 3% reduction from 2019 (1.00) and significantly below the global industry average of 3.20, as measured by the International Council of Mining and Metals. This represents a fifth successive annual decline in injuries.

Strengthening our core operations
The processing plant at New Luika processed a record ore tonnage in 2020. Plant expansion upgrades carried out at the end of the year have increased processing capacity by a further 14%. The team is working on realising additional efficiency gains from the processing plant in 2021.

Low-cost grid power contributed 12% of Shanta's power requirements during the year; lowering power costs, diversifying power source dependency and reducing the mine's carbon output. Shanta expects grid power contribution to increase to 37% by the second half of 2021.

AISC for 2020 were US$841 /oz, at the lower end of 2020 guidance of US$830 – 880 /oz. Development costs at the BC, Luika and Ilunga underground operations are not included in AISC.

Building the Singida Gold Mine
Following a successful drilling campaign, Singida's reserves and grade were increased to 243,000 oz at 3.00 g/t. The Company completed an internal Feasibility Study and started construction work in Q4 2020.

Economics released during the year outline a compelling business case for Singida, with considerable upside through potential conversion of mineral resources currently outside of the reserve-based mine plan. The project is projected to add gold production of 32,000 oz per year at an AISC of US$869 /oz. The Singida reserve sits within a substantial resource and the reserve announced represents just 27% of the existing total contained resources. Nearly all of this reserve is within 120 metres from the surface, highlighting the potential for reserve expansion.

The Singida Gold Mine will directly employ more than 220 people by late 2021 with the whole workforce expected to be Tanzanian. Singida will transform the Ikungi region in central Tanzania to benefit local communities with an estimated 5,000 people expected to benefit from direct and indirect employment as well as Shanta's livelihoods program. The mine is expected to contribute to advances in the local community's health, water and education, in line with the well-regarded CSR program at New Luika.

West Kenya Project acquisition

Shanta acquired the West Kenya Project from Barrick Gold on 19 August 2020 for purchase consideration of US$7.8 million cash and 54.6 million Shanta Gold ordinary shares. The consideration also included a two percent life of mine net smelter return (NSR) royalty over the project. The Project is believed to be one of the highest-grade gold projects in Africa, with an inferred resource of 1,182,000 oz grading 12.6 g/t. The licences cover 1,161 km^2 of the Lake Victoria greenstone gold field, which houses Global Tier 1 assets including North Mara and Geita Gold Mine. The acquisition gives Shanta the opportunity to establish itself as a major mining company in Kenya.

Shortly after the acquisition was completed, the Company announced the results of an independent Scoping Study for the Project. Highlights included a post-tax $NPV_{8\%}$ of US$340 million at a base case gold price of US$1,700 /oz and an unlevered IRR of 110%, with annual production for an initial estimated nine-year mine life averaging 105,000 oz.

The Company is committed to progressing the project to a construction decision, expected within the next three years. To finance this, gross proceeds of £32.2 million (approximately US$42.1 million) were raised during the year through the issue of an aggregate 194,884,309 shares at a price of 16.5 pence per Ordinary Share. This is expected to be sufficient for the Company to be able to confirm the viability of a potential new gold mine. Work is progressing well so far, with two drill rigs now operational on site, and the first phase of infill drilling underway.

Portfolio-wide exploration

The Company has a track record of replacing mined reserves at New Luika, with 173,000 oz of new reserves added in 2020 at a cost of US$19 /oz. This resulted in a net increase of 37,000 oz after production depletion and resource optimisation. All of New Luika's underground deposits drilled during 2020 remain open at depth and along strike.

Regionally, Shanta holds a sizeable portfolio of prospecting licences covering approximately 1,100 km^2 in the highly prospective Lupa Goldfield. During 2020, Shanta conducted additional works at one of its key regional targets, Porcupine South, following which it was able to declare a maiden open pit resource at the deposit of 64,000 oz at 2.08 g/t. On the back of this success, further exploration will be carried out at this target in 2021. Porcupine South is located approximately 22 km east of New Luika's processing plant and is within economically viable trucking distance.

During 2020, JORC compliant reserves across the Group increased by 82% to 625,000 oz at a grade of 3.00 g/t. Group resources increased by 75% to 3.2 million oz at a grade of 3.53 g/t, which was largely driven by the acquisition of the West Kenya Project (NI 43-101 compliant). These results reflect the increase in exploration expenditure during the year to US$4.8 million, which was 84% higher than 2019. The Company's reserves assume a long-term gold price of US$1,350 /oz.

Building on the exploration successes of 2020, the Board has approved an US$8.0 million Tanzanian exploration budget for 2021. Shanta recently announced the appointment of Mr Yuri Dobrotin as the Company's new Group Exploration Manager. A global expert in gold exploration, Yuri will be spearheading exploration activities across the Group with a primary focus on West Kenya. Adding new reserves to the respective mine plans can have a tremendous impact on shareholder value and we look forward to multiple exploration campaigns in 2021.

Final dividend proposed for April 2021

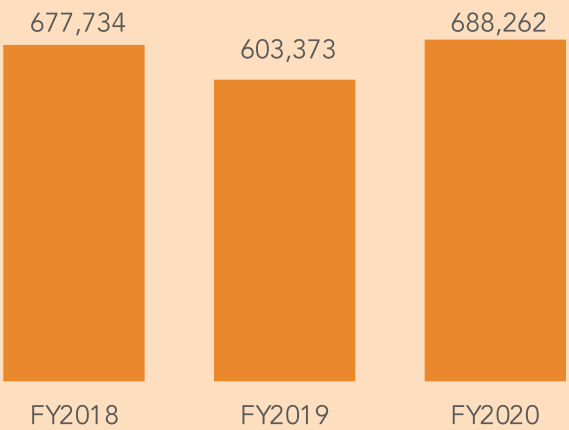
Significant free cashflow in 2020 helped Shanta continue its rapid deleveraging of recent years, with gross debt falling 48% in the year to US$11.4 million. The Company repaid its senior secured debt to Investec and entered a net cash position for the first time in its producing history.

Shanta Gold intends to pay a semi-annual dividend, commencing with a proposed final dividend of 0.10 pence per share. The Board will consider the Company's financial condition and outlook in determining or recommending future payments. This marks Shanta's transition into a

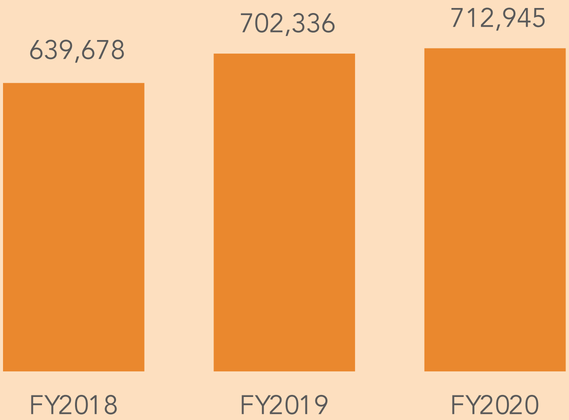
New Luika Gold Mine Operations Review

New Luika Gold Mine operations

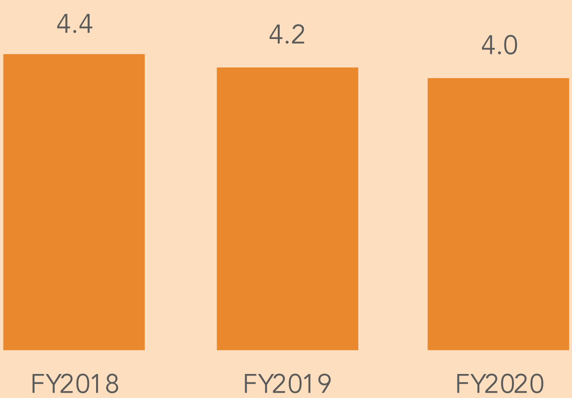
Tonnes ore mined



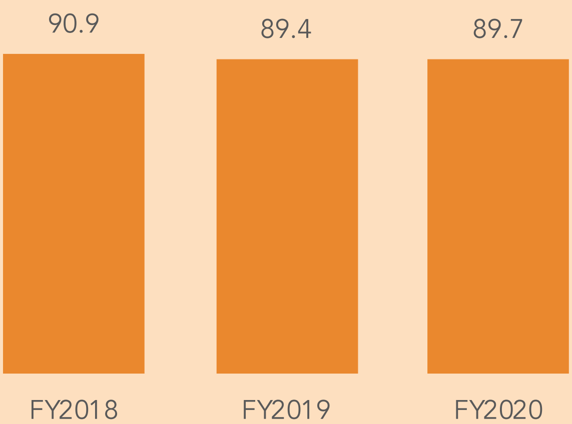
Tonnes ore milled



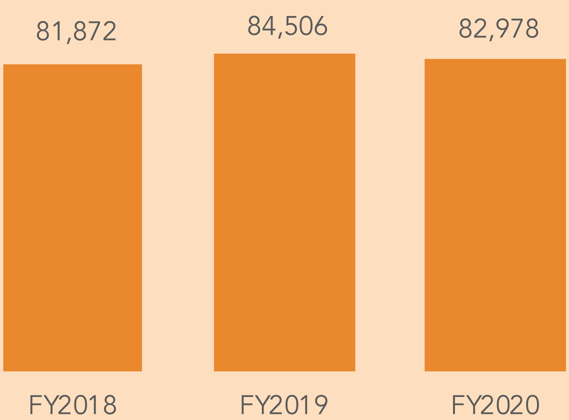
Grade (g/t)



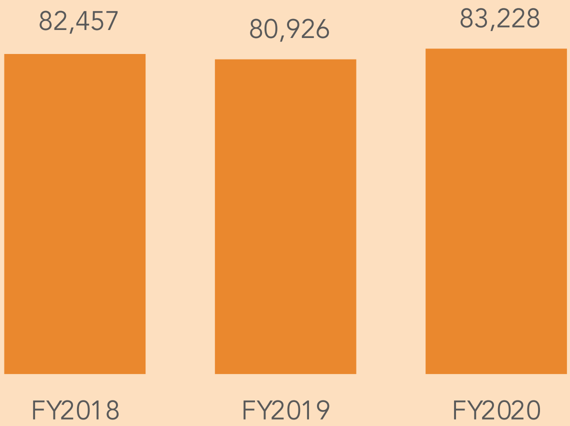
Recovery (%)



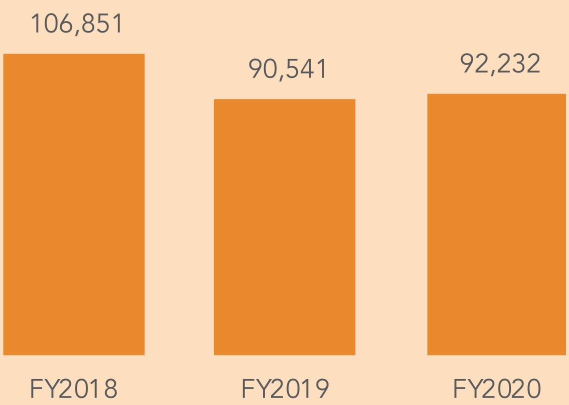
Gold production (ounces)



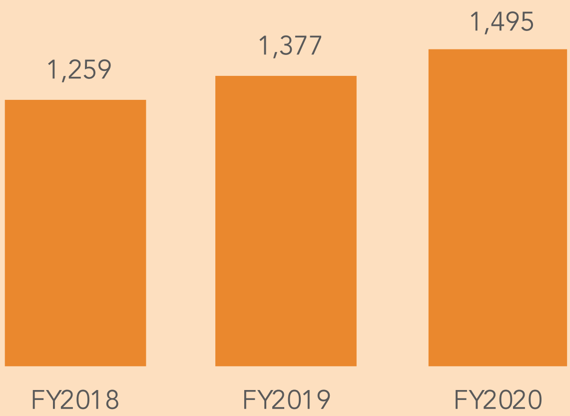
Gold sales (ounces)



Silver production (ounces)



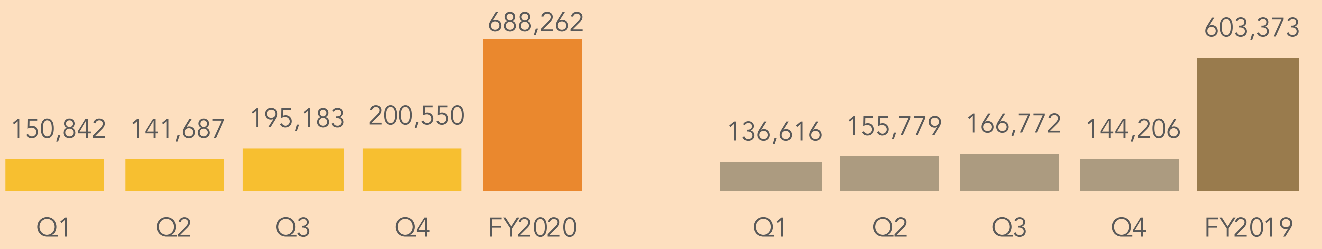
Realised gold price (US$/oz)



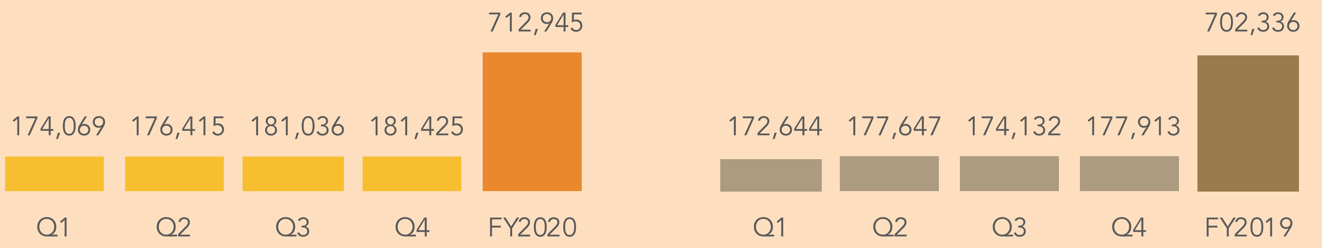
New Luika Gold Mine Operations Review

New Luika Gold Mine quarterly breakdown

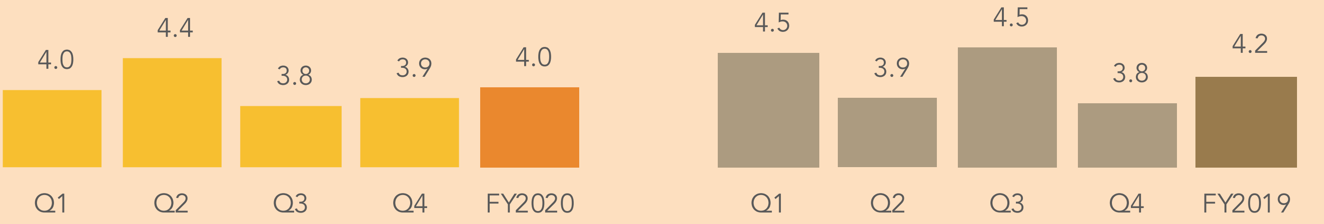
Tonnes ore mined



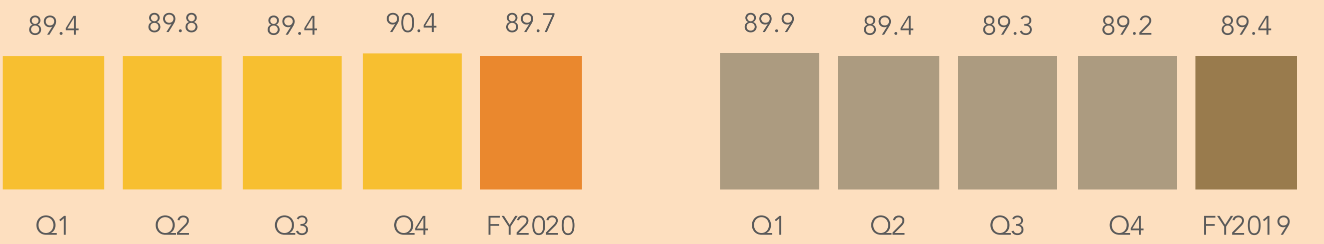
Tonnes ore milled



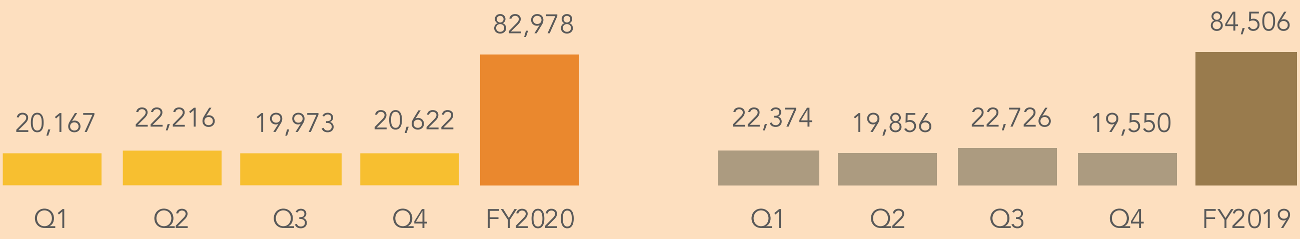
Grade (g/t)



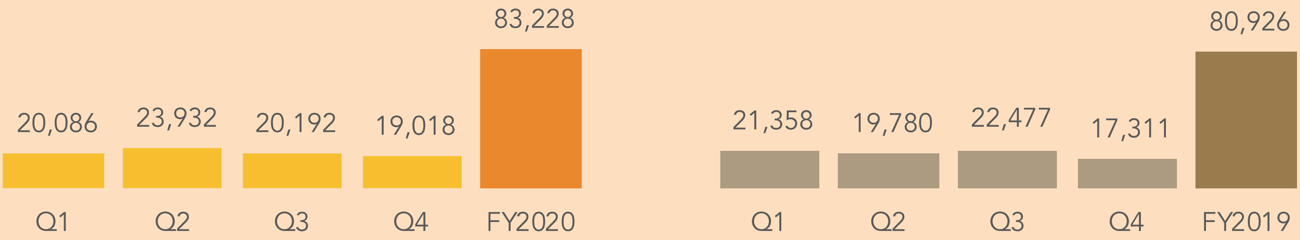
Recovery (%)



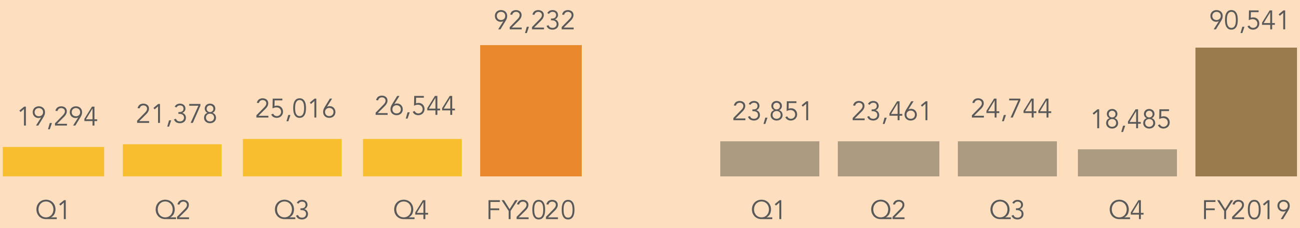
Gold production (ounces)



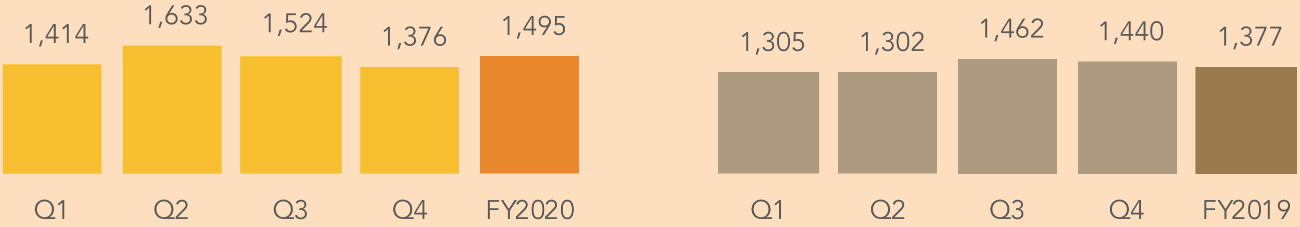
Gold sales (ounces)



Silver production (ounces)



Realised gold price (US$/oz)



dividend-paying multi-asset gold producer. I would like to personally thank all of our shareholders for their long-standing support as the Company moves forward into a new era of distributing a portion of cash returns to investors.

VAT status on refunds

The Company's VAT receivable rose to US$27.6 million at the end of the year. US$1.9 million of the receivable balance was offset against corporate taxes falling due in the year and the remaining VAT receivable is subject to verification audit by the Tanzanian Revenue Authority ("TRA") before being available for further offsets. The Company has taken extensive legal and tax advice to recover the VAT and is pursuing the appropriate avenues to recover the full balance as discussed in note 3.

Tanzanian legislative framework

During 2017, the Tanzanian Parliament enacted several legislative bills, which amended the Mining Act 2010 to provide for an increased government shareholding in mining projects. The amendments entitle the government to a minimum of 16% free carried interest in all mining projects, and the right to increase this commensurate with the value of historic tax reliefs and exemptions enjoyed by the mining company (up to a maximum of 50%). 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 preceded the announcement by Barrick Gold on 20 October 2019 that they had entered into a bilateral agreement to share the future economic benefits from Barrick Gold's mines in Tanzania on a 50/50 basis. It is management's view that a similar arrangement between Shanta and the Government of Tanzania could be required.

On 30 October 2020, the Mining (State Participation) Regulations 2020 were published, which expanded on this free-carried interest and provided that the Government of Tanzania shall enjoy the right to receive a proportionate share from any repayment of equity or loan.

It remains uncertain how the new legislative bills will be interpreted and implemented. To date, with the exception of the increase in royalties from 4% to 6% and the introduction of a clearing fee of 1% which was effective from July 2017, there has been no material impact on the Group. The Company continues to take in-country legal and tax advice to monitor the situation carefully.

Operations review

New Luika Operations Review

New Luika had another strong year and set an all-time record for tonnes milled. Total mill feed was 712,945 tonnes ("t") at an average grade of 4.0 g/t to produce 82,978 oz of gold, in line with guidance of 80,000-85,000 oz. The processing plant continues to operate above its nameplate processing capacity and upgrades have been made post year end to increase this further and drive greater throughput.

AISC[1] for the year were US$841/oz, at the lower end of guidance of US$830 – US$880/oz. The Group maintains a laser-like focus on its cost base and supplier contracts are reviewed on an ongoing basis. Following connection to the state ("TANESCO") power grid towards the end of 2019, low-cost grid power contributed 12% power requirements in 2020, resulting in a 19% reduction against budgeted power costs. This transition towards more grid power contribution is expected to increase to as high as 37% at New Luika by the second half of 2021.

Financial overview

Turnover for the year from sales of gold amounted to US$147.4 million, compared to US$112.8 million in 2019. This increase of 30.7% was largely driven by higher spot gold prices during the year. By the end of 2020 the Company had sold 83,228 oz of gold (2019: 80,926 oz), with a further 3,775 oz in transit to the refinery. A loss on non-hedge derivatives and other commodity contracts of US$11.7 million (2019: US$9.8 million) was incurred in the year and the Company is now unhedged.

Operating profit for the year was US$43.8 million (2019: US$5.1 million), heavily impacted by the improved gold price achieved per oz and reduced depreciation. EBITDA[2] amounted to US$63.9 million (2019: Adjusted EBITDA of US$47.7 million).

A profit before tax of US$39.0 million (2019: loss before tax of US$1.2 million) was recorded. A tax charge amounting to US$21.8 million (2019: US$8.3 million) resulted in a profit after tax of US$17.2 million (2019: loss after tax of US$9.5 million). The increased tax charge in 2020 reflects the Group's increased profitability and US$4.1 million recognised in respect of historical tax assessments conducted in the Period.

Unrestricted cash at the year-end totalled US$41.6 million (2019: US$3.5 million). At the end of the year the Company had net cash of US$37.3 million (2019: net debt of US$14.3 million), inclusive of liquidity available from 3,775 oz of unsold doré in transit at the end of 2020.

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

2 EBITDA is earnings before before tax, finance income, finance expense, 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. In 2019, Adjusted EBITDA was derived as EBITDA before non-cash loss on unsettled forward contracts.

Environment

Meeting our energy needs
We have taken steps in recent years to reduce our carbon footprint and increasingly power our operations from renewable sources. The solar hybrid power plant continues to provide New Luika with clean electricity, contributing 2% of New Luika's total power requirements in 2020. We were also able to meet 12% of New Luika's power requirements from the TANESCO grid, which draws 37% of its wattage from hydro-electric sources. The Company is committed to minimising its carbon footprint and alternative power sources are expected to be a contributor of reliable and clean energy for the mine moving forwards.

Managing our water supply
Consistent and plentiful water supply is a challenge in the Songwe region which has unpredictable rainfall and limited water infrastructure. We take our water stewardship responsibilities seriously and work to balance the needs of our operations without preventing access for others. Our water recovery program at New Luika means nearly 50% of water used in tailings is recovered via a Return Water Dam ("RWD"). We are committed to the responsible and efficient use of water and the team continue to look for ways to manage our consumption and find innovative solutions to water supply.

Responsible tailings and waste management
We prioritise careful waste management and take disposal of hazardous waste from our mining operations seriously. Our two Tailings Storage Facilities ("TSF's") have been carefully constructed to safely contain waste from ore processing. Waste rock from underground mining activities is deposited on professionally engineered waste rock dumps and in 2020 we started rehabilitating the Luika Waste Rock Dump by adding topsoil and planting vegetation, which will eventually repair the disturbed earth naturally.

Protecting biodiversity and closure planning
The Songwe region has a rich ecosystem and we try to harmonise our existence at New Luika with the wildlife and plant species that inhabit the area. A new onsite tree nursery plantation was completed at the start of 2020 to help with the reclamation of vegetation. In addition we communicate clear rules to visitors and employees regarding the safeguarding of wildlife and adhere to the local laws for their protection.

We understand that our legacy on the Songwe region will be felt long after mining activities have finished, and we therefore have detailed social and environmental plans in place for a successful closure of New Luika for our community and country stakeholders. The latest version of our detailed Mine Closure Plan ("MCP") was approved by the Mining Commission in 2020 and we will continue to update this as necessary to ensure we fully restore and rehabilitate the New Luika site after gold production has ceased.

Corporate social responsibility

People
Our employees are the Company's most important asset, and it is through their commitment and sustained efforts that we have succeeded in producing yet another set of strong results.

The Group's headcount, including employees at New Luika, Singida and West Kenya Project, totalled 764 people at the end of 2020 (2019: 748 people) and our Tanzanian staff span every discipline. The Executive Committee and Board of Directors of SMCL are led almost entirely by Tanzanian nationals.

At the end of 2020, 99% of the Company's workforce were from our host countries Tanzania or Kenya (2019: 99%) and approximately 40% of the Group's employees are from local communities around New Luika. This demonstrates the importance of our mine as a major employer for nearby villages and towns, driving the local economy in an area that continues to suffer from high unemployment and economic difficulties.

Business Sustainability
Shanta is committed to supporting social and economic development around the Company's producing mines. Ensuring that our presence and activities benefit all stakeholders is a core aspect of the Company's sustainability values.

We aim to support local businesses wherever possible and procure products locally to both streamline the Company's logistics and support the nearby economy. In 2020, 83% of New Luika's procurement was in-country.

Shanta was recently awarded first place in Local Content Performance for 2019/2020, as per Mining Act 123 in Tanzania, a testament to our invaluable Social License to operate.

The Company's CSR programme has been developed through the implementation of community initiatives that are devised with the direct engagement of key community and regional stakeholders. Shanta typically plays a partner role in these projects, providing funding where required but also ensuring capacity is built for the local populations to engage in self-sustaining development. The goal is for participants to retain learned skills that can be transferred to future generations, leaving a lasting impact.

Several new initiatives have been rolled out in 2020 and Education, Water, Livelihood and Health continue to represent the bedrock of Shanta's community priorities.

Education
The New Luika CSR team work closely with the Songwe regional leaders and head teachers at the primary and secondary schools in nearby Saza, Mbangala, Maleza and Patamela to understand the educational priorities of their

students. Shanta's team place great value on supporting local education and employees made various donations in the year. New Luika received 2,119 donated books that were distributed to five local primary schools and these are now kept in each school's library to ensure easy access. Shanta also partnered with several international suppliers in the year to provide desktop computers, laptops, projectors and printers for a new ICT lab at one of Songwe's Primary Schools.

For many years Shanta has supported regional educational infrastructure development projects in Songwe. In 2020 Shanta donated 1,000 corrugated iron roofing sheets and 1,000 bags of cement (50 kg each) for education infrastructure in the region. Several of Shanta's recent educational infrastructure development projects have now been completed. Two new staff houses constructed at Saza will help the local schools attract and retain high quality staff, and a further two are under construction at nearby Patamela. In Maleza, three classrooms have been added to the Primary School, expanding the number of classrooms to seven.

With many children having to travel a significant distance to reach schools in the region, damage to the roads can present access issues. After a crucial 5.5 km stretch of nearby road was damaged by flooding during the year, Shanta assisted rebuild efforts by accommodating the Tanzania National Roads Agency (TANROADS) at New Luika and supported the necessary upgrade by providing HDPE pipes and aggregates.

Over the past few years Shanta has provided teacher training to its local schools through a partnership with Hazelwood School (Charity Number 312081). National Standard 7 results were announced towards the end of the year and we were delighted that each of Maleza, Mbangala and Patamela's primary schools achieved a 100% pass rate.

Water

Availability of fresh water continues to be a massive challenge for much of the local population in Songwe and Singida, areas that suffer an extensive dry season, which can last for six months.

The challenge is often geographic, with residents in nearby Patamela historically relying on three distant hand-held pumps for their water supply. During the year Shanta installed new solar-powered water taps, benefiting approximately 2,000 people, and each home now has direct water access with the use of solar power having the added benefit of avoiding reliance on any additional electricity supply.

In 2021, plans are in place to connect our Luika dam reservoir to Mbangala, providing fresh water for approximately 7,600 people on a sustainable basis.

Livelihood

Farming is one of the key sources of income for the population in Songwe, but there are many ongoing challenges to this, particularly climate change, with the resulting droughts, floods, and temperature shocks causing income unpredictability. This has often meant people turning to artisanal and small-scale mining, which is dangerous and illegal. During the year, Shanta's emergency rescue team at New Luika responded to several incidents involving artisanal miners as well as a locally established mining company to evacuate their workers. Shanta works to enhance the livelihoods of those in the surrounding region by supporting a range of initiatives to help people find sustainable opportunities to generate income.

Shanta's farming collaboration with Export Trading Group ("ETG") has grown significantly since inception in 2016, and approximately 1,500 farmers are enrolled in the scheme which provides training on agriculture methods. In 2020 Shanta facilitated training to owners in the community on harvesting and post-harvest handling, and treatment advice regarding domestic animal diseases. In addition to training, Shanta purchased and distributed 3,800 kg of sesame and 300 kg of sunflower seeds for participating farmers unable to purchase these themselves. During the latest sesame harvest over 4,800 acres were cultivated with the participating farmers expected to earn in the region of US$1.0 million. This farming initiative continues to expand with optimised farming practices being adopted regionally.

Shanta has also championed other agricultural projects, and through its Mining Agriculture Improvement Project, has sponsored training and accreditation for 57 local farmers under TOSCI, the Government Institute responsible for the certification and promotion of quality agricultural seeds. The training provided under these schemes is crucial for imparting skills and knowledge to participants which are then transferrable into practice and ultimately will help participating farmers better optimise future crop harvests.

In addition to traditional farming, the beekeeping initiative rolled out by Shanta in 2018 at both Mbangala and Saza has progressed strongly. Newly trained residents enrolled in the programme harvested 2,350 kg of honey in 2020, an 161% annual increase. The number of beehives in operation has also increased from 143 to 250, and the participants are protected by clothing outfits and beehive huts all donated by New Luika. Towards the end of 2020 a honey processing plant was purchased locally and donated to the Mbanagala beekeeper's group. This equipment will help local honey processing become more efficient.

Health

Shanta supported the local response to the Coronavirus pandemic, working closely with authorities in the construction of a new District Coronavirus Patient Treatment Centre. Shanta completed electrical and window installation works, with wiring for the building completed in collaboration with TANESCO. In other efforts to support the Songwe region, the New Luika team donated chemical suits, masks, glasses and 1,000 litre water tanks to support the district's medical team.

Long-term health matters are a challenge for many in the local region, and a key success during the year was a one-day Community Health Bonanza delivered by Shanta's team at New Luika for the nearby villages of Mbangala and Saza. Over 500 residents were screened for various health-related matters including hypertension, diabetes, anaemia, and Body Mass Index ("BMI"). Patients who required treatment were provided with appropriate medicines and attendees also received health and nutritional education from medical doctors and nutritionists. Shanta collected 80 blood donations during the event, which significantly replenished the local District Blood Bank.

Outlook

Annual production guidance at New Luika for 2021 has been set at approximately 80,000 oz at an AISC of US$900-950 /oz[1] on a like-for-like basis, and US$1,050 – 1,100 / oz including development costs in line with the World Gold Council ("WGC") definition. This cost guidance takes into consideration the impact of higher-cost supplementary open pit mining from Elizabeth Hill, royalties which are expected to be incurred on a higher average selling price, and increased on-mine exploration spend compared to 2020.

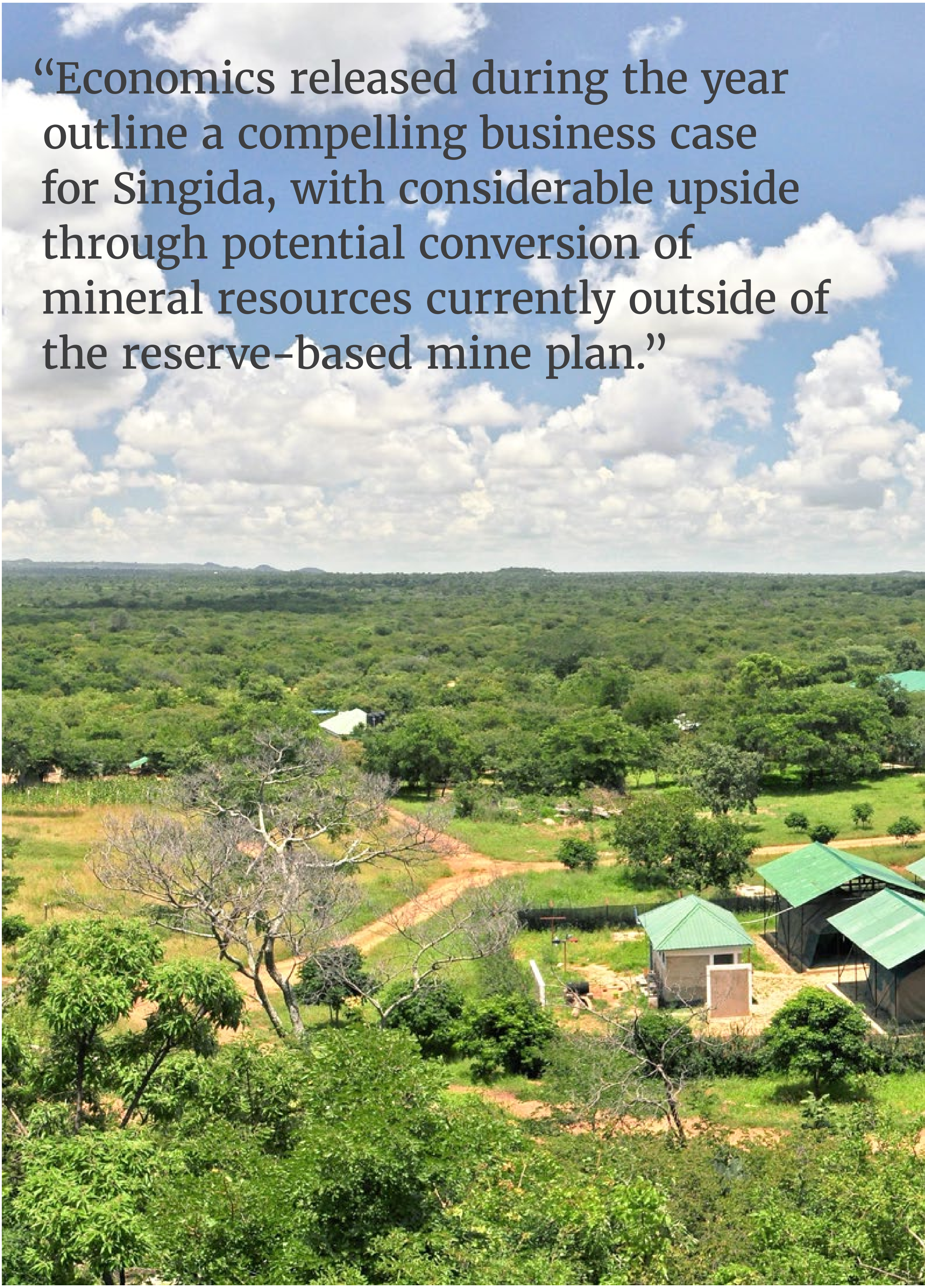
I would like to again extend my gratitude to our employees, our shareholders, members of the Board and our partners for their commitment to the Company and unwavering support.

Eric Zurrin
Chief Executive Officer

1 March 2021

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

“Economics released during the year outline a compelling business case for Singida, with considerable upside through potential conversion of mineral resources currently outside of the reserve-based mine plan.”



"The Company will now start to pay dividends, and a final dividend has been proposed for payment in April 2021."

Directors' Report

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 December 2020.

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 gold production and exploration in East Africa.

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 7–16. 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 57. The activities for the year have resulted in the Group's profit before tax of US$39.0 million (2019: loss before tax of US$1.2 million).

Dividends
No dividends were declared or paid during the year. Following the year-end, the Directors have proposed a final dividend of 0.10 pence per share payable (2019: Nil), subject to the approval of shareholders on 24 March 2021.

Subsequent events
Except as disclosed in note 33 to the financial statements, no other material fact or circumstance has occurred between the reporting date and the date of this report.

Nominated advisor
The Company's nominated advisor is Liberum Capital 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

Executive
- Eric Zurrin
- Luke Leslie

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.

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

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

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

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

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

Going concern
The Directors have reviewed the Group's cash flow forecasts for the period to March 2022 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 the Remuneration Committee Report on pages 33–36 and in note 24 to the financial statements.

Signed on behalf of the Board of Directors on 1 March 2021.

Eric Zurrin
Chief Executive Officer

Anthony Durrant
Chairman

"Adding new reserves to the respective mine plans can have a tremendous impact on shareholder value and we look forward to multiple exploration campaigns in 2021."

Corporate Governance Statement

Board of Directors
The Company had 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 individual directors of the Board have a wealth of experience from diverse professional and personal backgrounds. The Chairman is responsible for leading the Board, including ensuring that an appropriate level of diversity is maintained to promote distinct perspectives on Group and Company matters, and for implementing a robust governance framework. The Chief Executive Officer is responsible for leading the Company in its strategic pursuits and for ensuring that the Company's business model is implemented effectively and in line with the Company's values.

The Directors of the Company have elected to follow the main principles of the QCA Corporate Governance Code. The QCA Corporate Governance Code identifies ten principles that focus on the pursuit of medium to long-term value for shareholders without stifling the entrepreneurial spirit in which the company was created. The principles of the code are embedded into the Company's internal reporting and governance structures, ensuring effective application. In addition to the details provided below, governance disclosures can be found on the Company's website at www.shantagold.com/corporate/corporate-governance.

1. Strategy and business model
The Board seeks to maximise value for all our shareholders whilst ensuring continuity and consistency through sustainable and responsible mining.

The Company's primary asset ("New Luika") transitioned to a predominantly underground operation and entered commercial production in June 2017. Since 2017, New Luika's underground mining activities have delivered a consistent plant feed and key developments to the business model made during the year included investing more heavily in on-mine exploration activities. The objective is to generate returns for shareholders using the cash generated from this and other projects in the Company's portfolio.

The Company announced that the construction of Singida Gold Mine had commenced in the year. The acquisition of the West Kenya Project from subsidiaries of Barrick Gold Corporation was also announced and completed. These assets supplement the Company's growth pipeline and are expected to bring additional economic benefit to shareholders in the future.

The Company implements a disciplined and modern approach to driving operational efficiencies across the organisation, a philosophy embraced by the entire Shanta team. This ensures that Shanta runs an efficient operation without compromising on growth opportunities as it continues to build on strong foundations to take the Company forward.

With the underground mine at New Luika fully established, exploration activities are currently being conducted in three distinct areas:

- Targeted locations within existing mining licences adjacent to the underground reserves at our Bauhinia Creek, Luika and Ilunga deposits;
- Within the economic circle of New Luika; and,
- Regionally, utilizing prospective exploration ground held by the Company within the Lupa Goldfield.

This exploration programme is designed to ensure longevity for the Company's existing operations.

2. Understanding and meeting shareholder needs and expectations
The Board is aware of the needs and expectations of shareholders. The Company engages with its shareholders through quarterly conference calls and at its Annual General Meeting ("AGM").

The board supports the use of the AGM to communicate with both institutional and private investors. All shareholders are given the opportunity to ask questions and raise issues; this can be done formally during the meeting or informally with the directors afterwards.

At the AGM, separate resolutions are proposed on each substantially separate issue. For each resolution, proxy appointment forms are issued alongside the release of the Annual Report, which provide voting shareholders with the option to vote in advance of the AGM if they are unable to attend in person. All valid proxy votes received for the AGM are properly recorded and counted by Computershare, the Company's registrars.

As soon as practicable after the AGM has finished, the results of the meeting are released via RNS and a copy of the announcement is uploaded to the Company website. At last year's AGM, all resolutions were duly passed.

The Executive Directors, Eric Zurrin and Luke Leslie, have a regular programme of individual meetings with institutional shareholders and analysts following the release of each set of quarterly, half-yearly and annual results. These meetings provide a platform for detailed updates on the performance of the business. Feedback from these meetings is shared with the Board to ensure that shareholder opinion is central to ongoing strategic decision-making.

The Company Secretary can be contacted by shareholders on matters of governance, as can Eric Zurrin and Luke Leslie. Contact details are provided within every Company announcement.

The Board is mindful of the need to protect the interests of minority shareholders. The Board does not consider there to be a dominant shareholder whereby it would be necessary for any specific contractual arrangements to be put in place to protect the interests of minority shareholders.

3. Wider stakeholder needs and social responsibilities

The Company's long-term success relies upon good relations with all its stakeholder Groups, both internal and external. The Board affords highest priority to ensuring that it maintains a strong understanding of the needs and expectations of all stakeholders. Feedback is sought regularly across several platforms.

The Group's stakeholders include shareholders, employees, suppliers, customers, regulators, industry bodies, government bodies, and creditors (including the Group's lending banks). The principal ways in which their feedback on the Group is gathered are via meetings and conversations. Feedback received from stakeholders based in Tanzania are tabled internally during weekly meetings held by Shanta Mining Company Limited's Executive Committee.

Views of the Group held by its stakeholders often represent the Group's wider reputation and as such are considered vitally important. By holding regular meetings with stakeholders, the Group can identify these views and ensure that there is a platform for dialogue on any relevant matters. These meetings also enable bilateral discussions on any topics relevant to respective stakeholders and ensure that the Company's presence in Tanzania is positive for all parties.

The Company's responsibilities to its stakeholders are considered crucial to the Company's business plan. Throughout the year regular dialogue has been maintained with District and Regional Commissioners in Songwe and Singida in Tanzania, and with National and County Government officials across the West Kenya Project in Kenya, to ensure that the Group's operations are compliant with local laws and that social responsibilities are being directed in line with the needs of local communities. The Company has strong positive relationships with many senior government officials in Tanzania and Kenya and places great value on these close working relationships. The management team of SMCL and Shanta Gold Kenya Limited ("SGKL") regularly attend government-run conferences to promote the mining industry and SMCL also regularly sponsors events in Tanzania.

The Company also engages with its shareholders through quarterly calls and at its AGM, both of which provide an effective platform for two-way communication and feedback.

4. Effective risk management throughout the organisation

The Board has three Sub-Committees which aim to meet a minimum of three times per year and are chaired by a non-executive Director:

- The Audit Committee is responsible for ensuring that appropriate financial reporting procedures are properly maintained and disclosed in accordance with governing regulations.
- The Sustainability Committee ensures the company is considerate of all stakeholders and operates in accordance with the laws of the country in which the company operates.
- The Remuneration Committee ensures that the company has a remuneration strategy that attracts and retains necessary skills. It is also responsible in conjunction with the Chairman for ensuring that the Board is correctly structured in terms of good corporate governance.

As of December 2020, the structure and membership of Board Committees was as follows:

Audit Committee

The Group's Audit Committee comprised of three Non-Executive Directors being Robin Fryer (Chairman), Anthony Durrant and Ketan Patel. The Audit Committee 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 three times in 2020.

Remuneration Committee
The Group's Remuneration Committee comprised of three Non-Executive Directors being Keith Marshall (Chairman), Anthony Durrant and Ketan Patel. Details of the Remuneration Committee's responsibilities are provided within the Remuneration Committee Report on page 33. The Remuneration Committee met three times in 2020.

Sustainability Committee
The Group's Sustainability Committee comprised of three Non-Executive Directors being Ketan Patel (Chairman), Anthony Durrant and Keith Marshall. The Sustainability Committee 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 2020.

The Board has put in place mechanisms by which risks facing the Company are managed and reported internally. The Board reviews this internal reporting on a regular basis. The Board considers key business risks, including the financial risks facing the Company in the operation of its business. Control procedures have been put in place to appropriately monitor and mitigate these risks.

The key financial risks faced by the Group are detailed on pages 83 to 85. The Company has an established framework of internal financial controls to address these risks, the effectiveness of which is regularly reviewed by the Executive Directors, the Audit Committee and the Board.

The Board is responsible for reviewing and approving overall Company strategy, approving capital budgets and plans, and for determining the financial structure of the Company including treasury and tax affairs. Monthly results and variances from plans are reported to the Board.

The Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, and operational and financial controls.

There are comprehensive procedures for budgeting and planning, for monitoring and reporting to the Board business performance against those budgets and plans, and for forecasting expected performance over the remainder of the financial period. These procedures cover costs, cash flows, capital expenditure and balance sheet accounts.

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. This applies to mitigating both financial and non-financial risks faced by the Group. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group.

The principal elements of the Group's internal control system include:

- Close management of the day-to-day activities of the Group by the Executive Directors;
- An organisational structure with defined levels of responsibility;
- A comprehensive annual budgeting process producing a detailed integrated profit and loss and cash flow, which is approved by the Board;
- Detailed monthly reporting of performance against budget; and,
- Central control over key areas such as capital expenditure authorisation and banking facilities.

The Group continues to review its system of internal control to ensure compliance with best practice, while also having regard to its size and the resources available.

Non-financial controls covering areas such as health and safety, regulatory compliance, business integrity, risk management, business continuity and corporate social responsibility are continually assessed.

The Board is committed to maintaining appropriate standards for all the Company's business activities and ensuring that these standards are set out in written policies. A key example is the Company's 'Anti Bribery Policy'.

5. A balanced and well-functioning Board led by the Chair

The Board and the committees regularly receive detailed and high-quality information to facilitate proper assessment of any matters requiring a decision or insight.

The Board comprises the Chief Executive Officer, the Chief Financial Officer and four Non-Executive Directors including the Chairman. Three non-executive directors are independent, which the Board believes to be an appropriate composition to maintain effective corporate governance.

A biography of each of the Directors is included on pages 3 to 4.

Executive Directors are employed by the Group on a full-time basis whereas the Non-Executive Directors are remunerated on a fixed-fee part-time basis. All Directors devote a significant portion of their time in order to discharge their duties both at and outside of 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 2020:

Director		Board meeting	Audit Committee	Remuneration Committee	Sustainability Committee
Eric Zurrin	Executive	10	3	3	3
Luke Leslie	Executive	10	3	3	3
Anthony Durrant	Non-Executive	10	3	3	3
Ketan Patel	Non-Executive	9	3	3	3
Robin Fryer	Non-Executive	10	3	3	3
Keith Marshall	Non-Executive	10	3	3	3
Number of meetings held in the year		**10**	**3**	**3**	**3**

6. Experience, skills and capabilities of the Board

Directors who have been appointed to the Company have been chosen because of the skills and experience they offer. The Board of Directors has strong, relevant experience across the areas of mining, accounting and banking.

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of gold mining and exploration. All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings.

Skills and knowledge have been gained through aggregated experience in gold mining and the wider sector and these are maintained through ongoing involvement and participation within the industry.

All Directors retire by rotation at regular intervals in accordance with the Company's Articles of Association.

The Company Secretary, Vistra Fund Services (Guernsey) Limited, ensures that the Group is compliant with relevant legislation and regulatory requirements, and keeps the Board informed of its legal responsibilities.

7. Board evaluation

Employee and Director performance is monitored annually via a formal assessment process. The Chairman of the Remuneration Committee is responsible for the assessment and monitoring of the performance of the Executive Directors.

Agreed personal objectives and targets, including both financial and non-financial metrics, are set each year for the Executive Directors and performance is measured against these metrics. Further details regarding the results of this assessment have been set out in the Remuneration Committee Report on page 33.

Since the appointment of Anthony Durrant as Chairman, he has been responsible for assessing the individual contributions of each Director of the Board to ensure that:

- Their contribution is relevant and effective;
- They are committed; and,
- Where relevant, they have maintained their independence.

Succession planning is considered by the Board to be a crucial element of ensuring continued success and long-term prosperity for the Group. Regular reviews are conducted at Board and Executive Management level to ensure that high-potential individuals are identified and supported appropriately.

The Board comprises two Executive Directors and four Non-Executive Directors, which it believes to be an appropriate composition to maintain effective corporate governance. Each Director brings a wealth of expertise from their respective professional backgrounds and the Board considered itself able to perform effectively during the year under its current structure.

8. A corporate culture that is based on ethical values and behaviours

Corporate responsibility begins with our own people, employment practices and maintaining equitable treatment across all levels of our organisation.

The Company has instituted various training and development programs in an effort to upgrade the skill level of all employees. The goal is to have a workforce where each individual takes full accountability for their work colleagues' safety and the critical role they play in the success of Shanta Gold.

We believe in taking care of our people who play a vital role in the success of our business.

We are committed to the safety, health, and welfare of our employees, contractors, management and visitors to our worksites in Tanzania and Kenya. We maintain a zero-tolerance policy in regard to negligence of health and safety best practices. Education, training and ongoing communication are key to ensuring an injury-free workplace and promoting safety. Health and safety is an integral pillar of our performance and is used to evaluate the performance of all employees on a monthly basis. Employees are recognised for their safety awareness and performance each month to encourage safe practices.

We recognise the impact that our activities have on local communities in the operational areas of our mining activity. The Company believes it is critical that the local community is an integral stakeholder in the long-term sustainability of Shanta. We are focused on adding business value beyond the financial contributions made through tax and royalty payments. Shanta Gold has an objective of training and employing local residents and thereby yielding direct and sustainable benefits to the local communities.

99% of the Group's employees are nationals of our host countries and approximately 40% of these are permanent residents of the local villages around New Luika.

9. Governance structures and processes that support good decision-making

Details of the Company's corporate governance arrangements are provided within this Statement. There are no matters expressly reserved for the Board. The Board considers the Group's governance framework is appropriate and in line with its plans for growth.

10. Strong communication with shareholders and other relevant stakeholders

The Board attaches great importance to providing shareholders with clear and transparent information on the Company's activities, strategy and financial position.

The Board typically meets with large shareholders following the release of financial results and regards the AGM as a good opportunity to communicate directly with shareholders via an open question and answer session.

The Company regularly holds public question and answer calls in support of announcements, providing smaller and private investors with direct access to management. The Board receives regular updates on the views of shareholders through briefings and reports from the Chief Executive Officer, Chief Financial Officer and the Company's brokers. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views.

The Remuneration Committee Report on page 33, the Audit Committee Report on page 45, and the Sustainability Committee Report on page 39 provide details as to key work carried out over the year by these committees.

The Company discloses contact details on its website and on all announcements released via RNS, should shareholders wish to communicate with the Board. Details of all shareholder communications are provided on the Group's website.

Historical Annual Reports, notices of all general meetings from the last five years and the resolutions put to a vote at AGMs can be found on the Company's website. Over the last five years all resolutions put to a vote at AGMs have been duly passed. Where a significant proportion of votes are cast against a resolution at any general meeting the Board seeks to understand the rationale for this through its engagement with shareholders. The Board also analyses the best means by which to adapt the governing frameworks of the Company in order to appease shareholder concerns where appropriate.

Bribery and anti-corruption

Shanta Gold is committed to acting fairly, ethically and with integrity in all territories in which it operates. A policy of the Company is not to engage in or tolerate bribery in any form within Shanta Gold, its subsidiaries, or within organisations with which it does business.

As part of the Company's compliance procedures in maintaining the highest standards of corporate governance, it adheres to the standards of the UK Bribery Act 2010.

All officers and staff of Shanta Gold are required to comply with the Anti-Bribery Policy and, so far as is practicable, will third parties with whom the company does business. The Board of Directors of Shanta Gold has overall responsibility for bribery prevention within the Company and closely monitor the effectiveness of the Anti-Bribery Policy.

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

Signed on behalf of the Board of Directors on 1 March 2021.

Eric Zurrin
Chief Executive Officer

Anthony Durrant
Chairman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Remuneration Committee Report

Dear Shareholders,

It is my pleasure to again report to you on behalf of the Remuneration Committee. Throughout 2020 the Committee has continued to focus on aligning reward with performance and optimising incentives, such that the Company's remuneration framework best facilitates an environment that will deliver ongoing maximum shareholder returns.

Remuneration policy and aims of the Remuneration Committee

Our overall aim is to align employee remuneration with the successful delivery of long-term shareholder value. Our core principles enable us to achieve this goal:

1. To offer competitive salary packages that attract, retain and motivate highly-skilled individuals;
2. To align remuneration packages with performance-related metrics that mirror our long-term business strategy; and,
3. To encourage accountability in the workplace and link reward with success.

The Group currently operates the following remuneration framework:

- Annual salary and associated benefits such as paid holiday;
- Discretionary performance-related annual and/or quarterly bonuses; and,
- Retention-based arrangements designed to incentivise the Executive Directors to remain in the Company's employ.

The Remuneration Committee consists of myself as the Chairman together with two other independent Non-Executive Directors; Anthony Durrant and Ketan Patel. The Committee aims to meet at least three times each year and its key responsibilities include reviewing the performance of senior staff, setting their remuneration and determining the payment of bonuses. The Remuneration Committee met three times in 2020.

The Chief Executive Officer and Chief Financial Officer are invited to attend meetings of the Committee, but no Director is involved in any decisions relating to their own remuneration. None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships, or day-to-day involvement in running the business.

Terms of reference

The terms of reference of the Remuneration Committee are set out below.

- Determine and agree with the Board the Company's overall remuneration policy and monitor the efficacy of the policy on an ongoing basis;
- Determine and agree with the Board the remuneration of the Executive Directors and senior management;
- Determine the objectives and headline targets for any performance-related bonus or incentive schemes;
- Monitor, review and approve the remuneration framework for other senior employees; and,
- Review and approve any termination payment such that these are appropriate for both the individual and the Company.

Performance for the year

Basic salary and benefits for Executive Directors are reviewed on an annual basis and any changes made to the structure of these are based on a combination of individual performance and market conditions. Executive Directors are provided with life assurance cover of two times annual salary.

Bonus awards are assessed on overall business and individual performance. Executive Director and senior management remuneration packages are heavily linked to performance criteria, to incentivise daily conduct in alignment with the best interests of our shareholders. The following table details notable performance indicators that were set in December 2019 and considered by the Committee in its assessment of the Group's performance during 2020.

Performance indicator	Key achievements in 2020
Safety record	■ Zero LTIs in 2020 (over 36 months since last LTI) ■ TRIFR of 0.97, the lowest level in the last 5 years ■ Fifth successive annual decline in injuries and a 3% reduction from 2019
Share price performance	■ Share price increase of 78% in 2020 ■ Higher share price return than any of the Company's London-listed gold producing peer group over three years, returning 289% cumulatively since 1 January 2018 ■ Shanta Gold's share price outperformed junior gold indices, major global indices, and the gold price during 2020 ■ Significant improvement in share trading liquidity (average daily traded value) ■ Market capitalisation increase from GBP £75 million to GBP £177 million during 2020 ■ Numerous blue-chip investors added to the Company's shareholder register
Operating performance	■ Production in line with annual guidance ■ Consistent and strong performance at New Luika, despite the emergence of the global coronavirus pandemic and its impact on the business ■ Increased operating flexibility, with ore sourced from three underground deposits and open pit operations in the year ■ Process plant upgrades and integration of TANESCO grid power due to enhance operating performance further for the year ahead
Profitability	■ EBITDA of US$63.9 million, up 34% from US$47.7 million in 2019 ■ Operating profit of US$43.8 million, up 753% from 2019 ■ AISC of US$841/oz, at the lower end of 2020 guidance of US$830 – 880 /oz[1]
Financial position	■ Long-standing deleveraging strategy delivered on with a net cash position reached in the first half of 2020, prior to subsequent equity raise ■ Hedge book extinguished in December 2020 ■ Total liquidity of US$53.5 million at the end of 2020 ■ VAT offset against corporate income tax during the year amounting to US$1.9 million, with strategy in place for potential VAT recovery in 2021
Business prospects	■ 173,000 oz added to reserves at New Luika in the year (net increase in reserves of 37,000 oz after resource optimisation and 2020 depletion) ■ All ounces mined in 2020 replaced with new reserves ■ Plant expansion using idled pilot plant complete, with soft commissioning at the end of December 2020 ■ New discovery at Porcupine South added 64,000 oz of resources, confirming regional potential within Lupa Goldfield ■ Singida internal study completed, giving rise to an increase in reserves, reserve grade and resources at the project ■ Construction of Singida Gold Mine now underway ■ West Kenya Project acquired and fully financed, with initial drilling commencing in late 2020
Business sustainability	■ Relationships strengthened in Tanzania with national government ■ Robust social license to operate, with strong community and council relationships ■ New Luika's Mining Licence extended for an additional 10 years ■ Various successful initiatives delivering long-term benefits to New Luika's neighbouring communities ■ Notable steps taken to diversify New Luika's power generation away from heavy fuel oil ("HFO") and thereby reduce carbon footprint

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

The below graph compares the relative performance of Shanta Gold common shares against the performance of the spot gold price and the Van Eck GDXJ ETF over the last three years[1].

From December 31, 2017 to December 31, 2020, the share price of the Company increased 289% compared to an increase in the spot gold price of 45% and an increase in the GDXJ Index of 57% during the same period[2].

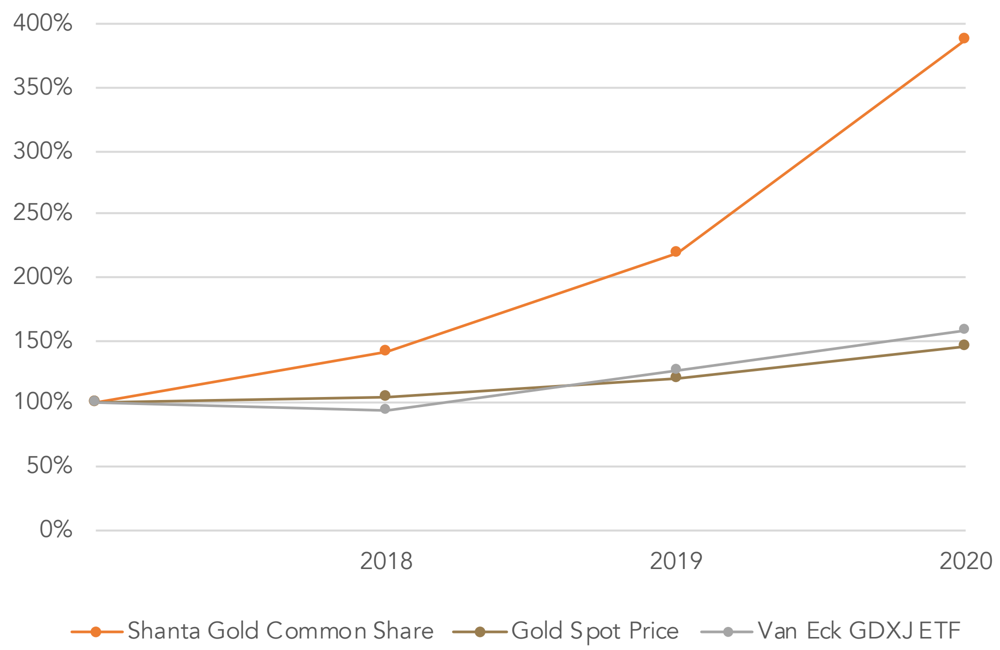
Taking note of the Group's successes in the year in respect of the above performance indicators, the Committee concluded that annual bonus criteria for the year were wholly met and approved bonus awards to Executive Directors of 100% of respective eligible amounts.

1 Sourced from Bloomberg.

2 Assuming an investment of £100 on 1 January 2018 with the gold spot price and GDXJ Index translated into GBP Sterling and all dividends reinvested.

Performance graph—2018 to 2020

SHG vs. Gold Spot Price and Market Vectors Junior Gold Miners (ETF)



Directors' remuneration

	31 December 2020				31 December 2019		
(US$000)	Fees/salary	Performance bonus	Other	Total	Fees/salary	Performance bonus	Total
Fees, salary, bonuses and related benefits							
Eric Zurrin [1]	408	346	-	754	384	273	657
Anthony Durrant [2]	150	-	-	150	130	-	130
Luke Leslie [1]	340	288	-	628	320	229	549
Robin Fryer [2]	85	-	-	85	70	-	70
Ketan Patel [2]	95	-	-	95	80	-	80
Keith Marshall [2]	85	-	-	85	108	-	108
Sub-total	**1,163**	**634**	**-**	**1,797**	**1,092**	**502**	**1,594**
Share based payments							
Eric Zurrin [1]	-	430	-	430	-	380	380
Luke Leslie [1]	-	358	-	358	-	317	317
Sub-total	**-**	**788**	**-**	**788**	**-**	**697**	**697**
Base remuneration to Directors	**1,163**	**1,422**	**-**	**2,585**	**1,092**	**1,199**	**2,291**
Retention award							
Eric Zurrin [1]	-	-	270	270	-	-	-
Luke Leslie [1]	-	-	270	270	-	-	-
Sub-total	**-**	**-**	**540**	**540**	**-**	**-**	**-**
Total remuneration to Directors	1,163	1,422	540	3,125	1,092	1,199	2,291

1 Executive
2 Non-executive

The cash-based portion of performance bonuses awarded to Executive Directors is intended predominantly to be used for settlement of personal tax obligations arising on share awards.

Retention awards

Retention of the Executive Directors is key to the Company's long-term strategy. In recognition of this the Committee approved a retention plan, disclosed in the 2019 Annual Report, under which a retention award of GBP £200,000 would be paid to each of the Executive Directors for remaining with the Company for a twenty-four month period to the end of December 2020. During the retention period, management completed a number of important milestones for the company including, amongst others, negotiating and completing the acquisition of the West Kenya Project which followed twelve months of due diligence, deleveraging the Company balance sheet, extinguishing the hedge book and preparing the Singida Gold Mine for a construction decision.

The year ahead

The Committee views the Company's wider remuneration structure as appropriately balanced to incentivise high performance and considers it to be aligned with current market conditions. This will undergo ongoing review throughout the coming year to ensure that our employees and executives are remunerated appropriately in the best interests of the Company.

The Committee and I remain focused on ensuring that employees and executives continue to be rewarded in line with the delivery of long-term shareholder value and will continue ensuring that the remuneration structure in place reflects and incentivises the Company's culture of employee-shareholder alignment.

Keith Marshall
Chair of the Remuneration Committee

Risk report

Risk management

The Board and Senior Management maintain an Enterprise Risk Assessment, updated on a regular basis, which analyses the Company's most material risks and mitigation measures that have been put in place or are being considered. Additional reports are provided monthly to the Board, including operations reports, sustainability reports, CSR reports, cost analysis and compliance reports to facilitate ongoing comprehensive assessment of Shanta's primary and emerging risks.

The below outlines the risk reporting structure in place and summarises the nature of information presented to the Board:

Principal risks and uncertainties

Risk	Background	Risk mitigation	Key performance indicator (See page 34)
1. **Political and social license to operate**	Evaluating Shanta's contribution to society and economy in host countries	■ Implementation of CSR projects ■ CSR department within Company to manage programmes and relationships ■ Proportion of Annual Budget allocated to fund CSR programmes ■ Regular dialogue maintained with regional and government officials and Company contribution to the economy communicated	Business Sustainability
2. **Resource protection**	Risk of losing mining title at New Luika Mine, Singida, or West Kenya Project	■ Investment in drilling activities and Mine Life extension ■ Exploration budget for 2021 significantly increased from 2020 expenditure ■ Investment committed at the Singida Project to fund construction ■ Shanta is progressing the West Kenya Project to reach feasibility decision	Business Sustainability
3. **Illegal mining/theft/ terrorism**	Risk of loss or theft of mineral, loss of access to areas of licence, risk of crime and violence, reputational risk	■ CSR programmes to support alternative livelihoods ■ Government security forces retained at NLGM ■ Increased security management presence ■ Security infrastructure at all offices	Operating Performance Business Sustainability
4. **Taxation regime**	Risk of change in Economic Regime impacting Shanta's business	■ Engagement with tax specialists to support management approach ■ Regular communication between Board and Tax and Finance Management team in country ■ Regular dialogue between CEO, senior management in-country and relevant government authorities	Profitability Financial Position
5. **Operational**	Risk of internal and external factors negatively impacting operations and production	■ Uninterrupted access to water ■ Ore stockpile levels are carefully managed ■ Alternative power sources ■ Increased flexibility in underground mining access ■ Labour challenge addressed through incentive scheme	Operating Performance Profitability
6. **Environmental/ safety**	Risk of major environmental incident or catastrophic impact to communities	■ Review and audit of safety management systems are regularly conducted internally and on a periodic basis by external auditors ■ All EIA's and EMP's are reviewed to ensure full compliance ■ Independent audits are undertaken to review environmental management practices ■ Shanta is audited and accredited to ensure compliance with Cyanide Code	Safety Record Operating Performance
7. **Cash flow and profitability**	Risk of adverse financial liquidity, reduced access to capital, negative impacts of gold price movement	■ Hedge book restructured and cleared in 2020 ■ Liquidity monitored daily ■ Costs are carefully monitored and reviewed against budget monthly ■ Annual budgets are set during a robust 3-day workshop to target efficiencies ■ Working capital limits maintained ■ Diversified banking relationships across multiple jurisdictions	Profitability Financial Position Share Price Performance
8. **Employees**	Risk of losing key employees, skills, access to expatriate workers	■ Policy in place to give preferential treatment to hires from host countries in recruitment of skilled positions that are available in the country ■ Succession plans in place for expatriate positions to enable replacement with those from host countries ■ Company has a local skills development programme focussed on the villages surrounding NLGM	Business Prospects Business Sustainability

Sustainability Committee Report

Dear Shareholders,

I am delighted to have the opportunity to highlight the work that has been ongoing at Shanta Gold during 2020 in our efforts to protect the environment and promote the livelihoods of people living in the areas where we operate.

The role of our Sustainability Committee
Sustainability is at the heart of our business activities and is led by our Sustainability Committee which consists of myself as the Chairman together with two other Directors; Anthony Durrant and Keith Marshall. The Committee aims to meet at least three times each year and is responsible for setting the sustainability strategy for the Group.

The Committee met three times during 2020. At each meeting, reports for the Group in relation to health and safety, environment, and social matters were reviewed and evaluated. The Committee continues to focus on our core priorities of health and safety, employee wellbeing, environmental stewardship, and community.

The aim of the Committee is to identify the sustainability issues that are most material to our stakeholders and monitor the Group's effectiveness in addressing these. We endeavour to align ourselves with industry best practice for the prevention and management of both the risks that we face as a business and those which our activities have the potential to pose to others. Reporting channels embedded across the business facilitate effective communication of the Group's overarching sustainability strategy to our operations. Regular meetings are held at New Luika between the departmental heads and management to integrate sustainability into our day-to-day operations.

Stakeholder engagement
Our approach to sustainability is driven by engaging with key stakeholders from local communities, national bodies, and our investors. We recognise that Shanta's long-term success relies upon good relations with all its stakeholder groups, both internal and external, and in maintaining a strong understanding of their needs and expectations.

Views of Shanta held by its stakeholders often represent the Group's wider reputation, so are considered vitally important. Feedback is regularly sought across several platforms to ensure that Shanta can identify these views and enable dialogue on any relevant matters.

Performance for the year

Core priority	Metric	2020	2019	Year on year	Change (%)
Health & Safety	Total recordable injury frequency rate ("TRIFR")	0.97	1.00	-0.03	-3%
Environmental Stewardship	Recovered water (%)	31%	30%	+1%	+3%
	Waste recycled (%)	96%	96%	-	-
	Diesel & HFO consumed ('000 litres)	12,383	13,424	-1,041	-8%
	Energy consumed from renewable sources (MWh)	2,690	798	+1,892	+237%
Community	Social project expenditure (US$ million)	0.4	0.3	+0.1	+33%
	Taxes, royalties and levies paid in Tanzania (US$ million)	26.2	19.0	+7.2	+38%

Health and safety
Protecting the health and wellbeing of our employees is a priority and the Company implements a zero-tolerance policy towards any form of negligence in respect of health and safety best practices.

Education, training, and ongoing communication are key to ensuring an injury-free workplace and promoting safety. These are principles which are embedded in our management systems, and employees are incentivised to achieve high safety standards through financial recognition for collective safety-related performance. Where possible the Company seeks to minimize occupational health risks through, for example, the provision of appropriate personal protective equipment and regular monitoring of air quality.

Our workforce's commitment to operating safely resulted in another year without an LTI, and since the year-end the Company has surpassed a milestone 6.0 million man-hours without an LTI. Shanta also achieved a TRIFR per 1 million hours worked of 0.97 in 2020, a fifth successive annual decline in injuries.

Leveraging the existing frameworks and attitudes in place at our operations was a key success factor in our response to the emergence of the coronavirus pandemic in the year. Our team's agility in responding to the new risks posed by COVID-19 ensured that robust safeguards were implemented at our operations early, to protect the wellbeing of our team. I applaud the team's collective response to the emerging situation and this has undoubtedly factored into the Company's ability to hit its operational targets for the year. Importantly, Shanta also took a leading role in educating local communities on risks posed by the virus and the measures available to them for reducing their chances of exposure to it.

Our people
Our people play a critical role in the success of our business and we recognise that corporate responsibility begins with our own people, employment practices and maintaining equitable treatment across all levels of our organisation.

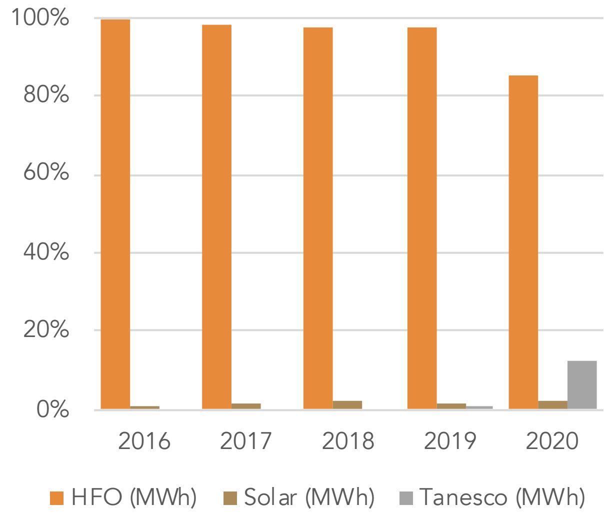
The Company has various training and development programs in place to facilitate the ongoing development of our employees. Our objective is to have a workforce where everyone takes accountability of their personal development and the critical role that they play in the Company's successes.

Shanta has a long-established track record of training and employing local residents and thereby yielding direct and sustainable benefits to its local communities. At the end of 2020, 99% of the Company's workforce were nationals of our host countries and approximately 40% were permanent residents of villages near the mine.

Climate change
Climate risks and opportunities form part of our business strategy. Increasingly we are taking steps to diversify our power sources and find renewable energy solutions to meet power requirements at New Luika.

In 2017, we added a solar hybrid power plant which provides New Luika with reliable, low cost electricity and contributed 865 megawatt hours ("MWh") in 2020, 2% of New Luika's total power requirements. We connected to the state power grid ('TANESCO') in 2019, and grid power contributed 12% of New Luika's power requirements in 2020. TANESCO power is a cleaner source of energy for New Luika than power generated onsite, with 37% of the provided wattage generated from hydro-electric sources.

Power by source (MWh)



With the above initiatives, we have seen a reduced dependency on our own heavy fuel oil ('HFO') power plant. Diesel and HFO consumption has reduced by 8% in 2020 and our energy consumption from renewable sources has increased by 237% as a result of the contribution of grid power to the company's energy requirements. Our analysis indicates that diversification of our power portfolio has decreased the cost of energy being supplied to our operations, while also increasing resilience and reducing risk of a single source of energy.

An important target in addressing our impact on climate change is to continue reducing our dependence on power sourced from fossil fuels. In 2021, we will endeavour to increase power from the state grid by approximately 3x to around 35-40%.

The Company places high importance on addressing climate change and is in the process of appointing an ESG adviser, who will assist in developing a climate change strategy for the Company.

Environmental stewardship
Respect for the local environment is at the forefront of our efforts to operate responsibly. Our Environmental Management Program ensures the Company operates in line with local legislation, but we also strive to surpass the minimum regulatory standards and expectations for our industry and set ourselves higher and stricter standards to work towards.

In pursuing these ambitious environmental objectives, we target responsible management of our water needs, mitigate ecological risk through safe tailings and waste management, support our local biodiversity and maintain a detailed closure plan.

Managing our water supply
Mining activities require a consistent and large volume of water supply, which is a challenge in the Songwe region where the year divides into extreme wet and dry seasons. We aim to be efficient with our water usage, to meet our needs without compromising water availability for our local communities.

New Luika has a focused water recovery program whereby nearly 50% of water used in tailings is recovered via a Return Water Dam. Overall, in 2020, 31% of our water usage was recovered. The team at New Luika work closely with the Lake Rukwa Basin Water Board to communicate water conservation strategies in place, and Annual Water Reports are prepared for the Board to monitor the status of water resources and consumption.

Responsible tailings and waste management
The generation of waste, both hazardous and non-hazardous is an inevitable consequence of extracting ore from the ground. We take the disposal of waste very seriously and understand that by doing so we are responsible for protecting the health of our local stakeholders.

Waste rock from our underground mines is deposited on waste rock dumps. During the year the New Luika Environment Team made progress in rehabilitating the Luika Waste Rock Dump by depositing topsoil. Newly planted vegetation will eventually rehabilitate these waste rock dumps naturally.

Gold extraction from ore at New Luika requires the use of chemical solutions such as cyanide, and traces of these reagents remain in the tailings after gold has been extracted. To limit potential environmental damage, we have carefully constructed Tailings Storage Facilities ("TSF's") to contain the waste and these undergo continual monitoring. We currently have two downstream TSF's at New Luika which have been engineered with care to mitigate the risk of seepage or spills. They are inspected annually by an Independent Competent Person and the Company has an emergency action plan integrated into its Emergency Response Plan for potential failures.

Protecting biodiversity and closure planning
New Luika is situated in a rich ecological area near Lake Rukwa, and there is an abundance of wildlife and plant species. Strict rules around the protection of wildlife are communicated to all visitors and employees. In preparation for the relatively uncommon occasions during which potentially harmful animals come into proximity with members of our team, clear protocols are in place to report these incidents and relocate the animals safely.

Forest management continues around New Luika and remains a focus for mitigating any environmental disturbance caused by our mining activities. Construction of an onsite tree nursery was completed at the start of the year as part of the Company's ongoing biodiversity recovery plan.

The Company has a formal and externally approved plan in place for the long term remediation of the New Luika site, documented in a detailed Mine Closure Plan ("MCP"). During 2020, the latest iteration of the MCP was approved by the Mining Commission following a thorough inspection of the mine by representatives from the Mining Commission, Ministry of Minerals, National Environment Management Council (NEMC), Ministry of Water, Ministry of Natural Resources and Local Government Officials.

Adding value to the community
Throughout our Company we recognise the impact that our activities have on local communities, who are key stakeholders and, in some cases, reliant on our responsible operating approach. We are dedicated to adding value beyond the financial contributions that we make in the form of tax and royalty payments.

The Company has four underlying principles which govern our community priorities: Education, Water, Livelihood and Health. Often the Company partners with other local business in project roll-outs, providing funding where required, and focussing on initiatives that lend themselves towards the self-sustaining future development of participants. In 2020 the Company helped with the construction of regional educational infrastructure, improved local water access, supported approximately 1,500 farmers, assisted in the local response to the coronavirus pandemic and provided healthcare for over 500 residents in a community health day, among other achievements. More details on Shanta's sustainability projects have been provided within the Chief Executive Officer's Review on pages 7–16.

Several new initiatives are planned for 2021 with Education, Water, Livelihood and Health continuing as the cornerstones of Shanta's community priorities.

The year ahead

We are proud of our achievements to date, particularly in the local communities and for our continued application of industry leading safety practices.

Looking to the future, the Committee is aiming to keep the Company ahead of the curve on sustainability matters and to align its sustainability reporting with industry best practice. Shanta is expecting to shortly publish its 2021 Sustainability Report, which will provide a comprehensive overview of our sustainability-related efforts, challenges, and recent achievements. To all of our team who continue to drive the Company's positive local impact, I would like to take this opportunity to extend my deepest thanks on behalf of the Committee.

Ketan Patel
Chair of the Sustainability Committee

Audit Committee Report

Dear Shareholders,

I am pleased to again report to you on behalf of the Audit Committee. The Company's established financial reporting structures have continued to perform effectively in the year, and the Committee has continued to oversee the proper maintenance of these in order to ensure the integrity of the Company's Annual Report. 2020 was another successful year in which the Company's robust framework of internal controls facilitated a smooth external audit process.

Aims of the Audit Committee
The overall aim of the Audit Committee is to assist the Board in discharging its duties regarding the financial statements, to ensure that a robust framework of accounting policies is in place and enacted, and to oversee the maintenance of proper internal financial controls.

The Audit Committee consists of myself as the Chairman together with two other Non-Executive Directors, Anthony Durrant and Ketan Patel. The Committee aims to meet at least three times each year and its key responsibilities include monitoring the integrity of the Group's financial reporting. The Chief Executive Officer and Chief Financial Officer are invited to attend meetings of the Committee.

Key responsibilities
The terms of reference of the Audit Committee are set out below.

- Maintain the integrity of the financial statements of the Company and review any significant reporting matters they contain;
- Review the Annual Report and Accounts and other financial reports and maintain the accuracy and fairness of the Company's financial statements, including through ensuring compliance with applicable accounting standards and the AIM Rules;
- Review the adequacy and effectiveness of the Company's internal control environment and risk management systems; and,
- Oversee the relationship with and the remuneration of the external auditor, reviewing their performance and advising the Board members on their appointment.

The Audit Committee met three times in 2020 and the external auditors were present during all three meetings.

Activities of the Audit Committee during the year
On behalf of the Board, the Audit Committee has closely monitored the maintenance of internal controls and risk management during the year. Key financial risks are reported during each Audit Committee meeting, including developments and progress made towards mitigating these risks.

The Committee received regular reports from the Chief Financial Officer throughout the year and was satisfied with the effectiveness of internal controls and risk mitigation. The Committee also received and considered reports from the external auditor, BDO LLP ("BDO"), which included control findings relevant to their audit

Significant reporting matters
The Audit Committee has reviewed the recommendations of management and the judgements disclosed in note 3 on page 70, including what it has considered to be the most significant reporting matter(s) and judgement(s) as set out below.

- The recoverability of the Group's VAT receivable. The Committee reviewed the assessment made by management that the Group's VAT receivable is recoverable, and also that it should be recognised as a non-current asset. The Committee is satisfied that management have considered this appropriately and that a reasonable conclusion has been reached based on the information available to the Group. Appropriate disclosure has been made within note 3 on page 70.

External audit
The Audit Committee considers various matters when reviewing the appointment of an external auditor including their performance in conducting the audit and its scope, terms of engagement including remuneration and their independence and objectivity.

BDO have been appointed as external auditor since 2012. The Audit Committee has confirmed it is satisfied with BDO's knowledge of the Company and its effectiveness as external auditor as well as the provision of non-audit services. As such the Audit Committee has recommended the reappointment of BDO to the Board. There will be a resolution to this effect at the forthcoming Annual General Meeting.

The year ahead
The Committee remain focused on ensuring that the robust framework of internal controls currently in place at Shanta is maintained. We will continue to closely monitor the financial risks faced by the business, whilst also ensuring that measures are in place to mitigate these where appropriate.

The Committee will also continue the close ongoing dialogue with the Company's external auditors, highlighting any emerging financial risks or matters facing the Company throughout the coming year and ensuring that the Company's financial reporting mechanisms continue to be subjected to scrutiny and challenge.

Robin Fryer
Chair of the Audit Committee

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

Opinion on the financial statements
In our opinion:

- The financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- The financial statements have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements of Shanta Gold Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 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.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remain independent of the Group and the Parent Company 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.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting, has been set out in the key audit matters section below.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	100% (2019: 100%) of Group revenue		
	97% (2019: 94%) of Group total assets		
	94% (2019: 91%) of Group profit before tax		
		2020	**2019**
Key audit matters	Going concern	●	●
	Recoverability of VAT	●	●
	Carrying value of mining assets	●	
Materiality	Group financial statements as a whole		
	US$1.8 million (2019: US$1.9 million) based on 4.5% of profit before tax (2019: 1.5% of revenue).		

An overview of the scope of our audit
Our Group 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. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Our involvement with component auditors
For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit

evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- 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.
- 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 reviewed the component auditor's work papers remotely, attended clearance meetings for the significant component and engaged with the component auditors during their fieldwork and completion phases.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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) that 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	Our response
Going Concern	
Management is required to perform an assessment of the Group's ability to continue as a going concern. The assessment is expected to cover a period of at least 12 months from the date of signing the financial statements, and the Directors are required to consider significant events and conditions that exist beyond the 12 month period from the date of approval of the financial statements. Details of management's consideration of the appropriateness of the going concern basis are set out in note 2.2.	We evaluated Management's and the Directors assessment of going concern. Our specific audit testing in this regard included: ■ Critical assessment of management's financial forecasts for the period to March 2022 and the key underlying assumptions, including: – gold pricing used in the forecast was compared to forecasted future gold prices from independent third party sources – forecast production statistics assessed in comparison to the Life of Mine Plan and against current year performance – operating and capital expenditure have been compared to the board approved budget for 2021 – debt repayments were confirmed to third party loan agreements to check completeness and timing – we confirmed that the forecast period excluded receipts associated with VAT receivables due to the uncertainty of the timing ■ We have reviewed the scenarios prepared by Management which taken into account the reduction in certain key assumptions. ■ We performed sensitivity analysis in respect of the key assumptions underpinning the forecasts, including gold pricing, production and operational costs and assessed the level of cash under such sensitivities.

Key observations

We found the key assumptions made by Management and the Directors in respect of going concern to be reasonable and the disclosures in the financial statements to be in line with the accounting standards.

Matter identified	Our response
Recoverability of VAT (see note 17) The Group has significant VAT receivables of US$27.6 million as at 31 December 2020, of which the entire balance is classified as non-current. As disclosed in note 17, judgement is required as to its validity, the timing of recovery of the VAT and consideration of the Tanzanian legislation and definition of Raw Minerals. As such, the recoverability, carrying value and presentation of VAT represent a significant focus for our audit. The recoverability of the Group's VAT was therefore considered to be a key audit matter.	We considered and challenged management's assessment of the carrying value, timing of recovery and presentation of the receivables. Our specific audit testing in this regard included: ■ We considered and challenged management's assessment of the recovery of the VAT. In particular, this included consideration of the history of re-payments, including the repayments made in the year, the ability to offset the receivable against corporate tax payments, the current regulatory environment, the nature of correspondence with the relevant authorities, publicly available information and inquiries made with management and its VAT advisors. ■ We have obtained written confirmation from the Group's external legal adviser, which supports the Board's assessment that the VAT is legally valid and remains recoverable. In relying upon the assessments made by such expert, we evaluated the competence and objectivity of the professional adviser relied upon by management. ■ We reviewed correspondence between the Group and the Tanzanian Revenue Authority ("TRA") and made inquiries of management regarding the nature of its ongoing discussions with the TRA to evaluate the reasonableness of Management's judgement in respect of the recoverability of VAT. ■ We considered and challenged management's assessment of the classification between current and non-current including consideration of the payment history, ability to offset, nature of ongoing correspondence and legislative changes. ■ We reviewed the disclosures in the financial statements to ensure that they were prepared in accordance with the requirements of the accounting standards.

Key observations
We found management's assessment of the carrying value, timing of recovery and presentation of the VAT receivable to be acceptable and appropriately disclosed.

Matter identified	Our response
Carrying value of mining and exploration and evaluation assets (see note 11 and 12) The Group's total mining assets and exploration and evaluations assets at 31 December 2020 were US$77.4 million and US$43.3 million respectively. These classes of assets are the most significant to the statement of financial position. Management and the Directors are required to assess whether there are potential indicators of impairment of the Group's mining assets at each reporting date and, if potential indicators of impairment are identified, management are required to perform a full assessment of the recoverable value of the mining assets in accordance with the requirements of the relevant accounting standard. The assessment of the recoverable value of the mining assets required judgments and estimates by management and the Board regarding the inputs applied in the models including future gold and silver prices, production and reserves, operating and development costs and discount rates. Carrying value of mining and exploration and evaluation assets is considered a key audit matter as significant judgement and estimates are applied by Management. In addition, due to Covid-19 there is an increased level of judgement involved in Management's forecasts which underpin the carrying value of mining assets.	We considered and challenged management's assessment of the carrying value, timing of recovery and presentation of the receivables. Our specific audit testing in this regard included: ■ We have reviewed Management's impairment assessment and considered whether there are any indicators of impairment in line with criteria set out under IAS 36 for the development and production assets and under IFRS 6 for exploration and evaluation assets. Management prepared value in use models to support their impairment assessment. ■ We assessed the appropriateness of Management's determination of each cash generating unit (CGU) in order to determine if the conclusions were in line with IAS 36. ■ We obtained management's discounted cash flow models, and performed data integrity and mechanical checks on the models using our proprietary tool. ■ We compared the actual performance of the CGUs during 2020 to budgets for the period in order to assess the quality of management's forecasting. ■ We critically challenged the NPV model, focussing on the appropriateness of estimates with reference to empirical data and external evidence with specific emphasis on the following assumptions: gold and silver prices, reserves and production levels, operating and development costs and discount rates. ■ We compared the gold price forecast to published market data, including market consensus research, which confirmed the price forecasts used in the model to be in an acceptable range versus market forecasts. ■ We assessed the consistency of production profiles and capital expenditure forecasts against the Group's LOM plans, approved budgets and discussed with operational management to inform our assessment and understanding of these plant and budgets. ■ We reviewed management's sensitivity analysis and performed our own additional sensitivity analysis on a combination of key inputs to assess the impact of changes in assumptions. ■ We reviewed the disclosures in the financial statements to ensure that they were prepared in accordance with the requirements of the accounting standards.

Key observations
Based on our work we concur with management's assessment that there is no impairment and the carrying value of the Group's mining and exploration and evaluation assets are appropriate.

Our application of materiality
We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. 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.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also 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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements	
	31 Dec 20	31 Dec 19
Materiality	US$ 1.8 million	US$1.9 million
Basis for determining materiality	4.5% Profit before tax	1.5% Revenue
Rationale for the benchmark applied	Users of the financial statements of profit-orientated entities will generally be concerned with reported earnings both at the pre-taxation and post-taxation levels. As the Group has become profit making, profit before tax is considered the most appropriate benchmark measure	We consider revenue to be the financial metric of the most interest to shareholders and other users of the financial statements, given the Group's continuation as a producing mining operation
Performance materiality	US$1.3 million	US$1.4 million
Basis for determining performance materiality	75% of Group Materiality	75% of Group Materiality

Component materiality
We set materiality for each component of the Group based on a percentage of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality was set at US$1.6 million. In the audit of the components, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold
We agreed with the Audit Committee that we would report to them all individual audit differences in excess of US$37,000 (2019:US$38,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- Proper accounting records have not been kept by the Parent Company; or
- The 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, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Holding discussions with management and the audit committee and considering any known or suspected instances of non-compliance with laws and regulations or fraud;
- Testing the appropriateness of journal entries made through the year by applying specific criteria to detect possible irregularities and fraud;
- Performing a detailed review of the Group's year-end adjusting entries and investigating any that appear unusual as to nature or amount;
- For significant and unusual transactions, particularly those occurring at or near year-end, investigating the possibility of related parties and the sources of financial resources supporting the transactions;
- Extending inquiries to individuals outside of Management and the accounting department to corroborate Management's ability and intent to carry out plans that are relevant to developing the estimate; and
- Reviewing minutes from board meetings of those charges with governance to identify any instances of non-compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

1 March 2021

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

"Low-cost grid power grid contributed 12% of Shanta's power requirements during the year, lowering power costs, diversifying power source dependency and reducing the mine's carbon output."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Consolidated statement of comprehensive income

(US$000)	Notes	31 Dec 2020	31 Dec 2019
Revenue	4	147,431	112,795
Loss on non-hedge derivatives and other commodity contracts	5	(11,688)	(9,833)
Depreciation		(19,361)	(30,613)
Other cost of sales		(59,664)	(57,982)
Cost of sales		**(79,025)**	**(88,595)**
Gross profit		**56,718**	**14,367**
Administration expenses		(8,156)	(6,625)
Exploration and evaluation costs		(4,809)	(2,611)
Operating profit		**43,753**	**5,131**
Finance income	6	1,870	53
Finance expense	7	(6,622)	(6,375)
Profit / (Loss) before taxation	8	**39,001**	**(1,191)**
Taxation	9	(21,798)	(8,291)
Profit / (Loss) for the year attributable to the equity holders of the parent Company		**17,203**	**(9,482)**
Profit / (Loss) after taxation		**17,203**	**(9,482)**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign entities which can subsequently be reclassified to profit or loss		-	1
Total comprehensive income attributable to the equity holders of the parent Company		**17,203**	**(9,481)**
Earnings / (Loss) per share attributable to the equity holders of the parent Company			
Basic earnings / (loss) per share (US$ cents)	**10**	**2.023**	**(1.206)**
Diluted earnings / (loss) per share (US$ cents)	**10**	**2.018**	**(1.206)**

The accompanying notes on pages 63 to 86 form an integral part of these financial statements.

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

Consolidated statement of financial position

(US$000)	Notes	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	11	43,343	23,378
Property, plant and equipment	12	77,449	82,748
Right of use assets	13	3,260	2,947
Other receivables	17	27,560	19,968
Total non-current assets		**151,612**	**129,041**
Current assets			
Inventories	16	30,040	27,090
Trade and other receivables	17	4,649	6,282
Restricted cash	18	2,500	2,500
Cash and cash equivalents		41,582	3,506
Total current assets		**78,771**	**39,378**
TOTAL ASSETS		**230,383**	**168,419**
CAPITAL AND RESERVES			
Equity			
Share capital and premium	23	210,493	158,440
Share option reserve	24	338	473
Convertible loan notes reserve		5,374	5,374
Translation reserve		450	450
Shares to be issued		1,043	627
Retained deficit		(51,776)	(69,114)
TOTAL EQUITY		**165,922**	**96,250**
LIABILITIES			
Non-current liabilities			
Loans and other borrowings	20	4,270	5,219
Provision for decommissioning	22	6,346	8,426
Provision for deferred taxation	9	10,451	10,518
Total non-current liabilities		**21,067**	**24,163**
Current liabilities			
Trade and other payables	19	12,208	23,612
Loans and other borrowings	20	5,713	14,026
Convertible loan notes	21	9,999	9,987
Income tax payable		15,474	381
Total current liabilities		**43,394**	**48,006**
TOTAL LIABILITIES		**64,461**	**72,169**
TOTAL EQUITY AND LIABILITIES		**230,383**	**168,419**

The accompanying notes on pages 63 to 86 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the board of Directors on 1 March 2021 and signed on its behalf by:

Eric Zurrin
Chief Executive Officer

Anthony Durrant
Chairman

Consolidated statement of changes in equity

US$000	Share capital	Share premium	Share option reserve	Convertible loan notes reserve	Translation reserve	Shares to be issued	Retained deficit	Total equity
Total equity 31 December 2018	117	157,731	698	5,374	450	592	(59,835)	105,127
Effect of adoption of IFRS 16	-	-	-	-	-	-	(10)	(10)
Total equity 1 January 2019 as restated	117	157,731	698	5,374	450	592	(59,845)	105,117
Loss for the year	-	-	-	-	-	-	(9,482)	(9,482)
Other comprehensive income for the year	-	-	-	-	-	-	1	1
Total comprehensive income for year	-	-	-	-	-	-	**(9,481)**	**(9,481)**
Share based payments	1	591	(13)	-	-	35	-	614
Lapsed options	-	-	(212)	-	-	-	212	-
Total equity 31 December 2019	**118**	**158,322**	**473**	**5,374**	**450**	**627**	**(69,114)**	**96,250**
Profit for the year	-	-	-	-	-	-	17,203	17,203
Other comprehensive income for the year	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	**17,203**	**17,203**
Share based payments	-	627	-	-	-	416	-	1,043
Lapsed options	-	-	(135)	-	-	-	135	-
Shares issues (net of expenses)	31	51,395	-	-	-	-	-	51,426
Total equity 31 December 2020	**149**	**210,344**	**338**	**5,374**	**450**	**1,043**	**(51,776)**	**165,922**

The accompanying notes on pages 63 to 86 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 notes reserve	Equity element of convertible loan notes
Translation reserve	Cumulative gains and losses on translating the net assets of overseas operations to the presentation currency
Shares to be issued	Nominal value of share capital and premium on shares to be issued
Retained deficit	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income

Consolidated statement of cash flows

(US$000)	Notes	31 Dec 2020	31 Dec 2019
Net cash flows generated from operating activities	25	34,608	37,598
Investing activities			
Purchase of intangible assets		(8,549)	(108)
Purchase of plant and equipment		(142)	(54)
Purchase of right of use assets		(260)	-
Purchase of assets under construction		(4,654)	(13,572)
Capitalised mine development expenditure		(8,543)	(7,104)
Net cash flows used in investing activities		**(22,148)**	**(20,838)**
Financing activities			
Ordinary shares issued (net of expenses)		39,996	-
Loans repaid		(10,987)	(13,985)
Principal paid on lease liabilities		(1,087)	(1,587)
Interest paid		(1,975)	(3,443)
Purchase of silver to fulfil Silver Stream obligation		(331)	-
Buy-back of convertible loan notes		-	(5,219)
Equipment loan repaid		-	(1,046)
Loans received (net of loan arrangement fees)		-	3,068
Net cash flows received from / (used in) financing activities		**25,616**	**(22,212)**
Net increase / (decrease) in cash and cash equivalents		**38,076**	**(5,452)**
Cash and cash equivalents at beginning of year		**3,506**	**8,958**
Cash and cash equivalents at end of year		**41,582**	**3,506**

The accompanying notes on pages 63 to 86 form an integral part of these financial statements.

Notes to the financial statements

1. General information
Shanta Gold Limited (the Company) is a limited company incorporated in Guernsey. The address of its registered office is 11 New Street, St Peter Port, Guernsey, GY1 2PF. The nature of the Group's operations and its principal activities are set out in the Chairman's Statement, the Chief Executive Officer's Review and the Directors' Report on pages 21–22.

These financial statements were approved and authorised for issue by the Board of Directors on 1 March 2021 and signed on its behalf by Eric Zurrin and Anthony Durrant.

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 judgement 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. Notwithstanding the Group's current strong financial performance and position, the Board are cognisant of the potential impacts of COVID-19 on the Group. To date, there has been little impact of COVID-19 on the Group's operations and, whilst the potential future impacts are unknown, the Board has considered the operational disruption that could be caused by factors such as illness amongst our workforce and potential disruptions to supply chain, factoring in these potential impacts and reasonable mitigating actions to forecasts and sensitivity scenarios.

At 31 December 2020 the Group had an unrestricted cash balance of US$41.6 million and net cash of US$37.3 million. Despite delays in recovering VAT, the Group has sufficient operating cashflows to continue to operate for the foreseeable future, including meeting contractual debt repayments in the forecast period. The Group expects to settle existing future commitments associated with the maturity of the convertible loan notes.

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

2.3 New standards, amendments and interpretations effective in 2020
A number of new and amended standards and interpretations issued by IASB have become effective for the first time for financial periods beginning on (or after) 1 January 2020 and have been applied by the Group in these financial statements. None of these new and amended standards and interpretations had a significant effect on the Group because they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies

2.4 New standards, amendments and interpretations that are not yet effective and have not been early adopted
There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods and which have not been adopted early. None of these are expected to have a significant effect on the Group, in particular:

- IFRS 3 Business Combinations: Amendment – Definition of Business
- IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform
- IFRS 16 Leases: COVID-19-Related Rent Concessions
- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Amendment – Disclosure Initiative – Definition of Material
- Revisions to the Conceptual Framework for Financial Reporting.

The principal accounting policies adopted are set out below.

2.5 Basis of consolidation

2.5.1 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. The consolidated financial statements comprise the financial statements of the subsidiaries listed in note 14.

2.5.2 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.

A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits. A business consists of inputs and processes applied to those inputs that have the ability to create outputs that provide a return to the Company and its shareholders. A business need not include all of the inputs and processes that were used by the acquiree to produce outputs if the business can be integrated with the inputs and processes of the Company to continue to produce outputs If the integrated set of activities and assets is in the exploration and development stage, and thus, may not have outputs, the Company considers other factors to determine whether the set of activities and assets is a business. Those factors include, but are not limited to, whether the set of activities and assets:

- Has begun planned principal activities;
- Has employees, intellectual property and other inputs and processes that could be applied to those inputs;
- Is pursuing a plan to produce outputs; and
- Will be able to obtain access to customers that will purchase the outputs.

2.6 Foreign currencies

2.6.1 Functional and Presentation Currencies

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.

2.6.2 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.

2.7 Revenue recognition

The Group enters into spot agreements for the sale of refined gold. The Group recognises the sale upon delivery at which point control of the product has been transferred to the customer. Transfer of control generally takes place when refined gold is credited to the customer's account at the refinery. The Group also enters into forward contracts for the sale of refined gold. Revenue arising from sales under these contracts is recognised when the product has been delivered under the terms of the contract at which point control of the product has been transferred to the customer.

Revenue is measured based on the consideration to which the Group expects to be entitled under the terms of a contract with a customer. In most cases the consideration is determined by reference to the gold market price at the point of delivery, except for instances where the arrangement falls under a forward sales contract. Consideration typically falls due upon delivery.

The Group enters into forward sales contracts for the sale and delivery of gold at a pre-determined and agreed price. These forward sales contracts meet the own use exemption under IFRS 9 and as such are recognised as revenue.

2.8 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.

2.9 Intangible assets and exploration and evaluation expenditure

2.9.1 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.

2.9.2 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.

2.9.3 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.

2.9.4 Licencing costs

The costs of acquiring mining and prospecting licences, 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 licence holders' rights, with the option of converting these licences 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 licences have expired with no intention of renewal, an impairment loss is recognised as exploration costs in the statement of comprehensive income. Where expiring licences 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.

2.10 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.

2.10.1 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.

2.10.2 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.

2.10.3 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.

2.11 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.

2.12 Taxation
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%, and for Kenyan tax arising on activities in the Kenyan subsidiaries, which are liable for Kenyan Corporation Tax at 25%. In addition, the Group may be liable for withholding taxes on the repatriation of assets and income from the Tanzanian and Kenyan subsidiaries to the Company as there is no double tax treaty between Guernsey and Tanzania or Kenya.

Taxation on the profit or loss for the year comprises both current and deferred taxes. Current taxation is provided for on the basis of the results for the year computed in accordance with tax legislation and any adjustment of the tax payable for the previous year.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of the assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

2.13 Provisions
Provisions are recognised when the Group has a present obligation, legal or constructive, resulting from past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

2.14 Decommissioning, site rehabilitation and environmental costs
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.

2.15 Share-based payment/incentive programmes
The Group grants 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.

2.16 Segmental information
An operating segment is a distinguishable component of the Group that is involved in gold mining, processing, exploration or related activities, within a particular economic environment, which is subject to risks and rewards that are different from those of other segments.

Operating segments are reported in a manner consistent with 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.

The Group operates in two geographical locations; Tanzania and Kenya. For management purposes, the Group is organised into two main operating segments, this being mining, processing, exploration and related activities in Tanzania, and exploration activities at the West Kenya Project.

All of the Group's activities within each geographical location are interrelated and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Group as two segments.

2.17 Leases
The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- There is an identified asset;
- The Group obtains substantially all the economic benefits from use of the asset; and,
- The Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease. In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise from use of the asset. In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and,
- Any penalties payable for terminating the lease, if the term of the lease has been estimated based on termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and,
- The amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

2.18 Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2.18.1 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

a) Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortised cost using effective interest rate method:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group does not hold any financial assets that meet conditions for subsequent recognition at fair value through other comprehensive income ("FVTOCI").

All other financial assets are measured subsequently at fair value through profit or loss ("FVTPL").

b) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

c) Cash and cash equivalents

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

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.

2.18.2 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.

a) Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method. The Group's financial liabilities measured at amortised cost comprise loans and other borrowings, equipment loans, lease obligations, Silver Stream obligation, convertible loan notes and other payables and accruals.

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. In the event of a shortfall in silver production versus the Company's minimum delivery obligations, the Company may have to procure silver externally and, if so, any additional associated cost is recognised as a finance expense. 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. Bi-product credits from the Silver Stream arrangement are recognised within cost of sales.

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.

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.

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 FVTPL. 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 "Fair Value Measurement" 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.

2.18.3 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 23 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. Critical accounting estimates, assumptions and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, 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 judgements 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.

The estimates, assumptions and judgements that have a risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Impairment of property, plant and equipment
Property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. Where potential triggers for impairment are identified which may indicate that the carrying value of items of property, 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 a range of discount rates, gold prices, cash costs and also the impact of any legislative changes in Tanzania.

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's judgement is that no indicators of impairment have occurred during the year. This has included consideration of the potential sources of impairment indicators prescribed under IAS 36. Key considerations have included:

- The gold price of US$1,893 /oz at the end of the period, based on observable market or publicly available data, including forward prices and analyst forecasts.
- The impact of gearing at the period end on the NPV of future cash flows, which would be discounted using a weighted average cost of capital ("WACC") reflecting specific market risk factors and country risk during an impairment assessment, calculated to be approximately 11.0% (2019: 9.2%).
- The impact of revisions to the intended future mining schedule and expected cash costs since an impairment assessment was last carried out.

- The current legal and regulatory environment in Tanzania, for which management's judgement is that there have been no significant adverse changes enacted during the year.

Consideration was given to the impact of the ongoing COVID-19 global pandemic on the Group's operations. The COVID-19 pandemic was found not to be an indicator of impairment for any of the Group's CGUs as to date there has been no material disruption and no material impact on the Group's operations.

Management have also performed sensitivity analysis by flexing certain variables downwards by reasonable amounts for each CGU and assessing whether the revised recoverable value would result in an impairment charge. The following sensitivities were applied for all years:

- Reduction in gold price by 50%
- Increase in discount rate to 13.0%
- Decrease in production by 30%
- Increase in operational expenditure by 80%
- Increase in capital expenditure by 80%

None of the changes set out above in isolation would result in an impairment. The sensitivity analysis also does not factor in any of management's mitigation responses should these changes occur.

Impairment of intangible assets
The Group tests whether acquired exploration and evaluation assets, mining options and licence 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.

In Tanzania, 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, licences which are viable and within the licence 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 licences.

The Group's Lupa Goldfields licences are considered to be a single CGU and are assessed collectively. Management have concluded that, whilst the number of active licences has reduced in the year, no impairment has been identified as highlighted in note 11.

Recoverability, classification and measurement of VAT receivable
In July 2017, the Mining Act 2010 (the "Mining Act") was amended to restrict exportation of raw minerals (the "export ban"). An amendment to the VAT Act 2014 also came into effect, treating any exportation of raw minerals as an exempt supply for which no input tax is deductible. The term 'raw minerals' however remained undefined across the statutes. The Group exports doré bars which it does not consider to be a raw mineral.

On 25 January 2019, Government Notice 60 was published which clarified that the 'export ban' seeks to prohibit the export of mineral and mineral concentrates without mineral value addition ("the Guidelines"). The Guidelines introduce the new concept of 'mineral value addition' and, per the Guidelines, gold doré is considered to have undergone sufficient value addition in Tanzania to qualify for export. On 22 February 2019, The Written Laws (Miscellaneous Amendments) (No.2) Act amended the Mining Act to provide a definition of 'raw minerals'. Accordingly, when read together with the Guidelines that establish that doré has sufficient value added to qualify for export, 'raw minerals' does not include doré and input VAT on gold exported by the Group in the form of doré is claimable under the legislation passed in 2017.

On 19 June 2020 the Finance Act, 2020 was published, in which section 68 of the VAT Act, 2014 was amended such that exportation of raw minerals is no longer treated as an exempt supply for which no input tax is deductible.

There is an express legislative framework in Tanzania to apply VAT due to a taxpayer by way of setoff against tax due to the Tanzania Revenue Authority ("TRA"). Based on confirmations from TRA, approved VAT Refunds have been assessed as being immediately available for repayment or set-off.

The Company's input VAT refund application for the period from July 2017 to June 2020 has been initially rejected on the grounds that gold doré exported during that period was deemed a raw mineral under the legislation prevailing at the time. The Company has obtained an independent legal opinion confirming that under a proper construction of the law, Shanta is eligible for input VAT refunds under section 28 of the VAT Act, 2014, which prevailed during that period.

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 reimbursements and set-offs, the carrying value in the financial statements is considered to be fully recoverable. The VAT receivable has been classified as a non-current asset based on the Group's judgement of the timing of recoverability, which has taken into account several factors including the nature of ongoing correspondence with the relevant authorities. Refer to note 17(1) for further details regarding the Group's judgement of the timing of recoverability.

The following scenarios demonstrate the potential impact of the time value of money on the present value of the VAT receivable, based on an estimated Tanzanian risk-free rate of 9.10%. The VAT receivable is outside of the scope of IFRS 9 and no adjustment for the time value of money has been made to the VAT receivable within these financial statements.

	Timing of future cashflows			Total cashflows	Present value
	2021	2022	2023	US$000	US$000
Scenario 1	75%	25%	0%	27,560	24,734
Scenario 2	50%	50%	0%	27,560	24,208
Scenario 3	50%	25%	25%	27,560	23,725
Scenario 4	25%	25%	50%	27,560	22,715

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 12.

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 judgements. The depreciation charge for the year is disclosed within note 12.

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 16.

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$0.4 million (2019: US$0.5 million) on the provision for environmental and site restoration. The value of the year-end decommissioning provision is disclosed within note 22.

Silver Stream obligation
Under the Silver Streaming agreement to which the Group is party there is an obligation to deliver silver by-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. The year-end Silver Stream obligation uses forward curve information based on the year-end silver spot price, which was US$24.9 /oz at the end of 2020 (2019: US$11.7 /oz). A 1% change in silver production estimates would result in an impact of less than US$0.1 million (2019: less than US$0.1 million) on the Silver Stream liability.

4. Revenue

The Group has recognised the following amounts relating to revenue in the statement of comprehensive income:

US$000	31-Dec-20	31-Dec-19
Revenue from contracts with customers	147,431	112,795
	147,431	**112,795**

All revenue is derived from sales of gold from one geographic location and to one customer.

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

US$000	31-Dec-20	31-Dec-19
Valuation of open non-hedge derivatives and other commodity contracts	-	(8,434)
Loss on commodity swaps delivered into / settled	(11,688)	(1,399)
	(11,688)	**(9,833)**

There were no open non-hedge derivatives and other commodity contracts at 31 December 2020. During the year losses of US$11,688,000 (2019: US$1,399,000) were realised on commodity swaps delivered into, as the spot gold prices at the settlement dates were higher (2019: higher) than the fixed forward prices of the instruments.

6. Finance income

US$000	31-Dec-20	31-Dec-19
Bank interest	20	53
Change in estimate of decommissioning liability (note 22)	1,850	-
	1,870	**53**

7. Finance expense

US$000	31-Dec-20	31-Dec-19
Loan and other Interest [1]	2,032	3,578
Interest on lease liabilities (note 13)	95	123
Interest on Silver Stream advance (note 20)	1,443	870
Fair value adjustment on Silver Stream advance (note 20)	940	176
Change in estimate on Silver Stream advance (note 20)	1,178	988
Convertible Loan Note accretion (note 21)	228	146
Loan modification adjustment on Convertible Loan note (note 21)	(216)	-
Finance expense at amortised cost	**5,700**	**5,881**
Unwinding of discount on decommissioning liability (note 22)	591	494
Purchase of silver to fulfil Silver Stream obligation	331	-
Total finance expense	**6,622**	**6,375**

(1) Loan and other Interest includes interest on loans and borrowings of US$711,000 (2019: US$1,926,000) (note 20) and coupon interest on Convertible Loan Notes of US$1,321,000 (2019: US$1,652,000) (note 21).

The finance expense arising on financial liabilities measured at amortised cost has been calculated using the effective interest rate method.

8. Profit / Loss before taxation

Profit / Loss before tax is arrived at after charging:

US$000	31-Dec-20	31-Dec-19
Depreciation of tangible assets	18,956	27,384
Amortisation of right of use assets	1,163	3,933
Amortisation of intangible assets	14	7
Directors remuneration	3,125	2,291
Staff costs	17,623	16,972
Auditors' remuneration		
Audit fees of the Company and Group	162	143
Audit fees of subsidiaries by associates of Group auditor	57	56
Audit fees of subsidiaries by other auditors	26	-
Fees for review of interim information	19	18

9. 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 charge for the year relates to:

US$000	31-Dec-20	31-Dec-19
Current tax charge (Corporate and turnover tax charge)	21,866	6,003
Deferred tax (income) / charge	(68)	2,288
Net charge	**21,798**	**8,291**

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

Profit / (Loss) before taxation (US$000)	**39,001**	**(1,191)**
Tax at the standard tax rate		
Tanzanian Corporation tax at 30%	11,700	(357)
Different tax rates applied in overseas jurisdictions	1,376	863
Permanent adjustments	3,718	7,273
Unrecognised taxable losses in subsidiaries	880	762
Adjustments in respect of prior periods	4,124	(250)
Tax charge	**21,798**	**8,291**

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

US$000	31-Dec-20	31-Dec-19
Deferred tax asset	-	-
Deferred tax liability	(10,451)	(10,518)
Net deferred tax liability	**(10,451)**	**(10,518)**

There were no recognised tax losses remaining at the reporting date (2019: US$Nil). At the end of the year, the Group had further tax losses available in Tanzania amounting to US$42,604,000 (2019: US$14,497,000). Of these losses, US$18,213,000 (2019: US$13,098,000) have arisen within non-producing licence areas, for which no deferred tax asset has been recognised as it is not yet probable that future taxable profits will be available against which these tax losses can be utilised. The remaining US$24,391,000 (2019: US$1,399,000) of these losses have arisen as a result of realised losses on speculative transactions, for which no deferred tax asset has been recognised as it is not yet probable that future tax gains on speculative transactions will be available against which these tax losses can be utilised.

The deferred tax liability has arisen on the temporary differences between the carrying value of assets and tax written down value of assets. Included within the Group's deferred tax liability is an amount of US$5.2 million (2019: US$5.2 million) relating to deferred tax liability on the acquisition of Shield Resources Limited and Boulder Investments Limited.

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 31 December 2018	3,897	(12,127)	(8,230)
Tax losses utilised in the year	(3,897)	-	(3,897)
Accelerated tax depreciation	-	1,476	1,476
Other movements	-	133	133
At 31 December 2019	-	**(10,518)**	**(10,518)**
Accelerated tax depreciation	-	710	710
Other movements	-	(643)	(643)
At 31 December 2020	-	**(10,451)**	**(10,451)**

10. Earnings / (Loss) 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.

	31-Dec-20	31-Dec-19
Profit / (loss) for the year attributable to equity holders of Company	17,203	(9,482)
Profit / (loss) used in calculation of basic earnings per share (see below)	17,203	(9,482)
Basic earnings / (loss) per share (US cents)	2.023	(1.206)
Weighted average number of shares in issue	**850,274,078**	**785,971,533**

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-20	31-Dec-19
The Group has the following instruments which could potentially dilute basic earnings per share in the future:		
Shares to be issued	4,543,126	6,555,926

Shares to be issued relate to performance bonuses payable to management and senior employees in respect of 2020.

As the Group is in a profit-making position, the potential ordinary shares are dilutive and therefore a diluted earnings per share has been calculated as follows:

	31-Dec-20
Profit for the year attributable to equity holders of Company	17,203
Profit used in calculation of diluted earnings per share	17,203
Diluted earnings per share (US cents)	2.018
Weighted average number of shares in issue and potential ordinary shares	**852,665,906**

In 2019 the potential ordinary shares were anti-dilutive as the Group was in a loss-making position and therefore a diluted loss per share was not calculated.

11. 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 2018	**24**	**387**	**96**	**251**	**22,519**	**23,277**
Additions	-	-	108	-	-	108
Amortisation	-	-	(7)	-	-	(7)
At 31 December 2019	**24**	**387**	**197**	**251**	**22,519**	**23,378**
Additions	-	-	-	-	19,979	19,979
Amortisation	-	-	(14)	-	-	(14)
At 31 December 2020	**24**	**387**	**183**	**251**	**42,498**	**43,343**

Acquired exploration and evaluation assets relate to the Group's Lupa Goldfields licences which were acquired in April 2013 and the West Kenya Project which was acquired in August 2020. The Lupa licences cover a significant land package of prospective exploration ground surrounding the Company's New Luika Gold Mine.

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. At the year-end there were 66 active licences relating to the Lupa Goldfields (2019: 82). Management have concluded that whilst some of the Lupa Goldfields licences acquired in 2013 are no longer in the portfolio, no impairment has been identified.

11.1 Acquisition of West Kenya Project

On 10th February 2020, the Company (through its wholly owned subsidiary, Shanta Gold Kenya (Guernsey) Limited) agreed to purchase 100% of the shares of Shanta Gold Kenya Limited (formerly Acacia Exploration (Kenya) Limited) from three subsidiaries of Barrick Gold Corporation ("Barrick"). On 19th August 2020, the Company completed the acquisition. US$20.0 million has been capitalised in respect of US$7.8 million cash consideration paid, 54.6 million Shanta Gold ordinary shares issued to Barrick, and transaction costs of US$0.7 million.

The consideration for this transaction also included a 2% net smelter royalty chargeable on future gold production at the West Kenya Project. Consideration also included an additional cash payment of US$0.5 million (see note 32), which may become payable within four years of the acquisition date, subject to satisfaction of a condition subsequent to the acquisition agreement.

The West Kenya Project does not meet the definition of a business outlined by IFRS 3 or as detailed within the Company's accounting policies (see note 2.5.2). Assets and liabilities acquired as part of the transaction are accounted for at cost, with the excess of the purchase price over the cost of the assets and liabilities acquired being allocated to acquired exploration and evaluation assets within intangible assts.

12. 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 2019	**43,030**	**106,915**	**18,566**	**42,069**	**5,340**	**35,776**	**251,696**
Additions	-	6,661	13,572	54	-	443	20,730
Pre-production revenue[1]	-	-	(3,563)	-	-	-	(3,563)
Reclassified on adoption of IFRS 16	(668)	-	-	(11,133)	-	-	(11,801)
Asset transfers	370	10,235	(12,370)	1,765	-	-	-
Disposals	-	-	-	(4)	-	-	(4)
Change in estimate	-	-	-	-	(613)	-	(613)
At 31 December 2019	**42,732**	**123,811**	**16,205**	**32,751**	**4,727**	**36,219**	**256,445**
Accumulated Depreciation							
At 1 January 2019	**24,641**	**69,875**	-	**18,328**	**3,614**	**35,249**	**151,707**
Reclassified on adoption of IFRS 16	(405)	-	-	(4,985)	-	-	(5,390)
Charge for the year	4,561	16,888	-	5,633	292	10	27,384
Disposals	-	-	-	(4)	-	-	(4)
At 31 December 2019	**28,797**	**86,763**	-	**18,972**	**3,906**	**35,259**	**173,697**
Net book value							
At 31 December 2019	**13,935**	**37,048**	**16,205**	**13,779**	**821**	**960**	**82,748**
Cost							
At 1 January 2020	**42,732**	**123,811**	**16,205**	**32,751**	**4,727**	**36,219**	**256,445**
Additions	-	8,543	5,793	142	-	-	14,478
Change in estimate	-	-	-	-	(821)	-	(821)
At 31 December 2020	**42,732**	**132,354**	**21,998**	**32,893**	**3,906**	**36,219**	**270,102**
Accumulated Depreciation							
At 1 January 2020	**28,797**	**86,763**	-	**18,972**	**3,906**	**35,259**	**173,697**
Charge for the year	2,968	12,150	-	3,582	-	256	18,956
At 31 December 2020	**31,765**	**98,913**	-	**22,554**	**3,906**	**35,515**	**192,653**
Net book value							
At 31 December 2020	**10,967**	**33,441**	**21,998**	**10,339**	-	**704**	**77,449**

1. Revenue generated from underground development ore mined at nil margin was offset against capital expenditure in 2019.
2. Assets under construction primarily relate to capitalised costs at the Singida Project and ongoing phases of underground development at New Luika.

13. Leases

US$000	Mining and other equipment
Right of use assets	
At 1 January 2019	-
Reclassified on adoption of IFRS 16	6,411
Recognised on adoption of IFRS 16	469
Amortisation	(3,933)
At 31 December 2019	**2,947**
At 1 January 2020	2,947
Additions	1,476
Amortisation	(1,163)
31 December 2020	**3,260**
Lease liabilities	
At 1 January 2019	**2,355**
Recognised on adoption of IFRS 16	479
Interest expense	123
Lease payments	(1,704)
Foreign exchange movements	(55)
At 31 December 2019	**1,198**
At 1 January 2020 (note 20)	**1,198**
Additions	1,216
Interest expense (note 7)	95
Lease payments	(846)
Foreign exchange movements	94
At 31 December 2020 (note 20)	**1,757**

	31-Dec-20	31-Dec-19
Current lease liabilities		
Mobile equipment [1]	146	266
Mobile equipment [2]	266	237
Solar power units [3]	125	116
Office space [4]	-	41
Mobile equipment [5]	546	-
Office space [6]	44	-
Office space [7]	33	-
Office space [8]	5	-
Leased land [9]	13	-
	1,178	**660**
Non-current lease liabilities		
Mobile equipment [1]	-	133
Mobile equipment [2]	-	237
Solar power units [3]	43	168
Mobile equipment [5]	515	-
Office space [6]	16	-
Leased land [9]	5	-
	579	**538**
Total lease liabilities	**1,757**	**1,198**

(1) Mobile equipment: a lease for mobile equipment from Sandvik for a capital amount of €712,000 (US$832,000) repayable monthly over thirty-six months commencing on 29 November 2018.

(2) Mobile equipment: a lease for mobile equipment from Sandvik for a capital amount of €635,000 (US$718,000) repayable monthly over thirty-six months commencing on 28 February 2019.

(3) Solar power units: a lease for solar power units from Redavia Tanzania Asset Limited for a five year period commencing in May 2017 for variable lease payments payable monthly.

(4) Office space: a lease for office space from Nevada Golden Coins Limited for a five year period commencing in November 2015.

(5) Mobile equipment: A lease for mobile equipment from Sandvik for a capital amount of €987,000 ($1,200,000) repayable quarterly over thirty-six months commencing on 25 February 2020.

(6) Office space: a lease for office space from Nevada Golden Coins Limited for an eighteen month period commencing November 2020.

(7) Office space: a lease for office space from Innovative Management Services Limited for an eight year period commencing 1 January 2013.

(8) Office space: a lease for office space for a five year and eight month period commencing 27 April 2016.

(9) Leased land: a lease of land for a five year period commencing 1 April 2017.

14. Subsidiary companies

At 31 December 2020, the Group had the following subsidiary undertakings:

Name of company	Holding	Country of Incorporation and principal place of business	Principal activity
Shanta Gold Holdings Limited	100%	Guernsey	Holding Company
Chunya Gold Holdings Limited	100%	Guernsey	Holding Company
Shamba Limited	100%	Guernsey	Holding Company
Shanta Gold Kenya (Guernsey) Limited	100%	Guernsey	Holding Company
Rukwa Limited	100%	Guernsey	Investment Company
Boulder Investments Limited	100%	Cyprus	Investment Company
Shanta Gold Mauritius Limited	100%	Mauritius	Investment Company
Shanta Mining Company Limited	100%	Tanzania	Exploration and mining
Singida Resources Public Limited Company	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
Shanta Gold Kenya Limited (formerly Acacia Exploration (Kenya) Limited)	100%	Kenya	Exploration and mining
Chunya Resources Limited	100%	Tanzania	Dormant
Songea Resources Limited	100%	Tanzania	Dormant
Kakapo Resources Limited	100%	Tanzania	Dormant
Dondoro Resources Limited	100%	Tanzania	Dormant
Shanta Gold UK Limited	100%	United Kingdom	Dormant

15. Categories of financial assets and liabilities

US$000	31-Dec-20	31-Dec-19
Current assets measured at amortised cost		
Trade and other receivables excluding prepayments	149	83
Restricted cash	2,500	2,500
Cash and cash equivalents	41,582	3,506
Total financial assets at amortised cost	**44,231**	**6,089**
Financial liabilities measured at amortised cost		
Current financial liabilities		
Loans and other borrowings (note 20)	(5,713)	(14,026)
Convertible loan notes (note 21)	(9,999)	(9,987)
Trade and other payables	(12,208)	(12,308)
	(27,920)	**(36,321)**
Non-current financial liabilities		
Loans and other borrowings (note 20)	(4,270)	(5,219)
	(4,270)	**(5,219)**
Total financial liabilities measured at amortised cost	**(32,240)**	**(41,540)**
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities - commodity hedge (note 5)	-	(11,304)
Total financial liabilities at fair value through profit or loss	**-**	**(11,304)**

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 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.

16. Inventories

US$000	31-Dec-20	31-Dec-19
Plant spares and consumables	13,961	11,572
Gold in ore stockpile	11,385	10,185
Gold in gold room and CIL	4,694	5,333
	30,040	**27,090**

The cost of consumable inventories consumed during the year and included in working cost amounted to US$24.2 million (2019: US$28.4 million). Plant spares and consumables increased in the year as a result of measures taken to mitigate potential supply chain risks associated with COVID-19.

17. Trade and other receivables

US$000	31-Dec-20	31-Dec-19
Non-current assets		
VAT receivable [1]	27,560	19,968
	27,560	**19,968**
Current assets		
Prepayments [2]	3,218	4,311
VAT receivable [1]	-	1,888
Other receivables [3]	1,431	83
	4,649	**6,282**

During the year no impairments were recognised (2019: US$Nil). The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

1. VAT receivable: There is an express legislative framework in Tanzania to apply VAT due to a taxpayer by way of setoff against tax due to the Tanzania Revenue Authority ("TRA"). Based on confirmations from TRA, approved VAT Refunds have been assessed as being immediately available for repayment or setoff. In 2020, US$1.9 million of the brought forward VAT receivable was set off against corporate taxes falling due in the year, utilising the full balance of VAT Refunds available for setoff. Refund applications for the period from July 2020 to December 2020, which amount to US$4.4 million, require audit by the TRA before being formally approved. Refund applications for the period from July 2017 to June 2020, which amount to US$23.2 million, have been initially rejected by the TRA and the Company intends to appeal this decision. The legislation relevant to the Company's refund applications for the period from July 2017 to June 2020 (summarised in Note 3) is clear and the Company expects its appeal to be successful. The full outstanding balance has been classified as a non-current asset for the purposes of these financial statements. Refer to Note 3 for additional details.
2. Prepayments: 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.
3. Other receivables: Other receivables include an amount of US$1,282,000 paid to appeal certain findings of historic tax assessments carried out during the year, for the which the Company has concluded there is a high chance of its appeal being successful. In the event of a successful appeal, amounts paid to file the appeal are refundable to the Company.

18. Restricted cash
An amount of US$2,500,000 (2019: US$2,500,000) 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 20).

19. Trade and other payables

US$000	31-Dec-20	31-Dec-19
Trade payables	6,818	8,406
Derivative financial liability (note 5)	-	11,304
Accruals	5,390	3,902
	12,208	**23,612**

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.

20. Loans and other borrowings

US$000	31-Dec-20	31-Dec-19
Current liabilities		
Loans payable to Investec Bank less than 1 year [1]	-	5,343
Silver Stream [2]	1,899	1,765
Loans payable to Exim Bank less than 1 year [3]	2,636	5,959
Equipment loan [4]	-	299
Lease liabilities (note 13)	1,178	660
	5,713	**14,026**
Non-current liabilities		
Silver Stream [2]	3,691	2,471
Loans payable to Exim Bank more than 1 year [3]	-	2,210
Lease liabilities (note 13)	579	538
	4,270	**5,219**
Total loans and other borrowings	**9,983**	**19,245**

The finance expense recognised in respect of loans and borrowings in the year amounted to US$0.7 million (2019: US$1.9 million).

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

(2) 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 with minimum silver

delivery obligations totalling 608,970oz Ag over a 6.75-year period. There is a requirement to settle any shortfall in silver delivery from the minimum obligation in cash. The term of the SSA is 10 years during which time the Company will sell silver to Silverback and receive ongoing payments of 10% of the silver sold at the prevailing silver price. However, the Company has no minimum ounce obligations after 2022. The Silver Stream liability was re-estimated during the year to include the extension to life of mine plan achieved in 2020. The liability is calculated using the forward silver price and interest at the effective rate is imputed interest.

US$000	31-Dec-20	31-Dec-19
Balance at 1 January	(4,236)	(3,948)
Value of silver transferred	2,207	1,746
Interest at the effective interest rate	(1,443)	(870)
Adjustment for the value in future estimates	(940)	(176)
Change in estimate	(1,178)	(988)
At 31 December	**(5,590)**	**(4,236)**

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

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

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

21. Convertible loan notes

US$000	31-Dec-20	31-Dec-19
Balance at 1 January	9,987	15,060
Purchase by group company	-	(5,219)
Cash paid interest	(1,321)	(1,652)
Coupon interest (note 7)	1,321	1,652
Accreted Interested (note 7)	228	146
Loan modification adjustment (note 7)	(216)	-
At 31 December	**9,999**	**9,987**

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. During 2018 the Group received irrevocable undertakings from holders of the Company's outstanding notes to vote in favour of a buyback of approximately 33.33% of the outstanding notes in April 2019 and a 1-year extension to the maturity date of the remaining notes.

On 18 January 2019 Rukwa Limited, a wholly owned subsidiary of Shanta Gold Limited, repurchased 325,000 of the Company's outstanding notes from El Oro Limited for a total consideration of US$276,250. On 16 May 2019 Shamba Limited, a wholly owned subsidiary of Shanta Gold Limited, repurchased 4,868,000 of the Company's outstanding notes in accordance with the scheme and timetable set out in written resolutions passed by the holders of the notes on 26 June 2018. Following these transactions, the principal value of the remaining outstanding notes not held directly or indirectly by Shanta Gold Limited is US$9,807,000.

In early 2020 the holders of the convertible loan notes voted in favour of a restructuring that extended their maturity date by one year, resulting in a fair value adjustment of US$216,000. The Company retains the option to redeem the convertible notes earlier than the extended maturity date. At the end of 2020, Group liabilities included the obligation to repay US$9.8 million of outstanding notes in April 2021.

22. Provision for Decommissioning

US$000	31-Dec-20	31-Dec-19
Balance at 1 January	8,426	8,545
Unwinding of discount (note 7)	591	494
Change in estimate (note 6, note 12)	(2,671)	(613)
At 31 December	**6,346**	**8,426**

The above provision relates to site restoration at New Luika and nearby open pits. 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 yields of Tanzanian Sovereign Bonds with a maturity profile commensurate with the anticipated rehabilitation schedule have been used to determine discount factors applied to anticipated future rehabilitation costs. 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. The liability was re-estimated in the year to align with the updated mining schedule announced in 2020 and use the latest Tanzanian Sovereign Bond yields.

23. Share capital

Authorised	31-Dec-20	31-Dec-19
1,043,465,532 ordinary shares of 0.01 pence each	£78,738	£77,889

Issued and fully paid	Number	£	US$000
At 1 January 2019	**778,889,782**	**77,889**	**117**
Issued in year	8,485,304	849	1
As at 31 December 2019	**787,375,086**	**78,738**	**118**
Issued in year	256,090,446	25,609	31
As at 31 December 2020	**1,043,465,532**	**104,347**	**149**

54,650,211 ordinary shares were issued to Barrick in respect of the acquisition of the West Kenya Project in the year. 194,884,309 ordinary shares were issued during a successful equity raise completed on 23 October 2020. 6,555,926 ordinary shares were issued to Executive Directors in the year in respect of 2019 performance bonuses.

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.

24. 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 2020	Number of options at 31 December 2019
27 July 2010	18.2p	27 July 2020	-	495,000
26 September 2011	25p	26 September 2021	500,000	500,000
6 January 2012	23.13p	6 January 2022	1,170,000	1,170,000
			1,670,000	**2,165,000**

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 2020		31 December 2019	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Details of the share options outstanding during the year are:				
Outstanding at 1 January	2,165,000	0.224	2,960,000	0.206
Lapsed share options	(495,000)	0.182	(515,000)	0.206
Cancelled share options	-	-	(280,000)	0.060
Outstanding at end of year	1,670,000	0.237	2,165,000	0.224
Exercisable share options at the end of year	1,670,000	0.237	2,165,000	0.224

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	£0.231
Expected life of options	10 years	10 years	10 years	10 years
Expected volatility	55%	55%	55%	55%
Expected dividend yield	0%	0%	0%	0%
Risk free rate	1.70%	1.70%	1.70%	1.70%
Grant date	23-Aug-12	23-Aug-12	23-Aug-12	6-Jan-12
Fair value per share option	£0.240	£0.229	£0.219	£0.148
Exchange rate used	1.585	1.585	1.585	1.560
Total charge over the vesting period	US$94,989	US$181,336	US$173,645	US$700,984

25. Net cash flows from operating activities

US$000	31-Dec-20	31-Dec-19
Profit / (Loss) before taxation for the year	39,001	(1,191)
Adjustments for:		
Depreciation/depletion of tangible assets	18,956	27,384
Amortisation of right of use assets	1,163	3,933
Amortisation/write off of intangible assets	14	7
Share based payment costs	1,043	614
Loss on open non-hedge derivatives and other commodity contracts (note 5)	-	8,434
Unrealised exchange (losses) / gains	75	(200)
Non-cash settlement of Silver Stream obligation (note 20)	(2,207)	(1,745)
Finance income–decommissioning provision (note 6)	(1,850)	(53)
Finance expense (note 7)	6,622	6,375
Pre-production revenue (note 12)	-	3,563
Operating cash flow before movement in working capital	**62,817**	**47,121**
Increase in inventories	(2,950)	(2,611)
Increase in receivables	(7,705)	(5,671)
(Decrease) / Increase in payables	(11,404)	436
	40,758	**39,275**
Taxation paid	(6,170)	(1,730)
Interest received	20	53
Net cash flow from operating activities	**34,608**	**37,598**

26. Reconciliation of liabilities arising from financing activities

US$000	Non-current loans and other borrowings (Note 20)	Current loans and other borrowings (Note 20)	Convertible loan notes (Note 21)	Restricted cash (Note 18)	Total
At 1 January 2019	8,230	23,664	15,060	(2,500)	44,454
Cash flows	2,499	(17,842)	(6,871)	-	(22,214)
Non-cash flows					
Silver Stream	-	(1,745)	-	-	(1,745)
Finance lease obligations recognised on transition to IFRS16	168	311	-	-	479
Interest accruing in the period	1,140	2,944	1,798	-	5,882
Effects of foreign exchange	-	(124)	-	-	(124)
Reclassification from non-current to current liabilities	(6,818)	6,818	-	-	-
At 31 December 2019	**5,219**	**14,026**	**9,987**	**(2,500)**	**26,732**
Cash flows	-	(12,728)	(1,321)	-	(14,049)
Non-cash flows					
Silver Stream	-	(2,207)	-	-	(2,207)
Finance lease obligations recognised	1,020	196	-	-	1,216
Interest accruing in the period	1,141	3,226	1,333	-	5,700
Effects of foreign exchange	-	90	-	-	90
Reclassification from non-current to current liabilities	(3,110)	3,110	-	-	-
At 31 December 2020	**4,270**	**5,713**	**9,999**	**(2,500)**	**17,482**

27. 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:

- Trade and other receivables
- Cash and cash equivalents
- Restricted cash
- Trade and other payables
- Loans and borrowings
- Convertible loan notes
- Asset loans
- Commodity price hedging

The Group held derivative financial instruments during the years ended 31 December 2020 and 2019 and these were in respect of forward sales of gold and swap contracts. 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. The risk management policies employed by the Group to manage these risks are set out below.

27.1 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 Group's cash and cash equivalents are carried at an effective interest rate of 1% (2019: 1%).

27.2 Credit risk

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

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

a) Trade and other receivables

The Group generates revenue from the sale of gold. In the event of a default by a debtor of amounts due from trade and other receivables, the Group will be able to meet those costs. Sales are made principally to one customer. There was a change in customer during the year. 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.

b) Cash and cash equivalents

The Group has significant concentration of credit risk arising from its bank holdings of cash and cash equivalents.

To manage this exposure, the Group has a policy of maintaining its cash and cash equivalents with counterparties that have a credit listing of at least A from independent rating agencies. Given this high credit rating, the Directors do not expect any counterparty to fail. The Board has reviewed the maximum exposure on the Group financial assets and has concluded that the carrying values as at reporting date are fully recoverable.

27.3 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 2020		
US$000	**Less than 3 months**	**3 months to 1 year**	**Later than one year but no later than five years**
Loans and other borrowings	(1,306)	(1,344)	-
Lease liabilities	(202)	(867)	(611)
Silver Stream	-	(1,899)	(3,691)
Convertible loan notes	-	(10,447)	-
Other payables and accruals	(12,783)	-	-
	(14,291)	**(14,557)**	**(4,302)**

	31 December 2019		
US$000	**Less than 3 months**	**3 months to 1 year**	**Later than one year but no later than five years**
Loans and other borrowings	(4,203)	(4,181)	(2,650)
Equipment loan	(196)	(111)	-
Lease liabilities	(210)	(679)	(749)
Silver Stream	-	(1,765)	(2,471)
Convertible loan notes	-	(10,447)	-
Derivative financial liability	(4,809)	(6,495)	-
Other payables and accruals	(12,308)	-	-
	(21,726)	**(23,678)**	**(5,870)**

27.4 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, Euro, Kenyan Shilling and Sterling, however most transactions are in USD. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

(US$000)	31 December 2020 USD	TZS	EUR	GBP	KSH	Total
Trade and other receivables	20	1,385	-		26	1,431
Cash and cash equivalents	40,796	82	-	615	89	41,582
Trade and other payables	(9,014)	(2,846)	-	(64)	(284)	(12,208)
Loans and other borrowings	(8,456)	-	(1,472)	-	(55)	(9,983)
Convertible loan notes	(9,999)	-	-	-	-	(9,999)
Net exposure	**13,347**	**(1,379)**	**(1,472)**	**551**	**(224)**	**10,823**

(US$000)	31 December 2019 US$	TZS	EUR	GBP	Total
Trade and other receivables	83	-	-	-	83
Cash and cash equivalents	3,427	72	-	7	3,506
Trade and other payables	(8,854)	(3,216)	(167)	(71)	(12,308)
Derivative financial liability	(11,304)	-	-	-	(11,304)
Loans and other borrowings	(18,073)	-	(1,172)	-	(19,245)
Convertible loan notes	(9,987)	-	-	-	(9,987)
Net exposure	**(44,708)**	**(3,144)**	**(1,339)**	**(64)**	**(49,255)**

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	
	2020	**2019**	**2020**	**2019**
TZS : US$	0.0004	0.0004	0.0004	0.0004
EUR : US$	1.1412	1.1190	1.2259	1.1191
GBP : US$	1.2844	1.2772	1.3490	1.3127
KSH : US$	0.0090	-	0.0092	-

27.5 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.

28. Segment information

The Group had two operating segments during the year:

- Tanzanian Assets – gold mining, processing, exploration and related activities in Tanzania
- West Kenya Project – gold exploration activities in Kenya

Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. These have been disaggregated as follows:

US$000	2020 Tanzanian Assets	West Kenya Project	Total
Revenue	147,431	-	147,431
Segment result	18,150	(947)	17,203
Operating profit / (loss)	44,700	(947)	43,753
Financial income	1,870	-	1,870
Financial expense	(6,622)	-	(6,622)
Taxation	(21,798)	-	(21,798)
Profit / (Loss) attributable to equity holders of the parent company	18,150	(947)	17,203
Segment assets	209,583	20,800	230,383
Segment liabilities	(64,164)	(297)	(64,461)
Non-current asset additions	14,478	19,979	34,457

The Group acquired the West Kenya Project on 19 August 2020. Prior to this date, the Group had one operating segment and as such no further disaggregation of financial results has been made in respect of 2019.

29. Related party transactions

Details of the remuneration of the Directors, who are key management personnel, are contained within note 8 and the Remuneration Committee Report on pages 33–36. Executive Directors are considered key management.

At the end of the year, Luke Leslie and Robin Fryer held convertible loan notes with an aggregate principal value of US$220,000 (2019: US$220,000) and US$263,000 (2019: US$263,000) respectively.

During 2020 an amount of US$Nil (2019: US$37,899) was paid to Keith Marshall in respect of engineering services provided to the Company.

During 2020 an amount of US$233,000 (2019: US$182,000) was paid to ETG Logistics Limited in respect of logistics services provided to the Company. ETG Logistics Limited is a subsidiary company of the wider Export Trading Group within which Ketan Patel holds directorships.

The Company reimburses its staff for work-related international flights at cost. Due to the coronavirus pandemic, several international flight tickets purchased by Luke Leslie in the year were cancelled and refunded by airline operators after this expenditure had been reimbursed to him by the Company. These refunded amounts, worth US$27,528 at the end of the year, remain in credit on Luke Leslie's account and will be applied to future international travel costs.

30. Commitments

The Directors confirm that the Group had capital commitments of US$3.6 million (2019: US$1.5 million) relating to underground mining equipment at New Luika and long-lead capital items on order at Singida.

31. Dividend per share

Following the year-end, the directors have proposed a final dividend of 0.10 pence (2019: Nil) per share totalling approximately US$1.5 million (2019: Nil), subject to the approval of shareholders on 24 March 2021. This final dividend has not been accrued in the consolidated statement of financial position.

32. Contingent liabilities

Contingent liabilities identified as at 31 December 2020 have been summarised as follows:

(i) Under the terms of the Share Purchase Agreement for the West Kenya Project acquisition, US$0.5 million of cash consideration is conditional on satisfaction of certain conditions relating to the Company obtaining required approvals in respect of the Gold Rim Project Licences. These conditions had not been met as at 31 December 2020 and no amount has been recognised.

(ii) One of the Company's subsidiaries, Shanta Gold Kenya Limited, received preliminary findings on 9 February 2021 from the Kenya Revenue Authority (the "KRA") in respect of an initial review conducted regarding the disposal by three subsidiaries of Barrick of their interests in the West Kenya Project during 2020.

These preliminary findings do not represent a formal tax demand. Two key preliminary findings have been highlighted within the correspondence, being in respect of corporation tax falling due on an assessed net gain arising upon an assessed indirect transfer of interest in the West Kenya Project, and VAT arising on an assessed transfer of an underlying participating interest in the West Kenya Project.

Legal advice has been obtained in respect of these preliminary findings. In respect of the assessed net gain arising upon an assessed indirect transfer of interest in the West Kenya Project, the legal advice obtained concludes that such taxes are payable by the seller in the transaction. Furthermore, specific warranties within Shanta's Sale and Purchase Agreement with Barrick provide protections for the Company in respect of this matter. In respect of VAT arising on the transaction, the legal advice obtained concludes that VAT does not apply to transfers of shares, and hence the acquisition of Shanta Gold Kenya Limited (formerly Acacia Exploration (Kenya) Limited) by Shanta Gold Mauritius Limited in 2020 is not a transaction that attracts VAT under Kenyan tax laws.

No liability or provision has been recognised within the 2020 financial statements in respect of these preliminary findings from the KRA and, whilst any future payments by the Group in respect of these matters would likely be material, the likelihood of such future payments is considered to be remote.

(iii) A US$4.1 m tax charge has been recognised in the year in respect of historical tax assessments conducted by the TRA during 2020. These assessments also highlighted a matter in respect of certain royalties which have been found by the TRA to be disallowable for corporation tax purposes. The Company has appealed this finding and has obtained expert external opinion supporting its grounds for objection. The Company considers there to be a remote chance of this matter being upheld on appeal. No liability has been recognised at the year-end in relation to this matter. The total possible exposure in relation to this matter amounts to US$3.4 million.

The Directors confirm that they are not aware of any other contingent liabilities as at 31 December 2020 (2019: US$Nil).

33. Events after reporting date

Following the year-end, the Directors have proposed a final dividend of 0.10 pence per share payable (2019: Nil), subject to the approval of shareholders on 24 March 2021. This final dividend is expected to be payable to those shareholders on the Company's register on 9 April 2021.

SHANTA GOLD

Notice of the Annual General Meeting

Shanta Gold Limited

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

Notice is hereby given that the Sixteenth Annual General Meeting of the shareholders of the Company will be held at 11 New Street, St Peter Port, Guernsey, GY1 3EG on 24 March 2021 at 10.00am (the "Meeting") for the purpose of considering and, if thought fit, passing the following resolutions numbered 1 — 11 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 2020
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 2020 as detailed in the 2020 Annual Report and Accounts
5. To approve the Non-Executive Directors' aggregate fees for the period between 1 January 2021 to 31 December 2021 inclusive to be US$405,000
6. To re-appoint BDO LLP as the auditors of the Company
7. To authorise the directors to fix the remuneration of the auditors as the directors see fit
8. To consider and if thought fit re-elect Eric Zurrin as director of the Company who retires by rotation and who makes himself available for re-election as a director of the Company
9. To consider and if thought fit re-elect Keith Marshall as a director of the Company who retires by rotation and who makes himself available for re-election as a director of the Company
10. To consider and if thought fit re-elect Ketan Patel as a director of the Company who retires by rotation and who makes himself available for re-election as a director of the Company
11. To approve a final dividend proposed by the Directors of 0.10 pence per share.

Dated 1 March 2021

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 Fifteenth 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 24 March 2021 at 10.00am 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 2020			
2. Ordinary Resolution to receive and consider the report of the directors of the Company			
3. Ordinary Resolution to receive and consider the report of the auditors of the Company			
4. Ordinary Resolution to approve the Directors' remuneration paid for the year to 31 December 2020 as detailed in the 2020 Annual Report and Accounts			
5. Ordinary Resolution to approve the Non-Executive Directors' aggregate fees for the period between 1 January 2021 to 31 December 2021 inclusive to be US$405,000			
6. Ordinary Resolution to re-appoint BDO LLP as the auditors of the Company			
7. Ordinary Resolution to authorise the directors to fix the remuneration of the auditors as the directors see fit			
8. Ordinary Resolution to consider and if thought fit re-elect Eric Zurrin as director of the Company who retires by rotation and who makes himself available for re-election as a director of the Company			
9. Ordinary Resolution to consider and if thought fit re-elect Keith Marshall 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 consider and if thought fit re-elect Ketan Patel as director of the Company who retires by rotation and who makes himself available for re-election as a director of the Company			
11. Ordinary Resolution to approve a final dividend proposed by the Directors of 0.10 pence per share			

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: corporate.secretarial.gg@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.