SHANTA GOLD

2022

Annual Report and Financial Statements


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About Shanta Gold

Shanta Gold is an East Africa-focused responsible gold producer, developer, and explorer. The company has an established operational track record, with defined ore resources on the New Luika and Singida projects in Tanzania, with reserves of 625 Koz grading 2.91 g/t, and exploration licenses covering approximately 800 km^2 in the country.

Alongside New Luika and Singida, Shanta also owns the high-grade West Kenya Project in Kenya and licenses with resources of 1.76 million ounces including 1.14 million oz in the Indicated category. With a healthy balance sheet, a growing diversified portfolio and a maiden dividend paid in 2021, Shanta offers a resilient investment opportunity for the near and long-term. Shanta is quoted on London's AIM market (AIM: SHG) and has approximately 1,051 million shares in issue. For further information please visit: www.shantagold.com.

These financial statements are consolidated financial statements for the group consisting of Shanta Gold Limited and its subsidiaries. A list of major subsidiaries is included in note 14.

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

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 a graduate of Harvard Business School.

Luke Leslie
Chief Financial Officer, Director
(resigned 28 March 2023)

Luke is a natural resources 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. Luke is an alumnus of Edinburgh University and Harvard Business School.

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.

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 a former non-executive director of 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.

Michelle Jenkins

Non-executive Director

Ms Jenkins is a Chartered Accountant (South Africa) and an exploration geologist with an Honours degree in Geology from the University of Witwatersrand, South Africa. Ms Jenkins has 25 years' experience in the mining sector during which time she has accumulated a wealth of technical and managerial expertise. Ms Jenkins has extensive experience across Africa including formerly as the Executive for Finance and Administration (South Africa) for Orion Minerals Ltd and currently as a Non-Executive Director of Kumba Iron Ore Limited. Ms Jenkins previously worked for the Pangea Group. She chairs the Company's Audit Committee.

Chairman's Statement

Despite the challenges posed by global financial trends seen in 2022, Shanta remained resilient and adaptable, ensuring that we continued to serve our shareholders and other stakeholders effectively. We also remained committed to corporate social responsibility, and achieved impressive operational and performance results while maintaining an outstanding safety record.

The past year was a transition year for the company where the ongoing construction of the new Singida Gold Mine and a successful exploration campaign at West Kenya laid the groundwork for transforming Shanta into a 100koz per year gold producer with an attractive investment case.

Luke Leslie, Chief Financial Officer, has informed the board of his decision to step down from his role in order to pursue other opportunities. I would like to take this opportunity to extend my thanks to Luke for his contribution to Shanta in particular over the last 5 years as CFO and Head of M&A. During this time he was instrumental in the successful turnaround of Shanta which included the acquisition of the West Kenya Project in 2020. On behalf of the board, we wish him all the best in his future endeavours.

Performance and operating highlights
Once again, Shanta's exploration team have managed to replace mined ounces for the 4th consecutive year and extend New Luika's mine life, now through to Q1 2028 from Q4 2026. This ensures long-term, sustainable returns for our shareholders. The ongoing exploration campaign at Shanta's West Kenya Project continued in 2022 resulting in the resource base increasing to 1.76 Moz, an increase from 1.55 Moz at the beginning of the year, and Indicated Resources increasing to 1.14 Moz. Our West Kenya project now accounts for 48% of our total resources.

During the year, the Construction of the Singida Gold Mine progressed as planned and on budget, a testament to the project management team given the inflationary cost pressures seen this year throughout the industry. With first gold pour planned for March 2023, Singida is currently forecast to add 45-50% to the Group production profile, enhancing the Company's short-term future and diversifying the asset portfolio. We are confident in delivering further sustainable returns to our shareholders while transforming the economic potential of the local region in which the mine operates.

Corporate Social Responsibility (CSR)
Shanta recognises that its success is largely as a result of the wide ranging, powerful benefits of a strong CSR strategy. We recognise the importance of entrenching a local content strategy throughout our operations including job creation and employment, payments to government and local investment. In 2022, Shanta's direct economic contributions totalled US$148.8 million, which includes: US$53.7 million in cash operating costs; US$13.6 million in employee wages and benefits; US$54 million in capital expenditure; US$26.8 million in royalties, taxes, duties, levies, and other payments to government, and US$0.3 million to community investments and donations. Of the total economic value distributed, 95% was attributed to Tanzania, with the remaining 5% to exploration and evaluation activities in Kenya.

Throughout the year, the company also supported various community initiatives to directly support local communities which included assisting over 2500 farmers with farming donations and support, improving the infrastructure of various primary and secondary schools in villages surrounding our mines by building new ablution blocks, classrooms, providing desks and learning materials, The company also sponsored advanced medical equipment to local village dispensaries and maternity wards near the New Luika Gold Mine. These are just some of the initiatives undertaken in the year and highlights our commitment to the local communities in which we operate.

Environmental, Social and Governance (ESG) reporting
As a responsible gold miner, we are committed to ensuring transparent and high quality ESG and sustainability reporting as we understand that investors and other stakeholders consider governance as critical to business success. In 2022, Shanta released its inaugural 2021 Sustainability Report where we looked to strengthen our sustainability governance by identifying the policy gaps that exist and benchmarking against peers. The 2022 report due to be announced in April 2023 will build on and refine our ESG reporting.

Year ahead
As Singida moves into production and transitions from a cost centre to a cash generator, our exploration focus will pivot back to mine life extension at both the Singida and New Luika mines, in order to unlock long term shareholder value. Resource growth at West Kenya continues to impress and is an important future pillar of our investment case. Shanta will continue to develop this resource in 2023 and progress the Feasibility Study workstream with the goal of developing a mine in Kenya in the medium term.

With the increasing diversity and complexity of our operations, our Board concluded in our annual Board Review that we should appoint additional Independent Non-Executive Directors and we expect to make announcements on this in the near future

Finally, I would like to thank the Shanta team and our wider stakeholders for their continued commitment, support, and efforts which have delivered the encouraging results seen in this annual report.

Anthony Durrant
Chairman

28 March 2023

Chief Executive Officer's Review

2022 was a significant year for Shanta and I am pleased that the Company enjoyed a strong end to the year at all of our assets across the portfolio. Our producing mine New Luika saw record annual throughput and full year production of 65,209 ounces, an 18% increase vs. last year's production figures.

Despite a near miss on guidance, I am happy to report that there are numerous initiatives underway and in place for 2023 to decrease operational risks and optimise production. These include the team adding 40% to the open pit mining capacity with the addition of mining equipment from a second contractor as well as Shanta taking the delivery of a newly purchased underground production rig.

The completion of construction at the Singida Gold Mine is fast approaching having been kept on track and on budget throughout the year. Singida will transform Shanta into a 100,000 oz/pa gold producer with a diversified resource base. Group-wide resources have increased to 3.7 Moz from 1.2 Moz five years ago.

Our exploration campaign conducted at West Kenya during the year, continued to deliver, with some of the best drilling results the Company has seen in its history. As we diversify our portfolio in Tanzania with Singida' s first gold pour in March 2023, West Kenya demonstrates the Group's clear long term growth potential to shareholders.

Last year, we released our inaugural Sustainability Report, which highlighted our dedication as a company to operating and collaborating in a responsible manner. In 2022, we continued our ESG journey ensuring that our sustainability reporting accurately reflects our commitment to sustainable practices and responsible business operations. We look forward to building on this progress in the coming years and continuing to prioritise sustainability in all aspects of our business.

Highlights

Exceptional safety record

As always, the wellbeing of all our employees is our number one priority, and we have an uncompromising approach to safety standards. Operations at the New Luika Gold Mine achieved a Total Recordable Injury Frequency Rate ("TRIFR") per 1 million hours worked of 1.27 and the Singida team achieved an outstanding 0.85, both significantly below the global industry average of 2.90, as measured by the International Council of Mining and Metals.

The Singida Gold Mine

Singida remains on track for first gold pour in March 2023 transforming Shanta Gold into a 100,000 oz/pa producer and diversifying Group cash flow. The Singida project team has done a fantastic job over the year keeping the construction of the Singida mine on schedule and on budget. While the rest of the industry was impacted by the global inflationary pressures, no material capital cost inflation has been incurred in the construction costs owing to orders for major capital items being placed in early 2021 prior to inflationary pressures and excellent supervision and flexibility from the Singida team in Tanzania.

As at year end, the Singida project was 90% complete with total project capital expenditure amounting to $26.8 million in 2022, and $32.4 million to date. Initial startup operations have also been significantly de-risked with the stockpile of crushed ore now at 32,300 tonnes (equal to over one month of supply) and the Run of Mine stockpile of 166,600 tonnes grading an average of 2.58 g/t containing 13.8 koz of gold (equal to approximately 4 months of processing).

In terms of long term potential, geological mapping which took place in 2022 shows upside potential for mine life extension. To help achieve this goal, Shanta welcomed back George Kondela, the new General Manager of Singida, in January 2023 to lead the Singida Gold Mine and mine life extension efforts. George is a trained geologist and has significant experience in this area with a track record of successful reserve life expansions. The project's location within a greenstone deposit also means it is well suited to further exploration growth.

Shanta's impressive safety standards are being carried through to its Singida operations with a robust health and safety framework having been maintained throughout construction.

We are committed to developing and promoting local talent at the Singida Gold Mine and have directly employed 474 employees and contractors, all of whom are Tanzanian nationals. As we continue to invest in community initiatives that benefit the people of the Ikungi region, we are confident that the project will deliver transformational change. Our efforts have already begun with the upgrade of local schools in Malumbi and Samburu villages, improvement of roads, several water projects, and the renovation of a local dispensary. We are pleased with these early steps and look forward to making a positive impact in the region.

The West Kenya Project

The West Kenya project has achieved impressive growth and results, as evidenced by the latest Mineral Resource Estimate which has increased to 1.76 Moz, while Indicated Resources increased to 1.14 Moz. The Indicated Resource ounces also demonstrate high-grades, averaging 11.45 g/t Au across 722 Koz, indicating potential for high margin cash flow in future operations.

In 2022, the Ramula target was one of the focus areas for exploration drilling which has contributed to the significant increase in Indicated Resources throughout West Kenya. The potential for open pit mining at Ramula is particularly appealing in terms of cost and timing, adding to the attractiveness of the asset's development.

As we move towards the first gold pour at Singida in March 2023, the ongoing exploration success at West Kenya is a source of great excitement for the Shanta team and all stakeholders. Our unique investment proposition, driven by a clear growth story and an ever-increasing production profile, sets us apart from our peers and gives us confidence in the Company's near to mid-term prospects.

In 2023, the West Kenya Project Feasibility Study workstream, led by an internal owners team, will continue. The team will focus on developing and evaluating mining conceptual models, which marks an exciting initial step towards converting the West Kenya Project from an exploration project to a producing entity.

Portfolio-wide exploration

In 2022, Shanta has once again succeeded in extending the life of NLGM through the addition of new reserves, now projecting to run until Q1 2028, as compared to Q4 2026, as measured 12 months ago at the end of 2021. This marks the fourth consecutive year in which the mine life has been extended by at least one year through successful exploration, highlighting the importance of this approach in achieving long-term, sustainable returns for our shareholders.

In 2022 we invested US$2.1 million in exploration in Tanzania which is less than half of what was spent in 2021. This was due to prioritising funding for the construction of Singida. Despite this reduction, we added 92,500 ounces of new reserves at NLGM.

Our Tanzanian assets contain a total of 625,000 oz of compliant gold reserves with an average grade of 2.91 g/t. These reserves are divided between the NLGM and Singida projects, with NLGM contributing 394 Koz of reserves grading at 2.85 g/t, and Singida contributing 231 Koz of reserves grading at 3.01 g/t. Future mine life potential comes from a further 1.2 Moz of resources at NLGM and Singida, not currently in the mine plan and available for future exploration.

With the Singida Gold Mine transitioning from a cost center to a cash generator as it moves into production, our exploration focus will shift towards extending the mine life to create long-term value for shareholders. Singida is a greenstone project located within the highly productive Lake Victoria Gold Field and has only undergone around 75,000 meters of drilling, presenting a significant opportunity for reserve addition and mine life extension.

Resource growth at West Kenya remains impressive and serves as an important aspect of our investment strategy. At present, our West Kenya project accounts for 48% of our total resources.

Status of VAT refunds

At the end of the year, the Company had a VAT receivable balance of US$29.3 million, of which $23.1 million gross relates to the Company's input VAT refund application for the period from July 2017 to June 2020. The Company has sought comprehensive legal and tax guidance to recover the VAT and is pursuing a settlement to recover the remaining balance, as detailed in note 3.

Cash refunds and offsets of US$9.6 million were received in the year in respect of post June 2020 VAT, indicating positive engagement with the Tanzanian Revenue Authority ("TRA"). The remaining current VAT receivable is awaiting verification audit, after which it can be utilised for additional refunds or offsets against corporate income tax.

Operations review

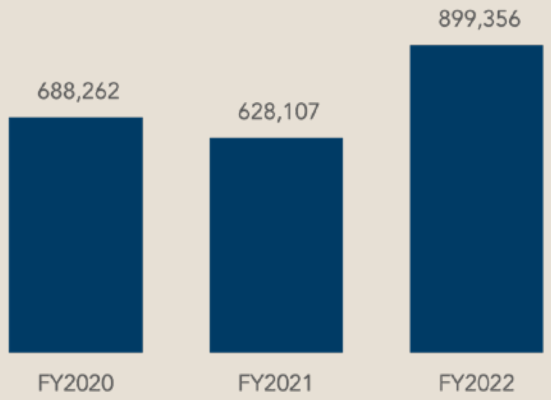
New Luika Operations Review

2022 saw several operating achievements which include a record annual throughput of 874,703 tonnes milled, which represents a 6% increase from 2021, and gold production of 65,209 ounces, up 18% from the previous year, and 4% below the annual production target of 68,000 oz. This near miss can be attributed to operational challenges seen at New Luika, where steps have been taken to decrease operational risk.

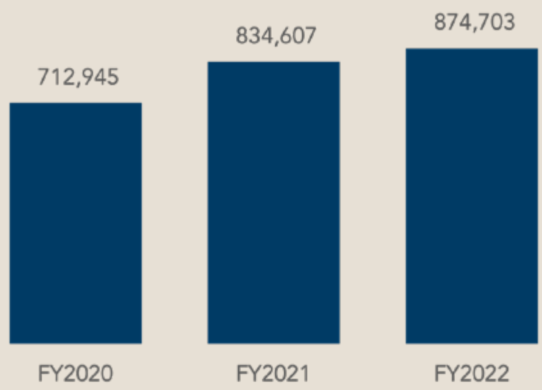
New Luika Gold Mine Operations Review

New Luika Gold Mine operations

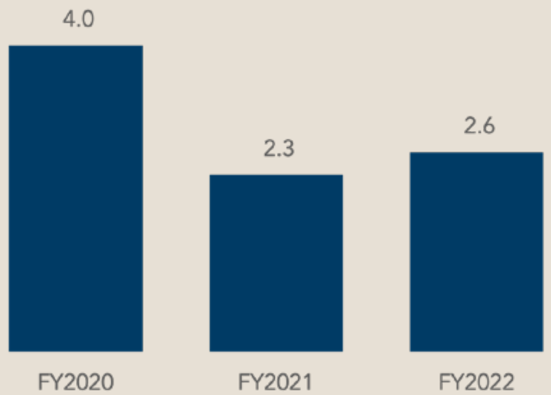
Tonnes ore mined



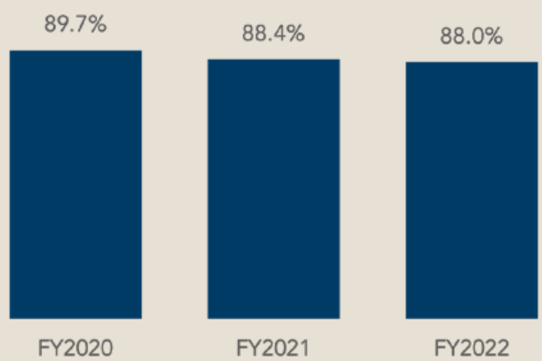
Tonnes ore milled



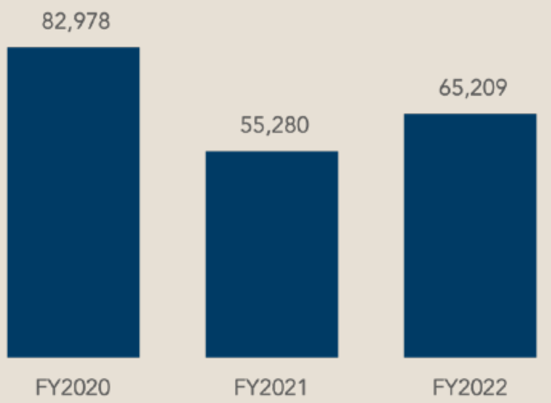
Grade (g/t)



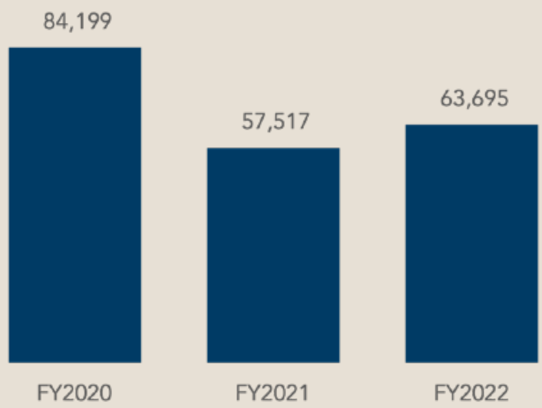
Recovery (%)



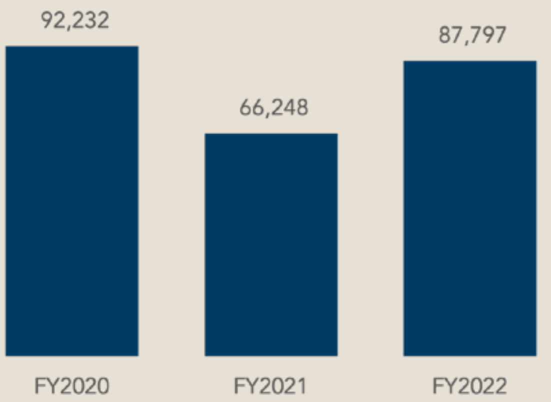
Gold production (ounces)



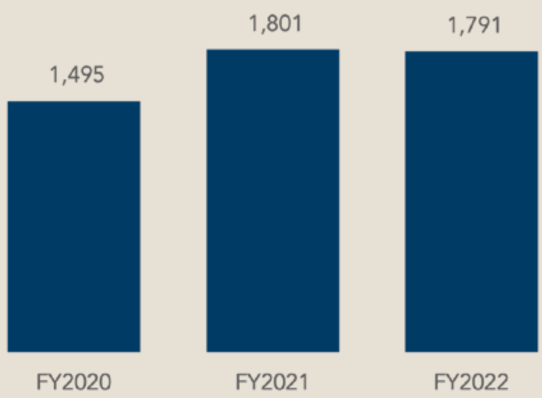
Gold sales (ounces)



Silver production (ounces)



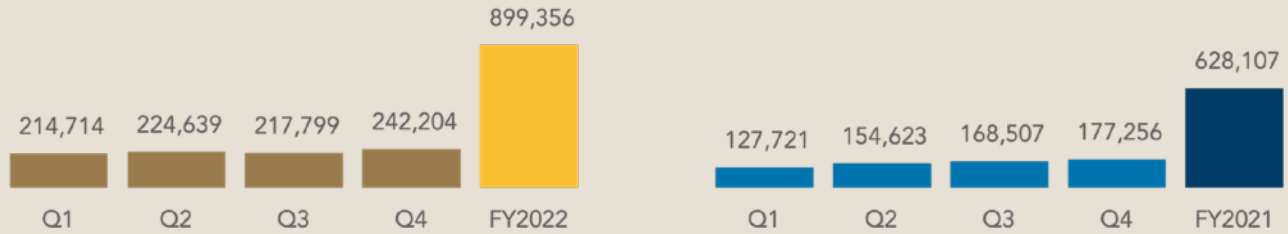
Realised gold price (US$/oz)



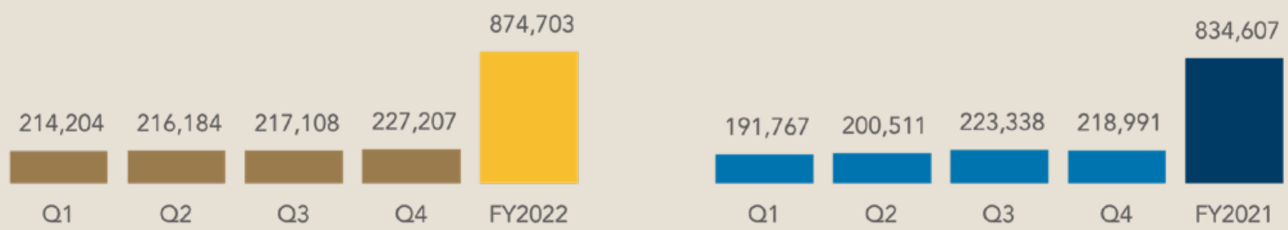
New Luika Gold Mine Operations Review

New Luika Gold Mine quarterly breakdown

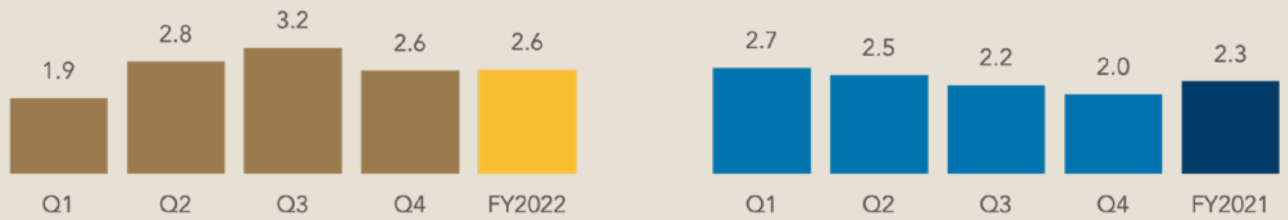
Tonnes ore mined



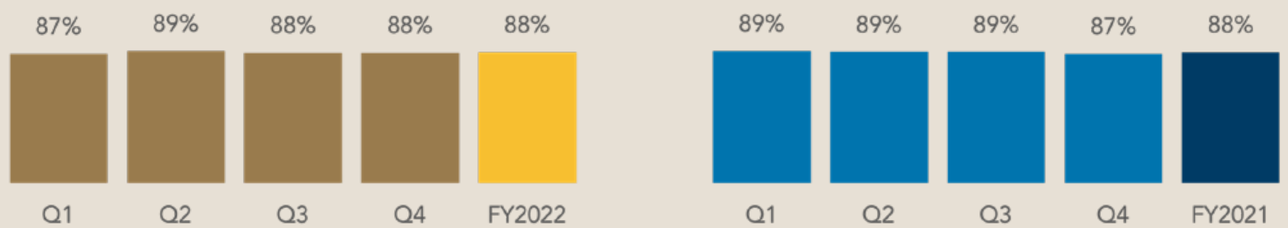
Tonnes ore milled



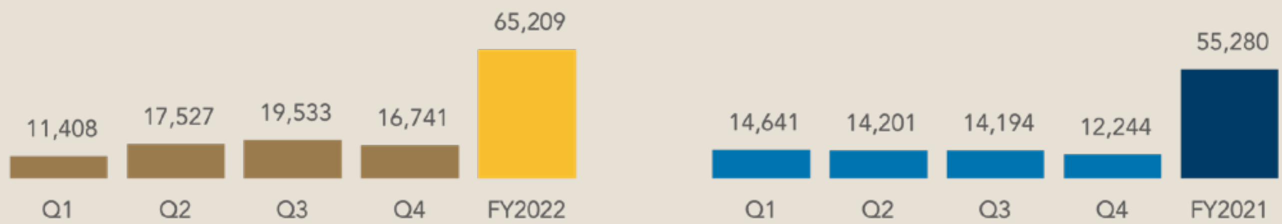
Grade (g/t)



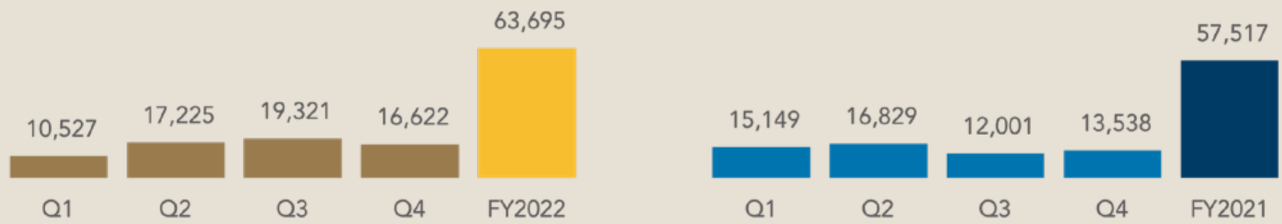
Recovery (%)



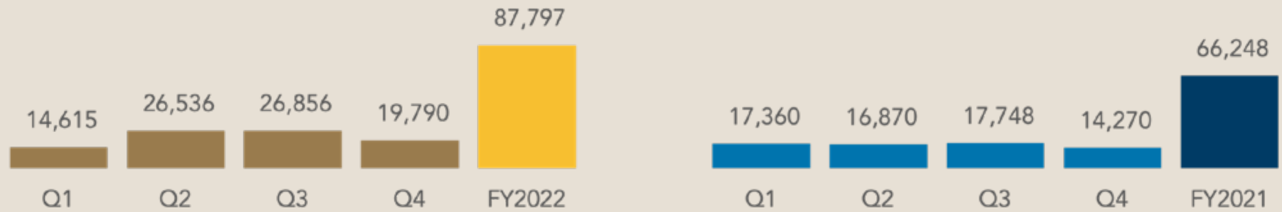
Gold production (ounces)



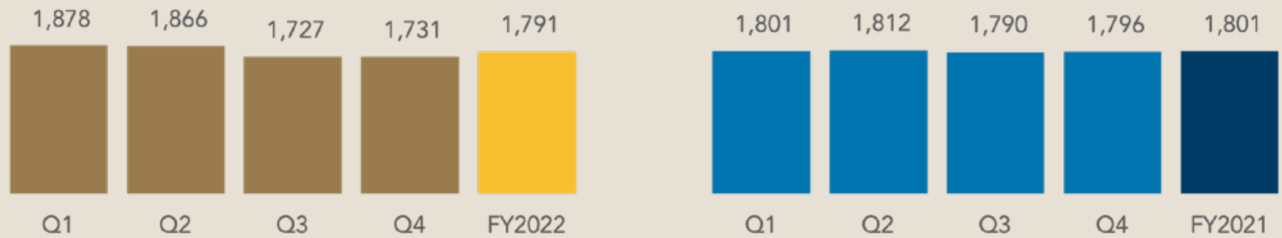
Gold sales (ounces)



Silver production (ounces)



Realised gold price (US$/oz)



The State-owned grid experienced power instability throughout the country, which led to a reduction in the reliability of power for underground equipment at NLGM. In Q4, the contribution of State-grid power to NLGM improved with the arrival of seasonal rains and the increase of hydro power in country. A long-run average of 25% of power sourced from the State-grid is usually expected when power shortages are supplemented by Shanta's HFO power station.

The reduced availability of open pit and underground mining equipment impacted the mine plan in H2. To support surface operations, open pit mining equipment arrived at NLGM in December 2022 from a second mining contractor, increasing the open pit mining fleet capacity by around 40% by the end of the year.

In addition, a newly purchased Sandvik underground production rig was fully commissioned in December 2022, resulting in a 94% increase in total underground production meters to 10,439 meters compared with the first 11 months average of 2022 of 5,377 meters. At the end of December 2022, there were 10 underground stopes ready and available for drilling compared to a NLGM base case average of 3 at any one time.

AISC[1] for the year was US$1,271/oz and within the AISC cost guidance of US$1,150–1,275 /oz set for 2022 and a 6.4% decrease on the 2021 AISC. The improvement was as a result of more ounces produced and rigorous cost management during a year impacted by global inflation.

Financial overview

Turnover for the year from sales of gold amounted to US$114.1 million, compared to US$103.6 million in 2021, a 10.1% increase attributable to increase in gold ounces recovered. Shanta sold 63,695 oz of gold in 2022 (2021: 57,517 oz) with all sales completed at spot price, with an average selling price of US$1,791 /oz during 2022 (2021: US$1,801/oz).

Operating profit for the year amounted to US$6.0 million (2021: US$4.7 million), the increase being mainly attributable to a combination of more revenue being earned in the period and less expenditure relating to the West Kenya Project in 2022 when compared to 2021. EBITDA[2] was US$23.2 million (2021: US$19.0 million).

Following committed and positive engagement with the Tanzania Revenue Authority ("TRA"), total VAT cash refunds of US$4.1 million were received by the Group in 2022, with a further US$5.5 million offset against income tax liabilities. US$4.6 million has also been verified for refund by the TRA in Q1 2023.

At the end of December 2022, remaining gold price protection outstanding relating to the Standard Bank loan and Working Capital facility in the form of Zero Cost Collars totalled 15 Koz including 8 Koz covering the period January to June 2023 between US$1,600–1,950 /oz, and 7 Koz covering the period January to April 2023 between US$1,725–1,756 /oz. The hedge contracts are largely aligned with final Singida construction costs. No additional hedges will be added.

Sustainability

In 2022, the Group published its inaugural stand-alone Sustainability Report which saw Shanta report on key sustainability issues that are most material to Shanta's stakeholders. This year saw the Company developing its ESG reporting function and metrics to be more in line with ESG and Sustainability Reporting Standards. The 2022 Sustainability Report will be published in April 2023 and will be Shanta's second Sustainability Report reflecting our commitment to robust environmental, social and governance ("ESG") reporting and operating as a responsible miner. It also provides insight into the priorities and key projects that shaped the year and presents our 2022 performance.

Community investment

Shanta considers shared success as a foundation of its business model, acknowledging that its commercial achievements stem from productive collaborations with the communities where its operations are based. The Company endeavours to establish mutually beneficial relationships by generating employment opportunities, investing in local economies, and fulfilling its tax obligations. Through active participation and cooperation with local communities and government agencies, Shanta is working to improve living standards and create opportunities for those communities in which it operates.

Shanta is one of the largest gold mining contributors in terms of taxes paid in Tanzania. We provide a comprehensive disclosure of our tax and overall economic contributions in our Annual Report, which includes details of our payments to the government.

Shanta has a robust Corporate Social Responsibility (CSR) program that has been designed based on community initiatives developed in collaboration with significant community and regional stakeholders. Shanta's community investment projects focus on Water, Education, Livelihood, and Health initiatives, which are the primary pillars of the program. These initiatives aim to benefit the local communities in the vicinity of Shanta's New Luika, Singida, and West Kenya operations.

1 AISC figures published include development costs and are in line with the WGC definition. Please note that this is a non-GAAP measure

2 EBITDA is earnings before interest, tax, depreciation, and amortisation which has been derived as operating profit exclusive of depreciation/depletion of tangible assets, amortisation of intangible assets.

Some of the projects the Group carried out in 2022 are mentioned below:

Education

Shanta firmly believes in providing quality education as a means of promoting lifelong learning and sustainable development in local communities. Over the years, the company has undertaken various education projects such as infrastructure development, sponsoring underprivileged students, and expanding access to Information and Communications Technology "ICT".

In 2022, Shanta continued to prioritise education with a focus on the Songwe region, West Kenya, and Singida. The company sponsored 77 secondary school and 231 primary school students from underprivileged families, providing them with uniforms, shoes, and stationery.

Shanta constructed new infrastructure, including a two-unit teacher's house in Miembeni Primary School, four classrooms and two teachers' offices in Mbangala Secondary School, and four classrooms with toilets in Mlumbi and No 7 schools. Additionally, the entire administration block at Bushiangala Primary School in West Kenya was renovated.

Shanta also worked towards improving access to ICT equipment and learning, completing the construction of a computer lab at Saza Secondary School and partnering with Vodacom Tanzania to install a communication tower and distribute 50 tablets with education materials.

Water

Access to water is a major challenge for many residents in the Songwe region of Tanzania due to limited water infrastructure and unpredictable rainfall. Shanta has a history of supporting initiatives to improve water infrastructure, including drilling boreholes, constructing pumps for existing wells, and building storage facilities in local villages.

In 2021, Shanta invested in a pipeline connecting the Luika River Dam to Mbangala village, spanning 4 km, with the objective of providing reliable and clean running water to around 7,600 people. In 2022, Shanta extended this pipeline and installed additional water stations near the Mbangala Primary School, Mbangala Medical Centre, and the furthest dwellings.

In the West Kenya license area, Shanta implemented a water harvesting initiative in two affected schools, Nyangulu Mixed Secondary School and Marende Primary School, around the Ramula prospect area. The initiative involved installing rainwater harvesting infrastructure, including guttering and water storage tanks. Shanta also involved the community in the project, encouraging them to provide locally available materials and casual labour. The initiative has benefited both schools and neighbouring households, providing clean water to a population of approximately 1,500 people.

Livelihood

Farming and artisanal mining are key income generating activities in Songwe, Singida and near our work in West Kenya. Shanta has supported a range of livelihood programmes to support and grow the economic prospects of our local communities.

We continue to support local farmers in Songwe though our Mining Agriculture Improvement Program ("SMAP") as well as our Saza Village Beekeepers group. The number of farmers engaged with our agricultural schemes has grown exponentially since inception in 2017. In 2022 Shanta sponsored 8 Farmers representatives and 2 Beekeepers representatives to the National Farmers exhibition which takes place annually. These representatives managed to showcase their products as well as having the opportunity to learn from other farmers and supplier attending the exhibition.

In 2022 Shanta continued to support members of its programme by providing training and donating planters, seeds, and fertiliser. In addition, the harvest which was the result of several years' work with the community yielded 1,600,000 kg and 1,350,000 kg of Sunflower. Sesame harvest resulted in a total US$1.9 million of income and Sunflower harvests resulted in US$580k of income. This meant that US$2.5 million was distributed directly to the farmers as direct income to support their family needs. For the 2023 season Shanta has added further investment in the programme to continue to benefit the region.

Health

Access to quality healthcare services and the prevalence of long-term health issues remain ongoing challenges in Kenya and Tanzania. In 2022, Shanta was pleased to continue its partnership with PharmAccess Foundation and AMREF to support the Innovative Partnership for Universal Sustainable Healthcare (i-PUSH) project in West Kenya. This project aims to connect at least half a million Kenyans to the National Hospital Insurance Fund (NHIF), which provides medical insurance cover to its members.

Despite the importance of health cover, many families in our project areas are not enrolled in the NHIF scheme due to financial constraints and a perception that it is not an essential need. To address this issue, the program targets women of childbearing age, and once enrolled in i-PUSH, they receive subsidised health cover for a year. To support this initiative, we made a financial contribution by donating 50% of the first year's annual premium for 500 low-income women in our project area, triggering the remaining 50% contribution from i-PUSH. As a result, enrolled women and their families now have access to NHIF cover for a year.

Furthermore, we fully renovated the Mang'onyi Dispensary in the Mang'ony village close to Singida and are close to completing the construction of the maternity ward, which is scheduled for completion in H1 2023.

Mitigating environmental impact

Climate change

Over the past decade, the issue of climate change and how the mining industry can respond to it has become increasingly pressing. As a responsible gold miner, Shanta is committed to scrutinising its practices and mitigating its impacts. While our operations require a stable and reliable power supply, we recognise that our energy use and efficiency should incorporate efforts to reduce our direct and indirect emissions. We understand the importance of prioritising carbon removals and emissions reductions, and despite our size, we aim to play our part in the global energy transition. Our stakeholders have also identified energy use and efficiency as a priority, and we are determined to reduce our energy consumption without compromising on operational performance or cost control. We have already taken steps to improve our energy consumption practices, but we are eager to learn from the best practices in the industry and implement robust policies and measures.

Biodiversity

At New Luika, Shanta Gold is committed to reducing its impact on the surrounding flora and fauna and protecting biodiversity. The company conducts fauna surveys before working in undisturbed areas, communicates and enforces strict rules for the protection of wildlife, and has clear guidelines for relocating wildlife encountered by employees. Shanta Gold also reports incidents resulting in harm to wildlife or damage to vegetation, monitors flora and fauna biodiversity annually, and tests progressive mineral leaching through water analysis. The mining activities at New Luika have disturbed less than 1% of the Patamela Forest Reserve, and Shanta will rehabilitate the disturbed areas.

Outlook

At New Luika, annual production guidance has been set to approximately 66,000 – 72,000 oz at an AISC of US$1,200 – 1,300 /oz. Production guidance for the Singida Gold Mine will be released following the commencement of commercial production, however the current LoM plan guides for approximately 32,000 oz pa.

I want to express my gratitude to our shareholders, employees, Board members, and partners for their unwavering dedication and support for the company during this period. We are thrilled about the upcoming addition of the Singida mine to our portfolio, the extremely encouraging West Kenya exploration results and the ongoing replacement of reserves at New Luika, which all bode well for the Company's future prospects in both the short and long term.

Eric Zurrin
Chief Executive Officer

28 March 2023


SHANTA GOLD

Directors' Report

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 December 2022.

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 to 15. 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 53. The activities for the year have resulted in the Group's profit before tax of US$2.9 million (2021 US$1.0 million).

Dividends
The final 2021 dividend of 0.10 pence per ordinary share was paid on 15 July 2022 and a 2022 interim dividend of 0.10 pence per share was paid on 24 November 2022.

Following the year-end, the Directors have proposed a final dividend of 0.10 pence per share, subject to the approval of shareholders on 28 April 2023.

Subsequent events
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)
- Michelle Jenkins
- Ketan Patel
- Keith Marshall

Executive
- Eric Zurrin
- Luke Leslie (resigned 28 March 2023)

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 UK adopted international accounting standards 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 December 2024 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 are contained in the Remuneration Committee Report on pages 31–33 and in note 23 to the financial statements.

Signed on behalf of the Board of Directors on 28 March 2023.

Eric Zurrin
Chief Executive Officer

Anthony Durrant
Chairman

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. The Board has established sub-committees to discharge some of its key functions and details are set out within this report. 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 and details of compliance with each of the ten principles are set out below. In addition to the details provided below, governance disclosures can be found on the Company's website.

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.

Our 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 continued the construction of Singida Gold Mine in 2022. The company also continued with exploration and infill drilling of the West Kenya Project. These assets supplement the Company's growth pipeline and are expected to bring additional economic benefit to shareholders in the future.

During the year, the three mining licences at Singida Gold Mine were extended for a further 10 years to 2032, and a maiden mining licence was awarded at the Porcupine South Deposit.

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 we continue 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 the existing mining licences adjacent to the existing reserves at our Luika, Ilunga, Elizabeth Hill, and Porcupine South deposits;
- Within the economic circle of the New Luika Gold Mine; and,
- Regionally, utilising prospective exploration ground held by the Company within the Lupa Goldfield.

The roll-out of 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 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, our 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 posted on the Company News page at www.shantagold.com/news-media/news/. At last year's AGM, all resolutions were duly passed.

The CEO, Eric Zurrin has 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. 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 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.

Regular dialogue is held externally with wider stakeholder group representatives to ensure that the Company's presence in Tanzania and Kenya is positive for all parties.

The Company's responsibilities to its stakeholders are considered crucial to the Company's business plan.

The Company also engages with its shareholders through quarterly calls and at its Annual General Meeting, 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 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 the 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 2022, the structure and membership of Board Committees was as follows:

- **Audit Committee**
  - Michelle Jenkins (Chairman)
  - Anthony Durrant
  - Ketan Patel

- **Sustainability Committee**[1]
  - Ketan Patel (Chairman)
  - Anthony Durrant
  - Keith Marshall

- **Remuneration Committee**
  - Keith Marshall (Chairman)
  - Anthony Durrant
  - Michelle Jenkins

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 in the 2022 Annual Report. 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.

1 Responsible for safety, health and environment and corporate social responsibility.

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. 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
- 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. Key examples of such standards and policies include the 'Anti Modern Slavery Policy' and '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.

As at the end of 2022, the Board comprised 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. Following the resignation of Luke Leslie on 28 March 2023, the Board will be comprised of only one Executive Director.

A biography of each of the Directors is included within the Board of Directors section on this website at http://www.shantagold.com/corporate/board-of-directors/.

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 of existing Directors are board meetings during the year to 31 December 2022. Each board and committee meeting must meet quorum requirements.

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.

A biography of each of the Directors is included within the Board of Directors section on this website, at: http://www.shantagold.com/corporate/board-of-directors/.

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.

Director		Board meeting	Audit Committee	Remuneration Committee	Sustainability Committee
Eric Zurrin	Executive	4	–	–	–
Luke Leslie	Executive	4	–	–	–
Anthony Durrant	Non-Executive	4	3	3	3
Ketan Patel	Non-Executive	4	3	–	3
Michelle Jenkins	Non-Executive	4	3	3	–
Keith Marshall	Non-Executive	4	–	3	3
Number of scheduled meetings in 2022		**4**	**3**	**3**	**3**

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

The Company continually monitors personal and corporate performance of all of its employees and directors. A formal assessment process is conducted annually.

Responsibility for assessing and monitoring the performance of the executive directors lies with the Chairman of the Remuneration Committee.

Agreed personal objectives and targets, including financial and non-financial metrics, are set each year for the Executive Directors and performance is measured against these metrics.

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 ensure 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.

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, particularly in health and safety, 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 his/her work colleagues' safety and the critical role he/she plays in the success of Shanta Gold.

We believe in taking care of our people who play a critical 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 regards 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.

Approximately 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 and Singida.

Further details of the Company's corporate governance arrangements are provided on this page and in the Company's Annual Report.

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

Details of the Company's corporate governance arrangements are provided on this page. 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 Annual General Meeting (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 and the Company's brokers. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views.

As described above the Board and the Committees meet regularly and individual attendance has been disclosed above under Principle 5. Key work carried out over the past year has included approval of the Annual Report by the Audit Committee and approval of annual Board remuneration by the Remuneration Committee. The Committees expect to report on the key decisions made and work carried out in the year within the forthcoming Annual Report.

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 at: http://www.shantagold.com/news-media/news/. 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.

Anti-bribery and 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, 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 will 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
28 March 2023.

Eric Zurrin
Chief Executive Officer

Anthony Durrant
Chairman


KISOSO

Remuneration Committee Report

Dear Shareholders,

I am delighted to once again provide an update on behalf of the Remuneration Committee. In 2022, the committee remained committed to ensuring that rewards are closely linked to performance and that incentives are optimised. This enables the Company's remuneration structure to create an environment that fosters continuous maximum returns for shareholders.

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 salaries 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 bonuses that are granted following the Committee's assessment of performance against certain key business indicators.

The Remuneration Committee consists of myself as the Chairman together with two other independent Non-Executive Directors; Anthony Durrant and Michelle Jenkins. 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 scheduled times in 2022.

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.

Board effectiveness review
A board Effectiveness Review was undertaken by the Remuneration Committee in 2022. Internal and external stakeholders were solicited for feedback relating to the effectiveness of the Shanta Gold Board. Feedback confirmed that the Board of Directors is competent and fit for purpose. Further conclusions included expanding social diversity and skills that would strengthen the existing board of directors. A director recruitment process is ongoing to add new directors in 2023.

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, additional responsibilities 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 conduct in alignment with the best interests of our shareholders. The performance, criteria and applicable weightings for 2022 assessment are detailed below. The performance for the year is rated in five categories being 'Below Target', 'On Target', 'Above Target', 'Outstanding', and 'Exceptional', with the bonus award adjusted accordingly.

The following table details notable performance indicators that were set in December 2021 and considered by the Committee in its assessment of the Group's performance during 2022.

Performance indicator	Weighting	2022 Rating	Key achievements in 2022
Safety record	20%	Above Target	■ No fatalities across the Group ■ The NLGM TRIFR rate in 2022 was 1.27 ■ The Singida TRIFR rate in 2022 was 0.85 ■ The industry average TRIFR rate is ~2.9 (IMCC) ■ A record of 9 million hours LTI free were worked leading up to April 2022, spanning 51 months without LTI at NLGM
Operating performance	20%	Below Target	■ 65,209 oz of gold was produced at NLGM in 2022, implying a -4% variance to guidance for 2022 of 68-76 koz ■ The 2022 budgeted production plan included approximately 30% of gold mined from the BC Crown Pillar, a highly technical operation. The NLGM UG team performed exceptionally well to recover the planned ounces safely from the crown pillar ■ Mining reconciliation of grade control vs. declared ore mined improved from 2021 at +9% tonnes, -5% grade, +3% ounces in 2022
Financial position and profitability	15%	On Target	■ AISC for the year was US$1,271 / oz and was within the AISC cost guidance of US$1,150-1,275 /oz set for 2022 and a 6.4% decrease on the 2021 AISC ■ Total capex for the group amounted to US$14.4 million at NLGM and less than budgeted ■ Impact of cost inflation was controlled by sound financial practises
Business prospects	30%	Above Target / Outstanding	■ Mine life extended to Q1 2028 from Q4 2026, a fourth consecutive year of mine life extension ■ Singida' s construction remains on track for first production in March 2023, adding a second revenue stream across the portfolio ■ Total West Kenya resources of 1.76 million ounces ("Moz"), an increase from 1.18 Moz since Shanta commenced drilling at the start of 2021. Indicated resources of 1.14 Moz, an increase from NIL since the start of 2021
Business sustainability	15%	Above Target	■ Relationships strengthened in Tanzania and Kenya with national government ■ All three of Singida's Mining Licences have been extended for a further 10 years to 2033 ■ Robust social license to operate, with strong community and council relationships ■ Various successful initiatives delivering long-term benefits to the communities neighbouring the New Luika, Singida and West Kenya operations ■ Positive engagement with the TRA resulted in US$9.1 million in VAT received as a cash refund/tax offset in 2022 ■ Publication of inaugural 2021 Sustainability Report in 2022, anticipated publication of the 2022 Report in April 2023

Taking note of the Group's performance in the year in respect of the above indicators, the Committee concluded that annual bonus criteria for the year were partially met and approved bonus awards to the CEO of 64.2% and CFO of 60.7% of their respective eligible amounts.

Directors' remuneration

(US$000)	31 December 2022 Fees/ salary	Performance bonus	Benefits in kind	Other	Total	31 December 2021 Fees/ salary	Performance bonus	Benefits in kind	Other	Total
Fees, salary, bonuses and related benefits										
Eric Zurrin[1]	435	217	0	–	652	440	372	115	–	927
Anthony Durrant[2]	150	–	–	–	150	150	–	–	–	150
Luke Leslie[1]	304	152	0	–	456	372	313	113	–	798
Robin Fryer[2]	0	–	–	–	0	21	–	–	–	21
Ketan Patel[2]	95	–	–	–	95	95	–	–	–	95
Keith Marshall[2]	85	–	–	–	85	85	–	–	–	85
Michelle Jenkins[2]	85	–	–	–	85	54	–	–	–	54
Sub-total	**1,154**	**369**	**0**	**0**	**1,523**	**1,217**	**685**	**228**	–	**2,130**
Share based payments										
Eric Zurrin[1]	–	217	–	–	217	–	0	–	–	0
Luke Leslie[1]	–	152	–	–	152	–	0	–	–	0
Sub-total	**0**	**369**	0	0	369	0	0	0	0	0
Base remuneration to Directors	**1,154**	**738**	**0**	**0**	**1,892**	**1,217**	**685**	**228**	-	**2,130**
Retention award										
Eric Zurrin [1]	–	–	–	247	247	–	–	–	–	–
Luke Leslie [1]	–	–	–	247	247	–	–	–	–	–
Sub-total	–	–	–	**494**	**494**	–	–	–	–	–
Total remuneration to Directors	**1,154**	**738**	**0**	**494**	**2,386**	**1,217**	**685**	**228**	-	**2,130**

1 Executive
2 Non-executive

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, where 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 2022.

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 continue to evaluate and discuss the adoption of a Long Term Incentive Plan (LTIP) that could be used to retain and motivate senior executives. An LTIP may be forthcoming at a future date.

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, community 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:

Shanta Gold Limited Board

CEO

Executive Committee Reports
>20 meetings in 2022

Monthly Report of Operations and Sustainability
12 reports in 2022

Heads of Departments (HODs)
Formal engagement with CEO
Full-day workshops

Budget, Operational and Strategy Setting
Annual three-day meeting with all HODs and expanded to include senior managers

Audit Committee

Enterprise Risk Assessment

1. Political and Social License to Operate
2. Resource Protection
3. Integrity of resource model
4. Illegal Mining/Theft/Terrorism
5. Taxation Regime
6. Operational
7. Environmental/Safety
8. Cashflow/Profitability
9. Employees
10. Cyber

Sustainability Committee

ESG Team

Occupational Health & Safety
Community
Environment
Climate
Sustainability Reporting
Business Ethics

Principal risks and uncertainties

Risk	Background	Risk mitigation	Key performance indicator (Page 32)
1. **Political and social license to operate**	Evaluating Shanta's contribution to society and economy in host countries	■ CSR Manager in place to lead the CSR initiatives ■ An amount budgeted each year to fund CSR programmes, in line with community expectations. ■ Company contribution to the economy highlighted in all interactions with Government officials ■ Extensive local employment in Tanzania and Kenya ■ Recognition of industry leading Local Content strategy ■ All CSR projects being handed over to recipients with press present to sensitise public on Shanta's initiatives	Business Sustainability
2. **Resource Protection**	Risk of losing mining title at New Luika Mine, Singida, or West Kenya Project	■ Regular dialogue maintained with mining licensing authorities in Kenya and Tanzania ■ New Luika Mine: 10 year mining licences are in place. Singida: 10 year mining licence renewed in 2022. Risk considered low. ■ Granting of 10 year mining licence of Porcupine South deposit ■ Investment in drilling activities and mine life extension ■ Continued investment at the Singida Project to fund construction ■ Investment in the West Kenya Project feasibility workstream and resource upgrade	Business Sustainability
3. **Integrity of resource model**	Variability of ore tonnes and grades due to changes in geology	■ Ongoing increased grade control drilling in 2022 to improve the mine planning confidence ■ Reserve grade reconciliation within tolerance threshold in 2022	Operating Performance Business Sustainability
4. **Illegal Mining/ Theft/Terrorism**	Risk of loss or theft of mineral, loss of access to areas of license, risk of crime and violence, reputational risk	■ Community programmes to support alternative livelihoods ■ Externalised professional security forces at NLGM, Singida and West Kenya Project ■ Security management presence ■ Security infrastructure at all offices ■ Increased use of external technologies to monitor physical movements	Operating Performance Business Sustainability
5. **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, CFO, in-country senior management, and relevant government authorities	Profitability Financial Position
6. **Operational**	Risk of internal and external factors negatively impacting operations and production	■ Uninterrupted access to water, with use of dis-used open pits for water storage ■ Ore stockpile levels are managed providing sufficient coverage ■ Alternative power sources ■ Acquisition of solar plant at NLGM ■ Increased flexibility in underground mining access through replacement of ageing fleet	Operating Performance Profitability
7. **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
8. **Cash Flow & Profitability**	Risk of adverse financial liquidity, reduced access to capital, negative impacts of gold price movement	■ Liquidity monitored daily ■ Costs are carefully monitored and reviewed against monthly budget ■ Annual budgets are set during a robust 3-day workshop to target operational and financial efficiencies ■ Capital expenditure planning including affordability for exploration drilling is reviewed at least monthly ■ Working capital limits maintained ■ Diversified banking relationships across multiple jurisdictions ■ Senior debt facility and Working Capital facility agreed with Stanbic Bank Tanzania in 2022	Profitability Financial Position Share Price Performance
9. **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 ■ Limited use of expatriates with succession plans in place ■ Company has a local skills development programme focussed on the villages surrounding NLGM and Singida ■ Retention mechanisms used to ensure long-term employee commitment	Business Prospects Business Sustainability
10. **Cyber**	Risk of external technological interference of systems and controls	■ Enhanced malware software ■ Double authentications procedures implemented across financial approval processes ■ Enhanced financial controls	Financial Position Business Sustainability

Sustainability Committee Report

Dear Shareholders,

On behalf of the Board, it is my pleasure to introduce Shanta's 2022 Sustainability Committee Report. We continued our commitment to creating long-term sustainable value for all stakeholders through leading sustainability and ESG approaches in 2022.

The role of our Sustainability Committee
Our Board is responsible for leading our business strategy, which places sustainability at its core. To achieve this goal, we have established a Sustainability Committee, which I chair alongside two other Directors, Anthony Durrant and Keith Marshall. The Committee meets at least three times a year and is responsible for setting the sustainability strategy for the entire Group.

Throughout the year 2022, the Committee convened three times to assess reports relating to health and safety, environmental, and social concerns within the Group. Our aim is to support the Board in identifying the most material sustainability issues for our stakeholders, and to monitor the Group's progress in addressing them. To ensure comprehensive coverage of these issues, the Committee thoroughly reviews and approves the annual Sustainability Report.

Stakeholder engagement
The Company considers engaging with all stakeholders crucial to its long-term success. Stakeholders include shareholders, employees, suppliers, customers, regulators, industry bodies, government bodies, local community groups, and creditors.

The Company seeks feedback through regular meetings, conversations, and conferences with stakeholders. These meetings enable bilateral discussions on topics relevant to stakeholders and ensure the Company's operations are compliant with local laws and directed towards the needs of local communities.

The company also engages with institutional and private shareholders through quarterly calls, the AGM, and individual meetings with the CEO. Retail shareholders are engaged through the Investor Meet Company platform. The Company values shareholder opinions and incorporates them into ongoing strategic decision-making.

During 2021 Shanta conducted a materiality assessment with internal and external stakeholders, the results of which were published in the 2021 Annual Sustainability report, with the goal to help us better understand and prioritise the ESG risks and opportunities that are most material to the Company, its stakeholders, and wider society. This materiality assessment continued to drive our business focus for 2022.

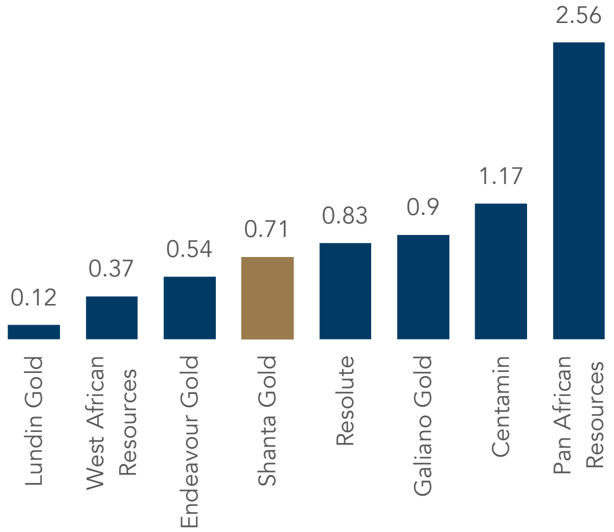
Climate change disclosure
Although we are benchmarking competitively against our peers for GHG intensity per ounce of gold sold, we acknowledge the need to take additional measures to reduce our carbon footprint and align ourselves with the targets of the Paris Agreement. In the future, we will report in line with TCFD and measure and disclose our Scope 3 emissions to expand our understanding of our full GHG footprint. However, we expect that our Scope 3 emissions will likely form a small proportion of our overall footprint compared to other metals that require greater refining. Additionally, we plan to develop an emissions target based on climate science to demonstrate our objectives and aspirations towards achieving a net-zero global economy.

During 2022, we are proud to report that we acquired the solar plant at New Luika in a financially advantageous transaction and now fully own and operate this facility. We estimate the remaining useful life to be around 10–15 years, of which this asset can be relocated between our mining projects over this period as required.

Group performance for the year

Core priority	Metric	2022	2021	Year on year	Change (%)
Our people	Total recordable injury frequency rate ("TRIFR")	1.13	0.75	+0.38	+51%
	Long term injury frequency rate	–	–	–	–
	Group female employees	10%	9%	+1	+11%
	Board female representation	17%	17%	–	–
Managing our environment	Waste recycled (%)	90%	92%	(2)%	(2)%
	Carbon emission intensity (tCO_2-e / oz Au sold)	0.71	0.73	(0.02)	(3)%
Creating opportunities for our communities	Social project expenditure (US$ million)	0.3	0.4	0.1	(25)%
	Taxes, royalties and levies paid in Tanzania + Kenya (US$ million)	26.8	27.5	(0.7)	(2.6)%
Being a responsible accountable business	Release of the 2022 Sustainability Report to enhance ESG reporting in April 2023				
	Alignment with 6 UN Sustainable Development Goals				
	At New Luika, Singida and West Kenya, health and safety metrics represented 20% of the 2022 performance bonus pay-out and comprise TRIFR and LTI rates				

Peer group comparison: tCO_2e / oz Au sold



Managing resources and environmental impacts
Although mining is a resource-intensive process, we are committed to minimising our environmental impact. We monitor our water usage and tailings facilities and have introduced solar power to meet some of our energy needs. Our focus on protecting natural resources and avoiding unnecessary harm is reflected in our efforts to be transparent and accountable about our approach.

We have implemented a range of measures to reduce the environmental impacts of our operations. These include best-in-class Tailings Storage Facilities, community-focused water stewardship programs, and a shift towards lower-carbon power sources.

In Tanzania, we submit an Annual Environmental Monitoring Report to the National Environmental Management Council in Dar Es Salaam in compliance with the Tanzanian Mining Act 2010 and our Mining Licences. The report contains accurate records of our monitoring activities, instances where environmental limits have been exceeded, remedial actions taken, and details of emissions, discharges, and wastes.

In Kenya, we comply with the Constitution of Kenya 2010 and the Environmental Management and Coordination Act (EMCA) 1999 (Amendment 2015). We also have an Environmental Rehabilitation and Restoration Plan that outlines the process for rehabilitating and restoring sites where exploration activities have been carried out.

Working with Local Business
Shanta recognises its responsibility to promote social and economic development around its mining operations. To achieve this goal, the company has committed to procuring products locally whenever possible, in line with its Procurement Policy, which emphasises dealing with businesses near the operations and considers locality as an important factor in the decision-making process.

Through this approach, Shanta not only streamlines its logistics but also supports the local economy, creates employment, and provides a market for small and medium enterprises (SMEs), contractors, and suppliers in the region.

In 2022, the Company spent a total of US$117 million in Tanzania and Kenya, out of which 80% (US$94 million) was procured in-country, demonstrating its commitment to prioritising national and regional suppliers. Shanta's Procurement Policy not only formalises the Company's approach to local business but also outlines the expectations of its employees regarding ethical behaviour and conduct.

The year ahead
The Shanta Board and senior management understand that sustainability is a continuous journey, and they are committed to integrating ESG and sustainability considerations into their decision-making process. They plan to establish measurable sustainability targets and track their progress towards achieving them using industry-standard frameworks. Their aim is to become a responsible leader in the mining industry and contribute to a sustainable future.

In addition, we are committed to setting measurable sustainability targets and regularly tracking our progress towards achieving them. We will leverage industry-leading frameworks and standards to ensure that our sustainability targets are ambitious, achievable, and aligned with global sustainability goals. Through this approach, we aim to establish ourselves as a responsible leader in the mining industry and contribute to a sustainable future for all.

The Board thanks the Shanta team and stakeholders for their support in advancing their sustainability agenda and is looking forward to the ESG future of Shanta Gold.

Ketan Patel
Chair of the Sustainability Committee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Audit Committee Report

Dear Shareholders,

I am pleased to 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.

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 Chair 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 2022.

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 took initiative to enhance internal controls and risk mitigation measures. 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 66, 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 is satisfied with the portions of the receivable recognised as current and non-current assets. 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 66.

The carrying value of mining assets
The Committee reviewed the assessment made by management that the carrying value of the Group's mining assets are equal to their recoverable value in accordance with the requirements of the relevant accounting standard. The Committee has found that the key judgements made by Management in assessing the carrying value of the Group's mining assets to be reasonable and that no impairment is required as at year end.

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. The Board is also satisfied with the independence of the auditors. 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's priority is to uphold the internal control framework at Shanta and to oversee the management of financial risks. We will take necessary measures to mitigate risks as they arise. Additionally, we will maintain open communication with the Company's external auditors to bring attention to any emerging financial risks or concerns that may arise in the future. Our goal is to ensure that the Company's financial reporting processes are thoroughly scrutinised and challenged.

Michelle Jenkins
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 2022 and of the Group's loss for the year then ended;
- Have been properly prepared in accordance with UK adopted international accounting standards; and
- 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 2022 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 consolidated financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

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 included:

- Obtaining and critically reviewing the Directors' base case cashflow forecast for the period to December 2024 and evaluating the key underlying assumptions, including gold price, production, operating costs and capital expenditure. In doing so, we considered empirical data, historical performance and trading to date. Specifically, we confirmed that the forecast period excluded receipts associated with VAT receivables due to the uncertainty of the timing, other than those that have already been approved by the Tanzanian Revenue Authority.
- Performing a review and recalculation of forecast covenants.
- Performing an accuracy check on the mechanics of the cash flow forecast model prepared by management and approved by the Directors.
- Obtaining and reviewing the stress test scenarios in respect of scenarios including gold pricing, production and operational costs and confirming that liquidity and covenants are maintained under such scenarios.
- Assessing the adequacy of the stress test scenarios and considering whether any other scenarios should be tested.
- Considering the adequacy of the going concern disclosures in Note 2.2 based on our audit work performed as detailed above.

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 Group'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	96% (2021: 81%) of Group profit before tax		
	100% (2021: 100%) of Group revenue		
	99% (2021: 95%) of Group total assets		
		2022	**2021**
Key audit matters	Recoverability of VAT	Yes	Yes
	Carrying value of mining assets	Yes	Yes
Materiality	Group financial statements as a whole		
	US$1.4 million (2021:US$1.0 million) based on 1.2% of revenue (2021: 5% of 2-year average profit before tax).		

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.

While Shanta Gold Limited is a AIM listed company, the Group's operating and development mines are located in Tanzania. We assessed there to be one significant component, being the main operational entity of the Group located in Tanzania. A full scope audit for Group reporting purposes was performed on-site for the Tanzanian reporting component by the BDO member firm in Tanzania. A BDO member firm in Kenya also performed specified audit procedures on the Kenya non-significant components for Group reporting purposes. The Group engagement team performed the audit of the consolidation. The remaining non-significant operating, corporate and holding companies were principally subject to specific substantive procedures on significant risk areas and analytical review procedures.

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 below), and set out the information to be reported to the Group audit team.
- The Group audit team performed procedures independently over key audit risk areas, as considered necessary, including the key audit matters below.
- The Group audit team was actively involved in the direction of the audits performed by the component auditors for Group reporting purposes, along with the consideration of findings and determination of conclusions drawn.
- The Statutory Auditor or their representative in the Group audit team visited the mine sites in Tanzania, attended virtual clearance meetings for the significant component and spent significant periods of time with the component auditor responsible for the significant component 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.

Key audit matter	How the scope of our audit addressed the key audit matter
Recoverability of VAT (see notes 3 and 17) The Group has significant VAT receivables of US$29.3 million as at 31 December 2022, of which US$7.2 million is recognised as a current receivable and US$22.1 million is classified as non-current, with US$20.4 being in relation to the disputed VAT in Tanzania from 2017-2020. As disclosed in note 17, judgement is required in determining the recoverability of the non-current VAT receivable. This required consideration of discussions with relevant authorities in Tanzania and the wider operating environment, the validity of the VAT under relevant legislation for the period 2017-2020 and the ultimate timing of recovery of eligible VAT. Given these circumstances, the recoverability and presentation of VAT was considered to represent a key risk for our audit.	We considered and challenged Management's assessment of the carrying value, timing of recovery and presentation of the receivables. Our specific audit procedures in this regard included: ■ We considered and critically challenged Management's assessment of the recovery of the VAT. In particular, this included consideration of the current regulatory environment, the nature of correspondence with the relevant tax authorities, publicly available information and inquiries made with Management. ■ We discussed and critically assessed Management's own assessment that the Group can legally recover the VAT with the Group's independent external Tanzanian legal adviser. We have obtained written confirmation from the Group's Tanzanian legal adviser which supports the Board's assessment that the VAT is legally valid and remains recoverable. In addition, we considered the nature of the gold smelting and refining process in assessing whether Management's judgement that the VAT is recoverable under the legislation is acceptable. In relying upon the assessments made by such expert, we evaluated the independence, competence and objectivity of the professional adviser relied upon by Management. We reviewed correspondence between the Group and the tax authorities and made inquiries of Management and local tax experts regarding the nature of the ongoing discussions with the tax authorities to evaluate the reasonableness of Management's judgement in respect of the recoverability of VAT. ■ We considered and challenged Management's assessment of the provision for discounting including the estimates regarding the timing of recovery and risk adjusted discount rate applied in the calculation and performed sensitivity analysis to consider alternative scenarios. In particular, this included consideration of the payment history, apparent fiscal constraints on the tax authorities and political developments, the nature of ongoing correspondence and other ongoing legislative changes. ■ 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 satisfy ourselves that the judgements and estimates have been appropriately disclosed.

Key observations

Based on the procedures performed, we found the judgements made by Management in their assessment of the recoverability of the VAT receivable to be acceptable and we consider the disclosures to be appropriate.

Key audit matter	How the scope of our audit addressed the key audit matter
Carrying value of mining assets (see notes 2, 3 and 12) As detailed in Notes 2, 3 and 12, the Group's mining assets represent its most significant asset and total US$115.7 million at 31 December 2022. 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. As detailed in note 3, there are judgements and inherent uncertainties involved in assessing the mining assets for indicators of impairment. Management have performed an impairment indicator review under applicable accounting standards and have not identified any indicators of potential impairment. We determined the carrying value of mining assets to be a key audit matter given the significant judgements required in respect of the assessment of indicators of impairment	We checked that the impairment models utilised the approved life of mine ('LOM') plans and were subject to appropriate internal review and approval. We have assessed the appropriateness, in line with IAS 36 Impairment of Assets, of Management's identification of the Group's CGUs, being New Luika Gold Mine and Singida Gold Mine. We obtained and reviewed Management's impairment indicator review and we undertook the following work on management's impairment indicator review: ■ We evaluated Management's impairment models against approved LOM plans and our understanding of the operations, and critically challenged the key estimates and assumptions used by Management for each of the mining operations by comparisons to current year actuals and through meetings with operational management, as detailed below. In addition, we verified the integrity of formulae and the mathematical accuracy of Management's valuation models. ■ We compared the trading performance against budget/plan for FY 2022 in order to evaluate the quality of management's forecasting and where under performance against budget/plan was highlighted evaluated the impact on the forecasts. ■ In respect of pricing assumptions, our testing included evaluation of management's gold price forecasts against analyst consensus forecasts. ■ We involved our internal valuation specialists to assess the reasonableness of the discount rate applied in the impairment model for both CGUs. ■ We held meetings with mine management (mine managers, geologists, mining engineers) to understand and challenge the production, operating cost and capex forecasts. ■ 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 inspected public information and board minutes to check there was no evidence to suggest the carrying value of the assets are impaired. ■ We reviewed the disclosures in the financial statements to check that they were prepared in accordance with the requirements of the accounting standards.

Key observations

We found the key judgements made by Management and the Board in assessing the carrying value of the Group's mining assets to be reasonable.

We found the disclosures in the consolidated financial statements to be in line with the accounting standards.

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 December 2022	**31 December 2021**
Materiality	US$1.4 million	US$1.0 million
Basis for determining materiality	1.2% of revenue	5% of the 2-year average profit before tax
Rationale for the benchmark applied	Materiality has been set using a benchmark of revenue. This represents a change in benchmark basis from the previous year where an average 2 year profit before tax was used to normalise profit given the impact seen by Covid-19 and the current state of the Group's operations. Given the instability of the Groups profit before tax as a result of the ongoing development of Singida, revenue is deemed the most appropriate benchmark for the current financials year.	We consider that users of the financial statements of profit-orientated entities will generally be concerned with reported earnings. Average profit before tax for 2 years was considered to be an appropriate benchmark reflecting the Group's scale of operations in the year.
Performance materiality	US$1.0 million	US$0.75 million
Basis for determining performance materiality	Performance materiality was set at 75% of the group materiality based on consideration of factors including the level of historical errors and nature of activities.	

Component materiality
We set materiality for the significant 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$1.1 million (2021: US$0.9 million). In the audit of the components, we further applied performance materiality levels of 75% (2021: 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$24,000 (2021:US$20,000). 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 and Financial Statements 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.

Other Companies (Guernsey) Law, 2008 reporting
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 Parent Company 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:

- We gained an understanding of the Group's activities and considered the laws and regulations of significant components' jurisdictions to be of significance in the context of the Group audit. We considered the significant laws and regulations to be the Companies (Guernsey) Law, 2008, tax and legislation and the various Mining Regulations in Tanzania and Kenya.
- Based on our understanding we designed our audit procedures to identify non-compliance with such laws and regulations impacting the Group. Our procedures involved making enquiries of Management and those charged with governance to understand their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance of laws or regulations by officers and employees of the Group, inquiring about the Group's methods of enforcing and monitoring compliance with such policies and reviewing board minutes to identify any instances of non-compliance.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by obtaining an understanding of the controls that the Group has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We considered the significant fraud risk areas to be in relation to revenue recognition and Management override of controls.
- Our procedures on revenue included:
  a) We have reviewed the revenue recognition policy adopted by the Group to check it is compliant with the IFRS 15 Revenue from Contracts with Customers revenue recognition criteria;
  b) We tested a sample of sales in the year to supporting documentation and verified that revenue had been recognised in the appropriate period by selecting a sample and testing the invoices raised in December 2022 and January 2023 to check that the related revenue had been posted to the correct period;
  c) We reviewed the related disclosures in the financial statements.
- In addressing risk of management override of control, we performed testing of a sample of general ledger journal entries to the financial statements to supporting documentation, including verification of journals to supporting documentation which we consider exhibit higher fraud risk characteristics based on our understanding of the Group and evaluated whether there was evidence of bias in Management's estimates (Refer also to the key audit matters' section);
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and the component auditors as part of meetings at the planning stage and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. The engagement partner concluded that the engagement team collectively had the appropriate competence and capabilities to identify or recognize 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.

Jill MacRae
For and on behalf of BDO LLP, Chartered Accountants
London, United Kingdom

28 March 2023

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

Consolidated statement of comprehensive income

(US$000)	Notes	31 Dec 2022	31 Dec 2021
Revenue	4	**114,055**	**103,571**
Fair value movement on non-hedge derivatives and other commodity contracts	5	(81)	–
Depreciation		(16,725)	(16,533)
Other cost of sales		(71,844)	(61,078)
Cost of sales		**(88,569)**	**(77,611)**
Gross profit		**25,405**	**25,960**
Administration expenses		(12,000)	(10,160)
Exploration and evaluation costs		(7,370)	(11,133)
Operating profit		**6,035**	**4,667**
Finance income	6	425	3,012
Finance expense	7	(3,535)	(6,679)
Profit before taxation		**2,925**	**1,000**
Taxation	9	(5,224)	(7,168)
Loss for the year attributable to the equity holders of the parent Company		**(2,299)**	**(6,168)**
Loss profit after taxation		**(2,299)**	**(6,168)**
Total comprehensive expense attributable to the equity holders of the parent Company		**(2,299)**	**(6,168)**
Loss earnings per share attributable to the equity holders of the parent Company			
Basic and diluted loss per share (US$ cents)	10	**(0.220)**	**(0.589)**

The accompanying notes on pages 59 to 82 form an integral part of these financial statements.

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

Consolidated statement of financial position

(US$000)	Notes	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Intangible assets	11	43,343	43,343
Property, plant and equipment	12	115,731	89,656
Right of use assets	13	2,740	2,313
Other receivables	17	22,064	22,698
Total non-current assets		**183,878**	**158,010**
Current assets			
Inventories	16	36,207	27,234
Trade and other receivables	17	10,495	7,046
Cash and cash equivalents		3,828	13,214
Total current assets		**50,530**	**47,494**
TOTAL ASSETS		**234,408**	**205,504**
CAPITAL AND RESERVES			
Equity			
Share capital and premium	23	211,540	211,540
Share option reserve	24	–	148
Translation reserve		450	450
Shares to be issued		–	–
Retained deficit		(60,023)	(55,356)
TOTAL EQUITY		**151,967**	**156,782**
LIABILITIES			
Non-current liabilities			
Loans and other borrowings	19	19,316	3,454
Provision for decommissioning	21	12,266	7,500
Provision for deferred taxation	9	11,180	12,381
Total non-current liabilities		**42,762**	**23,335**
Current liabilities			
Trade and other payables	18	26,208	17,169
Loans and other borrowings	19	8,126	2,823
Derivative financial liability		81	–
Income tax payable		5,264	5,395
Total current liabilities		**39,679**	**25,387**
TOTAL LIABILITIES		**82,441**	**48,722**
TOTAL EQUITY AND LIABILITIES		**234,408**	**205,504**

The accompanying notes on pages 59 to 82 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the board of Directors on 28 March 2023 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 1 January 2021	**149**	**210,344**	**338**	**5,374**	**450**	**1,043**	**(51,776)**	**165,922**
Profit and total comprehensive income for the year	–	–	–	–	–	–	(6,168)	(6,168)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(6,168)**	**(6,168)**
Share based payments	1	1,012	–	–	–	(1,043)	30	–
Lapsed options	–	–	(156)	–	–	–	156	–
Exercised options	–	34	(34)	–	–	–	–	–
Repayment of convertible loan notes	–	–	–	(5,374)	–	–	5,374	–
Dividend payments (note 30)	–	–	–	–	–	–	(2,972)	(2,972)
Total equity 31 December 2021	**150**	**211,390**	**148**	**-**	**450**	**-**	**(55,356)**	**156,782**
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(2,299)	(2,299)
Total comprehensive expense for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(2,299)**	**(2,299)**
Share based payments	–	-	–	–	–	-	–	-
Lapsed options	-	-	(148)	-	-	-	148	–
Exercised options	–	–	–	–	–	–	–	–
Repayment of convertible loan notes	–	–	–	–	–	–	–	–
Dividend payments (note 30)	–	–	–	–	–	–	(2,516)	(2,516)
Total equity 31 December 2022	**150**	**211,390**	**-**	**-**	**450**	**-**	**(60,023)**	**151,967**

The accompanying notes on pages 59 to 82 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 2022	31 Dec 2021
Net cash flows generated from operating activities	24	**11,753**	**12,586**
Investing activities			
Purchase of plant and equipment		(42)	(206)
Purchase of right of use assets		–	(14)
Purchase of assets under construction		(29,529)	(18,002)
Mine development expenditure		(8,387)	(8,494)
Net cash flows used in investing activities		**(37,958)**	**(26,716)**
Financing activities			
Loans repaid		(6,003)	(2,655)
Principal paid on lease liabilities		(1,301)	(1,134)
Interest paid		(1,361)	(816)
Purchase of silver to fulfil Silver Stream obligation		–	(354)
Buy-back of convertible loan notes	20	–	(9,807)
Equity dividend paid	30	(2,516)	(2,972)
Loans received (net of loan arrangement fees)	19	28,000	1,000
Movement in restricted cash		–	2,500
Net cash flows received from / (used in) financing activities		**16,819**	**(14,238)**
Net decrease increase in cash and cash equivalents		**(9,386)**	**(28,368)**
Cash and cash equivalents at beginning of year		**13,214**	**41,582**
Cash and cash equivalents at end of year		**3,828**	**13,214**

The accompanying notes on pages 59 to 82 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 7 to 20.

These financial statements were approved and authorised for issue by the Board of Directors on 28 March 2023 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 UK adopted international accounting standards.

The preparation of financial statements in compliance with UK adopted international accounting standards, 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

The Directors have performed an assessment of whether the Group would be able to continue as a going concern until at least December 2024. In their assessment, the Group has taken into account its financial position, expected future trading performance, its debt facilities, future debt servicing requirements, its working capital and capital expenditure commitments and forecasts.

Based on a review of the Group's budgets, cashflow forecasts and its ability to flex its future exploration spending to suit prevailing circumstances, the Directors consider that the Group has adequate resources to continue in its operational existence until at least December 2024. Key assumptions underpinning this forecast include consensus analyst gold prices and production volumes in line with annual guidance.

At 31 December 2022 the Group had an unrestricted cash balance of US$3.83 million and available liquidity of US$10.47 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 until at least December 2024, and that at this point in time there are no material uncertainties regarding going concern.

The Directors have concluded that these circumstances form a reasonable expectation that the Group has adequate resources to continue in operational existence, until at least December 2024. 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 2022

A number of new and amended standards and interpretations issued have become effective for the first time for financial periods beginning on (or after) 1 January 2022 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 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.

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 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.

Revenue is measured based on the consideration to which the Group expects to be entitled under the terms of a contract with a customer. The consideration is determined by reference to the gold market price at the point of delivery. Consideration typically falls due upon delivery.

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 and processing assets.

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 viable.

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.

Fair value 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 30%. 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").

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) 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.

e) 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.

3.1 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 indicators 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 discount rates, gold prices, operating expenditure, capital expenditure, production, reserves and resources and also the impact of any legislative changes in Tanzania. Refer to note 12 for further details.

3.2 Impairment of intangible exploration and evaluation 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. This assessment is highlighted in note 11.

3.3 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 introduced 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 setoff.

The Company's input VAT refund application for the period from July 2017 to June 2020 totalling US$23.1 million 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 legally, 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 legal advice obtained, the 2017–2020 VAT balance is considered receivable, however, significant uncertainty exists regarding the timing of receipt. Therefore the balance has been reclassified to non-current receivables and discounted to take into account the time value of money. A discount rate of 6.5% (31 December 2021: 6.0%) has been applied to the expected cash receipts inclusive of estimated country credit risk. A 1% increase in the discount rate would increase the provision by US$0.4 million and a one-year delay would increase the provision by US$1.3 million. Refer to note 17 for further information.

Key sources of estimation uncertainty are set out as follows:

3.4 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.

3.5 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.

3.6 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.

3.7 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.

3.8 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$0.5 million (2021: US$0.5 million) on the provision for environmental and site restoration. The value of the year-end decommissioning provision is disclosed within note 21.

3.9 Silver Stream obligation
Under the silver streaming agreement (note 19) 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$23.9 /oz at the end of 2022 (2021: US$23.8 /oz). A 1% change in silver production estimates would result in an impact of less than US$0.1 million (2021: 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-22	31-Dec-21
Revenue from contracts with customers	**114,055**	103,571

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

5. Fair value movement on non-hedge derivatives and other commodity contracts

US$000	31-Dec-22	31-Dec-21
Valuation of open commodity swaps	**81**	-

During the year the Group entered into Asian commodity option contracts which provide a guaranteed protection of the gold price at the Floor and participation in favourable movements in the gold price up to the Cap. There were no commodity option contracts in place during 2021.

A mark to market valuation of open option contracts was done at 31 December 2022. This resulted in derivative financial liability of US$81,000 (2021: US$nil) as the monthly average gold price on the open instruments was above the fixed cap prices of these instruments.

During the year no gains or losses were realised on the closed option contracts, as the monthly average gold prices were within the fixed Floor and Cap prices of the instruments.

At 31 December 2022, the following open option contracts were in place.

Product	Floor (US$)	Cap (US$)	Monthly average (US$)	Start date	End date	Quantity	Mark to market (US$)
Gold - USD	1,600	1,950	1,796.74	01-12-2022	31-12-2022	1,333	–
Gold - USD	1,725	1,756	1,796.74	01-12-2022	31-12-2022	2,000	(81,000)
Loss on non-hedge derivatives							**(81,000)**

6. Finance income

US$000	31-Dec-22	31-Dec-21
Bank interest	4	1
Change in estimate of decommissioning liability (note 21)	–	547
Fair value adjustment on Silver Stream advance (note 19)	421	2,464
	425	**3,012**

7. Finance expense

US$000	31-Dec-22	31-Dec-21
Interest on loans and other borrowings	1,430	532
Interest on lease liabilities (note 13)	64	87
Interest on Silver Stream advance (note 19)	1,180	1,341
Change in estimate on Silver Stream advance (note 19)	-	617
Convertible Loan Note accretion (note 20)	–	22
Finance expense at amortised cost	**2,675**	**2,599**
Unwinding of present value adjustment of rehabilitation provision (note 21)	860	1,026
Purchase of silver to fulfil silver stream obligation	–	354
VAT receivable credit adjustment (note 17)	–	2,700
Total finance expense	**3,535**	**6,679**

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

8. Profit before taxation

Profit before tax is arrived at after charging:

US$000	31-Dec-22	31-Dec-21
Depreciation of tangible assets (note 12)	16,190	16,039
Amortisation of right of use assets (note 13)	535	961
Directors' remuneration	2,386	1,888
Staff costs	16,770	16,556
Auditor's remuneration		
Audit fees of the Company and Group	221	175
Audit fees of subsidiaries by associates of Group auditor	79	56
Audit fees of subsidiaries by other auditors	–	36
Audit-related fees for review of interim information	34	21

9. Taxation

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-22	31-Dec-21
Current tax charge (corporate and turnover tax charge)	6,425	5,238
Deferred tax charge / (income)	(1,201)	1,930
Net charge	**5,224**	**7,168**

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

US$000	31-Dec-22	31-Dec-21
Profit before taxation	**2,925**	**1,000**
Tax at the standard tax rate		
Tanzanian/Kenyan Corporation tax at 30%	878	300
Different tax rates applied in overseas jurisdictions	963	1,180
Permanent adjustments	5,405	2,905
Unrecognised taxable losses in subsidiaries	5,724	2,395
Adjustments in respect of prior periods	77	388
Capital allowances in excess of depreciation	(6,903)	–
Other movements	(920)	–
Tax charge	**5,224**	**7,168**

Deferred tax

US$000	31-Dec-22	31-Dec-21
Deferred tax liability	(11,180)	(12,381)

At the end of the year, the Group had tax losses available in Tanzania amounting to US$55,468,000 (2021: US$47,970,000). Of these losses, US$24,871,000 (2021: US$23,579,000) 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$30,597,000 (2021: US$24,391,000) 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 (2021: 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 1 January 2021	–	(10,451)	(10,451)
Accelerated tax depreciation	–	(2,050)	(2,050)
Other movements	–	120	120
At 31 December 2021	–	**(12,381)**	**(12,381)**
Accelerated tax depreciation	–	281	281
Other movements	–	920	920
At 31 December 2022	–	**(11,180)**	**(11,180)**

10. Loss per share

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

	31-Dec-22	31-Dec-21
Loss for the year attributable to equity holders of Company	(2,299)	(6,168)
Loss used in calculation of basic earnings per share (see below)	(2,299)	(6,168)
Basic loss per share (US cents)	(0.220)	(0.589)
Weighted average number of shares in issue	1,047,885,766	1,047,885,766

There were no share incentives outstanding at the end of the year that could potentially dilute basic earnings per share.

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 1 January 2021	**24**	**387**	**183**	**251**	**42,498**	**43,343**
Additions	–	–	–	–	–	–
Amortisation	–	–	–	–	–	–
At 31 December 2021	**24**	**387**	**183**	**251**	**42,498**	**43,343**
Additions	–	–	–	–	–	–
Amortisation	–	–	–	–	–	–
At 31 December 2022	**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.

Impairment of licences

In accordance with the Tanzanian Mining Act 2010 renewal of Prospecting Licences involves a tender process. Licences which are viable and are pending renewal are not considered impaired.

At the year-end there were 47 active licences relating to the Lupa Goldfields (2021: 59). The Group's Lupa Goldfields licences are considered to be a single CGU and are assessed collectively. 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.

At the year-end there were 4 active licences relating to the West Kenya project. The licences are considered to be a single CGU and are assessed collectively. Management have concluded that whilst some of the licences acquired in 2020 are no longer in the portfolio, exploration work on the remaining licenses has already yielded successful results, and further work is scheduled for 2023. Where licences have expired without renewal, this is generally a part of the natural process of condensing the portfolio down to the most valuable licences and follows a management decision not to pursue renewal, as such no impairment has been identified.

12. Property, plant and equipment

US$000	Gold processing plant	Mining assets	Assets under construction[1]	Mining and other equipment	Decom-missioning asset	Deferred stripping asset	Total
Cost							
At 1 January 2021	**42,732**	**132,354**	**21,998**	**32,893**	**3,906**	**36,219**	**270,102**
Additions	–	8,494	18,871	206	675	–	28,246
Asset transfers	2,264	3,794	(11,895)	5,837	–	–	–
At 31 December 2021	**44,996**	**144,642**	**28,974**	**38,936**	**4,581**	**36,219**	**298,348**
Accumulated Depreciation							
At 1 January 2021	**31,765**	**98,913**	**–**	**22,554**	**3,906**	**35,515**	**192,653**
Charge for the year	2,350	9,877	–	3,724	–	88	16,039
At 31 December 2021	**34,115**	**108,790**	**–**	**26,278**	**3,906**	**35,603**	**208,692**
Net book value							
At 31 December 2021	**10,881**	**35,852**	**28,974**	**12,658**	**675**	**616**	**89,656**
Cost							
At 1 January 2022	**44,996**	**144,642**	**28,974**	**38,936**	**4,581**	**36,219**	**298,348**
Additions	–	8,387	29,529	441	3,908	–	42,265
Asset transfers	–	2,988	(6,128)	3,140	–	–	–
At 31 December 2022	**44,996**	**156,017**	**52,375**	**42,517**	**8,489**	**36,219**	**340,613**
Accumulated Depreciation							
At 1 January 2022	**34,115**	**108,790**	**–**	**26,278**	**3,906**	**35,603**	**208,692**
Charge for the year	2,355	9,348	–	4,156	57	274	16,190
At 31 December 2022	**36,470**	**118,138**	**–**	**30,434**	**3,963**	**35,877**	**224,882**
Net book value							
At 31 December 2022	**8,526**	**37,879**	**52,375**	**12,083**	**4,526**	**342**	**115,731**

1. 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 2021	3,260
Additions	14
Amortisation	(961)
At 31 December 2021	**2,313**
Additions	962
Amortisation	(535)
31 December 2022	**2,740**
Lease liabilities	
At 1 January 2021 (note 19)	**1,757**
Additions	868
Interest expense (note 7)	87
Interest paid	(90)
Lease payments	(1,134)
Foreign exchange movements	(64)
At 31 December 2021 (note 19)	**1,424**
Additions	1,256
Interest expense (note 7)	64
Lease payments	(1,348)
Foreign exchange movements	(40)
At 31 December 2022 (note 19)	**1,356**

	31-Dec-22	31-Dec-21
Current lease liabilities		
Solar power units [1]	–	44
Mobile equipment [2]	147	324
Mobile equipment [3]	–	281
Mobile equipment [4]	395	–
Office space [5]	43	16
Office space [6]	80	–
	665	**665**
Non-current lease liabilities		
Mobile equipment [2]	–	162
Mobile equipment [3]	–	597
Mobile equipment [4]	634	–
Office space [6]	57	–
	691	**759**
Total lease liabilities	**1,356**	**1,424**

(1) **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. The lease was not renewed at the end of 2022.

(2) **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.

(3) **Mobile equipment:** A lease for mobile equipment from Sandvik for a capital amount of $870,000 repayable quarterly over thirty-six months commencing on 15 November 2021.

(4) **Mobile equipment:** A lease for mobile equipment from Sandvik for a capital amount of $999,000 repayable bi-annually over thirty-six months commencing on 20 June 2023.

(5) **Office space:** A lease for office space from Nevada Golden Coins Limited for an eighteen month period commencing November 2022.

(6) **Office space:** A lease for office space from Innovative Management Services Limited for a two year period commencing 1 January 2022.

14. Subsidiary companies

At 31 December 2022, 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
Shanta Gold Kenya (Guernsey) Limited	100%	Guernsey	Holding 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-22	31-Dec-21
Current assets measured at amortised cost		
Trade and other receivables excluding tax and prepayments	219	230
Cash and cash equivalents	3,828	13,214
Total financial assets at amortised cost	**4,047**	**13,444**
Financial liabilities measured at amortised cost		
Current financial liabilities		
Loans and other borrowings (note 19)	(8,126)	(2,823)
Convertible loan notes (note 20)	–	–
Trade and other payables excluding tax	(26,208)	(17,169)
	(34,334)	**(19,992)**
Non-current financial liabilities		
Loans and other borrowings (note 19)	(19,316)	(3,454)
Total financial liabilities measured at amortised cost	**(53,650)**	**(23,446)**
Financial liabilities at fair value through profit and loss		
Current financial liabilities		
Asian commodity option contracts	**(81)**	–
Total financial liabilities measured at fair value through profit and loss	**(81)**	-

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

Loans and other borrowings 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-22	31-Dec-21
Plant spares and consumables	14,978	12,862
Gold in ore stockpile	15,272	10,632
Gold in gold room and CIL	5,957	3,740
	36,207	**27,234**

The cost of consumable inventories consumed during the year amounted to US$42.2 million (2021: US$27.3 million). Plant spares and consumables increased in the year as a result of additional procurement related to the build of the new Singida Gold Mine.

17. Trade and other receivables

US$000	31-Dec-22	31-Dec-21
Non-current assets		
VAT receivable [1]	22,064	22,698
Current assets		
Prepayments [2]	1,748	1,363
VAT receivable [1]	7,245	4,171
Other receivables [3]	1,502	1,512
	10,495	**7,046**

1. **VAT receivable:**

   Non-current: 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 3.3) is clear and the Company expects its appeal to be successful. The receivable balances which still need to be audited by the TRA and the disputed balance have been classified as a non-current asset for the purposes of these financial statements, reduced by the effect of value of money on the refunds or offsets expected in the future, calculated by discounting the expected refunds/offsets to be received over the next three years at a risk adjusted Tanzanian forecast inflation rate of 6.5%.

   Included in the non-current portion of the VAT receivable is an amount due to Shanta Gold Kenya Limited of US$0.8 million. The Kenyan tax authorities have temporarily put a hold on repayments, however based upon external advice the amount is considered to be legally due and expected to be refunded once the Kenyan tax authorities have completed their internal restructure. Given the exact timing of repayment is outside of our control, the amount is classified as a non-current receivable.

   Current: There is an express legislative framework in Tanzania to apply VAT due to a taxpayer by way of repayment or setoff against tax due to the Tanzania Revenue Authority ("TRA"). Based on confirmations received from the TRA in 2021, refund applications for the periods June 2022 to August 2022 have been approved for repayment in 2023, totalling US$8.1 million which is recognised as a current receivable. Refund applications for the period from November 2022 to December 2022, which amount to US$2.3 million, require further audit by the TRA before being formally approved.

   In 2022, US$9.6 million of the brought forward VAT receivable was received as a cash refund/offset in the year.

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 (2021: 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 prior to file the appeal are refundable to the Company

18. Trade and other payables

US$000	31-Dec-22	31-Dec-21
Trade payables	19,143	11,090
Accruals	7,065	6,079
	26,208	**17,169**

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 and other payables approximate their fair value.

19. Loans and other borrowings

US$000	31-Dec-22	31-Dec-21
Current liabilities		
Silver stream (note 19.1)	1,347	1,158
Loans payable to Standard Bank less than 1 year (note 19.2)	3,114	-
Stanbic overdraft payable (19.3)	3,000	1,000
Lease liabilities (note 13)	665	665
	8,126	**2,823**
Non-current liabilities		
Silver stream (note 19.1)	2,045	2,695
Loans payable to Standard Bank more than 1 year (note 19.2)	16,580	-
Lease liabilities (note 13)	691	759
	19,316	**3,454**
Total loans and other borrowings	**27,442**	**6,277**

19.1 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 payable silver by the Company to Silverback can be reduced should there be any plant expansion as verified by an independent engineer.

Following an assessment from an independent engineer during 2021, a plant expansion was verified as having occurred by the commissioning of a new mill at NLGM. This change reduced the silver stream liability and has been accounted for as an adjustment for the value in future estimates. The Silver Stream liability was re-estimated in 2022 to include the extension to life of mine plan. The liability is calculated using the forward silver price and interest at the effective rate is imputed interest.

US$000	31-Dec-22	31-Dec-21
At 1 January	(3,853)	(5,590)
Value of silver transferred	1,221	1,231
Interest at the effective interest rate (note 7)	(1,180)	(1,341)
Adjustment for the value in future estimates (note 6)	421	2,464
Change in estimate (note 7)	-	(617)
At 31 December	**(3,391)**	**(3,853)**

19.2 Loans payable to Standard Bank

In July 2022 the Company entered into a long term facility agreement with Standard Bank Tanzania. The facility is for a principal amount of $20 million and has a term of 4 years at an interest rate of 8.34%. Repayment is in 12 equal capital repayments quarterly from September 2023. The loan is secured against the assets of the company.

19.3 Stanbic overdraft payable

The Company entered into an revolving loan facility with Stanbic Bank in Tanzania to fund short term working capital. The facility is for US$ 5 million of which US$ 3.5 million has been drawn down at year end. Each draw down is repayable after a maximum of 180 days and bears interest at 10% per annum. There are no securities held against the loan. The facility has been extended to US$10 million in January 2023.

20. Convertible loan notes

US$000	31-Dec-22	31-Dec-21
At 1 January	–	9,999
Repayment	–	(9,807)
Cash paid interest	–	(662)
Coupon interest (note 7)	–	448
Accreted Interested (note 7)	–	22
Loan modification adjustment (note 7)	–	–
At 31 December	–	–

In 2020 the principal value of the remaining outstanding notes not held directly or indirectly by Shanta Gold Limited was US$9,807,000. During 2021, the Company repurchased all the outstanding convertible loan notes at their principal value of US$9,807,000.

21. Provision for decommissioning

US$000	31-Dec-22	31-Dec-21
Balance at 1 January	7,500	6,346
Unwinding of present value adjustment of rehabilitation provision rate (note 7)	860	1,026
Change in estimate (note 6)	–	(547)
Change in estimate capitalised within property, plant and equipment (note 12)	3,906	675
At 31 December	**12,266**	**7,500**

The above provision relates to site restoration at New Luika and nearby open pits, and at the open pit operations at Singida. 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 risk-free rate of interest. The yields of Tanzanian Sovereign Bonds with a maturity profile commensurate with the anticipated rehabilitation schedules 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 2022 and uses a combination of the latest Tanzanian and United States Sovereign Bond yields.

22. Share capital

Authorised	31-Dec-22	31-Dec-21
1,048,258,658 ordinary shares of 0.01 pence each	£104,347	£104,347

Issued and fully paid	Number	£	US$000
At 1 January 2021	**1,043,465,532**	**104,347**	**149**
Issued in year	4,793,126	479	1
As at 31 December 2021	**1,048,258,658**	**104,826**	**150**
Issued in year	-	-	-
As at 31 December 2022	**1,048,258,658**	**104,826**	**150**

In 2021, 4,793,126 ordinary shares were issued to Executive Directors and Senior Management in respect of 2020 performance bonuses. (2021: None) All shares issued rank pari passu in all respects with the existing shares in issue. The Company has one class of ordinary shares which carry no right to fixed income.

23. 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 2022	Number of options at 31 December 2021
26 September 2011	25.00p	26 September 2021	–	–
6 January 2012	23.13p	6 January 2022	–	1,170,000
			-	**1,170,000**

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 2022		31 December 2021	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Details of the share options outstanding during the year are:				
Outstanding at 1 January	1,170,000	0.237	1,670,000	0.237
Lapsed share options	(1170,000)	0.250	(500,000)	0.250
Outstanding at 31 December	–	–	1,170,000	0.231
Exercisable share options at the end of year	**-**	**0.231**	**1,170,000**	**0.231**

All options outstanding at 31 December 2022 were fully vested.

24. Net cash flows from operating activities

US$000	31-Dec-22	31-Dec-21
Profit before taxation for the year	2,919	1,000
Adjustments for:		
Depreciation/depletion of tangible assets	16,190	16,039
Amortisation of right of use assets	535	961
Unrealised exchange gains	7	(63)
Non-cash settlement of Silver Stream obligation (note 10)	(1,221)	(1,231)
Finance income	(425)	(3,012)
Finance expense	3,535	6,679
Increase in provisions	(145)	–
Operating cash flow before movement in working capital	**21,395**	**20,373**
(Increase) / decrease in inventories	(8,973)	2,806
Increase in receivables	(8,431)	(4,431)
Increase in payables	8,699	4,961
	12,690	**23,709**
Taxation paid	(938)	(11,124)
Interest received	1	1
Net cash flow from operating activities	**11,753**	**12,586**

25. 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 2021	4,270	5,713	9,999	(2,500)	17,482
Cash flows	–	(2,946)	(10,469)	2,500	(10,915)
Non-cash flows					
Silver Stream	–	(1,231)	–	-	(1,231)
Finance lease obligations recognised	869	–	–	-	869
Interest accruing in the period	–	(335)	470	-	135
Effects of foreign exchange	–	(63)	–	-	(63)
Reclassification from non-current to current liabilities	(1,685)	1,685	–	-	-
At 31 December 2021	**3,454**	**2,823**	**-**	**-**	**6,277**
Cash flows	18,977	360	–	-	19,337
Non-cash flows					
Silver Stream	–	(1,642)	–	–	(1,642)
Finance lease obligations recognised	999	257	–	–	1,256
Interest accruing in the period	(19)	2,261	–	–	2,242
Effects of foreign exchange	13	(41)	–	–	(28)
Reclassification from non-current to current liabilities	(4,108)	4,108	–	–	–
At 31 December 2022	**19,316**	**8,126**	**-**	**-**	**27,442**

26. 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
- Trade and other payables
- Loans and borrowings
- Asset loans

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.

26.1 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% (2021: 1%).

The revolving loan facility with Stanbic Bank bears interest at 10% per annum. (2021: 10%).

The long term loan facility with Stanbic Bank bears interest at the 3 month term Secured Overnight Facility Rate (SOFR) plus 550 bps. (2021: Nil).

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

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

a) Trade and other receivables
The Group generates revenue from the sale of gold. 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 has been no 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, apart from the VAT disclosed as non-current in Note 17, 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.

26.3 Liquidity risk
Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets. Cash and cash equivalents are placed with financial institutions on a short-term basis reflecting the Group's desire to maintain high levels of liquidity in order to enable timely completion of transactions. All financial liabilities have a maturity of less than three years or have no specific repayment dates.

The maturity of financial liabilities is as follows:

	31 December 2022		
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	(3,420)	(5,400)	(18,603)
Lease liabilities	(119)	(951)	(1,244)
Silver Stream	–	(1,347)	(2,045)
Derivative financial liability	(81)	–	–
Other payables and accruals	(26,180)	–	–
	(29,800)	**(7,698)**	**(21,892)**

	31 December 2021		
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	–	(1,000)	–
Lease liabilities	(195)	(470)	(759)
Silver Stream	–	(1,158)	(2,695)
Other payables and accruals	(17,169)	–	–
	(17,364)	**(2,628)**	**(3,454)**

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

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

	31 December 2022						
(US$000)	USD	TZS	EUR	GBP	ZAR	KSH	Total
Trade and other receivables	1,492	–	–	–	–	10	1,502
Cash and cash equivalents	3,667	25	–	15	–	121	3,828
Trade and other payables	(17,652)	(6,682)	(440)	(120)	(312)	(1,002)	(26,208)
Loans and other borrowings	(27,442)	–	–	–	–	–	(27,442)
Net exposure	**(39,935)**	**(6,657)**	**(440)**	**(105)**	**(312)**	**(871)**	**(48,320)**

	31 December 2021						
(US$000)	USD	TZS	EUR	GBP	ZAR	KSH	Total
Trade and other receivables	1,485	–	–	–	–	28	1,513
Cash and cash equivalents	12,967	83	–	118	–	46	13,214
Trade and other payables	(10,449)	(5,117)	(81)	(341)	(227)	(954)	(17,169)
Loans and other borrowings	(5,731)	–	(546)	–	–	–	(6,277)
Net exposure	**(1,728)**	**(5,034)**	**(627)**	**(223)**	**(227)**	**(880)**	**(8,719)**

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	
	2022	2021	2022	2021
TZS : US$	0.0004	0.0004	0.0004	0.0004
EUR : US$	1.0538	1.1832	1.0726	1.1395
GBP : US$	1.2369	1.3757	1.2098	1.3499
KSH : US$	0.0085	0.0091	0.0081	0.0092

26.5 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the costs of capital.

In order to maintain or adjust the capital structure the Company may return capital to shareholders and issue new shares, or when profitable, adjust the amount of dividends paid to shareholders.

27. Segment information

The Group had two operating segments during the year:

- Tanzanian Assets – gold mining, processing, exploration, development 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:

	2022		
US$000	Tanzanian Assets	West Kenya Project	Total
Revenue	114,055	–	114,055
Segment result	6,352	(8,651)	(2,299)
Operating profit / (loss)	14,686	(8,651)	6,035
Financial income	425	–	425
Financial expense	(3,535)	–	(3,535)
Taxation	(5,224)	–	(5,224)
Profit / (loss) attributable to equity holders of the parent company	**6,352**	**(8,651)**	**(2,299)**
Segment assets	213,082	21,326	234,408
Segment liabilities	(81,443)	(998)	(82,441)
Non-current asset additions	25,860	8	25,868

	2021		
US$000	Tanzanian Assets	West Kenya Project	Total
Revenue	103,571	–	103,571
Segment result	1,152	(7,320)	(6,168)
Operating profit / (loss)	11,987	(7,320)	4,667
Non-operating expenses	(2,700)	–	(2,700)
Financial income	548	–	548
Financial expense	(1,515)	–	(1,515)
Taxation	(7,168)	–	(7,168)
Profit / (Loss) attributable to equity holders of the parent company	**1,152**	**(7,320)**	**(6,168)**
Segment assets	184,896	20,608	205,504
Segment liabilities	(47,768)	(954)	(48,722)
Non-current asset additions	19,723	29	19,752

28. 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 31–33. Executive Directors are considered key management.

29. Commitments

The Directors confirm that the Group had capital commitments of US$3.2 million (2021: US$2.8 million) relating to underground mining equipment at New Luika and capital items on order at Singida.

30. Dividend per share

US$000	31-Dec-22	31-Dec-21
Final dividend for 2021 of £0.001 per ordinary share	1,258	1,486
Interim dividend for 2022 of £0.001 per ordinary share	1,258	1,486
	2,516	**2,972**

A final dividend in respect of the year ended 31 December 2022 of £0.001 per ordinary share, equivalent to approximately US$1.25 million, is to be proposed at the annual general meeting. These financial statements do not reflect this dividend payable as it is subject to shareholder approval.

31. Contingent liabilities

Contingent liabilities identified as at 31 December 2022 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. As at 31 December 2022, it is not probable that these conditions will be met, therefore no amount has been recognised.

(ii) One of the Company's subsidiaries, Shanta Gold Kenya Limited ("SGKL"), received a Withholding VAT demand on 23 December 2021 from the Kenya Revenue Authority (the "KRA") relating to the alleged failure by Shanta Gold Kenya Limited to withhold a 2% withholding tax on VAT on payments to suppliers. The KRA Demand Letter does not indicate whether it is a formal assessment and the manner in which the Company should object to it as required under Kenyan Tax Law.

No liability or provision has been recognised within the 2022 financial statements in respect of the Demand from the KRA. Furthermore, in the unlikely event any amount become payable by the Company, per the SPA agreement with Seller, the Company can make a breach of warranty claim for any tax that becomes payable subject to the aggregate financial limits set out under the SPA being US$2 million.

(iii) Shanta Mining Company Limited, a subsidiary of Shanta Gold Limited has an ongoing dispute with the Tanzania Revenue Authority (TRA) regarding the deductibility of royalty payments for income tax purposes with a potential tax exposure of US$6.3 million.

Based on discussions with the TRA, it appears that the intention of the government to amend this law was to remove royalty from being tax deductible, but there are gaps in the law which give an advantage to the Company under strict interpretation of the law. Professional legal and tax advice has confirmed that SMCL has a strong case to defend and settlement is unlikely, as a result no liability has been recognised in the financial statements

The Directors confirm that they are not aware of any other contingent liabilities as at 31 December 2022.

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 eighteenth Annual General Meeting of the shareholders of the Company will be held at 11 New Street, St Peter Port, Guernsey, GY1 3EG on 28 April 2023 at 11.30am (the "Meeting") for the purpose of considering and, if thought fit, passing the following resolutions numbered 1 – 9 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 2022.
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 2022 as detailed in the 2022 Annual Report and Accounts
5. To re-appoint BDO LLP as the auditors of the Company
6. To approve the Non-Executive Directors' aggregate fees for the period between 1 January 2023 to 31 December 2023 inclusive to be US$405,000
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 Anthony Peter Wynn Durrant 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 approve a final dividend proposed by the Directors of 0.10 pence per share.

Dated 28 March 2023

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 eighteenth 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 2PF on 28 April 2023 at 11.30am 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. To receive and consider the profit and loss account and the balance sheet of the Company for the financial year ended 31 December 2022.	☐	☐	☐
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 2022 as detailed in the 2022 Annual Report and Accounts.	☐	☐	☐
5. To re-appoint BDO LLP as the auditors of the Company.	☐	☐	☐
6. To approve the Non-Executive Directors' aggregate fees for the period between 1 January 2023 to 31 December 2023 inclusive to be US$405,000.	☐	☐	☐
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 Anthony Peter Wynn Durrant 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 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.

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