

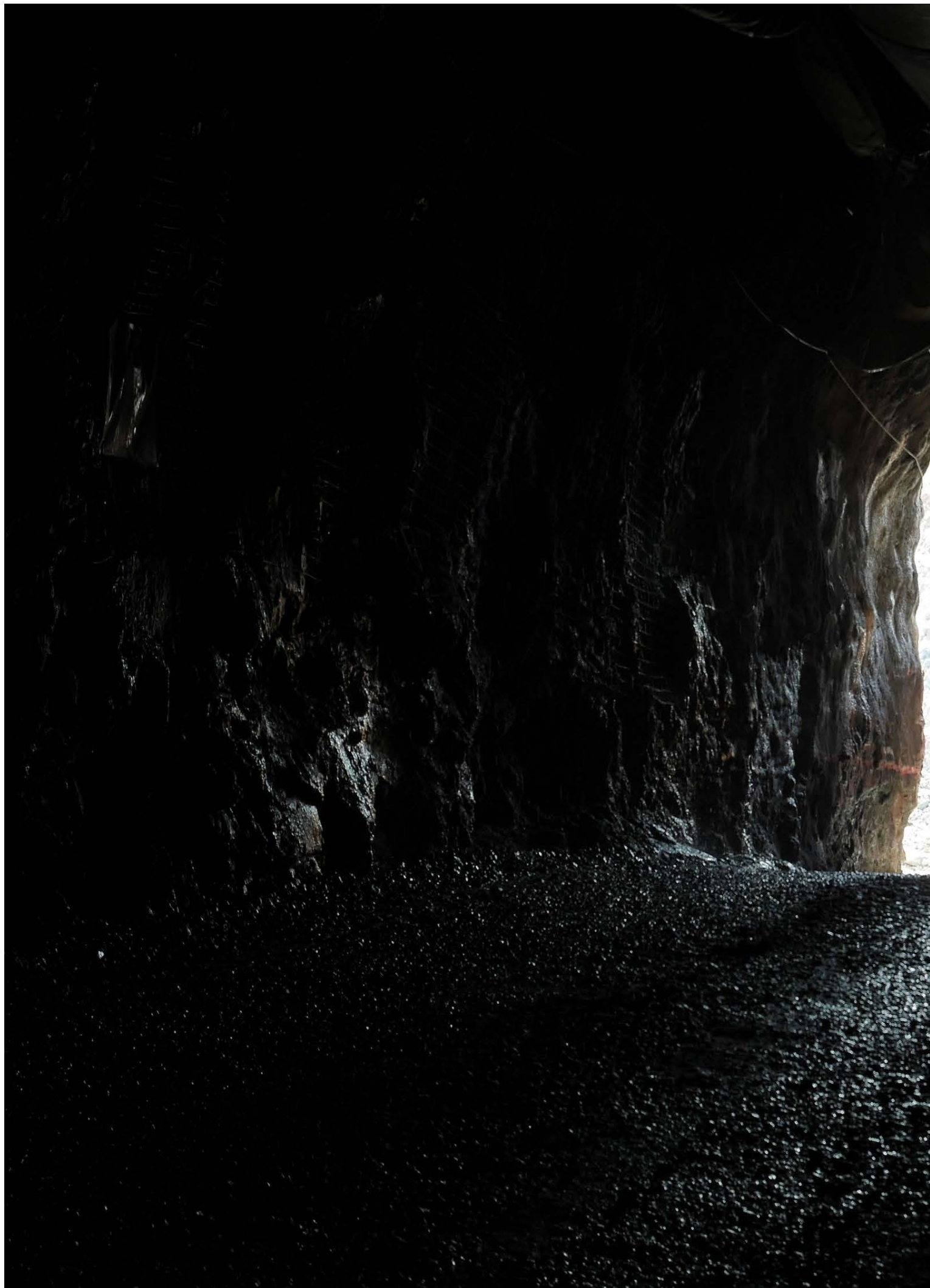


SHANTA GOLD

# 2019

Annual Report and Accounts







**Country of incorporation**

Guernsey

**Nature of business**

Gold mining in Tanzania

**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**

Numis Securities Limited  
The London Stock Exchange Building  
10 Paternoster Square  
London EC4M 7LT

**Website**

[www.shantagold.com](http://www.shantagold.com)

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# About Shanta Gold



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

Shanta is focused on maximising operational value for shareholders from this mine, and other assets in its portfolio, through taking a modern and disciplined approach to mining.

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

Shanta announced the purchase of the West Kenya Gold Project in early 2020. The project has an Inferred Mineral Resource Estimate of 1,182,000 ounces grading 12.6 g/t. It is believed to be one of the highest grading 1 million+ oz gold deposits in Africa.

Shanta also holds exploration properties covering over 1,560 km<sup>2</sup> in the under explored ex-colonial mining areas of the geologically rich Lupa Goldfield surrounding New Luika.

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

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



# Board of Directors



## Anthony Durrant

Non-executive Chairman

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



## Eric Zurrin

Chief Executive Officer, Director

Eric Zurrin has 18 years' experience in mining and investment banking, previously with UBS Investment Bank in London. Eric re-joined Shanta in 2017 having previously worked across a range of roles with Shanta including as interim CFO in 2015/2016 leading the financial restructuring and as a Commercial Analyst advising the former CEO in 2013. Eric is a Canadian national and has worked and lived in North America, the UK, Asia and Africa. Eric completed his Bachelor of Commerce (Accounting) in Canada.



## Luke Leslie

Chief Financial Officer, Director

Luke Leslie is a mining investor with a background in Mergers & Acquisitions. He was formally a member of UBS Investment Bank's Corporate Finance team based on London. Luke began his career as a management consultant with Accenture where he specialised in post-acquisition integration and cost reduction strategies. Luke has served on the Board of a number of junior mining companies including Kincora Copper and REBgold prior to its merger with Aquila Resources. Luke has lived and worked in China, Hong Kong, Outer Mongolia and Myanmar.

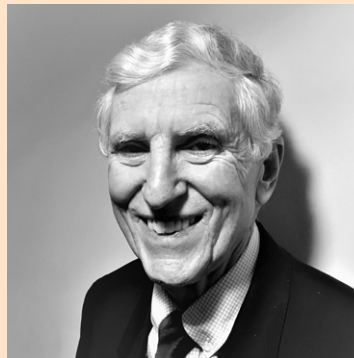




### Ketan Patel

Non-executive Director

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



### Robin Fryer

Non-executive Director

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



### Keith Marshall

Non-executive Director

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

# Chairman's Statement

## Dear Shareholders,

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

### Priorities and operating highlights

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

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

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

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

We were delighted to announce the acquisition of the West Kenya Project from Barrick Gold, post the year end.

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

### Social and economic contribution

Shanta's Corporate Social Responsibility ("CSR") programmes at New Luika are aligned to local and national priorities, and have been detailed on pages 16 to 18. Our intentions are for the Singida project to provide similar benefits to Tanzania's Singida region once mine development has commenced.

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

### Outlook

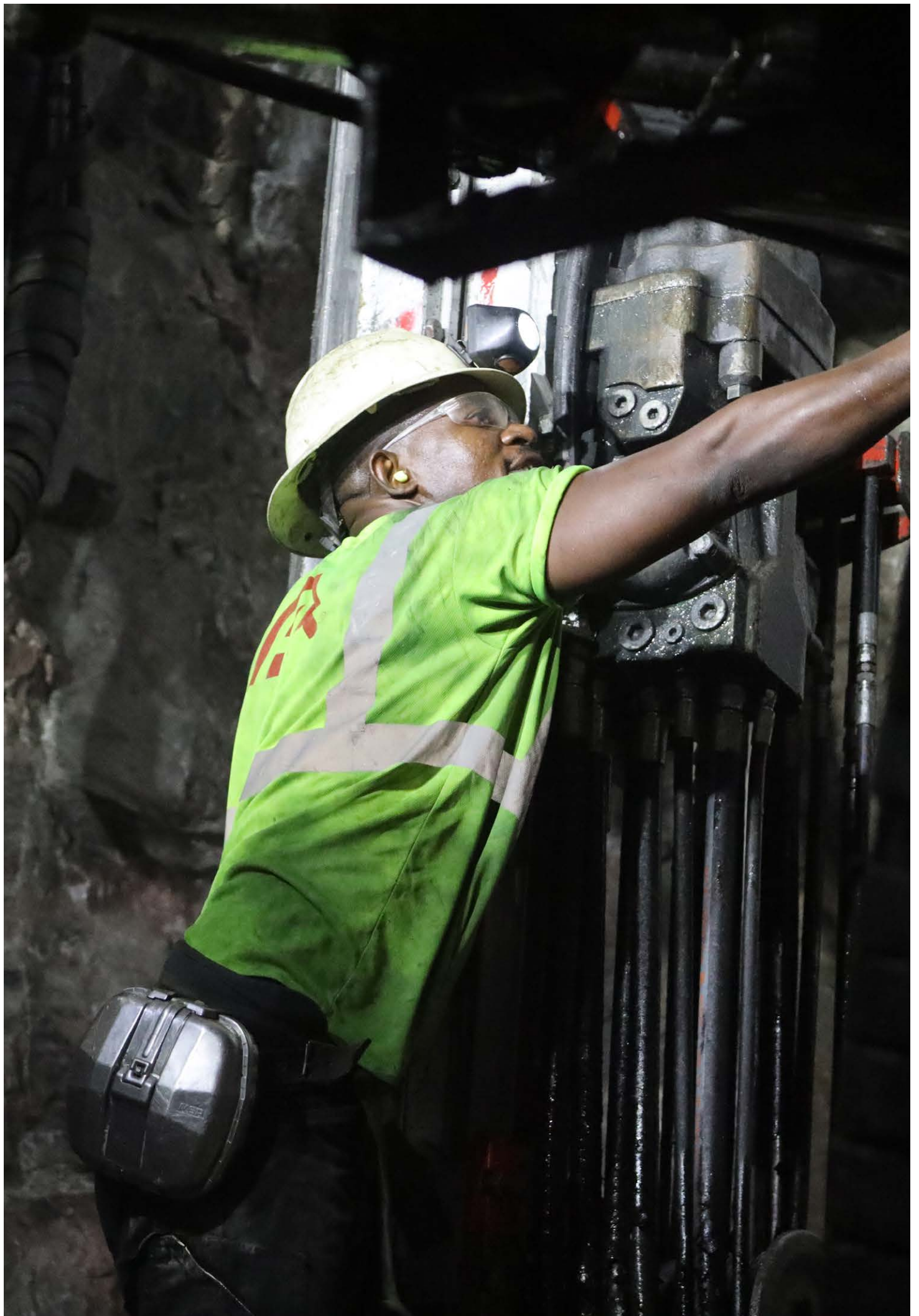
We anticipate another year of steady production in 2020, with production forecasts expected to be similar to 2019 at 80,000 – 85,000 oz of gold. Through exploration we are also looking to maintain similar production levels from New Luika for many years to come.

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

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

**Anthony Durrant**  
Chairman

27 February 2020



# Chief Executive Officer's Review

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

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

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

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

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

## Highlights

### Raising the bar on safety

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

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

### Striving for operational excellence

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

One of the major successes of 2019 was reaching commercial production from the Ilunga Underground Mine on schedule and on budget. Commercial production was declared following net pre-production capital investment of only US\$5.0 million and Ilunga is now the third source of

high-grade underground feed at New Luika, alongside the Bauhinia Creek and Luika underground deposits.

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

AISC<sup>1</sup> for 2019 were \$777/oz, within cost guidance of US\$740-780/oz for the year. Our staff continue to eradicate wastage at site and this achievement reflects the hard work put in throughout the year. The determination to optimise cost efficiency is engrained within the Group's modern business approach, in which Shanta's employees are incentivised to perform in direct alignment with shareholder interests.

#### **Debt to equity value transfer**

New Luika continued to generate significant operating cashflows during 2019 and Adjusted EBITDA<sup>2</sup> for the year amounted to US\$47.7 million (2018: US\$45.7 million). This robust financial performance has enabled Shanta to continue its rapid reduction of both gross debt and net debt, with gross debt at its lowest position in over seven years and net debt down 55% from the end of 2018.

Cashflows have largely been used to fulfil debt obligations in recent years but the health of the Company's current balance sheet will afford Shanta the opportunity to direct additional operating cashflows towards maximising

shareholder returns. Shanta's share price has outperformed all other London-listed pure play gold producers over the past two years and transferring value to shareholders continues to drive strategic decision-making for management, all of whom are also Shanta shareholders.

#### **Securing longevity through exploration**

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

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

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

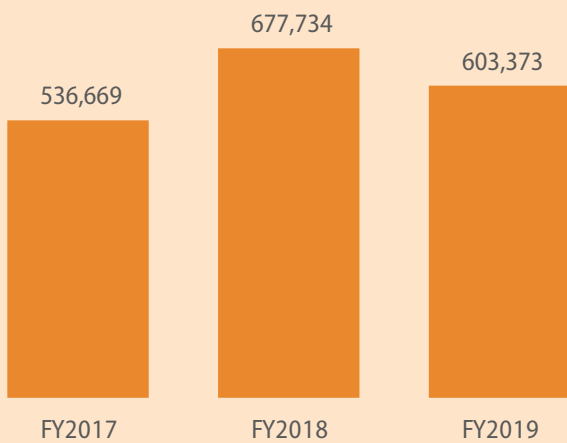
1 Development costs at the BC, Luika and Ilunga underground operations are not included in AISC.

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

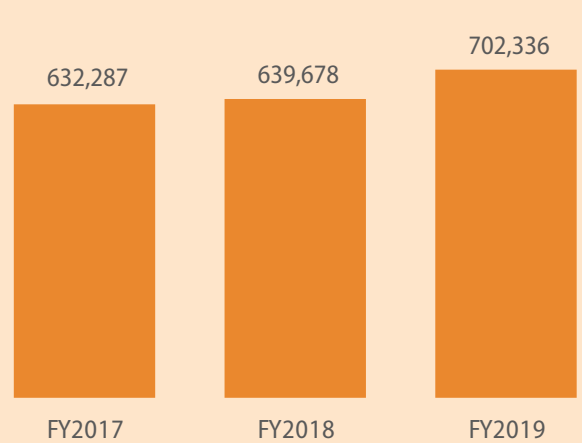
# New Luika Gold Mine Operations Review

## New Luika Gold Mine operations

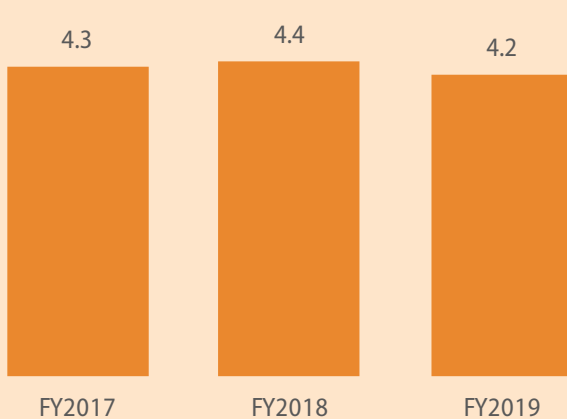
### Tonnes ore mined



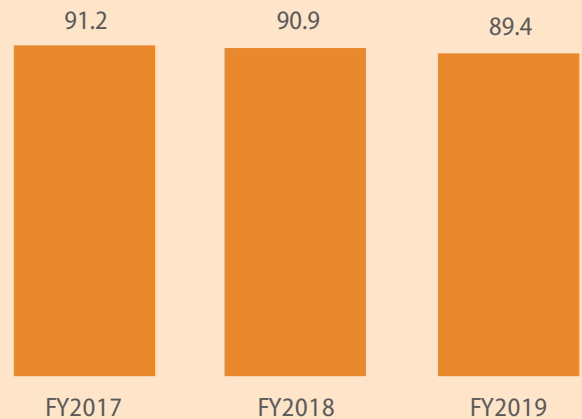
### Tonnes ore milled



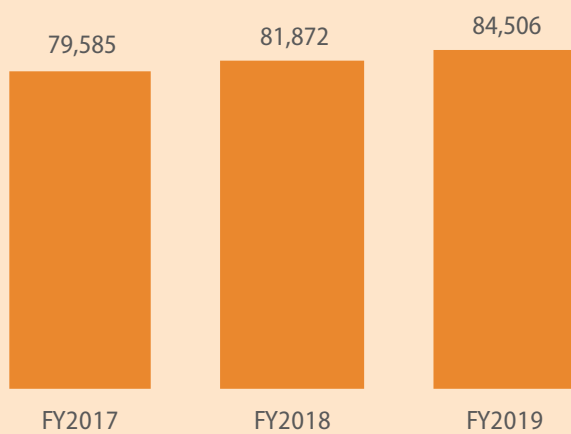
### Grade (g/t)



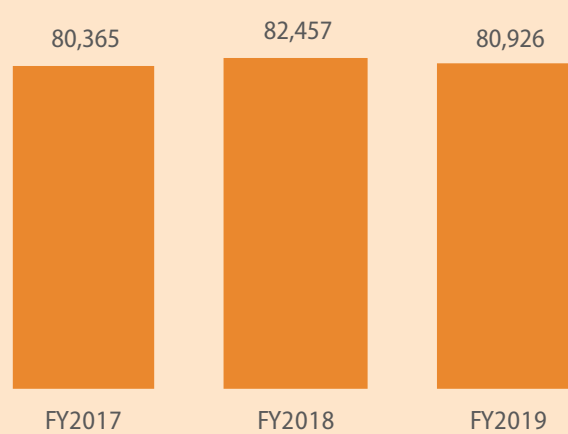
### Recovery (%)



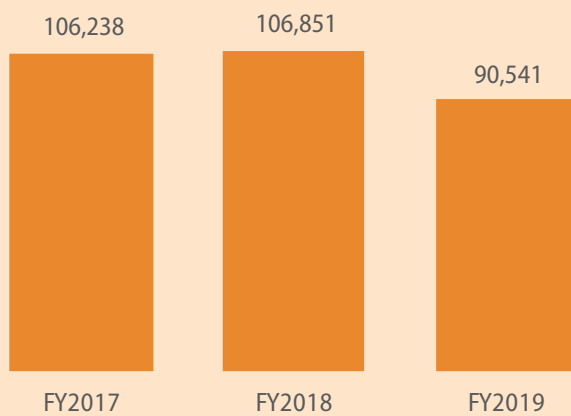
### Gold production (ounces)



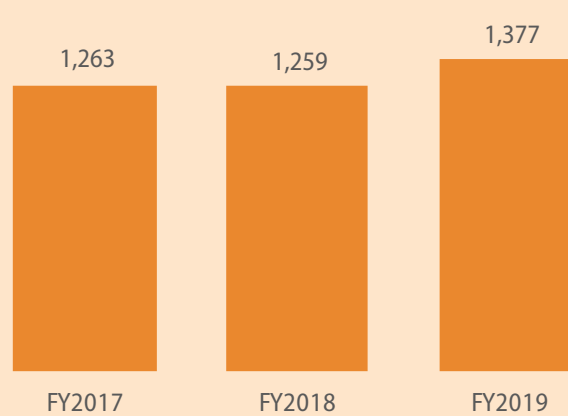
### Gold sales (ounces)



### Silver production (ounces)



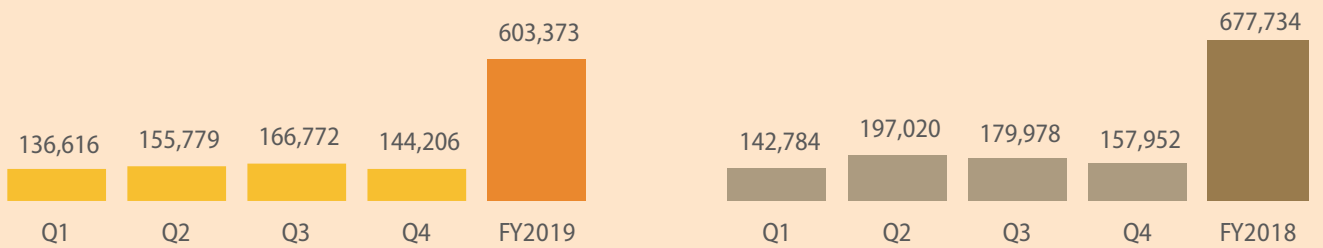
### Realised gold price (US\$/oz)



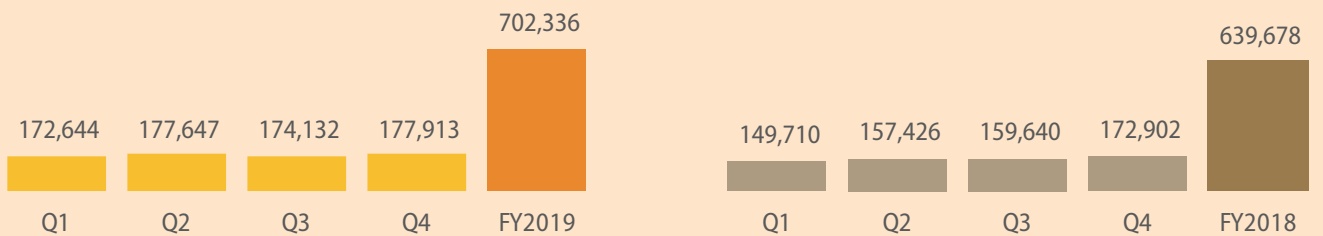
# New Luika Gold Mine Operations Review

## New Luika Gold Mine quarterly breakdown

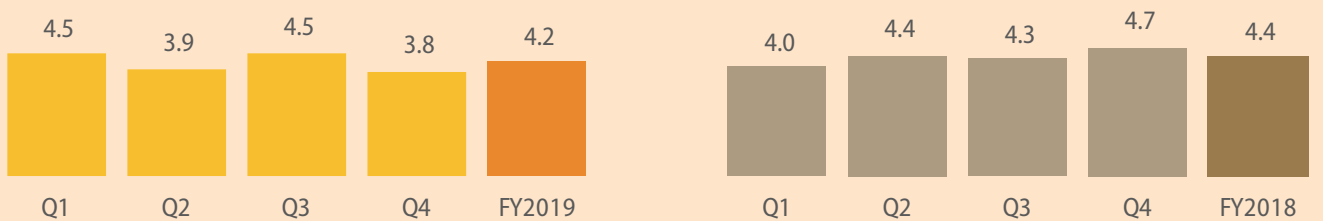
### Tonnes ore mined



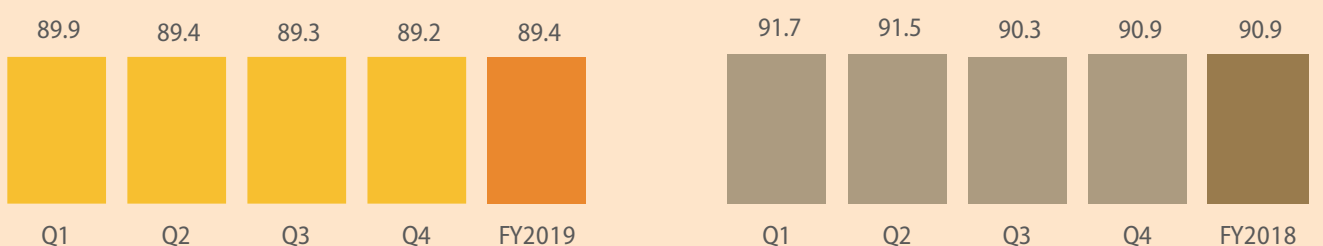
### Tonnes ore milled



### Grade (g/t)

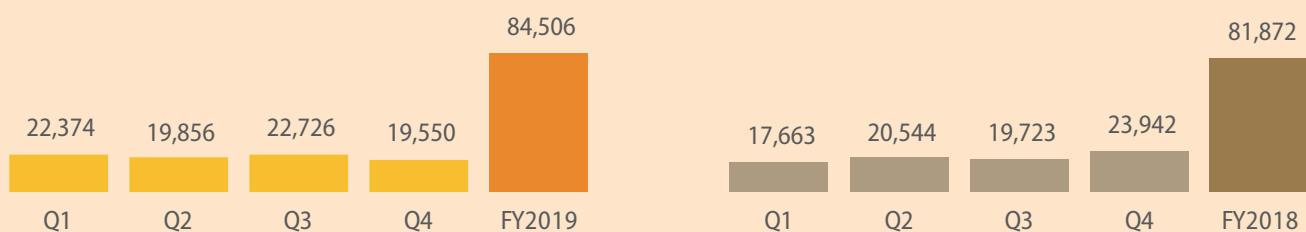


### Recovery (%)

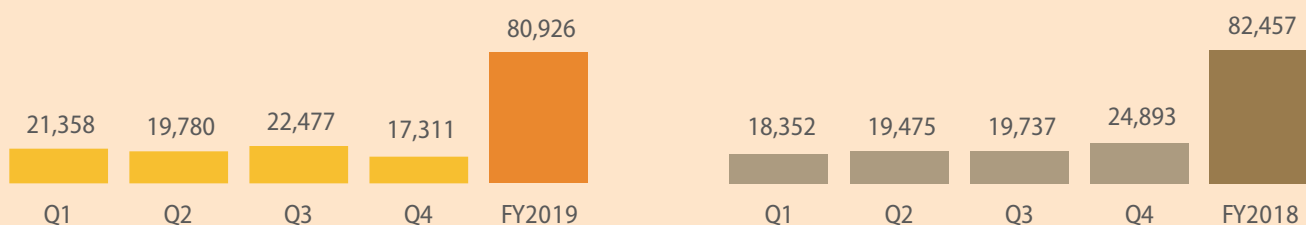




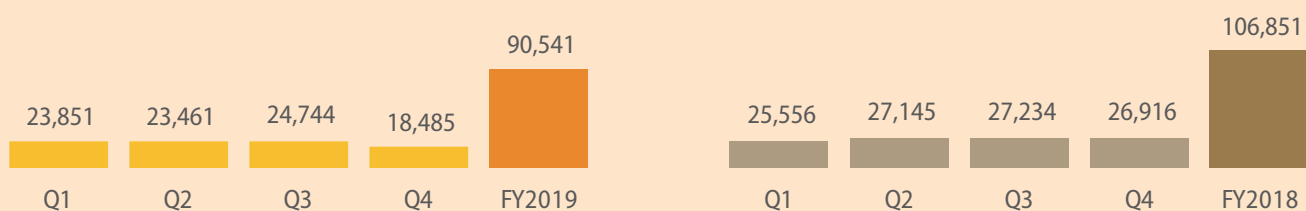
### Gold production (ounces)



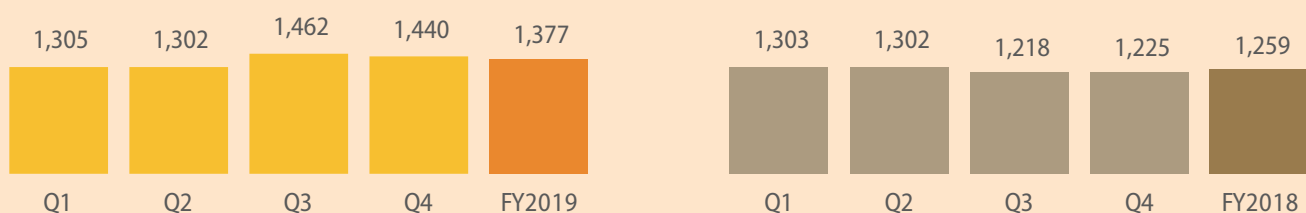
### Gold sales (ounces)



### Silver production (ounces)



### Realised gold price (US\$/oz)



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

#### **Tanzania's next significant gold mine**

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

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

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

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

#### **Showcasing Tanzanian expertise**

Shanta has proudly broken the industry mould in recent years by transitioning New Luika and Singida into operations run almost exclusively by in-country nationals.

Tanzania has an established history of gold mining and local expertise is industry leading. In terms of headcount, Shanta's group-wide workforce is over 99% Tanzanian; one of the Company's single-most valuable strengths and testament to the talent that we have in-country.

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

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

#### **VAT refunds**

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

#### **Mergers and acquisitions**

Since the year-end, in February 2020, we were pleased to announce the purchase of the West Kenya Gold Project from Barrick Gold, a significant acquisition for Shanta. When the transaction closes, the project will be purchased for cash consideration of US\$7 million and US\$7.5 million in Shanta Gold shares, with a 2 percent net smelter royalty to be paid over the duration of the project and Shanta assuming up to US\$4 million of outstanding third party liabilities. The project spans 1,161 km<sup>2</sup> within the Lake Victoria greenstone gold field located in North West Tanzania and South West Kenya and has a NI-43101 compliant, Inferred Mineral Resource Estimate of 1,182,000 oz grading 12.6 g/t. It is

believed to be one of the highest grading 1 million+ oz gold deposits in Africa, with the region home to a number of global tier 1 assets including North Mara and Geita Gold Mine; all in all, excellent geography to be in.

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

## Operations review

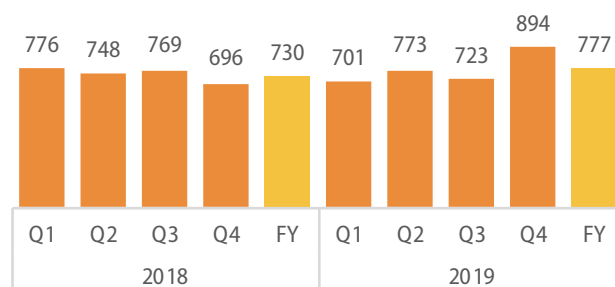
### New Luika operations review

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

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

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

### Quarter on Quarter AISC



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

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

### Financial Overview

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

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

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

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

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

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

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

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

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

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

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

### Hedging

As of the end of the year, the Company had sold forward 40,000 oz to June 2020 at an average price of US\$1,244/oz. These forward sales were entered into during late 2018 and

were considered prudent given the Company's contractual debt repayments through to June 2020, with the gold price presenting an asymmetric risk in the event of a decline.

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

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

## Corporate Social Responsibility

### People

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

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

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

boost in an area that continues to suffer from high levels of unemployment and economic disadvantages.

### Business Sustainability

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

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

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

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

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

### Education

Shanta's partnership with Hazelwood School (Charity Number 312081), a UK based charity providing teacher training in the Songwe region, "Into Africa – Partners in Learning", continued throughout 2019 with approximately 1,300 volunteer hours spent at four schools near New Luika. A dedicated team of skilled teachers spent this time training local teachers on how to improve

their methodology and the result has been a notable improvement in student performance across various subjects. School attendance levels are being sustained at higher levels across all of the schools, two of which earned record exam results in the year. Highlights of the programme included inaugural Information and Communications Technology (“ICT”) lessons, and maths lessons being delivered in Swahili. The programme has proven to be an invaluable source of teacher training and student support for participating schools.

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

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

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

### *Water*

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

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

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

### *Livelihood*

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

Newly trained participants, who had no prior knowledge of farming, have been guided on how to cultivate an optimum yield from their soils, with expert agricultural assessments carried out to determine which crops are best suited to their land. The latest sesame harvest yielded 447 tonnes of crop with a sale value of US\$0.5 million, which was earned directly by participants. The scheme is highly structured with a year of classroom training supplemented by practical learning at a demonstration farm, followed by supported practical application during the following

harvests. Practices adopted through this initiative have led to an expansion of Shanta methods across Songwe and skills taught through this collaboration will provide future generations of farmers in the region with opportunities that previous generations didn't have access to.

#### **Health**

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

#### **Outlook**

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

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

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

#### **Summary**

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

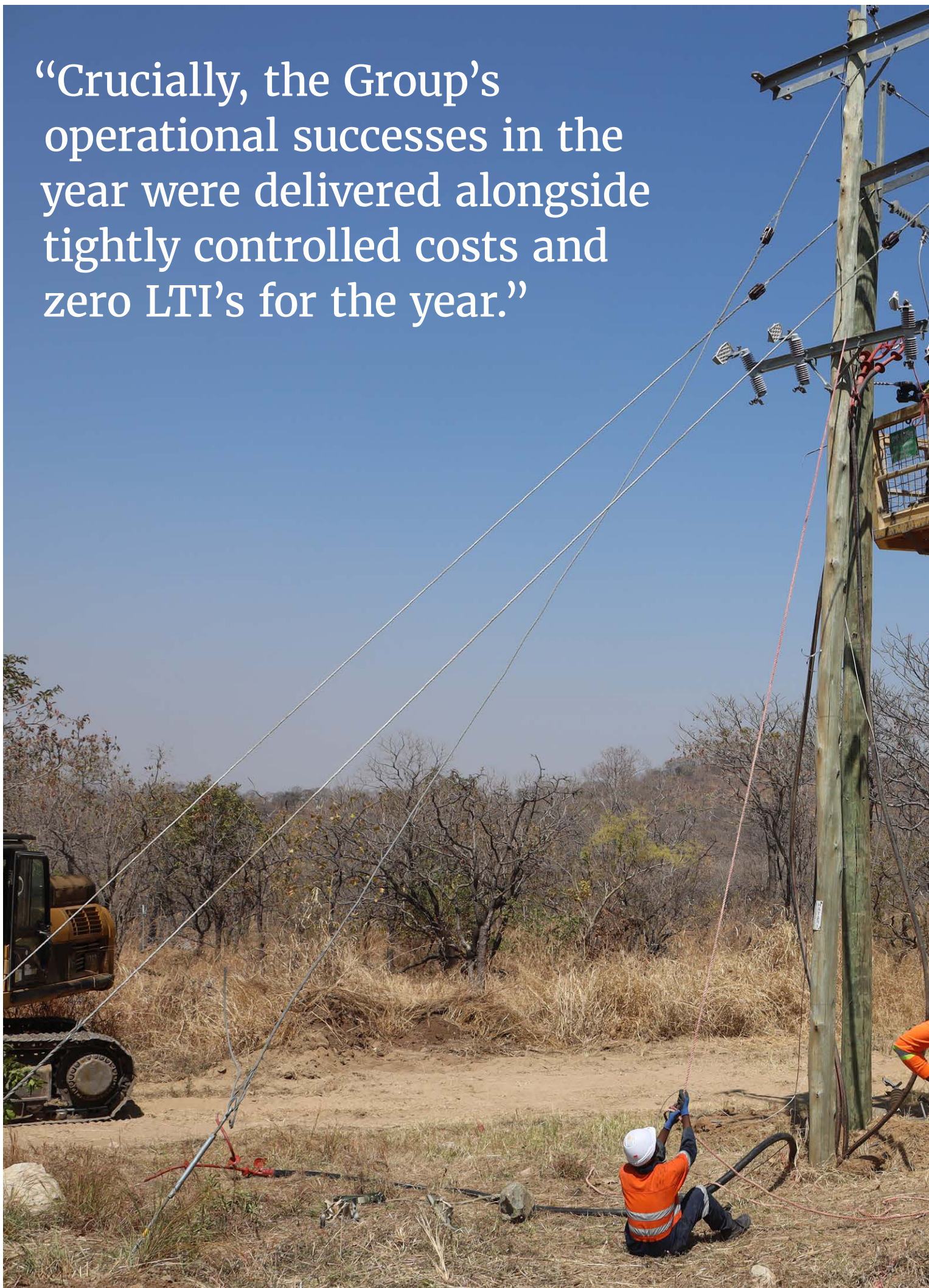
I am looking forward to reporting progress to you throughout the year as Shanta's journey continues on what I believe will be another successful year for the Company and its stakeholders.

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

**Eric Zurrin**  
*Chief Executive Officer*

27 February 2020

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







# Directors' Report

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 December 2019.

## General

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

## Principal activity

The Group's principal activity is that of investment in gold exploration and production in 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 18. 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 45. The activities for the year have resulted in the Group's loss before tax of US\$1.2 million (2018: profit before tax of US\$13.1 million). No dividends were paid or proposed by the Board of Directors (2018: US\$Nil).

## Subsequent events

Except as disclosed in Note 32 to the financial statements, no other material fact or circumstance has occurred between the reporting date and the date of this report.

## Nominated advisor

The Company's nominated advisor is Numis Securities Limited.

## Directors

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

## Non- Executive

- Anthony Durrant (Chairman)
- Robin Fryer
- Ketan Patel
- Keith Marshall

## Executive

- Eric Zurrin
- Luke Leslie

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

## Directors' responsibilities statement

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

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

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

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

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

#### **Website publication**

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

#### **Going concern**

The Directors have reviewed the Group's cash flow forecasts for the period to April 2021 and after taking into account existing financing facilities, available cash and cash flow projections from operations, the Directors consider that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further details have been provided within note 2.2.

#### **Auditor**

BDO LLP has expressed their willingness to continue in office as auditor and a resolution to re-appoint BDO LLP will be proposed at the forthcoming Annual General Meeting.

#### **Share options**

Further details, including share options provided to employees of the Group, are contained in the Remuneration Committee Report on pages 33-34 and in note 24 to the financial statements.

Signed on behalf of the Board of Directors on  
27 February 2020.

#### **Eric Zurrin**

*Chief Executive Officer*

#### **Anthony Durrant**

*Chairman*

“Our strategy at New Luika is to maintain a rolling life of mineable ounces which balances the cost of exploration with visibility on future production.”





# Corporate Governance

## Board of Directors

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

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

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

### 1. Strategy and business model

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

The Company's primary asset ("New Luika") transitioned to a predominantly underground operation and entered commercial production in June 2017. Since 2017, New Luika's underground mining activities have delivered a consistent plant feed and key developments to the business model made during the year included entering into commercial production from Ilunga, the third active source

of high-grade ore at New Luika. The objective is to quickly repay the Company's debt and to generate returns for shareholders using the cash generated from this project.

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

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

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

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

### 2. Understanding and meeting shareholder needs and expectations

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

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

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

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

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

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

### **3. Wider stakeholder needs and social responsibilities**

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

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

Views of the Group held by its stakeholders often represent the Group's wider reputation and as such are considered vitally important. By holding regular meetings with

stakeholders, the Group can identify these views and ensure that there is a platform for dialogue on any relevant matters. These meetings also enable bilateral discussions on any topics relevant to respective stakeholders and ensure that the Company's presence in Tanzania is positive for all parties.

The Company's responsibilities to its stakeholders are considered crucial to the Company's business plan. Throughout the year regular dialogue has been maintained with District and Regional Commissioners in both Songwe and Singida in order to ensure that the Group's social responsibilities are being directed in line with the needs of local communities. The Company has strong positive relationships with many senior government officials in Tanzania and places great value on these close working relationships. The management team of SMCL regularly attend government-run conferences to promote the mining industry and SMCL also regularly sponsors these events. Reciprocating support received from local and national government is a key aspect of the Company's business approach.

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

### **4. Effective risk management throughout the organisation**

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

- The Audit Committee is responsible for ensuring that appropriate financial reporting procedures are properly maintained and disclosed in accordance with governing regulations.
- The Sustainability Committee ensures the company is considerate of all stakeholders and operates in accordance with the laws of the country in which the company operates.
- The Remuneration and Nominations 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 2019, the structure and membership of Board Committees was as follows:

#### *Audit Committee*

The Group's Audit Committee comprised of three Non-Executive Directors being Robin Fryer (Chairman), Anthony Durrant and Ketan Patel. The Audit Committee is responsible for ensuring that appropriate financial reporting procedures are properly maintained and reported on, and for meeting with the Group's auditor, reviewing their reports, reviewing the Group accounts and reviewing the Group's internal controls. The Audit Committee met four times in 2019.

#### *Remuneration Committee*

The Group's Remuneration Committee comprised of four Non-Executive Directors being Keith Marshall (Chairman), Anthony Durrant, Ketan Patel and Robin Fryer. Details of the Remuneration Committee's responsibilities are provided within the Remuneration Committee Report on page 33. The Remuneration Committee met three times in 2019.

#### *Sustainability Committee*

The Group's Sustainability Committee comprised of three Non-Executive Directors being Ketan Patel (Chairman), Anthony Durrant and Keith Marshall. The Sustainability Committee is responsible for reviewing the Group's safety, occupational health, environmental as well as community and social responsibility practices. The Sustainability Committee met three times in 2019.

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

The key financial risks faced by the Group are detailed on pages 70-72. The Company has an established framework of internal financial controls to address these risks, the effectiveness of which is regularly reviewed by the Executive Directors, the Audit Committee and the Board.

The Board is responsible for reviewing and approving overall Company strategy, approving capital budgets and

plans, and for determining the financial structure of the Company including treasury and tax. Monthly results and variances from plans are reported to the Board.

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

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

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

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

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

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

Non-financial controls covering areas such as health and safety, regulatory compliance, business integrity, risk



management, business continuity and corporate social responsibility are continually assessed.

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

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

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

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

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

Executive Directors are employed by the Group on a full-time basis whereas the Non-Executive Directors are remunerated on a fixed-fee part-time basis. All Directors devote a significant portion of their time in order to discharge their duties both at and outside of Board meetings. The Board aims to meet at least quarterly and as required from time to time to consider specific issues required for decision by the Board.

The table below shows the attendance at board meetings during the year to 31 December 2019:

Director		Board meeting	Audit Committee	Remuneration Committee	Sustainability Committee
Eric Zurrin	Executive	7	4	3	3
Luke Leslie	Executive	7	4	3	3
Anthony Durrant	Non-Executive	7	4	3	3
Ketan Patel	Non-Executive	4	3	3	3
Robin Fryer	Non-Executive	6	4	3	3
Keith Marshall	Non-Executive	6	4	3	3
<b>Number of meetings held in the year</b>		<b>7</b>	<b>4</b>	<b>3</b>	<b>3</b>

## 6. Experience, skills and capabilities of the Board

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

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

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

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

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

## 7. Board evaluation

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

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

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

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

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

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

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

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

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

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

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

We recognise the impact that our activities in Tanzania have on the local community in the operational areas of our mining activity. The Company believes it is critical that the local community is an integral stakeholder in the long-term sustainability of Shanta. We are focused on

adding business value beyond the financial contributions made through tax and royalty payments. Shanta Gold has an objective of training and employing local residents and thereby yielding direct and sustainable benefits to the local communities.

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

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

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

#### **10. Strong communication with shareholders and other relevant stakeholders**

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

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

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

The Remuneration Committee Report on page 33 and the Audit Committee Report on page 35 provide details as to key work carried out over the year by these committees.

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

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

#### **Bribery and anti-corruption**

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

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

All officers and staff of Shanta Gold are required to comply with the Anti-Bribery Policy and, so far as is practicable, will third parties with whom the company does business. The Board of Directors of Shanta Gold has overall responsibility for bribery prevention within the Company and 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  
27 February 2020.

**Eric Zurrin**  
*Chief Executive Officer*

**Anthony Durrant**  
*Chairman*





# Remuneration Committee Report

## Dear Shareholders,

Throughout 2019 the Committee has continued to focus on aligning reward with results and optimising incentives for our people to act like business owners.

### Remuneration Policy and Aims of the Remuneration Committee

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

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

The Group currently operates the following remuneration framework:

- Annual salary and associated benefits such as paid holiday; and,
- Discretionary performance-related annual and/or quarterly bonuses.

The Remuneration Committee consists of myself as the Chairman together with three other independent Non-Executive Directors, Anthony Durrant, Ketan Patel and Robin Fryer. The Committee aims to meet at least three times each year and its key responsibilities include reviewing the performance of senior staff, setting their remuneration and determining the payment of bonuses. The Remuneration Committee met three times in 2019.

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

### Terms of reference

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

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

### Performance for the year

The Group delivered a strong operational performance in the year, with key objectives such as production and cost guidance delivered and an extension to New Luika's mine life secured (see pages 7 to 14 of the Chief Executive Officer's Review for details). The Group continues to operate with a high safety standard. The Company was again significantly deleveraged throughout the year which helped to transfer enterprise value to shareholders and affords Shanta greater flexibility for the future in its pursuit for further shareholder value accretion.

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

Bonus awards are assessed on overall business and individual performance. Executive Director and senior management remuneration packages are heavily linked to performance criteria to incentivise daily conduct in alignment with the best interests of our shareholders. The annual bonus criteria for the year were partially met and as a result the Remuneration Committee approved bonus awards to Executive Directors of 86.7% of respective eligible amounts.

## Directors' remuneration

(US\$000)	31 December 2019			31 December 2018		
	Performance bonus	Fees/salary	Total	Performance bonus	Fees/salary	Total
<b>Fees, salary, bonuses and related benefits</b>						
Eric Zurrin <sup>1</sup>	273	384	657	239	290	529
Anthony Durrant <sup>2</sup>	-	130	130	-	65	65
Luke Leslie <sup>1</sup>	229	320	549	198	239	437
Robin Fryer <sup>2</sup>	-	70	70	-	70	70
Ketan Patel <sup>2</sup>	-	80	80	-	47	47
Keith Marshall <sup>2</sup>	-	108	108	-	74	74
<b>Sub-total</b>	<b>502</b>	<b>1,092</b>	<b>1,594</b>	<b>437</b>	<b>785</b>	<b>1,222</b>
<b>Share based payments</b>						
Eric Zurrin <sup>1</sup>	380	-	380	239	-	239
Anthony Durrant <sup>2</sup>	-	-	-	-	65	65
Luke Leslie <sup>1</sup>	317	-	317	198	-	198
Ketan Patel <sup>2</sup>	-	-	-	-	33	33
Keith Marshall <sup>2</sup>	-	-	-	-	33	33
<b>Sub-total</b>	<b>697</b>	<b>-</b>	<b>697</b>	<b>437</b>	<b>131</b>	<b>568</b>
<b>Total remuneration to directors</b>	<b>1,199</b>	<b>1,092</b>	<b>2,291</b>	<b>874</b>	<b>916</b>	<b>1,790</b>

1 Executive

2 Non-executive

During the year to 31 December 2018 certain non-executive directors were party to a fee sacrifice arrangement under which those directors were issued with new ordinary shares in the Company. The cash-based portion of performance bonuses awarded to executive directors is intended predominantly to be used for settlement of personal tax obligations arising on share awards.

### The year ahead

Upon review, the Committee has noted that there has been no increase in the fees paid to the Non-executive directors of the Company since 2013. Detailed consideration of these fees has been undertaken, taking into account the following:

- Industry and peer-group benchmarking;
- The devaluing impact of inflation since annual Non-executive Director fees were last fixed; and,
- The history of the Non-executive Directors accommodating Company cash constraints during more challenging financial times, by forgoing cash payments in lieu of shares.

Based on the review performed, the Committee is recommending and seeking shareholder approval for the following fee increases to be effective from 1 January 2020:

- The fee paid to the Chairman of the Company to increase from US\$130,000 to US\$150,000 per annum;
- The fees paid to the Non-executive Directors of the Company to increase from US\$65,000 to US\$70,000 per annum;

- The fees paid to the respective Chairmen of the Audit, Remuneration and Sustainability Committees to increase from US\$5,000 to US\$15,000 per annum; and,
- A new Committee Member fee of US\$5,000 per annum to be implemented.

Retention of the Executive Directors is key to the Company's long-term strategy. In recognition of this the Committee has approved an arrangement under which the Executive Directors will be financially rewarded should they continue to remain in the Company's employ at the end of 2020.

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

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

### Keith Marshall

*Chair of the Remuneration Committee*

# Audit Committee Report

## Dear Shareholders,

I am pleased to present this report on behalf of the Audit Committee and to report on another year in which the Company's internal financial reporting and control systems were both robust and operated effectively, enabling it to undergo a smooth external audit process.

### Aims of the Audit Committee

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

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

### Key responsibilities

The Audit Committee is committed to:

- Maintaining the integrity of the financial statements of the Company and reviewing any significant reporting matters they contain;
- Reviewing the Annual Report and Accounts and other financial reports and maintaining the accuracy and fairness of the Company's financial statements, including through ensuring compliance with applicable accounting standards and the AIM Rules;
- Reviewing the adequacy and effectiveness of the internal control environment and risk management systems; and,
- Overseeing 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 four times in 2019 and the external auditors were present during three of these meetings.

### Activities of the Audit Committee during the year

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

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

### Significant reporting matters

The Audit Committee has reviewed the recommendations of management and the judgements disclosed in note 3 on page 58, including what it has considered to be the most significant reporting matter(s) and judgement(s) as set out below.

- The recoverability of the Group's VAT receivable. The Committee reviewed the assessment made by management that the Group's VAT receivable is recoverable, and also that a significant portion of it should be recognised as a non-current asset. The Committee is satisfied that management have considered this appropriately and that a reasonable conclusion has been reached based on the information available to the Group. Appropriate disclosure has been made within note 3 on page 58.

### External audit

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

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



### **The year ahead**

The Committee and I remain focused on ensuring that the current framework of internal controls in place at Shanta is both maintained and regularly reviewed for improvement and will continue to closely monitor the financial risks faced by the business alongside progress made towards mitigating these.

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

### **Robin Fryer**

*Chair of the Audit Committee*

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

## Opinion

We have audited the financial statements of Shanta Gold Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- The financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- The Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- The financial statements have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

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

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

## Key audit matters

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

**Matter identified****Going Concern**

When preparing the financial statements, Management and the Directors are required to make an assessment of the Group's ability to continue as a going concern for a period of at least 12 months from the date of signing the financial statements.

Details of management's consideration of the appropriateness of the going concern basis are set out in note 2.2.

The combination of the following make this a key area of focus for the audit:

- The uncertainty of the timing of the VAT receivable of US\$21.9m;
- The debt repayments of US\$14.0m due in 2020 (which includes loans of US\$11.5m, silver streaming agreement ("SSA") of US\$1.8m and Lease liabilities of US\$0.7m, as disclosed in note 20 and 21);
- The payment of the US\$7.0m cash consideration in relation to the Acacia Exploration (Kenya) Limited agreement, as disclosed in note 32;
- The post year end restructuring of the convertible loan notes of US\$10.0m, as disclosed in note 32; and
- The waiver from Investec, as detailed in note 20.

**How we addressed the matter**

We evaluated Management's and the Directors assessment of going concern.

Our specific audit testing in this regard included:

- Critical assessment of management's and the Directors financial forecasts for the period to April 2021 and the key underlying assumptions, including:
  - gold pricing used in the forecast in comparison to forecasted future gold prices from independent third party sources
  - forecast production statistics assessed in comparison to the Life of Mine Plan and against current year performance
  - operating and capital expenditure have been compared to the board approved budget for 2020
  - outstanding derivatives, including their settlement dates, were agreed to January 2020 third party statements
  - debt repayments were confirmed to third party loan agreements to check completeness and timing, including the post year end convertible loan note restructuring to extend the maturity of the convertible loan notes to April 2021
  - in respect of the convertible loan note restructuring, we confirmed the terms to the original loan agreement and the signed irrevocable agreements
  - we confirmed that the forecast period excluded receipts associated with VAT receivables due to the uncertainty of the timing
- We recalculated management's covenant compliance calculations and forecast covenant compliance calculations and assessed their consistency with the ratios stated in the relevant lender agreements.
- We performed sensitivity analysis in respect of the key assumptions underpinning the forecasts, including gold pricing, production and operational costs and assessed the level of cash under such sensitivities.

**Key observations**

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

**Matter identified****Recoverability of VAT (see note 17)**

The Group has significant VAT receivables of \$21.9m as at 31 December 2019, of which \$20.0m is classified as non-current.

As disclosed in note 3, judgement is required as to the timing of recovery of the VAT. As such, the recoverability, carrying value and presentation of VAT represent a significant focus for our audit.

**How we addressed the matter**

We considered and challenged management's assessment of the carrying value, timing of recovery and presentation of the receivables.

Our specific audit testing in this regard included:

- We considered and challenged management's assessment of the recovery of the VAT. In particular, this included consideration of the history of re-payments, including the repayments made in the year, the ability to offset the receivable against corporate tax payments, the current regulatory environment, the nature of correspondence with the relevant authorities, publicly available information and inquiries made with management and its VAT advisors.
- We have obtained written confirmation from the Group's legal adviser, which supports the Board's assessment that the VAT is legally valid and remains recoverable. In relying upon the assessments made by such expert, we evaluated the competence and objectivity of the professional adviser relied upon by management.
- We reviewed correspondence between the Group and the Tanzanian Revenue Authority ("TRA") and made inquiries of management regarding the nature of its ongoing discussions with the TRA.
- We considered and challenged management's assessment of the classification between current and non-current including consideration of the payment history, ability to offset, nature of ongoing correspondence and legislative changes.
- We reviewed the disclosures in the financial statements to ensure that they were prepared in accordance with the requirements of the accounting standards.

**Key observations**

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

### 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. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality	31-Dec-19	31-Dec-18	Basis of materiality
Materiality for financial statements as a whole	US\$1.7m	US\$2.2m	1.5% Revenue (2018: 5% of EBITDA)
Materiality for significant component of the Group	US\$1.5m	US\$1.95m	Capped at 90% of group materiality (2018: 90%)

We consider revenue to be the financial metric of the most interest to shareholders and other users of the financial statements, given the Group's continuation as a producing mining operation. We had previously used EBITDA as the basis for materiality, however in 2019 revenue is deemed to be a more appropriate measure due to the volatility of using a profit based measure.

Performance materiality is the application of materiality at the individual account or balance level and is set at an amount which reduces to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at US\$1.3m (2018: US\$1.7m) for the financial statements as a whole, and US\$1.1m (2018: US\$1.5m) for the significant component of the Group. This represents 75% (2018: 75%) of the above materiality levels.

We agreed with the Audit Committee that we would report to the committee all audit differences in excess of US\$0.04 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

### An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment and assessing the risks of material misstatement in the financial statements at the group level.

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

A full scope audit for Group reporting purposes was performed on the significant overseas component by BDO in Tanzania. The Group audit team performed specified procedures over the key audit areas and an audit of the consolidation as well as the parent company. The non-significant components, being Holding and Exploration Companies, were subject to analytical review procedures by the Group audit team.

As part of our audit strategy, as Group auditors:

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

As a result of the approach outlined above, we achieved coverage as follows:

Total assets	Revenue
94%	100%

### Other information

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

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

### Matters on which we are required to report by exception

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

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

### Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 21, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless

the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

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

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

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

### Use of our report

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

### Jack Draycott

*For and on behalf of BDO LLP  
London, United Kingdom  
27 February 2020*

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 2019	31 Dec 2018
Revenue	4	112,795	103,803
Loss on non-hedge derivatives and other commodity contracts	5	(9,833)	(1,259)
Depreciation		(30,613)	(25,654)
Other cost of sales		(57,982)	(49,661)
<b>Cost of sales</b>		<b>(88,595)</b>	<b>(75,315)</b>
<b>Gross profit</b>		<b>14,367</b>	<b>27,229</b>
Administration expenses		(6,625)	(6,520)
Exploration and evaluation costs		(2,611)	(1,454)
<b>Operating profit</b>		<b>5,131</b>	<b>19,255</b>
Finance income	6	53	65
Finance expense	7	(6,375)	(6,179)
<b>(Loss) / Profit before taxation</b>	8	<b>(1,191)</b>	<b>13,141</b>
Taxation	9	(8,291)	(5,152)
<b>(Loss) / Profit for the year attributable to the equity holders of the parent Company</b>		<b>(9,482)</b>	<b>7,989</b>
<b>(Loss) / Profit after taxation</b>		<b>(9,482)</b>	<b>7,989</b>
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign entities which can subsequently be reclassified to profit or loss		1	(4)
<b>Total comprehensive (expense) / income attributable to the equity holders of the parent Company</b>		<b>(9,481)</b>	<b>7,985</b>
<b>(Loss) / earnings per share attributable to the equity holders of the parent Company</b>			
<b>Basic (loss) / earnings per share (US\$ cents)</b>	10	<b>(1.206)</b>	<b>1.029</b>
<b>Diluted (loss) / earnings per share (US\$ cents)</b>	10	<b>(1.206)</b>	<b>1.017</b>

The accompanying notes on pages 51 to 74 form an integral part of these financial statements.

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

# Consolidated statement of financial position

(US\$000)	Notes	31 Dec 2019	31 Dec 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	11	23,378	23,277
Property, plant and equipment	12	82,748	99,989
Right of use assets	13	2,947	-
Other receivables	17	19,968	-
<b>Total non-current assets</b>		<b>129,041</b>	<b>123,266</b>
<b>Current assets</b>			
Inventories	16	27,090	24,479
Trade and other receivables	17	6,282	25,330
Restricted cash	18	2,500	2,500
Cash and cash equivalents		3,506	8,958
<b>Total current assets</b>		<b>39,378</b>	<b>61,267</b>
<b>TOTAL ASSETS</b>		<b>168,419</b>	<b>184,533</b>
<b>CAPITAL AND RESERVES</b>			
<b>Equity</b>			
Share capital and premium	23	158,440	157,848
Share option reserve	24	473	698
Convertible loan notes reserve		5,374	5,374
Translation reserve		450	450
Shares to be issued		627	592
Retained deficit		(69,114)	(59,835)
<b>TOTAL EQUITY</b>		<b>96,250</b>	<b>105,127</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans and other borrowings	20	5,219	8,230
Convertible loan notes	21	-	10,060
Provision for decommissioning	22	8,426	8,545
Provision for deferred taxation	9	10,518	8,230
<b>Total non-current liabilities</b>		<b>24,163</b>	<b>35,065</b>
<b>Current liabilities</b>			
Trade and other payables	19	23,612	14,550
Contract liabilities		-	189
Loans and other borrowings	20	14,026	23,664
Convertible loan notes	21	9,987	5,000
Income tax payable		381	938
<b>Total current liabilities</b>		<b>48,006</b>	<b>44,341</b>
<b>TOTAL LIABILITIES</b>		<b>72,169</b>	<b>79,406</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>168,419</b>	<b>184,533</b>

The accompanying notes on pages 51 to 74 form an integral part of these financial statements.

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

**Eric Zurrin**  
Chief Executive Officer

**Anthony 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 2018	116	157,152	1,037	5,374	454	512	(68,240)	96,405
Profit for the year	-	-	-	-	-	-	7,989	7,989
Other comprehensive income for the year	-	-	-	-	(4)	-	-	(4)
<b>Total comprehensive income for the year</b>	-	-	-	-	<b>(4)</b>	-	<b>7,989</b>	<b>7,985</b>
Share based payments	1	579	13	-	-	80	64	737
Lapsed options	-	-	(352)	-	-	-	352	-
<b>Total equity 31 December 2018</b>	<b>117</b>	<b>157,731</b>	<b>698</b>	<b>5,374</b>	<b>450</b>	<b>592</b>	<b>(59,835)</b>	<b>105,127</b>
Effect of adoption of IFRS 16 (note 28)	-	-	-	-	-	-	(10)	(10)
<b>Total equity 1 January 2019 as restated</b>	<b>117</b>	<b>157,731</b>	<b>698</b>	<b>5,374</b>	<b>450</b>	<b>592</b>	<b>(59,845)</b>	<b>105,117</b>
Loss for the year	-	-	-	-	-	-	(9,482)	(9,482)
Other comprehensive income for the year	-	-	-	-	-	-	1	1
<b>Total comprehensive expense for the year</b>	-	-	-	-	-	-	<b>(9,481)</b>	<b>(9,481)</b>
Share based payments	1	591	(13)	-	-	35	-	614
Lapsed options	-	-	(212)	-	-	-	212	-
<b>Total equity 31 December 2019</b>	<b>118</b>	<b>158,322</b>	<b>473</b>	<b>5,374</b>	<b>450</b>	<b>627</b>	<b>(69,114)</b>	<b>96,250</b>

The accompanying notes on pages 51 to 74 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 2019	31 Dec 2018
<b>Net cash flows generated from operating activities</b>	25	37,598	31,030
<b>Investing activities</b>			
Purchase of intangible assets		(108)	-
Purchase of plant and equipment		(54)	(38)
Assets under construction		(13,572)	(9,501)
Mine development expenditure		(7,104)	(7,053)
<b>Net cash flows used in investing activities</b>		<b>(20,838)</b>	<b>(16,592)</b>
<b>Financing activities</b>			
Loans repaid		(13,985)	(13,747)
Buy-back of convertible loan notes		(5,219)	-
Equipment loan repaid		(1,046)	(2,400)
Principal paid on lease liabilities		(1,587)	(944)
Interest paid		(3,443)	(4,579)
Contributions to restricted cash		-	(625)
Loans received (net of loan arrangement fees)		3,068	3,264
<b>Net cash flows used in financing activities</b>		<b>(22,212)</b>	<b>(19,031)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(5,452)</b>	<b>(4,593)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>8,958</b>	<b>13,551</b>
<b>Cash and cash equivalents at end of year</b>		<b>3,506</b>	<b>8,958</b>

The accompanying notes on pages 51 to 74 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 5 to 22.

These financial statements were approved and authorised for issue on 27 February 2020 by Eric Zurrin and Anthony Durrant on behalf of the Board.

## 2. Accounting policies

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

### 2.1 Basis of preparation

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

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

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group's management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

### 2.2 Going concern

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

year which extended the period under which Investec waives its rights to enforce security or accelerate any loans under the Facilities Agreement through to 31 August 2020, as disclosed in note 20.

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

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

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

### 2.3 New standards, amendments and interpretations effective in 2019

A number of new and amended standards and interpretations issued by IASB have become effective for the first time for financial periods beginning on (or after) 1 January 2019 and have been applied by the Group in these financial statements. With the exception of IFRS 16 "Leases", 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.

Details of the impact the adoption of IFRS 16 has had on these financial statements are given in note 28.

### 2.4 New standards, amendments and interpretations that are not yet effective and have not been early adopted

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods



and which have not been adopted early. None of these are expected to have a significant effect on the Group, in particular:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- IFRS 9, IAS 37 and IFRS 7: Interest rate benchmark reform
- Revised Conceptual Framework for Financial Reporting.

The principal accounting policies adopted are set out below.

## 2.5 Basis of consolidation

### 2.5.1 Subsidiaries

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

### 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.

## 2.6 Foreign currencies

### 2.6.1 Functional and Presentation Currencies

The individual financial statements of each company within the Group are prepared in the currency of the primary economic environment in which it operates (its

functional currency). For the purpose of the consolidated financial statements, the results and financial position of each company are expressed in US Dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

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

### 2.6.2 Transactions and balances

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

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

## 2.7 Revenue recognition

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

for the sale of refined gold. Revenue arising from sales under these contracts is recognised when the product has been delivered under the terms of the contract at which point control of the product has been transferred to the customer.

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

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

## 2.8 Inventory

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

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

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

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

## 2.9 Intangible assets and exploration and evaluation expenditure

### 2.9.1 Exploration expenditure

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

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

### 2.9.2 Evaluation expenditure

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

demonstrated that the related evaluation expenditure will generate future economic benefit.

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

### 2.9.3 Acquired exploration and evaluation properties

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

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

### 2.9.4 Licensing costs

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

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

## 2.10 Property, plant and equipment

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

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

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

#### 2.10.1 Mining assets

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

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

#### 2.10.2 Assets under construction

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

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

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

Assets under construction are not depreciated.

#### 2.10.3 Deferred stripping asset

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

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

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

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

After initial recognition, the stripping activity asset is carried at cost less accumulated amortisation and

impairment losses. Amortisation is calculated on the basis of units of production.

#### 2.11 Impairment of non-current assets

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

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

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

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

#### 2.12 Taxation

The Company is taxed at the standard rate of income tax for Guernsey companies, which is 0%. The Group is liable for Tanzanian tax arising on activities in the Tanzanian subsidiaries, which are liable for Tanzanian Corporation Tax at 30%. In addition, the Group may be liable for withholding taxes on the repatriation of assets and income from the Tanzanian subsidiaries to the Company as there is no double tax treaty between Guernsey and Tanzania.

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

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

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

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

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

### 2.13 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

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

For management purposes, the Group is organised into one main operating segment, this being mining, processing, exploration and related activities. The Group also operates

in one geographical location, Tanzania. All of the Group's activities are interrelated and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

All revenues generated through the sale of gold arise from sales to one customer. There was a change in customer during the year.

### 2.17 Leases

IFRS 16 was adopted 1 January 2019 without restatement of comparative figures. The following policy applies subsequent to the date of initial application, 1 January 2019.

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.

The following policy applied prior to the date of initial application of IFRS 16, 1 January 2019.

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

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

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

## 2.18 Financial instruments

Financial assets and financial liabilities are recognised in the Group statement of financial position when the

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

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

### 2.18.1 Financial assets

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

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

#### a) Classification of financial assets

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

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

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

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

#### b) Derecognition of financial assets

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

rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

### c) Cash and cash equivalents

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

Restricted cash are those amounts held by third parties on behalf of the Group and are not available for the Group's use; these are accounted for separately from cash and cash equivalents.

#### 2.18.2 Financial liabilities

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

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

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

#### a) Financial liabilities measured subsequently at amortised cost

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

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

#### b) Silver Stream arrangement

If estimates of future payments are revised, the carrying amount of the financial liability is adjusted to reflect actual and revised estimated cash flows. The liability is settled through the silver produced by the Group throughout the year. 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.

#### d) Derivative financial instruments

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

#### e) Derecognition of financial liabilities

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

#### f) Fair Value measurement hierarchy

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

The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

- input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived prices (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable input) (level 3).

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

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

### 2.18.3 Capital

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

For the purpose of disclosure given in note 23 the Group considers its capital to comprise its ordinary share capital, share premium and retained losses. There has been no change in what the Group considers to be capital since the previous period. The Group is not subject to any externally imposed capital requirements.

### 3. Accounting judgements and estimation

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.

Key sources of judgement are:

#### *Impairment of property, plant and equipment*

Property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. Where potential triggers for impairment are identified which may indicate that the carrying value of items of property, plant and equipment may have been impaired, a review is undertaken of the recoverable amount of that asset based on value in use calculations which involve management's estimates and assumptions including range of discount rates, gold prices, cash costs and also the impact of recent legislative changes in Tanzania.

For the purposes of assessing impairment, assets are grouped at the lowest level for which there are largely independent cash inflows (cash generating units or "CGU"). The Group has two CGUs being New Luika Gold Mine and Singida within property, plant and equipment. Management's judgement is that no indicators of impairment have occurred during the year. This has included consideration of the potential sources of impairment indicators prescribed under IAS 36. Key considerations have included:

- The gold price of US\$1,517/oz at the end of the period, based on observable market or publicly available data, including forward prices and analyst forecasts.
- The impact of gearing at the period end on the NPV of future cash flows, which would be discounted using a weighted average cost of capital ("WACC") reflecting specific market risk factors and country risk during an impairment assessment, calculated to be approximately 9.2% (2018: 11.1%).
- The impact of revisions to the intended future mining schedule and expected cash costs since an impairment assessment was last carried out.
- The current legal and regulatory environment in Tanzania, for which management's judgement is that there have been no significant adverse changes enacted during the year.

#### *Impairment of intangible assets*

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

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

#### *Recoverability, classification and measurement of VAT receivable*

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

On 25 January 2019, Government Notice 60 was published which clarified that the 'export ban' seeks to prohibit the export of mineral and mineral concentrates without mineral value addition ("the Guidelines"). The Guidelines introduce the new concept of 'mineral value addition'

and, per the Guidelines, gold doré is considered to have undergone sufficient value addition in Tanzania to qualify for export. On 22 February 2019, The Written Laws (Miscellaneous Amendments) (No.2) Act amended the Mining Act to provide a definition of 'raw minerals'. Accordingly, when read together with the Guidelines that establish that doré has sufficient value added to qualify for export, it should now be accepted that 'raw minerals' does not include doré. Input VAT on the gold exported by the Group in the form of doré is claimable under the legislation passed in 2017.

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

Recoverability of the VAT receivable in Tanzania is assessed based on a judgement by management and following review of all relevant considerations, including precedent set within the financial year in the form of reimbursements and setoffs, the carrying value in the financial statements is considered to be fully recoverable. The VAT receivable has been classified as both a current and non-current asset based on the Group's judgement of the timing of recoverability, which has taken into account several factors including the nature of ongoing correspondence with the relevant authorities. Refer to note 17(1) for further details regarding the Group's judgement of the timing of recoverability.

The following scenarios demonstrate the potential impact of the time value of money on the present value of the non-current portion of the VAT receivable, based on an estimated Tanzanian risk-free rate of 5.63%. The VAT receivable is outside of the scope of IFRS 9 and no adjustment for the time value of money has been made to the VAT receivable within these financial statements:

	Timing of future cashflows			Total cashflows US\$000	Present value US\$000
	2021	2022	2023		
Scenario 1	75%	25%	0%	19,968	18,652
Scenario 2	50%	50%	0%	19,968	18,400
Scenario 3	50%	25%	25%	19,968	18,161
Scenario 4	25%	25%	50%	19,968	17,671

Key sources of estimation uncertainty are set out as follows:

#### *Depreciation of mining assets*

Mining assets are depreciated using the unit of production method based on proven and probable reserves. Units of production are significantly affected by resources, exploration potential and production estimates together with economic factors, commodity prices, foreign currency, exchange rates, estimates of costs to produce reserves and future capital expenditure. The depreciation charge for the year is disclosed within note 12.

#### *Depreciation of plant and equipment*

Depreciation is provided in the consolidated financial statements so as to write down the respective assets to their residual values over their estimated useful lives and as such the selection of the estimated useful lives and the expected residual values of the assets require the use of estimates and judgements. The depreciation charge for the year is disclosed within note 12.

#### *Inventories*

Stock is valued at the lower of cost or net realisable value. Costs that are incurred in or benefit the production process are accumulated as ore stockpiles, gold in process and gold bullion. Although the quantities of recoverable metal are reconciled by comparing the grades of ore to the quantities of gold and silver actually recovered (metallurgical balancing), the nature of the process inherently limits the ability to precisely monitor recoverability levels. Net realisable value tests are performed at least annually and represent the estimated future sales value less estimated costs to complete production and bring the product to sale. These net realisable tests take into account management's estimate of the maximum values to be realised from ore stockpiles, in some instances through blending of different ore stockpile grades, prior to these being added to future processing plant feeds. The carrying value of stock is disclosed within note 16.

#### *Mineral Resources and Ore Reserves*

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

#### *Decommissioning, site rehabilitation and environmental costs*

The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate of the rehabilitation costs in the period in which they are incurred. This estimate includes judgements from management in respect of which costs are expected to be incurred in the future, the timing of these costs and their present value. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision. Such changes could similarly impact the useful lives of assets depreciated on a straight-line-basis, where those lives are limited to the life of mine. A 1% change in the discount rate on the Group's rehabilitation estimates would result in an impact of US\$0.5 million (2018: US\$0.4 million) on the provision for environmental and site restoration. The value of the year-end decommissioning provision is disclosed within note 22.

#### *Silver Stream obligation*

Under the silver streaming agreement to which the Group is party there is an obligation to deliver silver by-product to the sole customer in return for proceeds remitted in



the 2016 financial year. The value of obligation arising through this agreement is established by computing the present value of estimated future cash flows at the financial liability's original effective interest rate. This exercise incorporates the impact of judgements made within the mine plan in respect of future silver production and includes estimates in respect of the anticipated price of silver in future periods based on silver future price curves. A 1% change in silver production estimates would result in an impact of less than US\$0.1 million (2018: less than US\$0.1 million) on the silver stream liability.

#### 4. Revenue

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

US\$000	31-Dec-19	31-Dec-18
Revenue from contracts with customers	112,795	103,803
	<b>112,795</b>	<b>103,803</b>

All revenue is derived from sales of gold from one geographic location and to one customer. There was a change in customer during the year. In 2018, US\$3.7 million of gold revenue arose from 3,000 ounces sold in advance of shipment during the year. Shipment of these ounces occurred in early January 2019 as agreed with the customer.

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

US\$000	31-Dec-19	31-Dec-18
Valuation of open non-hedge derivatives and other commodity contracts	(8,434)	(2,230)
(Loss)/Profit on commodity swaps delivered into / settled	(1,399)	971
	<b>(9,833)</b>	<b>(1,259)</b>

A mark to market valuation of open non-hedge derivatives and other commodity contracts was completed at 31 December 2019. This resulted in derivative financial liability of US\$11,304,000 (2018: US\$2,870,000) as the spot gold price was above the fixed forward prices of these instruments. During the year losses of US\$1,399,000 (2018: gains of US\$971,000) were realised on commodity swaps delivered into, as the spot gold prices at the settlement dates were lower (2018: higher) than the fixed forward prices of the instruments.

At 31 December 2019, the following non-hedge derivatives and other commodity contracts were in place:

Product	Fixed Price	Start Date	End Date	Quantity	Mark To Market US\$000's
Gold - USD	1,225	30/08/2019	28/02/2020	14,000	(4,141)
Gold - USD	1,226	30/08/2019	31/01/2020	1,000	(293)
Gold - USD	1,253	13/06/2019	12/06/2020	10,000	(2,779)
Gold - USD	1,253	11/10/2018	29/05/2020	10,000	(2,764)
Gold - USD	1,264	04/12/2018	29/05/2020	5,000	(1,327)
<b>Loss on non-hedge derivatives and other commodity contracts</b>					<b>(11,304)</b>

The settlement profile of open non-hedge derivatives and other commodity contracts was restructured in January 2020. The total forward sales commitment at 31 January 2020 was 37,000 oz at an average price of US\$1,244/oz. Refer to note 30 for further details.

At 31 December 2018, the following commodity hedges were in place:

Product	Fixed Price	Start Date	End Date	Quantity	Mark To Market US\$000's
Gold - USD	1,213	07/09/2018	28/02/2019	10,000	(750)
Gold - USD	1,219	13/09/2018	28/02/2019	10,000	(690)
Gold - USD	1,238	11/10/2018	28/06/2019	10,000	(617)
Gold - USD	1,239	11/10/2018	31/05/2019	10,000	(579)
Gold - USD	1,250	04/12/2018	31/05/2019	5,000	(234)
<b>Loss on non-hedge derivatives and other commodity contracts</b>					<b>(2,870)</b>

#### 6. Finance income

US\$000	31-Dec-18	31-Dec-17
Bank interest	53	65
	<b>53</b>	<b>65</b>

#### 7. Finance expense

US\$000	31-Dec-19	31-Dec-18
Loan and other Interest	3,578	4,847
Interest on lease liabilities (note 13)	123	-
Interest on Silver Stream advance (note 20)	870	1,075
Fair value adjustment on Silver Stream advance (note 20)	176	(572)
Change in estimate on Silver Stream advance (note 20)	988	-
Convertible Loan Note accretion (note 21)	146	217
<b>Finance expense at amortised cost</b>	<b>5,881</b>	<b>5,567</b>
Unwinding of discount on decommissioning liability (note 22)	494	612
<b>Total finance expense</b>	<b>6,375</b>	<b>6,179</b>

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

## 8. Loss / Profit before taxation

Loss / Profit before tax is arrived at after charging:

US\$000	31-Dec-19	31-Dec-18
Depreciation/depletion of tangible assets	27,384	26,391
Amortisation of right of use assets	3,933	-
Amortisation of intangible assets	7	7
Share based payment costs	-	536
Directors remuneration	2,291	1,790
Staff costs	16,972	15,667
<b>Auditors' remuneration</b>		
Audit fees of the Company and Group	143	90
Audit fees of subsidiaries by associates of Group auditor	56	56
Fees for review of interim information	18	22

## 9. Taxation

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

Tax charge for the year relates to:

US\$000	31-Dec-19	31-Dec-18
Current tax charge (Corporate and turnover tax charge)	6,003	3,242
Deferred tax charge	2,288	1,910
<b>Net charge</b>	<b>8,291</b>	<b>5,152</b>

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

(Loss) / Profit before taxation (US\$000)	(1,191)	13,141
Tax at the standard tax rate		
Tanzanian Corporation tax at 30%	(357)	3,942
Different tax rates applied in overseas jurisdictions	863	899
Permanent adjustments	7,273	(28)
Unrecognised taxable losses in subsidiaries	762	339
Adjustments in respect of prior periods	(250)	-
<b>Tax charge</b>	<b>8,291</b>	<b>5,152</b>

### Deferred tax

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

US\$000	31-Dec-19	31-Dec-18
Deferred tax asset	-	3,897
Deferred tax liability	(10,518)	(12,127)
<b>Net deferred tax liability</b>	<b>(10,518)</b>	<b>(8,230)</b>

The deferred tax asset has arisen on unused tax losses in Tanzania. During the year the Group utilised all recognised tax losses in Tanzania and there were no recognised tax losses remaining at the reporting date (2018: US\$9,967,000). At end of the year, the Group had further tax losses

available in Tanzania amounting to US\$13,004,000 (2018: US\$8,672,000). These tax losses 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 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 (2018: 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
<b>At 31 December 2017</b>	<b>9,241</b>	<b>(15,561)</b>	<b>(6,320)</b>
Tax losses utilised in the year	(5,344)	-	(5,344)
Accelerated tax depreciation	-	3,341	3,341
Other movements	-	93	93
<b>At 31 December 2018</b>	<b>3,897</b>	<b>(12,127)</b>	<b>(8,230)</b>
Tax losses utilised in the year	(3,897)	-	(3,897)
Accelerated tax depreciation	-	1,476	1,476
Other movements	-	133	133
<b>At 31 December 2019</b>	<b>-</b>	<b>(10,518)</b>	<b>(10,518)</b>

## 10. (Loss) / Earnings per share

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

	31-Dec-19	31-Dec-18
(Loss) / profit for the year attributable to equity holders of Company	(9,482)	7,989
(Loss) / profit used in calculation of basic earnings per share (see below)	(9,482)	7,989
Basic (loss) / earnings per share (US cents)	(1.206)	1.029
<b>Weighted average number of shares in issue</b>	<b>785,971,533</b>	<b>776,599,071</b>

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

	31-Dec-19	31-Dec-18
The Group has the following instruments which could potentially dilute basic earnings per share in the future:		
Share options	-	550,000
Shares to be issued	6,555,926	8,488,153

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

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

	31-Dec-18
Profit for the year attributable to equity holders of Company (US\$000)	7,989
Profit used in calculation of diluted earnings per share (US\$000)	7,989
Diluted earnings per share (US cents)	1.017
<b>Weighted average number of shares in issue and potential ordinary shares</b>	<b>785,637,224</b>

## 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
<b>At 31 December 2017</b>	<b>24</b>	<b>387</b>	<b>103</b>	<b>251</b>	<b>22,519</b>	<b>23,284</b>
Additions	-	-	-	-	-	-
Amortisation	-	-	(7)	-	-	(7)
<b>At 31 December 2018</b>	<b>24</b>	<b>387</b>	<b>96</b>	<b>251</b>	<b>22,519</b>	<b>23,277</b>
Additions	-	-	108	-	-	108
Amortisation	-	-	(7)	-	-	(7)
<b>At 31 December 2019</b>	<b>24</b>	<b>387</b>	<b>197</b>	<b>251</b>	<b>22,519</b>	<b>23,378</b>

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

### *Impairment of licences*

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

Impairments relate to projects which have been assessed for impairment and found to be no longer viable or where licences have expired with no intention of renewal. At the year-end there were no licences under renewal.

## 12. Property, plant and equipment

US\$000	Gold processing plant	Mining assets	Assets under construction	Mining and other equipment	Decommissioning asset	Deferred stripping asset	Total
<b>Cost</b>							
At 1 January 2018	39,946	91,638	22,900	38,826	5,506	35,068	233,884
Additions	-	6,345	11,051	20	18	708	18,142
Asset transfers	3,084	8,932	(15,385)	3,369	-	-	-
Disposals	-	-	-	(40)	-	-	(40)
Asset write-offs	-	-	-	(106)	-	-	(106)
Change in estimate	-	-	-	-	(184)	-	(184)
At 31 December 2018	43,030	106,915	18,566	42,069	5,340	35,776	251,696
<b>Accumulated Depreciation</b>							
At 1 January 2018	20,526	57,207	-	9,536	3,175	34,912	125,356
Charge for the year	4,115	12,668	-	8,832	439	337	26,391
Disposals	-	-	-	(40)	-	-	(40)
At 31 December 2018	24,641	69,875	-	18,328	3,614	35,249	151,707
<b>Net book value</b>							
At 31 December 2018	18,389	37,040	18,566	23,741	1,726	527	99,989
<b>Cost</b>							
At 1 January 2019	43,030	106,915	18,566	42,069	5,340	35,776	251,696
Additions	-	6,661	13,572	54	-	443	20,730
Pre-production revenue <sup>1</sup>	-	-	(3,563)	-	-	-	(3,563)
Reclassified on adoption of IFRS 16	(668)	-	-	(11,133)	-	-	(11,801)
Asset transfers	370	10,235	(12,370)	1,765	-	-	-
Disposals	-	-	-	(4)	-	-	(4)
Change in estimate	-	-	-	-	(613)	-	(613)
At 31 December 2019	42,732	123,811	16,205	32,751	4,727	36,219	256,445
<b>Accumulated Depreciation</b>							
At 1 January 2019	24,641	69,875	-	18,328	3,614	35,249	151,707
Reclassified on adoption of IFRS 16	(405)	-	-	(4,985)	-	-	(5,390)
Charge for the year	4,561	16,888	-	5,633	292	10	27,384
Disposals	-	-	-	(4)	-	-	(4)
At 31 December 2019	28,797	86,763	-	18,972	3,906	35,259	173,697
<b>Net book value</b>							
At 31 December 2019	13,935	37,048	16,205	13,779	821	960	82,748

1. Revenue generated from underground development ore mined at nil margin in 2019 was offset against capital expenditure in the year.

### 13. Leases

US\$000	Mining and other equipment
<b>Right of use assets</b>	
<b>At 1 January 2019</b>	-
Reclassified on adoption of IFRS 16 (note 12)	6,411
Recognised on adoption of IFRS 16 (note 28)	469
Amortisation	(3,933)
<b>At 31 December 2019</b>	<b>2,947</b>
<b>Lease liabilities</b>	
<b>At 1 January 2019 (note 20)</b>	<b>2,355</b>
Recognised on adoption of IFRS 16 (note 28)	479
Interest expense (note 7)	123
Lease payments	(1,704)
Foreign exchange movements	(55)
<b>At 31 December 2019 (note 20)</b>	<b>1,198</b>

	31-Dec-19	31-Dec-18
<b>Current lease liabilities</b>		
Mobile equipment <sup>1</sup>	-	764
Mobile equipment <sup>2</sup>	266	439
Mobile equipment <sup>3</sup>	237	259
Solar power units <sup>4</sup>	116	-
Office space <sup>5</sup>	41	-
	<b>660</b>	<b>1,462</b>
<b>Non-current lease liabilities</b>		
Mobile equipment <sup>2</sup>	133	408
Mobile equipment <sup>3</sup>	237	485
Solar power units <sup>4</sup>	168	-
	<b>538</b>	<b>893</b>
<b>Total lease liabilities</b>	<b>1,198</b>	<b>2,355</b>

In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17, 'Leases'. The assets were presented in property, plant and equipment in note 12 and the liabilities were presented as part of the Group's borrowings in note 20. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, refer to note 28.

- (1) **Mobile equipment:** a lease for mobile equipment from Sandvik for a capital amount of €4,634,000 (US\$5,261,000) repayable monthly over thirty-six months commencing on 15 June 2016 for Tranche 1 and 14 September 2016 for Tranche 2 and payable quarterly.
- (2) **Mobile equipment:** a lease for mobile equipment from Sandvik for a capital amount of €712,000 (US\$832,000) repayable monthly over thirty-six months commencing on 29 November 2018.
- (3) **Mobile equipment:** a lease for mobile equipment from Sandvik for a capital amount of €635,000 (US\$718,000) repayable monthly over thirty-six months commencing on 28 February 2019.
- (4) **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.
- (5) **Office space:** a lease for office space from Nevada Golden Coins Limited for a five year period commencing in November 2015.

#### 14. Subsidiary companies

At 31 December 2019, the Group had the following subsidiary undertakings:

Name of company	Holding	Country of Incorporation and principal place of business	Principal activity
Shanta Gold Holdings Limited	100%	Guernsey	Holding Company
Chunya Gold Holdings Limited	100%	Guernsey	Holding Company
Shamba Limited	100%	Guernsey	Holding Company
Rukwa Limited	100%	Guernsey	Investment Company
Boulder Investments Limited	100%	Cyprus	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
Nsimbanguu Mining Limited	100%	Tanzania	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-19	31-Dec-18
<b>Current assets measured at amortised cost</b>		
Trade and other receivables excluding prepayments	83	132
Restricted cash	2,500	2,500
Cash and cash equivalents	3,506	8,958
<b>Total financial assets at amortised cost</b>	<b>6,089</b>	<b>11,590</b>
<b>Financial liabilities measured at amortised cost</b>		
<i>Current financial liabilities</i>		
Loans and other borrowings (note 20)	(14,026)	(23,664)
Convertible loan notes (note 21)	(9,987)	(5,000)
Trade and other payables	(12,308)	(11,680)
	<b>(36,321)</b>	<b>(40,344)</b>
<i>Non-current financial liabilities</i>		
Loans and other borrowings (note 20)	(5,219)	(8,230)
Convertible loan notes (note 21)	-	(10,060)
	<b>(5,219)</b>	<b>(18,290)</b>
<b>Total financial liabilities measured at amortised cost</b>	<b>(41,540)</b>	<b>(58,634)</b>
<i>Financial liabilities at fair value through profit or loss</i>		
Derivative financial liabilities - commodity hedge (note 5)	(11,304)	(2,870)
<b>Total financial liabilities at fair value through profit or loss</b>	<b>(11,304)</b>	<b>(2,870)</b>

#### Fair values

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

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

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

## 16. Inventories

US\$000	31-Dec-19	31-Dec-18
Plant spares and consumables	11,572	9,784
Gold in ore stockpile	10,185	12,563
Gold in gold room and CIL	5,333	2,132
	<b>27,090</b>	<b>24,479</b>

The cost of consumable stores consumed during the year and included in working cost amounted to US\$28.4 million (2018: US\$26.0 million).

## 17. Trade and other receivables

US\$000	31-Dec-19	31-Dec-18
<b>Non-current assets</b>		
VAT receivable <sup>1</sup>	19,968	-
	<b>19,968</b>	<b>-</b>
<b>Current assets</b>		
Prepayments <sup>2</sup>	4,311	3,408
VAT receivable <sup>1</sup>	1,888	21,790
Other receivables	83	132
	<b>6,282</b>	<b>25,330</b>

During the year no impairments were recognised (2018: US\$Nil). The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

- VAT receivable:** There is an express legislative framework in Tanzania to apply VAT due to a taxpayer by way of setoff against tax due to the Tanzanian Revenue Authority ("TRA"). Based on confirmations from TRA, approved VAT Refunds have been assessed as being immediately available for repayment or setoff. In 2019, US\$4.8 million of the brought forward VAT receivable was set off against corporate taxes falling due in the year, leaving a US\$1.9 million balance of approved VAT Refunds available for future setoff. These remaining approved VAT Refunds are considered to be a current asset. US\$20.0 million of the Company's VAT receivable is not yet approved under the terms of the framework and has been classified as a non-current asset for the purposes of these financial statements
- 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

## 18. Restricted cash

An amount of US\$2,500,000 (2018: US\$2,500,000) has been shown separately from cash as it has an external restriction placed upon it in accordance with the Exim Bank loan facility agreement (note 20).

## 19. Trade and other payables

US\$000	31-Dec-19	31-Dec-18
Trade payables	8,406	8,553
Derivative financial liability (note 5)	11,304	2,870
Accruals	3,902	3,127
	<b>23,612</b>	<b>14,550</b>

The Group has financial risk management policies in place to ensure that the payables are paid within the credit time frame. The Directors consider that the carrying amounts of trade payables approximate their fair value.

## 20. Loans and other borrowings

US\$000	31-Dec-19	31-Dec-18
<b>Current liabilities</b>		
Loans payable to Investec Bank less than 1 year <sup>1</sup>	5,343	16,029
Equipment loan <sup>2</sup>	-	292
Silver stream <sup>3</sup>	1,765	1,533
Loans payable to Exim Bank less than 1 year <sup>4</sup>	5,959	3,558
Equipment loan <sup>5</sup>	299	790
Lease liabilities (note 13)	660	1,462
	<b>14,026</b>	<b>23,664</b>
<b>Non-current liabilities</b>		
Silver stream <sup>3</sup>	2,471	2,415
Loans payable to Exim Bank more than 1 year <sup>4</sup>	2,210	4,615
Equipment loan <sup>5</sup>	-	307
Lease liabilities (note 13)	538	893
	<b>5,219</b>	<b>8,230</b>
<b>Total loans and other borrowings</b>	<b>19,245</b>	<b>31,894</b>

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

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

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

Both these facilities are secured by means of:

- A deed of debenture setting out the fixed and floating charge debenture governed by Tanzanian law over all assets and undertakings of SMCL and Shield Resources Limited, and made between the Investec and the Security Agent;
- A registered charge of US\$55,000,000 (which includes a margin facility for gold forward sales of up to US\$15,000,000) against the mineral and prospecting rights of both Shanta Mining Company Limited and Shield Resources Limited;
- Shareholder Pledge in which each of Shanta Gold and Shanta Holdings pledges the shares it holds in the Borrower in favour of the Security Agent and assigns and charges all its loans and claims against the Borrower and other members of the Group in favour of the Security Agent; and,
- Shield Resources Pledge in which Boulder Investments pledges the shares it holds as Agent and assigns and charges all its loans and claims against Shield Resources in favour of the Security Agent.

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

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

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

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

US\$000	31-Dec-19	31-Dec-18
Balance at 1 January	(3,948)	(5,144)
Value of silver transferred	1,746	1,699
Interest at the effective interest rate	(870)	(1,075)
Adjustment for the value in future estimates	(176)	572
Change in estimate	(988)	-
<b>At 31 December</b>	<b>(4,236)</b>	<b>(3,948)</b>

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

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

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

## 21. Convertible loan notes

US\$000	31-Dec-19	31-Dec-18
Balance at 1 January	15,060	14,843
Purchase by group company	(5,219)	-
Cash paid interest	(1,652)	(2,026)
Coupon interest (note 7)	1,652	2,026
Accreted Interest (note 7)	146	217
<b>At 31 December</b>	<b>9,987</b>	<b>15,060</b>

During 2012 fixed coupon convertible loan notes amounting to US\$25 million were issued, due for repayment on 13 April 2017 and containing a conversion option at a price of US\$0.4686 per 1 Company share. The notes incurred an interest charge of 8.5% per annum and interest was payable half yearly in April and October. During 2016 the Group repurchased US\$10.0 million of the notes and extended the repayment term of the remaining notes by two years to April 2019. As part of the repurchase, the coupon applicable to the notes increased from 8.5% to 13.5% for the remainder of the term of the notes. During 2018 the Group received irrevocable undertakings from holders

of the Company’s outstanding notes to vote in favour of a buyback of approximately 33.33% of the outstanding notes in April 2019 and a 1-year extension to the maturity date of the remaining notes. At the end of 2018, the Group liabilities included the obligation to repay US\$5.0 million of outstanding notes in April 2019 and US\$10.0 million of outstanding notes in April 2020.

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

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.

## 22. Provision for Decommissioning

US\$000	31-Dec-19	31-Dec-18
Balance at 1 January	8,545	8,099
Increase in provision (note 12)	-	18
Unwinding of discount (note 7)	494	612
Change in estimate (note 12)	(613)	(184)
<b>At 31 December</b>	<b>8,426</b>	<b>8,545</b>

The above provision relates to site restoration at New Luika and nearby open pits. The fair value of the above provision is measured by unwinding the discount on expected future cash flows using a discount factor that reflects the credit-adjusted risk-free rate of interest. The 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 2019.



### 23. Share capital

Authorised	31-Dec-19	31-Dec-18	
787,375,086 ordinary shares of 0.01 pence each	£78,738	£77,889	
Issued and fully paid	Number	£	US\$000
<b>At 1 January 2018</b>	<b>768,628,311</b>	<b>76,863</b>	<b>116</b>
Issued in year	10,261,471	1,026	1
<b>As at 31 December 2018</b>	<b>778,889,782</b>	<b>77,889</b>	<b>117</b>
Issued in year	8,485,304	849	1
<b>As at 31 December 2019</b>	<b>787,375,086</b>	<b>78,738</b>	<b>118</b>

All shares issued rank *pari passu* in all respects with the existing shares in issue. The Company has one class of ordinary shares which carry no right to fixed income.

### 24. Share-based payments

#### Equity-settled share option scheme

Options in issue are as follows:

Grant date	Exercise price	Final exercise date	Number of options at 31 December 2019	Number of options at 31 December 2018
8 September 2009	6p	8 September 2019	-	280,000
27 July 2010	18.2p	27 July 2020	495,000	760,000
26 September 2011	25p	26 September 2021	500,000	500,000
6 January 2012	23.13p	6 January 2022	1,170,000	1,420,000
			<b>2,165,000</b>	<b>2,960,000</b>

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 2019		31 December 2018	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Details of the share options outstanding during the year are:				
Outstanding at 1 January	2,960,000	0.206	3,840,000	0.192
Lapsed share options	(515,000)	0.206	(880,000)	0.144
Cancelled share options	(280,000)	0.060	-	-
<b>Outstanding at end of year</b>	<b>2,165,000</b>	<b>0.224</b>	<b>2,960,000</b>	<b>0.206</b>
Exercisable share options at the end of year	2,165,000	0.224	2,960,000	0.206

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

31 December 2012				
Share price at grant	£0.34	£0.34	£0.34	£0.23
Option exercise price	£0.25	£0.30	£0.35	£0.231
Expected life of options	10 years	10 years	10 years	10 years
Expected volatility	55%	55%	55%	55%
Expected dividend yield	0%	0%	0%	0%
Risk free rate	1.70%	1.70%	1.70%	1.70%
Grant date	23-Aug-12	23-Aug-12	23-Aug-12	6-Jan-12
Fair value per share option	£0.240	£0.229	£0.219	£0.148
Exchange rate used	1.585	1.585	1.585	1.560
Total charge over the vesting period	US\$94,989	US\$181,336	US\$173,645	US\$700,984

### Long-term incentive plan (LTIP)

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

Grant date	Exercise price	Final vesting date	Number of shares at 31 December 2019	Number of shares at 31 December 2018
15-Apr-16	0p	28-Feb-18	-	550,000
WAEP	0p	Outstanding at end of year	-	550,000
WAEP	0p	Exercisable at end of year	-	550,000

Details of the share options outstanding during the year are:

US\$'000	31-Dec-19	31-Dec-18
Outstanding at 1 January	550,000	1,982,000
Lapsed / forfeited	(550,000)	(1,432,000)
Outstanding at end of year	-	550,000

The Company's mid-market closing share price at 31 December 2019 was 9.55 pence (2018: 6.20 pence). The lowest and highest mid-market closing price during the year was 4.65 pence (2018: 4.25 pence) and 10.20 pence (2018: 6.40 pence) respectively.

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

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

### 25. Net cash flows from operating activities

US\$000	31-Dec-19	31-Dec-18
(Loss) / Profit before taxation for the year	(1,191)	13,141
Adjustments for:		
Depreciation/depletion of tangible assets	27,384	26,391
Write-off of tangible assets	-	106
Amortisation of right of use assets	3,933	-
Amortisation/write off of intangible assets	7	7
Share based payment costs	614	737
Loss on non-hedge derivatives and other commodity contracts (note 5)	9,833	1,259
Unrealised exchange gains	(200)	-
Non-cash settlement of Silver Stream obligation (note 20)	(1,745)	(1,699)
Finance income (note 6)	(53)	(65)
Finance expense (note 7)	6,375	6,179
Pre-production revenue (note 12)	3,563	-
<b>Operating cash flow before movement in working capital</b>	<b>48,520</b>	<b>46,056</b>
Increase in inventories	(2,611)	(4,946)
Increase in receivables	(5,671)	(7,578)
Decrease in payables	(963)	(497)
	<b>39,275</b>	<b>33,035</b>
Taxation paid	(1,730)	(2,070)
Interest received	53	65
<b>Net cash flow from operating activities</b>	<b>37,598</b>	<b>31,030</b>

## 26. Reconciliation of liabilities arising from financing activities

US\$000	Non-current loans and other borrowings (Note 20)	Current loans and other borrowings (Note 20)	Convertible loan notes (Note 21)	Restricted cash (Note 18)	Total
At 1 January 2018	27,132	18,085	14,843	(1,875)	58,185
<b>Cash flows</b>	2,500	(18,880)	(2,026)	(625)	(19,031)
<b>Non-cash flows</b>					
Silver Stream	-	(1,699)	-	-	(1,699)
Increase in finance lease obligations	1,550	-	-	-	1,550
Interest accruing in the period	235	3,062	2,243	-	5,540
Effects of foreign exchange	-	(91)	-	-	(91)
Reclassification from non-current to current liabilities	(23,187)	23,187	-	-	-
<b>At 31 December 2018</b>	<b>8,230</b>	<b>23,664</b>	<b>15,060</b>	<b>(2,500)</b>	<b>44,454</b>
<b>Cash flows</b>	2,499	(17,842)	(6,871)	-	(22,214)
<b>Non-cash flows</b>					
Silver Stream	-	(1,745)	-	-	(1,745)
Finance lease obligations recognised on transition to IFRS16	168	311	-	-	479
Interest accruing in the period	1,140	2,944	1,798	-	5,882
Effects of foreign exchange	-	(124)	-	-	(124)
Reclassification from non-current to current liabilities	(6,818)	6,818	-	-	-
<b>At 31 December 2019</b>	<b>5,219</b>	<b>14,026</b>	<b>9,987</b>	<b>(2,500)</b>	<b>26,732</b>

## 27. Financial risk management

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

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

### Principal financial instruments

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

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

The Group held derivative financial instruments during the years ended 31 December 2019 and 2018 and these were in respect of forward sales of gold and swap contracts. Further details are reflected below as part of this note.

### General objectives, policies and processes

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

The Group is exposed to commodity price volatility, interest rate risks, credit risks, liquidity risks and currency risks arising from the financial instruments it holds. The risk management policies employed by the Group to manage these risks are set out below.

#### 27.1 Interest rate risk

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

The current 3-month US\$ LIBOR rate for US\$ is 2.1%. The variable rate loans bear interest at LIBOR + 4.9%. Currently, the interest charge per month is an average of US\$24,000 (2018: US\$137,000). A 1% increase or decrease in the LIBOR rate will increase or decrease the monthly interest charge by approximately US\$3,000 (US\$2,000 after tax) (2018: US\$37,000, (US\$30,000 after tax)).

The Group's cash and cash equivalents are carried at an effective interest rate of 1% (2018: 1%).

### 27.2 Credit risk

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

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

#### Trade and other receivables

The Group generates revenue from the sale of gold. In the event of a default by a debtor of amounts due from trade and other receivables, the Group will be able to meet those costs. Sales are made principally to one customer. There was a change in customer during the year. However, the Group has no significant credit risk exposure as majority of the sale is paid for on the same day or soon after the delivery. The Group did not recognise any impairment during the year and there were no other receivables that were past due.

#### Cash and cash equivalents

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

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

### 27.3 Liquidity risk

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

The maturity of financial liabilities is as follows:

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

US\$000	31 December 2018		
	Less than 3 months	3 months to 1 year	Later than one year but no later than five years
Loans and other borrowings <sup>1</sup>	(17,049)	(2,931)	(4,976)
Equipment loan	(363)	(827)	(257)
Finance lease	(764)	(780)	(960)
Silver Stream	-	(1,533)	(2,415)
Convertible loan notes	-	(6,688)	(10,675)
Derivative financial liability	-	(2,870)	-
Other payables and accruals	(11,680)	-	-
	<b>(29,856)</b>	<b>(15,629)</b>	<b>(19,283)</b>

(1) In early 2019 Shanta received a postponement and reservation of rights letter from Investec, which extended to 28 February 2020, in which Investec undertook not to exercise their rights to enforce security or accelerate any loans under the Facilities Agreement in respect of certain technical breaches thereof for the reasons outlined in note 20. The Investec loan would have been partially classified as a non-current liability had the waiver previously in place at 31 December 2018 extended for a twelve-month period.

### 27.4 Currency risk

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

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

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Tanzanian Shilling, Euro and Sterling, however most transactions are in USD. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

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

(US\$000)	31 December 2018				
	US\$	TZS	EUR	GBP	Total
Trade and other receivables	132	-	-	-	132
Cash and cash equivalents	8,836	93	-	29	8,958
Trade and other payables	(8,233)	(3,333)	(59)	(55)	(11,680)
Derivative financial liability	(2,870)	-	-	-	(2,870)
Loans and other borrowings	(28,442)	-	(3,452)	-	(31,894)
Convertible loan notes	(15,060)	-	-	-	(15,060)
<b>Net exposure</b>	<b>(45,637)</b>	<b>(3,240)</b>	<b>(3,511)</b>	<b>(26)</b>	<b>(52,414)</b>

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	
	2019	2018	2019	2018
TZS : US\$	0.0004	0.0004	0.0004	0.0004
EUR : US\$	1.1190	1.1809	1.1191	1.1464
GBP : US\$	1.2772	1.3338	1.3127	1.2692

### 27.5 Capital risk management

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

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

### 28. Effects of changes in accounting policies

This note explains the impact of the adoption of IFRS 16, 'Leases', on the Group's financial statements.

As indicated in note 2.3 above, the Group has adopted IFRS 16, 'Leases' retrospectively from 1 January using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The Group elected to apply the practical expedient

to not reassess whether a contract is, or contains, a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019. The new accounting policies are disclosed in note 2.17.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases for a solar energy plant and office space which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019 of 7%. For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date and has not resulted in adjustments to the related right of use assets immediately after the date of initial application.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

#### Measurement of lease liabilities

US\$000	2019
Recognised lease commitments	533
Lease commitments discounted using incremental borrowing rate of 7%	479
Add: finance lease liabilities recognised as at 31 December 2018	2,355
<b>Lease liabilities recognised at 1 January 2019</b>	<b>2,834</b>
Of which are:	
Current	1,616
Non-current	1,218

#### Measurement of right of use assets

The associated right-of-use assets for solar power units and office space were measured on a retrospective basis as if the new rules had always been applied. For leases previously classified as finance leases the right-of-use assets were measured at the amount equal to the lease liability at the date of initial application.

#### Adjustments recognised in the statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- Property, plant and equipment – decrease by US\$6,411,000
- Right-of-use assets – increase by US\$6,880,000
- Lease liabilities – increase by US\$479,000.

The net impact on retained earnings on 1 January 2019 was a decrease of US\$10,000.

#### 29. Related party transactions

Details of the remuneration of the Directors, who are key management personnel, are contained within note 8 and the Remuneration Committee Report on pages 33–34. Executive Directors are considered key management.

At the end of the year, Luke Leslie and Robin Fryer held convertible loan notes with an aggregate principal value of US\$220,000 (2018: US\$330,000) and US\$263,000 (2018: US\$393,000) respectively.

During 2019 an amount of US\$37,899 (2018: US\$37,178) was paid to Keith Marshall in respect of engineering services provided to the Company.

During 2019 an amount of US\$182,000 (2018: \$Nil) was paid to ETG Logistics Limited in respect of logistics services provided to the Company. ETG Logistics Limited is a subsidiary company of the wider Export Trading Group within which Ketan Patel holds directorships.

#### 30. Commitments

The Directors confirm that the Group has a capital commitment of US\$1.5 million (2018: US\$0.8 million) relating to underground mining equipment at New Luika.

As at 31 December 2019, the Group had commitments in respect of forward sales and swap contracts of 40,000 ounces (2018: 45,000 ounces) of gold at an average price of US\$1,244/oz (2018: US\$1,230/oz). Since the year end, the Group has not entered into additional forward sales or swap contracts however the settlement profile of forward sales contracts in place has been restructured. The total commitment at the end of January 2020 was 37,000 ounces (January 2019: 45,000 ounces) at an average price of US\$1,244/oz (January 2019: US\$1,230/oz).

At 31 January 2020, the following commodity hedges were in place:

Product	Fixed price	Start date	End date	Quantity	Mark to market (US\$000)
Gold - USD	1,225	16/01/2020	31/03/2020	2,000	(659)
Gold - USD	1,224	16/01/2020	30/04/2020	2,000	(665)
Gold - USD	1,224	16/01/2020	29/05/2020	2,000	(670)
Gold - USD	1,223	16/01/2020	30/06/2020	4,000	(1,353)
Gold - USD	1,223	16/01/2020	31/07/2020	2,000	(683)
Gold - USD	1,264	16/01/2020	31/07/2020	2,000	(600)
Gold - USD	1,264	16/01/2020	27/08/2020	3,000	(907)
Gold - USD	1,252	16/01/2020	27/08/2020	1,000	(314)
Gold - USD	1,252	16/01/2020	30/09/2020	4,000	(1,267)
Gold - USD	1,251	16/01/2020	30/10/2020	4,000	(1,277)
Gold - USD	1,251	16/01/2020	30/11/2020	1,000	(322)
Gold - USD	1,251	16/01/2020	30/11/2020	3,000	(966)
Gold - USD	1,251	16/01/2020	31/12/2020	4,000	(1,298)
Gold - USD	1,250	16/01/2020	29/01/2021	3,000	(982)
<b>Loss on non-hedge derivatives and other commodity contracts</b>					<b>(11,963)</b>

### 31. Contingent liabilities

The Directors confirm that there were no contingent liabilities as at 31 December 2019 (2018: US\$Nil).

### 32. Events after reporting date

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

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

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

- US\$7 million in cash, payable on Completion (the “Consideration Cash”);
- US\$7.5 million in Shanta Gold Shares, to be issued on Completion (the “Consideration Shares”); and,
- 2% life of mine net smelter return royalty across the current seven Prospecting Licences contained in the West Kenya Project, payable on actual gold production in the future.

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

Pursuant to the terms of the acquisition, Shanta has also agreed to inherit certain liabilities of AEKL and to adjust

the consideration to reflect certain working capital items, the net impact of which is likely to be an additional cash sum payable by Shanta to settle third party liabilities on or after Completion of up to US\$4 million.

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

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













# 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 Fifteenth Annual General Meeting of the shareholders of the Company will be held at 11 New Street, St Peter Port, Guernsey, GY1 2FL on 20 March 2020 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 2019.
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 2019 as detailed in the 2019 Annual Report and Accounts.
5. To approve the Non-Executive Directors’ aggregate fees for the period between 1 January 2020 to 31 December 2020 inclusive to be US\$435,000.
6. To re-appoint BDO LLP as the auditors of the Company.
7. To authorise the directors to fix the remuneration of the auditors as the Directors see fit.
8. To consider and if thought fit re-elect Luke Leslie 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 any other business of which due notice has been given and which the Meeting is competent to consider.

Dated 27 February 2020

By order of the board

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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.





# Form of proxy

## Shanta Gold Limited

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

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

I/We

of

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

failing whom, the chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the Meeting to be held at 11 New Street, St Peter Port, St Peter Port, Guernsey, GY1 2PF on 20 March 2020 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)

<b>Ordinary Resolutions—Ordinary Business</b>	For	Against	Vote withheld
1. Ordinary Resolution to receive and consider the profit and loss account and the balance sheet of the Company for the financial year ended 31 December 2019.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Ordinary Resolution to receive and consider the report of the Directors of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Ordinary Resolution to receive and consider the report of the auditors of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Ordinary Resolution to approve the Directors' remuneration paid for the year to 31 December 2019 as detailed in the 2019 Annual Report and Accounts.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Ordinary Resolution pursuant to Article 19.2 to approve the Non-Executive Directors' aggregate fees for the period between 1 January 2020 to 31 December 2020 inclusive to be US\$435,000.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Ordinary Resolution to re-appoint BDO LLP as the auditors of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Ordinary Resolution to authorise the Directors to fix the remuneration of the auditors as the Directors see fit.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Ordinary Resolution to consider and if thought fit re-elect Luke Leslie as Director of the Company who retires by rotation and who makes himself available for re-election as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Ordinary Resolution to approve any other business of which due notice has been given and which the Meeting is competent to consider.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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.









