28 February 2019

Shanta Gold Limited
("Shanta Gold", "Shanta", the "Group" or the "Company")

Final Results for the year ended 31 December 2018

Shanta Gold (AIM: SHG), the East Africa-focused gold producer, developer and explorer, announces its audited final results for the year ended 31 December 2018 ("FY2018" or the "Year"). The Company's focus remained on its flagship asset, the New Luika Gold Mine ("NLGM"), located in Southwest Tanzania, throughout the Year.

Highlights

Financial

- Revenue of US$103.8 million ("m") (2017: US$101.5 m) at average realised gold price of US$1,259 per oz ("/oz") (2017: US$1,263 /oz);
- EBITDA of US$45.7 m, up 21% from 2017;
- Operating profit of US$19.3 m, up 75% from US$11.0 m in 2017;
- Profit before taxation of US$13.1 m, up from US$3.6 m in 2017;
- Profit after taxation of US$8.0 m, up from US$4.2 m in 2017;
- Net debt at year end reduced by US$8.0 m to US$31.5 m (2017: US$39.5 m), its lowest level in six years;
- Cash costs of US$538 /oz and AISC[1] of US$730 /oz, ahead of US$750 /oz guidance;
- Operating cash flow before movement in working capital of US$46.0 m (2017: US$40.3 m);
- Capital expenditure of US$18.1 m (2017: US$37.9 m); and,
- Cash and cash equivalents of US$9.0 m at year end (2017: US$13.6 m).

Operational

- Gold production of 81,872 oz, above 2018 guidance of approximately 80,000 oz;
- Gold sales of 82,457 (2017: 80,365 oz);
- Milled 639,678 tonnes of ore (2017: 632,287 tonnes);
- Average recoveries of 90.9 per cent achieved (2017: 91.1 per cent);
- Average ore grade of 4.4 grams per tonne ("g/t") (2017: 4.3 g/t);
- Exceptional safety record with TRIFR of 1.12 and zero LTIs in 2018; and,
- Company-wide workforce now up to 99% Tanzanian nationals.

Outlook

- Annual guidance for 2019 of 80,000 – 84,000 oz at AISC of US$740 – US$800 /oz.

Post Period

- Exim loan refinanced, new US$10 m facility includes a grace period on principal repayments until September 2019; and,
- No further amounts have been drawn down the new facility, aside from the principal balance that was otherwise outstanding at the time of refinancing.

[1]All In Sustaining Costs ("AISC") do not include development costs from the Bauhinia Creek, Luika and Ilunga underground operations.

Eric Zurrin, CEO, commented:

"2018 was a transformational year for Shanta, both operationally and financially. It was the Company's first full year of underground mining at our flagship New Luika Gold Mine, from which the Company produced 81,872 oz of gold, above revised guidance of approximately 80,000 oz and at AISC of US$730 /oz. We also continued to successfully execute our cost strategy, which has reduced net debt by 21% in 2018 to its lowest level in 6 years as we achieved full year EBITDA of US$45.7 m."

"Looking ahead, a key focus for Shanta is mine life extension at New Luika. In this regard, we have doubled our exploration budget for 2019 and identified a number of key targets within our licence area. We look forward to updating the market on progress in due course."

"As we look forward to 2019, there are a number of other exciting catalysts for the Company, not least as we look to develop our second asset, Singida. During Q4 2018 we announced compelling project economics and a development plan with an NPV of US$31 m and IRR of 67%. Asset-level funding plans for this project are progressing, with site visits by interested parties having taken place."

"We welcome the announcement last week from Barrick Gold Corporation that they have made progress in their discussions with the government of Tanzania. We remain confident that a positive resolution regarding VAT refunds will follow."

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About Shanta Gold

Shanta Gold is an East Africa-focused gold producer, developer and explorer. It currently has defined ore resources on the New Luika project in Tanzania and holds exploration licenses covering approximately 1,500km^2 in the country. Shanta's flagship New Luika Gold Mine commenced production in 2012 and produced 81,872 ounces in 2018. The Company has been admitted to trading on London's AIM and has approximately 788 m shares in issue. For further information please visit: www.shantagold.com.

This announcement contains inside information for the purposes of Article 7 of Regulation 596/2014.

Chairman’s statement

Dear Shareholders,

2018 was an excellent year for the Company, both operationally and financially, with the result being the highest net profit recorded by the Company in four years. During the year we developed our third underground mine at New Luika Gold Mine (“New Luika”) with a safety record of zero Lost Time Injuries. We reduced our net debt to the lowest in Shanta’s producing history and strengthened our project pipeline with the release of the economics for our second project at Singida.

Performance and operating highlights

In a challenging gold environment and in the absence of VAT refunds in country, we remained focused on improving our business, reducing our costs and reducing production risk at our current mine.

We took steps to extend the mine life at New Luika with exploration at depth adding new high-grade reserves at Bauhinia Creek during the year. We generated new targets at Lambo, Quartzberg and Porcupine South. New targets, if proven economic, could ultimately allow us to develop satellite feed for blending at New Luika. We are fortunate to be operating in a region hosting exceptionally high-grade gold deposits providing the opportunity to blend high-grade tonnage with the substantial existing low-grade resources which today sit outside the mine plan.

We are currently reviewing options to fast-track the development of Singida having announced the project economics in the final quarter of 2018. Singida will be separated into a new company for funding by third parties at the asset level. We remain optimistic that Singida will progress to production in the near future.

Business and market outlook

We anticipate another year of steady production in 2019 and continue to critically assess all aspects of the business with a view to removing unnecessary costs, improving efficiencies and capital allocation.

Our production in 2019 is forecast to be similar to 2018 at 80,000 – 84,000 ounces of gold, with the possibility of maintaining those levels in future years at New Luika as we look to build on our strong track record of resource conversion. The development of Singida could take Shanta’s consolidated production to over 100,000 ounces per annum once operational.

In 2019 we expect to repay a significant portion of our outstanding debt including a partial repurchase of the Convertible Notes.

Finally, I would like to close by thanking all Shanta Gold employees for their hard work in producing a number of new operating records with an outstanding safety record. The workforce is 99% Tanzanian and their commitment and professionalism has made the company a respected operator in Tanzania.

Anthony Durrant
Chairman
27 February 2019

Chief Executive Officer's review

It is with great pleasure that I report on another successful operational and financial performance for the 2018 financial year. 2018 has been a hallmark year for Shanta Gold, with a number of new production records achieved. Our team have shown determination in delivering hard-earned results and, critically, have done so without compromising our safety record. With a number of ongoing initiatives to grow our business, the year ahead stands to be our most exciting yet.

2018 was a year of capitalising on foundations and is poised to mark the beginning of a vintage period for Shanta. Our flagship asset, New Luika, enjoyed its first full year of underground mining. Significant free cashflows helped to reduce debt and have allowed us to contemplate how best to target returns for our shareholders in the future. The Company's disciplined and modern approach is paying off and new standards continue to be set across the business as we aim ever higher.

HIGHLIGHTS

Safety comes first

The safety of our people is central to everything that we do at Shanta and we continue to pursue ever-safer working practices. Our cumulative Total Recordable Injury Frequency Rate ("TRIFR") of 1.12 for 2018 was a 37% reduction from 2017 (1.79). This was also significantly below the industry average of 4.38, as measured by the International Council on Mining and Metals, and represented a third successive annual decline in recordable injuries. There were no Lost Time Injuries during 2018. By the year-end the Company had surpassed 1.9 million man-hours without Lost Time Injury. Shanta is proud to have maintained its track record of operating among the safest gold mining operations of its peers and across all of Africa.

Profitability and rapid deleveraging

A decline in ongoing capital requirements coupled with cost efficiencies executed across the business underpinned Shanta's most profitable year since 2014. EBITDA amounted to US$45.7 million, a 21% increase from 2017 (US$37.7 million). New Luika's operational performance allowed Shanta to reduce both gross debt and net debt during the period, with the latter being down 20% from 2017, the lowest level it has been in six years. Repaying loans and maximising shareholder returns is a key focus for management.

As the Group continues to strengthen its financial position and work towards delivering on the promise of delivering returns to its shareholders, work is ongoing to develop an appropriate dividend policy. This policy will be linked to the strength of the balance sheet, operating performance and the long-term growth prospects of the business.

Operational optimisation and a lean cost profile

Pivotal to the Group's modern business approach is aligning Shanta's employees with shareholders. Shanta's employees have a much better understanding of their role in generating shareholder value and are motivated to be productive and careful with costs. The Company recognises that the best ideas are formed by employees working across the business. By motivating our workforce to continuously strive to improve productivity and reduce wastage we harness the best ideas across many disciplines, and reinforce a culture that can allow Shanta to outperform its peers.

The Revised Mine Plan published in 2017 has been subjected to continual review throughout the period as mining at the New Luika ore bodies continues. Our accumulated knowledge of the geology around New Luika led us to resequencing the plan during 2018, with development and mining of the Ilunga deposit accelerated. This is an exciting strategic move that both enhances our operational flexibility for 2019 and increases the Net Present Value ("NPV") of New Luika. Development progress made during 2018 has already surpassed initial expectations and first development ore from Ilunga is now expected in the first quarter of 2019.

Key to the production successes of 2018, in which revised guidance of 80,000 ounces ("oz") was beaten following a record-breaking fourth quarter, was the ability to significantly increase mill throughput which we expect to be sustained into 2019.

One of the headline achievements in 2018 was the reduction of recurring costs by US$7.2 million per annum. This total exceeded initial targets and was achieved through cuts to overhead costs and contract renegotiations spanning the Group's entire supplier base. Importantly, Shanta's underground operations were ringfenced from cost reductions to ensure operational performance. Further cost savings of approximately US$1.2 million are expected for the coming year following internalisation of the management of New Luika's 7.5MW HFO power plant at the end of 2018. Ongoing cost reviews continue to identify additional cost savings which will be executed during 2019.

Achieving growth

The Company is undertaking a wide-ranging exploration programme spanning the entire licence portfolio. On-mine exploration remains the highest priority, as the Group looks to extend the long-term future of New Luika. The board has taken the decision to double the Company's 2019 exploration budget to approximately US$3.6 million in order to achieve this objective.

Key objectives for 2019 include the definition of additional Indicated Mineral Resources and mine life extention at New Luika. This requires a better understanding of mineralised zone depth continuity at the Bauhinia Creek ("BC") and Ilunga underground deposits. These underground mines represent a significant exploration opportunity and the 2019 drilling programme underway aims to delineate the down-dip and plunge extensions of our high-grade ore bodies.

Results of the modest, yet successful, on-mine underground drilling program in 2018 demonstrated the ability to convert gold resources into our mine plan. Initial underground drilling at BC East and BC West facilitated the upgrading of almost 29 koz from the Inferred to the Indicated category at a conversion rate of over 80% and at a conversion cost of only US$8/oz. This gives management confidence in the potential for further resource conversion. Proving additional Mineral Resources at depth will increase future production and mine-life extension should follow, without requirement for significant additional captial expenditure.

Regionally the Group holds a large land package in the prospective Lupa Goldfield, with 83 licences covering a vast area of approximately 1,500 km^2. During 2018, the Company initiated a target generation programme within the Lupa Goldfield. The highest ranked licenses are being followed up with further exploration, with the aim of generating resources that will enhance the Company's long-term production profile. Shanta is aware of a number of high grade mining operations in and around the Company's Prospecting Licences with reported grades of up to 30 grammes per tonne ("g/t"). Shanta has a large existing inventory of resources which are currently not included in the mine plan. Blending of higher grade material with this inventory can have a significant contribution to mine life and this is one area the Company intends to focus on in 2019.

Unlocking value from Singida

The Group's second project, Singida, is a potential major contributor of value for Shanta's shareholders and 2018 marked a year of steady progress towards realising the asset's full potential. Key successes included the definition of a new JORC-compliant resource estimate, which signalled a 56% increase in Measured resource. As a result, total Measured and Indicated resources at Singida increased to 381 koz at 2.08 g/t.

Physical works were conducted throughout the period with key infrastructure in place. This includes the ability to connect to the Government-owned power grid, sustainable water provisions in situ and completion of resettlement facilities and housing.

During 2018 the Group embarked on a corporate restructuring process to transfer Singida mining licences and assets into a new company, which is 100% owned by our Tanzanian operating company Shanta Mining Company Limited ("SMCL"). This paves the ground for a potential future asset level financing. In readiness for this, the Group announced its project economics during the period resulting in an NPV of US$31 million and IRR of 67%. These are based on an average annual production from open pit mining of 26 koz for an initial six year period, life of mine cash costs of US$794/oz and a pre-production capital requirement of US$19 million.

Further upside potential also exists at Singida through the inclusion of substantial resources currently outside of the project economics but within the existing mining licences.

Our Tanzanian identity

Shanta Gold has made the transition to a Tanzanian business in almost every respect, something on which we pride ourselves immensely.

At the end of 2018, 99% of the Company's global workforce was Tanzanian with a highly Tanzanian-based supply chain. Shanta is committed to improving the livelihood of the local areas surrounding both New Luika and Singida and will continue to invest in these communities. The Group is also reliant on the support of local and national communities who in turn benefit from employment opportunities and community investment from the Company. It is a relationship that is highly valued and mutually recognised. During 2018 Shanta contributed US$17.2 million to the Government of Tanzania in taxes, exclusive of VAT payments.

Recovering VAT payments

Outstanding VAT refunds continue to be a burden and efforts to encourage headway on this matter continued throughout 2018, including regular visits to senior ministerial officials in the Tanzanian capital, Dodoma. The Company's VAT receivable amounted to US$21.8 million at the end of the year (2017: US$14.7 million). Monthly VAT outgoings have been reduced to approximately US$600,000 per month and maintaining a lean business has been key to dealing with these continued cash outflows. The Group exports doré bars which it does not consider to be a raw mineral and therefore are not deemed to be an exempt supply under the amended VAT Act 2014 brought into effect in July 2017. Written assurances were received from the Government of Tanzania that Shanta's gold exports are not deemed a raw mineral.

OPERATIONS REVIEW

New Luika Operations Review

New Luika delivered a consistent mill feed throughout 2018 from its underground operation, supplemented by surface mining for six months of the year. Total mill feed was 639,678 tonnes ("t") at an average grade of 4.4 g/t for the production of 81,872 oz of gold, which was a great achievement in what was the Company's first full year of underground mining. This was ahead of 80,000 oz revised guidance and only slightly lower than the Company's original guidance of 82,000-88,000 oz of gold.

2018 heralded a record year for the Group in several respects, not least operationally. The number of stopes available for underground production increased to three on a stable basis which led to a new all-time record for quarterly tonnes mined from underground of 157,952 t in the final quarter of the period. This also enabled record mill throughput for the year. Critically, the Group's operational performance was achieved against the backdrop of zero LTI's for the year.

Looking ahead to 2019, mining flexibility is set to increase as development continues at Ilunga, soon to be the third active source of high-grade ore at New Luika. By the end of the period over 600 metres of development had been completed following a portal blast in August 2018. This progress has enabled the timeframe to ore development to be brought forward to March 2019, comfortably ahead of the original mid-2019 target.

Quarter on Quarter AISC

	2017 US$'000	2018 US$'000
Q1	697	776
Q2	733	748
Q3	769	769
Q4	767	696

AISC for the year was US$730/oz, beating revised guidance of US$750/oz and in-line with the original guidance of US$680-730/oz. This was achieved at least in part as a result of US$2.1 million additional cost reductions executed in 2018. AISC also improved on 2017, despite the impact of higher royalties introduced in July 2017 incurred for the full year in 2018.

Looking ahead, annual run rate fixed costs are set to decline by approximately US$1.2 million, following the internalisation of the management of New Luika's 7.5MW HFO Power Plant.

FINANCIAL OVERVIEW

Turnover for the year from sales of gold amounted to US$103.8 million, compared to US$101.5 million in 2017. This increase of 2.3% was largely due to a proportional increase in ounces sold, with the average selling price realised for the year being slightly lower than that of 2017.

The Company continued with its hedging programme and the average gold price realised for the year was US$1,259/oz compared to the average spot price for the year of US$1,269/oz. Cost of sales amounted to US$75.3 million (2017: US$80.6 million) representing a gross margin of 26% (2017: 19%). This reduction of US$5.3 million is despite a US$7.9 million increase in depreciation attributable to cost of sales and is a direct impact of cost reductions executed since late 2017.

Administration costs for the year amounted to US$6.5 million (2017: US$6.6 million) including adverse movements in foreign exchange and other one-off costs. On a like for like basis, administration cash costs were down US$1.5 million from 2017.

Exploration expenditure for the year amounted to US$1.5 million (2017: US$1.6 million) in addition to US$3.3 million capitalised expenditure at Singida, which included exploration activities, namely resource definition drilling and a geophysics survey testing the potential continuity of Cornpatch and Cornpatch West deposits. The expenditure at New Luika follows a renewed focus towards on-mine exploration and reserve base replenishment, specifically targeting high impact / low cost exploration activities. Exploration is a high priority for the Group's long-term strategy and the annual exploration budget for 2019 has been doubled to approximately US$3.6 million.

An operating profit for the year of US$19.3 million (2017: US$11.0 million) was generated. EBITDA amounted to US$45.7 million (2017: US$37.7 million). These annual increases of 75% and 21% respectively are in the context of a 2% increase in revenues and represent a leaner organisation. Net finance expense amounted to US$6.1 million (2017: US$7.5 million).

As a result of the above, a profit before tax of US$13.1 million (2017: US$3.6 million) was recorded. A tax charge amounting to US$5.2 million (2017: gain amounting to US$0.6 million) resulted in a profit after tax of US$8.0 million (2017: US$4.2 million). The increased tax charge in 2018 reflects the impact of two one-off deferred tax gains amounting to US$3.8 million in 2017, including a US$2.5 million reversal of deferred tax following legislative changes in 2017.

In the statement of financial position, non-current assets decreased to US$123.3 million (2017: US$131.8 million), after capital spend of US$18.1 million offset by a US$26.4 million depreciation charge. Current assets totalled US$61.3 million (2017: US$53.0 million), a higher level than that of the prior year primarily due to continued delays in outstanding VAT refunds. Net working capital was higher at US$40.4 million (2017: US$21.0 million), primarily due to an increased VAT receivable.

Overall liabilities decreased to US$79.4 million (2017: US$88.5 million) following continued efforts to deleverage the balance sheet, as delivered throughout the period. This included US$18.8 million of capital repayments towards loans and borrowings and the silver stream during 2018.

The cash balance at the year-end totalled US$9.0 million (2017: US$13.6 million). Net debt at the year-end amounted to US$31.5 million (2017: US$39.5 million), down 20% year on year and inclusive of US$15.1 million Convertible Loan Notes. By the end of 2018, Shanta had reached its lowest net debt figure in six years.

Hedging
The Company continued with its hedging programme during the year and as at the end of December 2018, the Company had sold forward 45,000 oz of gold at an average price US$1,230/oz. This reflects the Group's strategy to protect short-term cashflow in advance of US$13 million of contractual debt repayments during the first 6 months of 2019. The Group has the flexibility to defer settlement of these forward sales should it wish to benefit from exposure to a more favourable spot gold price. Post year-end, the total forward sales commitments at the end of January 2019 (2017: March 2018) remained at 45,000 oz (2017: 17,600 oz) at an average price of US$1,230/oz (2017: US$1,287/oz).

CORPORATE SOCIAL RESPONSIBILITY

People
Shanta's people make it the ambitious and prosperous company that it is today. Our team is hard-working, dedicated and self-motivated. These are attributes engrained within the Group's culture for which it works hard to both preserve and encourage.

Importantly, the Shanta team is made up almost exclusively of Tanzanian staff, which includes highly skilled personnel across many disciplines. This is an invaluable asset for Shanta. Key to any success achieved by the Company is our drive to be best-in-class in the manner that we operate locally and to ensure that we leave an enriching footprint in Tanzania. Shanta was proud to be named by the Association of Tanzania Employers as one of the Top 10 employers in Tanzania for 2018, a national award that includes all industries.

At the end of 2018, 99% of the Company's entire workforce was Tanzanian (2017: 98%) and approximately 44% of these individuals are from local communities surrounding New Luika. The mine is a significant source of employment opportunity for nearby villages and towns, which have historically suffered from economic disadvantages.

The Group's headcount totalled 795 people at the end of 2018 (2017: 759 people), an increase which reflects the staffing requirements of the new Ilunga underground operation and internalising the power station. The year marked a continued realignment of the Group's workforce towards an operation run in-house across core functions, aligned with the value improvement initiatives rolled out in late 2017.

Business Sustainability
Ensuring that our presence in Tanzania is beneficial to our stakeholders is an integral aspect of Shanta's philosophy. This applies to none more so than the communities local to our projects, especially in the Songwe and Singida districts. Local businesses are also a vital

component of the supply chain, and great efforts are made to reciprocate the support that these provide toward sustaining our operations.

Shanta is a Tanzanian business in almost all respects and the Executive Committee and Board of Directors of the local operating entity, SMCL, are led almost entirely by Tanzanian nationals.

A strong care for the environment is a foundation for conducting business responsibly and our daily operations are shaped by this. At New Luika, green energy has been incorporated as a significant contributor to our ongoing power requirements, with over 100,000 kWh generated from solar and thermal power monthly. Close collaboration with the Tanzania Forests Services Authority ensures responsible management of the forests around New Luika and this is supplemented by an internally managed offset programme to minimise the Group's carbon footprint.

Shanta embraces its social responsibilities, and several new initiatives have again been rolled out throughout the year in support of our neighbouring communities. Tremendous progress has also been made with livelihood programmes established in 2017, and these continue to grow as the Group strives to cultivate an environment in which skills are passed on and opportunities for long-term independent prosperity can emerge.

Education, Water, Livelihood and Health are the four cornerstones of Shanta's efforts to fulfil these social responsibilities.

Education

In Maleza, a village less than 5 kilometres from New Luika, Shanta has now completed the transformation of infrastructure at the primary school which once comprised only dilapidated buildings and is now thriving with three new well-equipped functioning classrooms. Four additional classrooms have since been renovated and newly constructed desks can now accommodate 450 pupils, a 300% increase in student learning spaces. New toilets have also been constructed.

Shanta has been offering a scholarship programme for underprivileged students since 2014, and 2018 was no exception. Roughly 400 pupils have directly benefited from this programme and both performance and attendance are keenly monitored. Part of the initiative includes the provision of school uniforms and stationary, supplies in dire need where affected children and families have otherwise been financially unequipped to support a wholesome education.

Shanta's partnership with Hazelwood School (charity number 312081), a UK based charity providing teacher training on the ground in the Songwe region, "Into Africa – Partners in Learning", was expanded during the period. Volunteer time from a team of skilled teachers from the UK totalling 152 days was spent in Songwe and a Memorandum of Understanding has been formalised between Shanta, Hazelwood School and the District Education Authority in Tanzania. The focus of this programme has been on transferring skills across the English, Maths, and Sports disciplines into four selected Tanzanian schools near to New Luika. "Into Africa – Partners in Learning" continues with strong momentum into 2019.

Water

Potable water is a scarce commodity in many of the disadvantaged areas of Songwe and Singida, particularly during the dry season during which it is often shared with cattle and hygiene levels are low.

Three water boreholes were drilled in the Songwe villages of Mbangala and Saza during 2018 in a drive to facilitate a much-needed source of accessible nearby ground-water. This is intended to help enrich the general health of the mine's underprivileged local villagers. The initiative also presents indirect advantages for those who benefit, including the alleviation of much needed time for other economic activities in replacement of the daily hours previously spent walking to and from distant water sources.

Livelihood

At the beginning of the year the first crop of Maize, Sorghum, Ground Nuts, Sweet Potatoes and Bambara were planted in local soils following an expert agricultural assessment carried out in collaboration with Export Trading Group ("ETG"). This initiative has since expanded exponentially and 350 local farmers with no prior knowledge received training and qualifications during the year in advance of harvesting their first demonstration farms. Overall, 800 farmers are now enrolled in the project, representing participation growth of 400% from 2017 following the widespread success of the initial programme.

The first harvest from these soils has now taken place with 1.4 billion Tanzanian shillings (US$600,000) generated, including from the sale of over 17 tonnes of sesame seed, all of which represents direct income for participants of the scheme. Farming in these soils did not exist two years ago and the practices adopted through this initiative have encouraged local leadership to expand Shanta methods across the Songwe district. Most importantly, the farming skills learned by these communities are sustainable in perpetuity.

Health

Access to medical facilities can be a significant problem for our local communities, with roads often unpassable during the rainy season and medical dispensaries in high demand. Shanta has constructed a new dispensary in Maleza, where villagers would previously need to travel four kilometres for medical attention, including during childbirth. With the new dispensary now operational patients are attended to within Maleza village, pregnant mothers are monitored and deliver close to home, infants are monitored and receive necessary vaccines and health education is provided daily. Furthermore, solar power now installed at the dispensary enables perishable vaccines to be stored properly and facilitates twenty-four hours a day distribution, seven days a week.

Outlook

At New Luika, annual production guidance has been set at 80,000−84,000oz for 2019 at an AISC of US$740-800/oz. Growth is expected to be one of our main value pillars for the year ahead, as we seek to extend New Luika's mine plan through investment in our on-mine exploration programme. Preparations at Singida for a potential future asset level financing will also continue as part of the ongoing drive towards unlocking its full potential.

Summary

The achievements of 2018 would not have been possible without everyone who continues to support and propel us towards the next chapter in Shanta's story. Once again, I would like to thank our shareholders, our employees, members of the Board and our partners, for their unwavering support and without whom we would have been unable to realise our goals for 2018. The coming year signals a time of huge potential for Shanta with opportunities for growth high on the agenda. I am looking forward to reporting progress to you as we continue to climb upwards on our ambitious trajectory.

Eric Zurrin

Chief Executive Officer
27 February 2019

Consolidated statement of comprehensive income

	Notes	31-Dec 2018 US$'000	31-Dec 2017 US$'000
Revenue		**103,803**	101,501
Loss on non-hedge derivatives and other commodity contracts		**(1,259)**	(1,623)
Cost of sales		**(75,315)**	(80,595)
Gross Profit		**27,229**	19,283
Administration expenses		**(6,520)**	(6,646)
Exploration and evaluation costs		**(1,454)**	(1,630)
Operating profit		**19,255**	11,007
Finance income		**65**	77
Finance expense		**(6,179)**	(7,539)
Profit before taxation		**13,141**	3,545
Taxation		**(5,152)**	615
Profit for the year attributable to the equity holders of the parent Company		**7,989**	4,160
Profit after taxation		**7,989**	4,160
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign entities which can subsequently be reclassified to profit or loss		**(4)**	(9)
Total comprehensive income attributable to the equity shareholders of the parent		**7,985**	4,151
Earnings per share attributable to the equity holders of the parent Company			
Basic earnings per share (US$ cents)	**4**	**1.029**	0.612
Diluted earnings per share (US$ cents)	**4**	**1.017**	0.604

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

Consolidated statement of financial position

	Notes	**31-Dec 2018 US$'000**	31-Dec 2017 US$'000
ASSETS			
Non-current assets			
Intangible assets		**23,277**	23,284
Property, plant and equipment		**99,989**	108,528
Total non-current assets		**123,266**	131,812
Current assets			
Inventories		**24,479**	19,533
Trade and other receivables		**25,330**	17,752
Income tax receivable		**-**	338
Restricted cash		**2,500**	1,875
Cash and cash equivalents		**8,958**	13,551
Total current assets		**61,267**	53,049
TOTAL ASSETS		**184,533**	184,861
CAPITAL AND RESERVES			
Equity			
Share capital and premium		**157,848**	157,268
Share option reserve		**698**	1,037
Convertible loan note reserve		**5,374**	5,374
Translation reserve		**450**	454
Shares to be issued		**592**	512
Retained deficit		**(59,835)**	(68,240)
TOTAL EQUITY		**105,127**	96,405
LIABILITIES			
Non-current liabilities			
Loans and other borrowings	**5**	**8,230**	27,132
Convertible loan notes		**10,060**	14,843
Provision for decommissioning		**8,545**	8,099
Provision for deferred taxation		**8,230**	6,320
Total non-current liabilities		**35,065**	56,394
Current liabilities			
Trade and other payables		**14,550**	12,221
Contract liabilities		**189**	1,756
Loans and other borrowings	**5**	**23,664**	18,085
Convertible loan notes		**5,000**	-
Income tax payable		**938**	-
Total current liabilities		**44,341**	32,062
TOTAL LIABILITIES		**79,406**	88,456
TOTAL EQUITY AND LIABILITIES		**184,533**	184,861

The financial statements were approved and authorised for issue by the board of Directors on 27 February 2019 and signed on its behalf by:

Eric Zurrin
Chief Executive Officer

Anthony P W Durrant
Chairman

Consolidated statement of changes in equity

	Share capital US$'000	Share premium US$'000	Share option reserve US$'000	Convertible loan note reserve US$'000	Translation reserve US$'000	Shares to be issued US$'000	Retained deficit US$'000	Total Equity US$'000
Total equity 31 December 2016	**93**	**143,777**	**2,248**	**5,374**	**463**	**60**	**(73,536)**	**78,479**
Profit for the year	-	-	-	-	-	-	4,160	4,160
Other comprehensive income for the year	-	-	-	-	(9)	-	-	(9)
Total comprehensive income for year	**-**	**-**	**-**	**-**	**(9)**	**-**	**4,160**	**4,151**
Share based payments	-	75	127	-	-	452	-	654
Shares issued (net of expenses)	23	13,098	-	-	-	-	-	13,121
Exercise of options	-	202	(202)	-	-	-	-	**-**
Lapsed options	-	-	(1,136)	-	-	-	1,136	**-**
Total equity 31 December 2017	**116**	**157,152**	**1,037**	**5,374**	**454**	**512**	**(68,240)**	**96,405**
Profit for the year	-	-	-	-	-	-	7,989	7,989
Other comprehensive income for the year	-	-	-	-	(4)	-	-	(4)
Total comprehensive income for year	**-**	**-**	**-**	**-**	**(4)**	**-**	**7,989**	**7,985**
Share based payments	1	579	13	-	-	80	64	737
Lapsed options	-	-	(352)	-	-	-	352	-
Total equity 31 December 2018	**117**	**157,731**	**698**	**5,374**	**450**	**592**	**(59,835)**	**105,127**

Consolidated statement of cash flows

	Notes	31-Dec 2018 US$'000	31-Dec 2017 US$'000
Net cash flows generated from operating activities	**6**	**31,030**	34,935
Investing activities			
Purchase of intangible assets		**-**	(47)
Purchase of plant and equipment		**(38)**	(1,090)
Asset under construction		**(9,501)**	(30,776)
Mine development expenditure		**(7,053)**	(5,976)
Net cash flows used in investing activities		**(16,592)**	(37,889)
Financing activities			
Ordinary shares issued (net of expenses)		**-**	13,121
Loans repaid		**(13,747)**	(12,730)
Equipment loan repaid		**(2,400)**	(2,213)
Finance lease payments		**(944)**	(600)
Loan interest paid		**(4,579)**	(4,605)
Movements in restricted cash		**(625)**	(1,875)
Loans received (net of loan arrangement fees)		**3,264**	7,975
Equipment loan received		**-**	2,487
Net cash flows received from financing activities		**(19,031)**	1,560
Net decrease in cash and cash equivalents		**(4,593)**	(1,394)
Cash and cash equivalents at beginning of year		**13,551**	14,945
Cash and cash equivalents at end of year		**8,958**	13,551

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 published within the 2018 Annual Report.

2. Basis of preparation

The financial information set out herein does not constitute the Group's statutory financial accounts. This information has been derived from the Group's Annual Report and full financial statements for the year ended 31 December 2018 which were approved and authorised for issue on 27 February 2019 and upon which the auditors have reported without qualification.

The Group's 2018 Annual Report and financial statements will be distributed to shareholders and made available on the Company's website at http://www.shantagold.com on 28 February 2019.

The Group's consolidated financial statements, which form part of the 2018 Annual Report, have been prepared in accordance with International Financial Reporting Standards (IFRS and IFRIC Interpretations) issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union ("IFRS").

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group's management to exercise judgment in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in the 2018 Annual Report.

3. 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.

At 31 December 2018 the Group had a cash balance of US$9.0 million and access to the restricted Exim Bank working capital facility of US$2.5 million. At 31 December 2018 the Group's net current assets amounted to US$16.9 million.

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

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

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

4. Earnings per share

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

	31-Dec 2018 US$'000	31-Dec 2017 US$'000
Profit for the year attributable to equity holders of Company	7,989	4,160
Profit used in calculation of basic earnings per share	7,989	4,160
Basic earnings per share (US cents)	1.029	0.612
Weighted average number of shares in issue	**776,599,071**	**679,437,723**

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 2018 Number	31-Dec 2017 Number
The Group has the following instruments which could potentially dilute basic earnings per share in the future:		
Share options	**550,000**	1,330,662
Shares to be issued	**8,488,153**	8,556,374

In 2018 and 2017 the potential ordinary shares were dilutive as the Group was in a profit-making position and therefore a diluted earnings per share has been calculated as follows:

	31-Dec 2018 US$'000	31-Dec 2017 US$'000
Profit for the year attributable to equity holders of Company	7,989	4,160
Profit used in calculation of diluted earnings per share	7,989	4,160
Diluted earnings per share (US cents)	1.017	0.604
Weighted average number of shares in issue and potential ordinary shares	**785,637,224**	**689,324,759**

5. Loans and other borrowings

	31-Dec 2018 US$'000	31-Dec 2017 US$'000
Current liabilities		
Loans payable to Investec Bank less than 1 year (1)	**16,029**	10,686
Equipment loan (2)	**292**	579
Finance lease (3)	**-**	154
Finance lease (4)	**764**	1,844
Silver stream (5)	**1,533**	1,533
Loans payable to Exim Bank less than 1 year (6)	**3,558**	2,465
Equipment loan (7)	**790**	824
Finance lease (8)	**439**	-
Finance lease (9)	**259**	-
	23,664	18,085
Non-current liabilities		
Loans payable to Investec Bank after more than 1 year (1)	**-**	16,044
Equipment loan (2)	**-**	290
Finance lease (4)	**-**	795
Silver stream (5)	**2,415**	3,611
Loans payable to Exim Bank more than 1 year (6)	**4,615**	5,256
Equipment loan (7)	**307**	1,136
Finance lease (8)	**408**	-
Finance lease (9)	**485**	-
	8,230	27,132
Total loans and other borrowings	**31,894**	45,217

(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 has subsequently provided Shanta with a new postponement and reservation of rights letter and an undertaking not to exercise their rights to enforce security or accelerate any loans under the Facilities Agreement in respect of certain technical breaches thereof which extends the period under which Investec waives its rights through to 28 February 2020. As the waiver in place at the end of the year did not at the time extend for a further 12-month period, the Investec loan is considered a current liability for annual reporting purposes.

(2) 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) Finance Lease
A finance lease to acquire Heavy Fuel Oil (HFO) fuel storage tanks from Oryx Oil Company Limited for a capital amount of US$667,591 repayable monthly over sixty months commencing on 1 August 2014. All such repayments were completed during 2018.

(4) Finance Lease
A finance lease to acquire 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.

(5) 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.

Silver Stream **US$'000**	**31-Dec** **2018**	31-Dec 2017
Balance at 1 January	**(5,144)**	(5,533)
Value of silver transferred	**1,699**	1,852
Interest at the effective interest rate	**(1,075)**	(1,674)
Adjustment for the value in future estimates	**572**	211
At 31 December	**(3,948)**	(5,144)

(6) 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 the year. 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 17).

(7) 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.

(8) Finance Lease

A finance lease to acquire 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. This is classified as a finance lease because the rentals period amounts to the estimated useful economic life of the asset and after three years, the assets will be bought outright by the Company by paying a nominal amount.

(9) Finance Lease

A finance lease to acquire 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. This is classified as a finance lease because the rentals period amounts to the estimated useful economic life of the asset and after three years, the assets will be bought outright by the Company by paying a nominal amount.

6. Net cash flows from operating activities	**31-Dec 2018 US$'000**	**31-Dec 2017 US$'000**
Profit before taxation for the year	**13,141**	3,545
Adjustments for:		
Depreciation/depletion of tangible assets	**26,391**	18,406
Write-off of tangible assets	**106**	-
Amortisation/write off of intangible assets	**7**	25
Share based payment costs	**737**	653
Loss on non-hedge derivatives	**1,259**	1,623
Unrealised exchange gains	**-**	(69)
Non-cash settlement of Silver Stream obligation	**(1,699)**	(1,852)
Finance income	**(65)**	(77)
Finance expense	**6,179**	7,539
Pre-production revenue	**-**	10,484
Operating cash flow before movement in working capital	**46,056**	40,277
(Increase) / decrease in inventories	**(4,946)**	758
Increase in receivables	**(7,578)**	(4,760)
(Decrease) / increase in payables	**(497)**	2,189
	33,035	38,464
Taxation paid	**(2,070)**	(3,606)
Interest received	**65**	77
Net cash flow from operating activities	**31,030**	34,935

7. Events after reporting date

On 18 January 2019 Rukwa Limited, a wholly owned subsidiary of Shanta Gold Limited, repurchased 325,000 of the Company's' outstanding unsecured subordinated convertible loan notes due in April 2019 (the "Convertible Loan Notes") from El Oro Limited for a total consideration of US$276,250. Following this transaction, the value of the remaining outstanding Convertible Loan Notes not held directly or indirectly by Shanta Gold Limited was US$14,675,000.

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 includes 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. 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. Principal repayments and interest of US$2.4 million will fall due for payment in 2019.

ENDS