



SHANTA GOLD

**2016**

Annual Report and Accounts



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**Country of incorporation**  
Guernsey

**Nature of business**  
Gold exploration and mining  
in Tanzania

**Company registration number**  
43133

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# Chairman's statement

I am pleased to report that Shanta Gold ("Shanta" or the "Company") has had another successful year building on the platform established in 2015.

Shanta maintained the operational improvement achieved in 2015 from its flagship asset, the New Luika Gold Mine ("New Luika" or "NLGM"), located in southwest Tanzania. The philosophy of the Company is to continuously optimise its planning and execution of the mining operations across all disciplines. In 2016, this resulted in Shanta again exceeding its production and cost guidance for the year. Shanta achieved a record gold production for FY2016 of 87,713 oz, beating guidance of 82,000-87,000 oz and All In Sustaining Cost ("AISC") for 2016 of US\$661/oz against guidance that reduced twice during the year from US\$750-800/oz to US\$690-740/oz generating operating cash flows before working capital of US\$50.1 million from a revenue of US\$107.1 million and an EBITDA of US\$50.2 million.

At New Luika, the Base Case Mine Plan presented in September 2015 was progressively delivered through the year as anticipated, with all major projects achieving milestones that ensure continuity of operations. Of particular importance was the start of the underground development in late June which delivered its first development ore in December, as scheduled. This, together with key infrastructure projects provide New Luika with power, water and tailings deposition facilities for many years to come. Shanta is aptly demonstrating its ability to develop and operate mines and is actively seeking to build on this capability.

During the year, a pilot mining project was initiated for the Singida Project, formerly the principal asset for Shanta. The development of the 2012 Singida mining licence had been delayed due to resettlement and land compensation issues. The Company successfully assisted the community to resolve the issues resulting in independent valuations being concluded for all land packages, in particular for the three families that needed to be relocated for the pilot mining project. Although orders were placed for the pilot process plant, in 2017 the project was put on hold pending the return of VAT from the government of Tanzania, with the priority on available cash placed on completing the capital projects at NLGM. The project remains ready to be restarted subject to funds availability.

The Company had a very successful year with its exploration programme, more than replacing its mined ounces with new resources. At NLGM, the results of exploration in 2015 at Elizabeth Hill and in 2016 at Ilunga were incorporated into a Revised Mine Plan ("RMP") in March 2017 which increased reserves to 515,000 oz (2015: 506,000 oz), even after depletion of 104,000 oz. Resources sitting outside the RMP also increased to 683,000 oz (2015: 514,000 oz) demonstrating the true prospectivity of New Luika and Shanta's holding in the Lupa Goldfield. An exploration program was also commenced at Singida on the Gold Tree deposits as part of the strategy to better define the resources as a precursor to a full mining feasibility study.

Shanta continues to contribute significantly to the national and local economy within Tanzania. At 31 December 2016, Shanta and

.....  
*"The Company had a very successful year with its exploration programme, more than replacing its mined ounces with new resources."*  
 .....

its contractors employed 1,285 (2015: 1,045) people. Of the Shanta workforce, 95% are Tanzanian, 49% of whom come from the local communities. During the year, Shanta generated US\$107.1 million in foreign exchange for Tanzania and paid US\$15.4 million in royalties, direct and indirect taxes (excluding VAT) to the Tanzanian Government.

At the end of April 2017, Shanta had US\$12.5 million in VAT refunds outstanding and is engaged in top level discussions with the Government, with the aim to release the outstanding VAT refunds and is hopeful that this matter will be resolved in the near future.

Shanta also notes the Tanzanian export ban on gold/copper concentrate that was made by the President of the United Republic of Tanzania, in March 2017. As Shanta has clarified, the Company does not produce or export any concentrate from its operations. Shanta only produces and exports gold doré and as such there is no impact to the Company. Further to a recent mineral licensing proclamation in Tanzania, Shanta does not hold a Special Mining Licence on its licences and is thus not subject to recent requirements to list on the Tanzanian Stock Exchange.

Compared to recent years of price decline, the gold market remained relatively stable as a whole, taking into account the volatility that we have come to expect. Gold prices started 2016 at around US\$1,070 per ounce finishing at around US\$1,150/oz. Within the year, the gold price rose above US\$1,300/oz for over three months; a price maintained until October when prices retreated. Shanta's hedging assisted in delivering an average gold price for gold sold over the year of US\$1,223/oz at a time of critical investment in the future of the Company.

As part of its risk management and long-term closure planning, Shanta is actively catalysing alternative economic activity in the districts and regions in which it operates. This has been evidenced in the year with the development of agriculture projects with scalable and commercial potential. In 2016, over 1,000 local farmers received training to enhance productivity and efficiency. Our understanding of and approach to the inter-relationships we have with the local communities are key differentiators for Shanta and a platform for our future growth. Relations between the Company and the community remain strong.

In June 2016, John Rickus, a member of your Board for the last three years, sadly passed away. He brought enviable mining expertise to our Board deliberations and his wide experience of all types of mining in Africa and other emerging markets was most valuable. He was also a man of great personality and humour.

We are fortunate to have another very experienced mining executive join our Board in Keith Marshall whose appointment was approved today and I would like to take this opportunity to welcome him to the Company. We believe Keith's experience in mining and within Africa will bring further expertise to the Board and be of considerable value as the Company develops its portfolio of underground and surface mining operations.

On behalf of the Board, I would like to, once again, sincerely thank the entire Shanta team for their support and commitment in delivering a strong performance. During FY2016 we have continued to demonstrate and deliver on the potential of NLGM's true value. We remain fully confident of delivering a sustainable, strongly cash generative business and I look forward to reporting on our future progress.

A P W Durrant  
**Chairman**

12 June 2017

# Chief Executive Officer's review

I am pleased to report on another successful operational and financial performance for FY2016. Shanta Gold has delivered a record year in terms of its health and safety practices, gold production and operating cost. The Company generated an EBITDA of US\$50.2 million on US\$107.1 million of revenue. Operations were centred around Shanta's flagship producing asset, New Luika, located in south west Tanzania, and its development project, Singida, located in central Tanzania.

### Business Sustainability

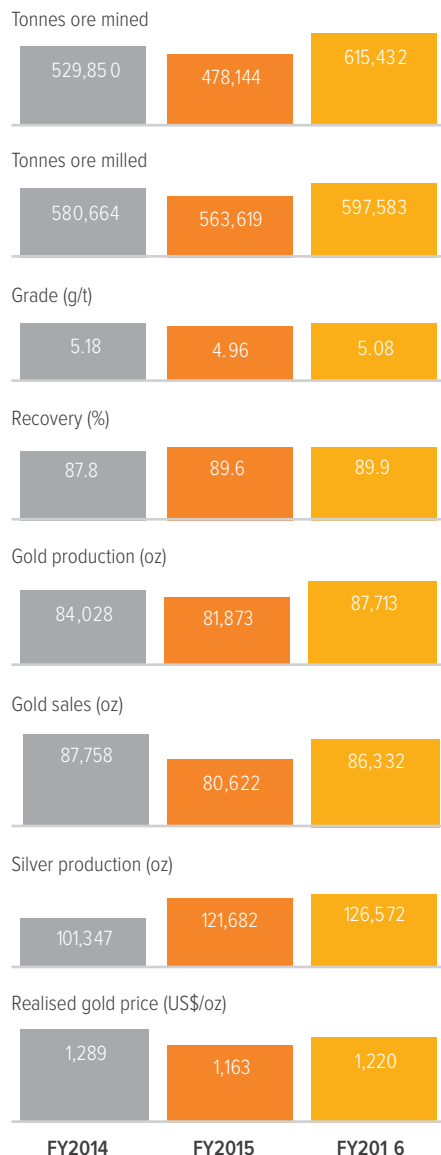
As embodied in our Vision and Values, protecting our people, the environment and the community from harm is a pre-requisite to being a "Respected Mining Company that makes a Meaningful Difference". Across the business, the cumulative Total Injury Frequency Rate ("TIFR") for 2016 was 4.60 representing a 33% reduction over 2015 (6.09), and an excellent achievement for the year. I am pleased to report that the injuries that were sustained throughout the year were minor and resulted in no Lost Time ("LTI") Injuries for the Year. This included a six-month period where operations transitioned from open pit to underground which always adds an additional dimension of risk.

Similarly, on the Environmental side, there were no significant reportable incidents for 2016, a continuation from 2015. Internal programs such as the solar power project and waste segregation initiatives have resulted in the Company establishing best practice across the operations.

For 2016, Shanta produced a separate detailed Sustainability Report, in line with the Global Reporting Initiatives. This report provided the detail behind our initiatives in Safety, Health, Environment, Asset Protection, and Community

and is a standard that Shanta aims to improve each and every year.

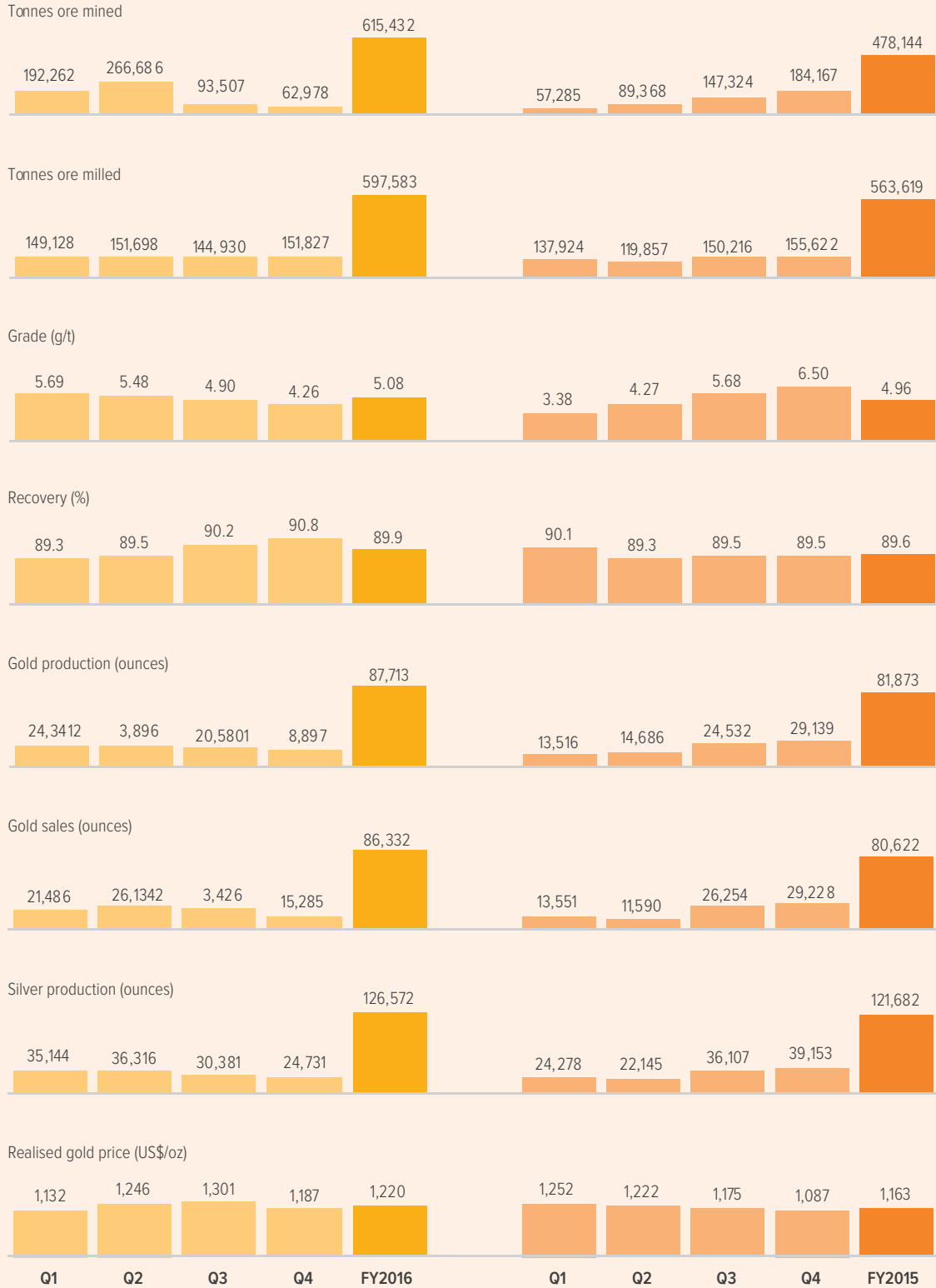
### New Luika Gold Mine Operations



.....  
*"... protecting our people, the environment and the community from harm is a pre-requisite to being a "Respected Mining Company that makes a Meaningful Difference"*  
 .....



**New Luika Gold Mine—quarterley breakdown**



In line with the BCMP delivered in September 2015, New Luika maintained a consistent mill feed through 2016 from its surface mining activity together with a sound Run of Mine ("ROM") stockpile strategy. Total mill feed was 598,000 tonnes at an average grade of 5.08 grams per tonne ("g/t") for the production of 87,713 oz of gold. Significantly, this is a new gold production record for New Luika and reflects the high quality of the mineral resources as well as the skills and efficiencies that Shanta has endeavoured to bring to the operation. AISC for the year were US\$661/oz rounding off a successful financial year that delivered quarter-after-quarter of reliable performance enabling a red-letter day for the Company, as it beat its guidance on both production and cost.

Of the open pits within NLGM's licence area, Luika was completed in June 2016 and Bauhinia Creek in September 2016. A large stockpile of high grade ore was established at the ROM pad as a key strategic component of the transition to underground. This will allow for a consistent level of ore to be fed through the plant as the underground mining program develops. The final grades achieved at the base of Bauhinia Creek pit were exceptional and bode well for the future of the underground extraction.

The Ilunga Pit was opened up in July 2016 and will complete in 2017. Operations at Jamhuri Pit, which had been suspended in January 2016, were resumed in the last quarter to source low-cost waste material for the starter walls of the new Tailings Storage Facility ("TSF"). Jamhuri remains available as a back source of open pit ore.

With the change in emphasis of mining from surface to underground and the completion of the two major open pits, the mining contract at NLGM was replaced with a plant hire agreement on a portion of the existing mobile fleet. The mining fleet is now provided on an operate-and-maintain basis and all activities from front line supervisor up, planning and pit services are under the direct control of the Shanta management team. These changes were a significant contributor to cost savings achieved in this 2016 financial year.

### New Luika Underground Project

A major development focus for NLGM has been the establishment of an underground mine to extract the high-grade extensions of the Bauhinia Creek and Luika deposits. Highwall preparations for the portal on the 960 RL bench were started in 2015 and completed in the first quarter of 2016, on time and on budget. In parallel, key infrastructure projects to provide service water, electrical power, mine pumping, workshops, offices, a rescue room and change house facilities were established through the course of the year. All water from underground is recycled, thus reducing abstraction from the Luika River.

Environmental approval was received on 23 June 2016 and the first round in the portal was taken on 24 June 2016. New Luika purchased new mining equipment through the course of the year from Sandvik, received on a schedule, to meet the development demands of the project. The new owner-operated fleet has high availability and provides a source of reasonable cost finance to the Company.

During the year, recruitment and training of an in-house team, again to suit the project delivery, was put into effect. After the decline advanced only around 130 metres, the turn-out to the Luika deposit was established providing multiple working places from early on in the program. By the end of 2016, 1,234 metres had been developed, beating the plan by 3% and also delivering in December 2016 its first ore on the 915 level; a key deliverable as set out in the BCMP. The ore intersection was importantly two weeks ahead of schedule with a total of 29 meters ore development completed in the year, containing 2,044 tonnes at an average grade of 9.93 g/t gold.

New Luika's underground development has been achieved with an in-house team, with every major milestone to the end of the year, and to date, delivered on time and on budget. This is an enormous testament to the high calibre and dedication of the people engaged

### Total NLGM reserves—31 December 2016

Deposit and classification	Ore tonnes (kt)	Ore grade (g/t Au)	Contained metal (koz)
Bauhinia Creek—Probable Reserve	1,263	6.24	253
Luika—Probable Reserve	466	4.88	73
Ilunga—Probable Reserve	660	5.56	118
<b>Total Ore Reserve—Underground</b>	<b>2,389</b>	<b>5.79</b>	<b>445</b>
Ilunga OP—Probable Reserve	188	2.75	17
Elizabeth Hill OP—Probable Reserve	734	1.34	32
Jamhuri OP—Probable Reserve	101	2.05	7
Shamba OP—Probable Reserve	232	2.17	16
<b>Total Ore Reserve—Open Pits</b>	<b>1,255</b>	<b>1.76</b>	<b>71</b>
<b>Total Ore Reserve—Open Pits + Underground<sup>1</sup></b>	<b>3,644</b>	<b>4.40</b>	<b>515</b>
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1. Rounding

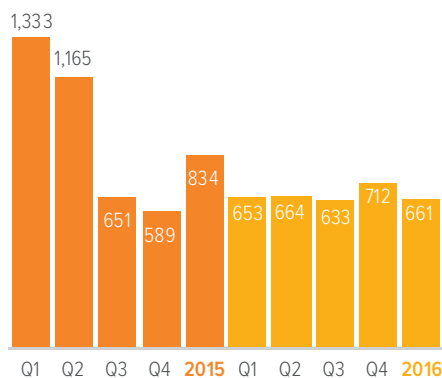


in this project. As well as employing our own team of experienced engineers, managers, supervisors and operators, Shanta is training employees from the local community, some of whom were previously artisanal miners.

Notwithstanding, contractors are brought in for specialised tasks as required and at the end of 2016, Master Drilling had commenced the raise boring of the first of four ventilation shafts, two each to serve Bauhinia Creek and Luika respectively. At the time of writing, all four shafts are nearing completion and the main fan for Bauhinia Creek commissioned.

A key feature of the underground mine at Bauhinia Creek and part of the rationale for the shift from surface to underground was to access the plunging orebody in the west that had been cut out of the open pit plan. This meant that only 45 metres of vertical development was required to access the Bauhinia Creek orebody in its western extension, despite the fact that the open pit went down to 870 RL, 90 metres below the portal elevation. The western plunge of the Bauhinia Creek orebody was switched from the open pit design to underground in Q1 2015, substantially reducing the strip ratio of the open pit from 21:1 down to 9:1 while at the same time increasing reserves for the underground. A clear win for both operations that has been reflected in the AISC since Q3 of 2015.

Quarter on quarter AISC



At the time of writing, the cross drive to Luika was complete with the Luika decline in progress and the first ore access level in development at 937 RL. At Bauhinia Creek, the turn-out has been established on the 845 level, orebody development on-going on the 865 level and the orebody fully developed, east and west on the 915, 900 and 880 levels. The first stope has been established between 880 and 990 level which has delivered first stope ore production in Q2 2017 as committed in the BCMP in Q2 2017.

**New Luika Revised Mine Plan**

As mentioned previously Shanta presented its BCMP in September 2015. This was the first time Shanta had prepared a detailed plan for NLGM that incorporated all of its reserves, and highlighted the additional known resources that would be made available to incorporate in the future.

Post the year end, in March 2017, Shanta presented New Luika's RMP. The RMP incorporated the results of the exploration programme conducted within the mining licence in 2015 at Elizabeth Hill and in 2016 at Ilunga. The RMP highlights the true prospectivity and future long life of NLGM. The RMP provides for a longer mine life, increased production and most importantly, greater returns for all stakeholders. It also showcases the value and potential that exists by virtue of the Company's holding of prospecting licences in close proximity to the mine.

With the benefit of the increased resources through exploration and also reduced operating costs, reserves were increased from 2.66 Million tonnes ("Mt") at 5.93 g/t for 506,000 oz to 3.64 Mt at 4.40 g/t for 515,000 oz. Importantly, this increase is after accounting for depletion of 615,000 tonnes at 5.27 g/t for 104,000 oz contained since the previous resource and reserve statement in September 2015.

The RMP delivers 500,000 oz at US\$736/oz after depletion compared to 443,000 oz at US\$695/oz in the BCMP. Production since the BCMP accounts for 117,000 oz at US\$645/oz. Production going forward under the BCMP would have been 326,000 oz at an AISC of US\$713/oz. After accounting for additional reserves and depletion, the RMP has added 174,000 oz of production at an AISC of US\$779/oz.

Additional resources of 9.47 Mt at 2.24 g/t for 683,000 oz sit outside the RMP, increased from 6.64 Mt at 2.41 g/t for 514,000 oz in the BCMP, (1 g/t cut-off for open pit; 3.0 g/t cut-off for underground). The RMP also provides a four-year extension of the maximum utilisation of NLGM plant based on current reserves.

Further work on these resources is on-going and is expected to deliver additional reserves in the future to further extend the life of mine. This cycle of ounce replenishment is the future story for NLGM.

.....  
*"The Revised Mine Plan highlights the true prospectivity and future long life of NLGM"*  
 .....

Bauhinia Creek  
Decline 2016



Portal entry



### New Luika Major Projects

In parallel with delivering a successful year operationally, NLGM started, and substantially completed, a number of major projects that will support the business for many years to come and help maintain its low production cost status, something Shanta prides itself on.

In a region of seasonal and sometimes unpredictable rainfall, a mass gravity dam was built on the Luika River upstream of NLGM with a capacity of 350 million litres. This dam supplements existing on-mine storage of 150 million litres which together provides sufficient water to see the operation through a typical dry season of five to seven months when the Luika River stops flowing. The capacity of the dam can be increased should there be an opportunity for a process plant expansion.

A project started in 2015, developed right through 2016 and commissioned in February 2017 is the new 7.5 MW Heavy Fuel Oil ("HFO") Power Plant at a cost of US\$16 million. This

is an expanded facility necessary to power the new underground mine and to replace the aging rental plant that preceded it. The efficiency of the purpose-built HFO engines is much higher than the replaced HFO-converted diesel units operating previously and will help reduce power costs by 20%. Also on the power side, NLGM has committed to a five year power purchase agreement from a 700 Kw solar plant that will be commissioned at NLGM in Q2 2017.

The final large scale infrastructure project is a new Tailings Storage Facility 2 ("TSF 2") for NLGM that will support operations at current production for a further eight years. The project had a delayed start for approvals in 2016 but was approximately 50% complete at the end of the year with commissioning expected in the second quarter of 2017.

A plant upgrade incorporating a 1,000m<sup>3</sup> pre-leach tank was completed in Q3 2016 which has helped increase recoveries by between 1% and 2%.



Luika River dam



Shanta Gold operations in Tanzania

**Singida**

With a stable operating base at NLGM, attention was drawn once again to the Singida Project, formerly the base on which Shanta was listed on the AIM. A mining licence had been awarded in 2012 but challenges with resettlement delayed the start of the project. In April 2016, Shanta re-engaged with the local community and helped it find the resolution to its issues. Subsequently, plans were launched to establish a small-scale pilot plant at Singida to treat 10 tonnes per hour of surface and near surface material. It is envisaged that the pilot plant would operate for at least two years while additional drilling and feasibility study work be done to update the understanding and potential for a full-scale mining operation. The exploration camp has been upgraded and core storage yards relocated in preparation for the operations. Three families have been relocated to new accommodation nearby.

As a consequence of a temporary withholding of VAT refunds which amounted to US\$12.5 million end of April 2017, by the government of Tanzania, the completion of this project has been put on hold.

**Exploration**

Shanta has successfully produced strong results from its on-going exploration programme throughout FY2016. The Company has more than replaced its mined ounces with new resources and in March 2017, it announced its Revised Mine Plan, which

incorporated the strong results previously reported from Elizabeth Hill and Ilunga, which increased New Luika's reserves significantly.

**New Luika On-Mine Exploration**

Following the upgraded resource at Elizabeth Hill announced in September 2015, reserves increased from 70,000 tonnes at 2.3 g/t for 5,000 oz to 667,000 tonnes at 1.33 g/t for 28,000 oz. Using the lower achieved mining costs, this has since been upgraded to 734,000 tonnes at 1.34 g/t for 32,000 oz making a valuable contribution to the recently announced RMP.

A promising first phase drilling program at the Ilunga deposit in April 2016 was followed with a second phase in July 2016. The results, released in September 2016, upgraded the resource from 74,000 oz at 3.51 g/t to 258,000 oz at 4.55 g/t. This high grade resource was made the subject of a mine planning exercise through the rest of 2016 culminating in a new underground reserve of 660,000 tonnes at 5.56 g/t for 118,000 oz announced in March 2017. Potential extensions of Ilunga on strike are being assessed and the deposit, importantly, remains open at depth.

**New Luika—Economic Circle Exploration**

Shanta has the rights to 1,500 km<sup>2</sup> of prospecting permits in the Lupa Goldfield in the areas surrounding NLGM. This ground is highly prospective and has been the location of many colonial and artisanal mine activities.

The first drilling program in 2016 was at a prospect called Askari approximately 14 kilometres west-northwest of NLGM. While the drill intersections were exciting, the overall scale of the deposit was small. Askari may feature in conjunction with other mining in the proximity.

One such deposit could be the Nkuluwisi prospect located approximately 12 kilometres northwest of NLGM for which drilling was conducted in the final quarter of 2016. Drill results were released in March 2017 and a maiden resource was announced in May 2017.

There are 20 targets which have been prioritised for further study in close proximity to NLGM's mining licence area. During the course of 2016, the understanding of these opportunities was enhanced with the flying of 700km<sup>2</sup> of Lidar survey providing up to date Digital Terrain Model ("DTM") and hyperspectral data to assist with structural interpretation and anomaly identification.



### Singida Exploration

Drilling announced in October 2016 was undertaken at Singida to better define the deposits of Gold Tree 2 and Gold Tree 3 that were incidentally intersected during early exploration of Gold Tree 1. This work is part of a program to increase the understanding of the Singida prospects which, as part of a greenstone formation, have the potential to extend substantially at depth.

### Capital Expenditure

The capital program presented as part of the BCMP in 2015 has been substantially delivered, overall on time and on budget. Over-expenditure on the TSF 2 has been more than offset by savings on the underground operation.

Capital expenditure for the year amounted to US\$54.6 million. 2016 was a year of major investment at NLGM with commercial production from the underground and completion of all the major infrastructure projects scheduled in the first half of 2017 following which the capital intensity reduces substantially.

### Finance

Turnover for the year amounted to US\$107.1 million, compared to US\$95.7 million, the increase of 12% due the higher gold price and increased gold sales in 2016. The Company continued with its prudent hedging program and the average gold price realized for the year was US\$1,220/oz compared to the average price for the previous year of US\$1,163/oz. Cost of sales for the year amounted to US\$88.3million (2015: US\$96.4 million) representing a gross margin of 14% (2015: 2%).

(Oz)	2016	2015
Gold sales	86,332	80,622
Silver sales (including Silver Stream)	100,647	125,580

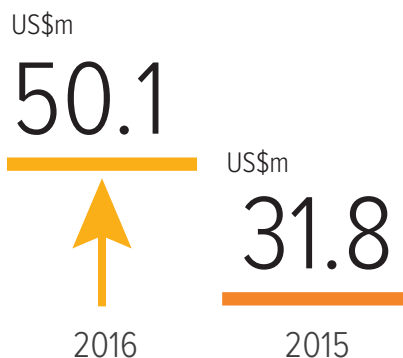
Administration costs for the year amounted to US\$7.1 million (2015: US\$10.3 million), lower due to the non-recurring charges incurred in 2015 on remuneration and statutory deductions, exchange rate gains and improved cost containment.

Exploration expenditure for the year amounted to US\$4.7 million (2015: US\$2.4 million), higher due to the increased activities that have resulted in the increased reserve and resource bases as well as additional charges arising from non-refundable VAT.

An operating profit for the year of US\$3.0 million (2015: operating loss of US\$11.1 million) was generated, whilst EBITDA amounted to US\$50.2 million (2015: US\$31.9 million), mainly due to higher gold revenues from higher sales at a higher price, together with significantly improved cost efficiencies. Net finance expense amounted to US\$7.4 million (2015: US\$7.0 million), at a similar level to 2015.

As a result of the above, loss before tax of US\$4.4 million (2015: loss before tax of US\$18.1 million) was recorded. A tax charge amounting to US\$3.6 million (2015: credit of US\$0.8 million) resulted in losses after tax of US\$8.0 million (2015: US\$17.3 million).

In the statement of financial position, non-current assets increased to US\$122.8 million (2015: US\$114.3 million), after a reduction of US\$47.1 million depreciation charge inclusive of the write off deferred stripping for BC and Luika pits that have now been mined out, and an increase with the capital development on the underground. Current assets totalled US\$49.2 million (2015: US\$39.1 million), a higher level than that of the prior year due to delays in VAT refunds, additional Run of Mine stock material as well as Gold in Process but offset by lower cash on hand. Net working capital was lower at US\$22.2 million (2015: US\$29.1 million) due to the increased short term portion of debt as well as increased accounts payable balances as mining activities increase, which have been offset by the increased investment in Inventory. Overall liabilities increased to US\$93.6 million (2015: US\$76.7 million) due to the draw down on the Investec facility, the additional Sandvik mobile fleet financing and advance on silver stream. A further US\$10 million of the Investec facility was drawn down in 2016 and has subsequent to year end been converted to a term loan.



Cash generated from operations before working capital amounted to US\$50.1 million (2015: US\$31.8 million), an increase on the prior year due to higher gold sales and lower

operating cost. The cash, the additional Investec debt and further sources detailed below made it possible to fund the extensive capital program at New Luika as it progresses with the underground development of these high grade reserves and extends the life of mine. Cash balance at year end was slightly lower at US\$14.9 million (2015: US\$19.1 million). Net debt at 31 December 2016 amounted to US\$44.2 million (2015: US\$41.5 million) inclusive of the US\$15.0 million Convertible Loan Notes. Repayment of the first US\$20 million Investec Facility A commenced in June 2016.

**Hedging**

As stated above, the Company continued with its prudent hedging program during the year to protect cash flow at a time of substantial capital commitment. A total of 38,978 oz (2015: 40,500 oz) were sold under the hedging program at an average price of US\$1,223/oz (2015: US\$1,236/oz). As at end of December 2016, the Company had sold forward 21,000 oz at an average price US\$1,318/oz. Post year the total forward sales commitments at June 2017 was 36,000 oz (2015: 32,000 oz) at an average price of \$1,281/oz (2015 US\$1,172 oz).

**Financings**

In 2016, a number of important financings were completed relating to the funding of the BCMP and smoothing the debt servicing for the Company.

The Company raised gross proceeds of US\$10.4 million (£7.2 million) through a placing of 111,442,800 new shares at a price of 6.5 pence per share. An Open Offer resulting in 2,702,918 shares for proceeds of US\$0.25 million (£0.18 million) was also completed at 6.5 pence per share following the Placing. The proceeds were used to help fund the development of the BCMP at NLGM.

The Company reached an agreement with the holders of over 75% of the US\$25.0 million senior unsecured subordinated convertible loan notes to buyback US\$10.0 million of the Notes and to extend the term of the repayment of the remaining notes by two years to April 2019 with a concurrent increase to the coupon from 8.5% to 13.5% Despite the coupon increase, the overall interest payable on the notes reduced and there was no change in the conversion price. The buyback was funded from existing cash reserves and smooths the debt servicing for the Company in 2017 and 2018, and particularly during the capital development program.

The Company also entered into €4.6 million of underground equipment financings with Nordea Bank Plc for purchases from Sandvik Mining and Construction Oy at a fixed rate of 7.0% over three years. The equipment purchases were part of Shanta's capital programme outlined in the BCMP.

The Company entered into a Silver Stream Agreement (SSA) with Silverback Limited, a privately held Guernsey-based investment company, under which Silverback paid the Company an advanced payment of US\$5.25 million. Silverback also pays the Company an ongoing payment of 10% of the value of silver sold at the prevailing silver price at the time of deliveries which will be made annually. The SSA relates solely to silver by-product production from NLGM with minimum silver delivery obligations totalling 608,970 oz gold over a 6.75 year period. The term of the SSA is 10 years during which time the Company will sell silver to SSA 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. These have been included under Borrowings in the financial statements as prescribed by IAS 32 and adjusted for fair value as well included in interest paid due to the imputed interest charges arising on this advance sale.

Lastly, the Company entered into a US\$9.1 million Letter of Credit with Bank M in Tanzania in March 2016 to fund the construction of the New Luika power plant. Shanta subsequently retired from the US\$9.1 million Letter of Credit and the construction of the New Luika power plant was funded and paid for from cash available within the business.

**People**

Shanta has worked hard to attract and retain high calibre Tanzanian staff for the business. The proportion of Tanzanian employees increased through the year and now stands at 95%.

In the meanwhile, the Company is committed to the development of it's employees to assist them to reach their full potential. The Company has a policy of advertising all roles internally providing all employees with the opportunity to grow within.

Four graduate mining engineers completed a structured two year development program that was initiated in 2015. Ten undergraduate engineers were given vacation work experience at NLGM. We aim to have

.....  
*... the Company is committed to the development of it's employees to assist them to reach their full potential. The Company has a policy of advertising all roles internally, providing all employees with the opportunity to grow within.*  
 .....

graduates in training in all the major disciplines of the business as a key platform for growth of the business.

Additionally, the Company supports four apprentices in full time learning at the Moshi Technical College and sponsors a number of students and employees through their courses of study.

More details are provided in our Sustainability Report on line at: <http://www.shantagold.com/sustainability>

### Outlook

The transition to underground commercial production at NLGM will consolidate through the second half of 2017 to provide the cornerstone source of high grade feed into the plant. The progress achieved to date has significantly de-risked the project with the fourth level of ore now being developed in the high-grade Bauhinia Creek deposit. Major infrastructure projects of power and water are in place and the new tailings storage facility is expected to be commissioned in Q2 2017, giving NLGM a solid and sustainable operating platform for the future.

New Luika presents a stable low cost operating base to which on-going exploration will provide additional resources that should see the mine operating consistently for many years to come. Guidance for 2017 is 80-85,000 oz at an AISC of US\$800-850/oz and the year to date performance is on track to achieve this. A feasibility and mine development at Singida provides the opportunity to supplement production from NLGM.

At New Luika, exploration will continue to add resources to strengthen the centralised process facility concept, and at Singida, a diamond drilling program is the pre-cursor to its feasibility study.

Capital expenditure at New Luika reduces substantially from the second half of 2017, enabling strong cash generation from Shanta going forward.

### Acknowledgement

I would like to take this opportunity to congratulate, and express my sincere appreciation for the hard work put in by all the dedicated Shanta team, members of the Board and our partners on a very successful and exciting 2016. I look forward to reporting on the future progress and prosperity of your Company.

Toby Jonathan Bradbury  
**Chief Executive Officer**

12 June 2017











# Director's report

The Directors present their annual report and the financial statements of the Group for the year ended 31 December 2016.

## 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 Tanzania.

## Business review

A review of the business during the year is contained in the Chairman's Report on page 1 and in the Chief Executive Officer's Review on page 3 to 12. 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.

The activities for the year have resulted in the Group's net loss before tax of US\$4.4 million (2015: Net loss before tax US\$18.1 million)

Except as disclosed in Note 29 to the financial statements, no other material fact or circumstance has occurred between the accounting date and the date of this report.

## Nominated advisor

The Company's nominated advisor is Peel Hunt LLP.

## Financial results

The results for the year are set out in the consolidated statement of comprehensive income on page 22. No dividends were proposed by the Board of Directors (2015: US\$Nil).

## Directors

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

### Non- executive

- Anthony Peter Wynn Durrant (Chairman)
- Robin Anthony Fryer
- Ketankumar Vinubhai Patel
- Luke Alexander Leslie
- John Edward Rickus (deceased 24 June 2016)

### Executive

- Toby Jonathan Bradbury

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.

## Director's remuneration

(US\$'000)	31-Dec-16			31-Dec-15			
	Performance bonus	Fees/salary	Total	Performance bonus	Fees/salary	Termination payment	Total
<b>Fees, salary, bonuses and related benefits</b>							
Toby Jonathan Bradbury <sup>2</sup>	176	369	545	185	405	-	590
Anthony Peter Wynn Durrant <sup>1</sup>	-	131	131	-	96	-	96
Robin Anthony Fryer <sup>1</sup>	-	76	76	-	65	-	65
Michael John Houston <sup>2</sup>	-	-	-	40	149	97	286
Patrick Maseva-Shayawabaya <sup>2,3</sup>	-	-	-	-	262	64	326
Luke Alexander Leslie <sup>1</sup>	-	146	146	-	65	-	65
Ketankumar Patel <sup>1</sup>	-	81	81	-	75	-	75
John Rickus <sup>1,4</sup>	-	29	29	-	65	-	65
<b>Sub-total</b>	<b>176</b>	<b>832</b>	<b>1,008</b>	<b>225</b>	<b>1,182</b>	<b>161</b>	<b>1,568</b>
<b>Share based payments</b>							
Toby Jonathan Bradbury <sup>2</sup>	-	-	79	-	-	-	62
Anthony Peter Wynn Durrant <sup>1</sup>	-	-	-	-	-	-	61
<b>Total remuneration to directors</b>	<b>176</b>	<b>832</b>	<b>1,087</b>	<b>225</b>	<b>1,182</b>	<b>161</b>	<b>1,691</b>

1. Non-executive

2. Executive

3. Resigned 31 October 2015

4. Deceased 24 June 2016

Executive Directors are provided with life assurance cover of two times annual salary.

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

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

also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

#### Website publication

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

### Going concern

The Directors have reviewed the Group's cash flow forecasts for the period to December 2018 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.

### Auditor

BDO LLP has expressed their willingness to continue in office as auditors 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 note 23 to the financial statements.

Signed on behalf of the Board of Directors on  
12 June 2017.

Toby Jonathan Bradbury  
**Chief Executive Officer**

Anthony Peter Wynn Durrant  
**Chairman**



# Corporate governance

Guernsey does not have its own corporate governance regime. As a Guernsey-registered Company trading on the AIM Market of the London Stock Exchange, the Company is not required to comply with the UK Corporate Governance Code (the 'Code') issued by the Financial Reporting Council. However, the Group aims to comply with best practice in the industry and has provided details of its practices below.

## Board of Directors

The Company has one Executive Director 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 Group operates a share dealing code for Directors on the basis set out in the AIM Rules.

## 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 2016:

## Board meeting attendance

		Board Meeting	Audit Committee	Remuneration Committee	Sustainability Committee
Anthony Peter Wynn Durrant	Non-Executive	10	-	-	3
Ketankumar Vinubhai Patel	Non-Executive	9	3	-	3
Toby Jonathan Bradbury	Executive	11	-	-	-
Luke Alexander Leslie	Non-Executive	11	4	4	-
Robin Anthony Fryer	Non-Executive	10	4	4	-
John Edward Rickus	Non-Executive	1	-	-	-
<b>Number of meetings held in the year</b>		<b>11</b>	<b>4</b>	<b>4</b>	<b>3</b>

#### **Audit Committee**

The Group has an Audit Committee, comprised of three Non-Executive Directors being Robin Fryer (Chairman), Ketankumar Patel and Luke Leslie. The Audit Committee aims to meet at least once each year and 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 the Group's internal controls. The Audit Committee met four times in 2016.

#### **Remuneration Committee**

The Group has a Remuneration Committee, comprised of two Non-Executive Directors being Luke Leslie (Chairman) and Robin Fryer. The Remuneration Committee aims to meet at least once each year and is responsible for reviewing the performance of the senior staff, setting their remuneration, determining

the payment of bonuses, considering the grant of options under any share option plan and, in particular, the price per share and the application of the performance standards which may apply to any grant. The Remuneration Committee met four times in 2016.

#### **Sustainability Committee**

The Group has a Sustainability Committee, comprised of two Non-Executive Directors being Ketankumar Patel (Chairman) and Tony Durrant. The Sustainability Committee aims to meet at least once each year and 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 2016.

Signed on behalf of the Board of Directors on 12 June 2017.

Toby Jonathan Bradbury  
**Chief Executive Officer**

Anthony Peter Wynn Durrant  
**Chairman**

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

We have audited the financial statements of Shanta Gold Limited for the year ended 31 December 2016 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 the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Directors and auditor

As explained more fully in the Directors' responsibilities statement within the Directors' Report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply

with the Financial Reporting Council's Ethical Standards for Auditors

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements, and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on the financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the Group's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008



**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

BDO LLP  
Chartered Accountants  
London  
United Kingdom

12 June 2017

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 2016	31-Dec 2015
Revenue		107,142	95,705
(Loss)/gain on non-hedge derivatives and other commodity contracts	4	(4,066)	2,253
Other cost of sales		(41,808)	(54,075)
Depreciation		(46,459)	(42,319)
Total cost of sales		(88,267)	(96,394)
Gross profit		14,809	1,564
Administration expenses		(7,075)	(10,255)
Exploration and evaluation costs		(4,697)	(2,434)
<b>Operating profit/(loss)</b>		<b>3,037</b>	<b>(11,125)</b>
Finance income	5	98	112
Finance expense	6	(7,474)	(7,097)
<b>(Loss) before taxation</b>	<b>7</b>	<b>(4,339)</b>	<b>(18,110)</b>
Taxation	8	(3,634)	804
<b>(Loss) for the year attributable to the equity holders of the parent Company</b>		<b>(7,973)</b>	<b>(17,306)</b>
<b>(Loss) after taxation</b>		<b>(7,973)</b>	<b>(17,306)</b>
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		(418)	100
<b>Total comprehensive (loss)/profit attributable to the equity shareholders of the parent</b>		<b>(8,391)</b>	<b>(17,206)</b>
Loss per share attributable to the equity holders of the parent Company			
<b>Basic and diluted loss per share (US\$ cents)</b>	<b>9</b>	<b>(1.473)</b>	<b>(3.727)</b>

The loss for the year and the total comprehensive loss 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.

The accompanying notes on page 26 to 50 form an integral part of these financial statements.

# Consolidated statement of financial position

(US\$'000)	Notes	31-Dec 2016	31-Dec 2015
<b>ASSETS</b>			
<i>Non-current assets</i>			
Intangible assets	10	23,262	23,201
Property, plant and equipment	11	99,556	91,093
<b>Total non-current assets</b>		<b>122,818</b>	<b>114,294</b>
<i>Current assets</i>			
Inventories	15	20,291	10,737
Trade and other receivables	14	13,975	8,717
Restricted cash	16	-	500
Cash and cash equivalents		14,945	19,117
<b>Total current assets</b>		<b>49,211</b>	<b>39,071</b>
<b>TOTAL ASSETS</b>		<b>172,029</b>	<b>153,365</b>
<b>CAPITAL AND RESERVES</b>			
<i>Equity</i>			
Share capital and premium	21	143,870	133,842
Share option reserve	23	2,248	3,202
Convertible loan note reserve	19	5,374	5,374
Shares to be issued	23	60	82
Translation reserve		463	881
Accumulated deficit		(73,536)	(66,712)
<b>TOTAL EQUITY</b>		<b>78,479</b>	<b>76,669</b>
<b>LIABILITIES</b>			
<i>Non-current liabilities</i>			
Loans and other borrowings	18	35,768	30,630
Convertible loan notes	19	14,298	23,446
Provision for decommissioning	20	7,471	5,979
Provision for deferred taxation	8	8,948	6,696
<b>Total non-current liabilities</b>		<b>66,485</b>	<b>66,751</b>
<i>Current liabilities</i>			
Trade and other payables	17	11,148	5,883
Loans and other borrowings	18	14,660	4,062
Income tax payable		1,257	-
<b>Total current liabilities</b>		<b>27,065</b>	<b>9,945</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>172,029</b>	<b>153,365</b>

The financial statements were approved and authorised for issue by the board of Directors on 12 June 2017 and signed on its behalf by:

Toby Jonathan Bradbury  
Chief Executive Officer

Anthony Peter Wynn Durrant  
Chairman

The accompanying notes on pages 26 to 50 form an integral part of these financial statements.



# Consolidated statement of changes in equity

(US\$'000)	Share capital	Share premium	Share option reserve	Convertible loan note reserve	Translation reserve	Shares to be issued	Accumulated deficit	Total equity
<b>Total equity</b>								
<b>31 December 2014</b>	<b>76</b>	<b>132,865</b>	<b>4,067</b>	<b>5,374</b>	<b>781</b>	<b>416</b>	<b>(50,228)</b>	<b>93,351</b>
(Loss) for the year	-	-	-	-	-	-	(17,306)	(17,306)
Other comprehensive profit for the year	-	-	-	-	100	-	-	100
<b>Total comprehensive (loss) for year</b>	-	-	-	-	<b>100</b>	-	<b>(17,306)</b>	<b>(17,206)</b>
Share based payments	-	-	367	-	-	-	-	367
Shares issued	-	491	-	-	-	(334)	-	157
Exercise of options	-	410	(410)	-	-	-	-	-
Lapsed options	-	-	(822)	-	-	-	822	-
<b>Total equity</b>								
<b>31 December 2015</b>	<b>76</b>	<b>133,766</b>	<b>3,202</b>	<b>5,374</b>	<b>881</b>	<b>82</b>	<b>(66,712)</b>	<b>76,669</b>
(Loss) for the year	-	-	-	-	-	-	(7,973)	(7,973)
Other comprehensive (loss) for the year	-	-	-	-	(418)	-	-	(418)
<b>Total comprehensive (loss) for year</b>	-	-	-	-	<b>(418)</b>	-	<b>(7,973)</b>	<b>(8,391)</b>
Share based payments	-	-	200	-	-	(22)	-	178
Shares issued (net of expenses)	17	10,006	-	-	-	-	-	10,023
Exercise of options	-	5	(5)	-	-	-	-	-
Lapsed options	-	-	(1,149)	-	-	-	1,149	-
<b>Total equity</b>								
<b>31 December 2016</b>	<b>93</b>	<b>143,777</b>	<b>2,248</b>	<b>5,374</b>	<b>463</b>	<b>60</b>	<b>(73,536)</b>	<b>78,479</b>

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 profit and loss reserve on exercised and cancelled/lapsed options
Convertible loan note reserve	Equity element of convertible loan note
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
Accumulated deficit	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income

The accompanying notes on pages 26 to 50 form an integral part of these financial statements.

# Consolidated statement of cash flows

(US\$'000)	Notes	31-Dec 2016	31-Dec 2015
<b>Net cash flows generated from operating activities</b>	<b>24</b>	<b>40,330</b>	<b>35,017</b>
<b>Investing activities</b>			
Purchase of intangible assets	10	(66)	(71)
Purchase of plant and equipment	11	(2,132)	(2,048)
Asset under construction	11	(41,377)	(8,509)
Open pit development expenditure	11	(5,796)	(18,904)
<b>Net cash flows used in investing activities</b>		<b>(49,371)</b>	<b>(29,532)</b>
<b>Financing activities</b>			
Ordinary shares issued (net of expenses)		10,023	-
Buy-back of convertible loan notes (net of costs)		(9,950)	-
Loans repaid (net)		-	(25,237)
Equipment loan repaid		(579)	(579)
Finance lease repayments		(1,061)	(165)
Silver Stream advance (net of costs and payments)		4,011	-
Loan interest paid		(4,546)	(4,398)
Refund of restricted cash		500	-
Loans received (net of loan arrangement fees)		6,471	29,133
<b>Net cash flows received/(used) in financing activities</b>		<b>4,869</b>	<b>(1,246)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(4,172)</b>	<b>4,239</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>19,117</b>	<b>14,878</b>
<b>Cash and cash equivalents at end of year</b>		<b>14,945</b>	<b>19,117</b>

The accompanying notes on pages 26 to 50 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 Suite A, St Peter Port House, Sausmarez Street, St Peter Port, Guernsey. The nature of the Group's operations and its principal activities are set out in the Chairman's address to shareholders, the Sustainability Report, the Chief Executive Officer's review and the Directors' report on page 3 to 12.

These financial statements were approved and authorised for issue on 12 June 2017 by Toby J Bradbury and Anthony P W Durrant on behalf of the Board.

The Directors have reviewed the Group's cash flow forecasts for the period to December 2018 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.

## 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 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 note 3.

### Standards in issue but not yet effective

The following standards and interpretations which have been recently issued or revised and are mandatory for the Group's accounting periods beginning on or after January 1, 2017 or later periods have not been adopted early:

Standard	Detail	Effective date
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue with contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019
IAS 12	Amendment—Recognition of deferred tax assets for unrealised losses	1 January 2017
IAS 7	Amendment—Disclosure initiative	1 January 2017
IFRS 2	Amendment—Classification and measurement of share-based payment transactions	1 January 2018



IFRS 15 is intended to introduce a single framework for revenue recognition and clarify principles of revenue recognition. Management have assessed the point of revenue recognition and do not expect there to be any material impact on the consolidated financial statements.

IFRS 16 introduces a single lease accounting model, in which leases are capitalised as assets with an associated lease liability with the exception of certain low value leases and leases with a term under 12 months. Management are currently assessing the impact of this standard but there are no material operating leases in the Group.

IFRS 9 introduces significant changes to the classification and measurement requirements for financial instruments. Management are currently assessing the impact of this standard.

The principal accounting policies adopted are set out below.

## 2.2 Basis of consolidation

### *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group 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 de-consolidated 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.

### *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 initially at their fair values at the acquisition date.

## 2.3 Foreign currencies

### *Functional and Presentation Currency*

The individual financial statements of each Group Company 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 Group 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\$) 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 foreign exchange translation reserve.

## 2.4 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 re-translated 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 re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are included in profit or loss for the period. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the re-translation 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.

## 2.5 Revenue recognition

The Group enters into contracts for the sale of refined gold and silver. Revenue arising from sales under these contracts is recognised

when the price is agreed, the product has been delivered in accordance with the terms of the contract, the significant risks and rewards have been transferred to the customer.

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 in terms of the contract.

## 2.6 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 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.

## 2.7 Exploration and evaluation assets and expenditure

Exploration and evaluation expenditure, which is defined as expenses incurred until an ore body is considered commercially recoverable, is, with the exception of costs of acquiring tenement rights, expensed. The costs of acquiring mining and prospecting licenses, which are reflected in the financial statements as intangible assets, are capitalised and will be amortised when mining operations commence over the unit of production method. 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 Licensing Authority, unless there are circumstances which suggest that the renewal will not be granted.

## 2.8 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

Mining related assets (mining assets, mine development, gold processing plant, decommission and deferred stripping assets) depreciation is by the unit of production method based on proven and probable reserves. The useful lives and residual values are re-assessed annually.

## 2.9 Assets under construction

Pre-production expenditure, including evaluation costs, incurred to establish or expand productive capacity, to support and maintain that productive capacity incurred on mines is capitalized to property, plant and equipment. The recognition of costs in the carrying amount of an asset ceases when the item is in the location and condition necessary to operate as intended by management. Any net income earned while the item is not yet capable of operating as intended, reduces the capitalised amount. Interest on borrowings, incurred for the purpose of the establishment of mining assets, is capitalised during the construction phase.

## 2.10 Deferred stripping

Production stripping costs in the open pit mines are capitalised to non-current assets 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
- 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 property, plant and equipment

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 income statement 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

From 1 January 2008, 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

Group companies are 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 the 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 has applied the requirements of IFRS 2: Share-Based Payments.

- a) The Group grants share options and 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
- b) 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 Warrants

Warrants are separated from the host contract as their risks and characteristics are not closely related to those of the host contracts. Due to the exercise price of the warrants being in a

different currency to the functional currency of the Company, at each reporting date the warrants are valued at fair value with changes in fair values recognised through profit or loss as they arise. The fair values of the warrants are calculated using the Black-Scholes model.

### 2.17 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 the Group's non-current assets are located in Tanzania.

(US\$'000)	Exploration and mining of minerals	
	2016	2015
Total revenues	107,142	95,705
(Loss) before tax	(4,339)	(18,110)
Total assets	172,029	153,365
Total liabilities	93,550	76,696
Non-current assets additions	56,657	29,534
Depreciation	47,114	43,015

Non-Current Assets comprises investment in mining and exploration assets (see notes 10 to 11). All revenues arise from sales to one customer.

### 2.18 Leases

Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset. Leases of plant and equipment where the group assumes a significant portion of risks and rewards of ownership are classified as a finance lease. Finance leases are capitalised at the estimated



present value of the underlying lease payments. Each lease payment is 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 are 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 are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

### 2.19 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.

The Group holds derivative financial instruments to hedge its gold revenue exposure. These are measured at fair value at the end of each financial reporting period, and any changes are recognised in profit or loss.

#### Financial assets

The classification of financial assets at initial recognition depends on the purpose for which the financial asset was acquired and its characteristics. All financial assets are initially recognised at fair value. All purchases of financial assets are recorded at trade date, being the date on which the Group became party to the contractual requirement of the financial asset.

The Group has not classified any of the financial assets as held to maturity or as available for sale. The Group has designated the non-hedge commodity derivative asset as fair value through profit or loss and the respective fair value was reflected as part of through profit or loss as gains on non-hedge derivative and other commodity contracts. The Group's financial assets comprise of loans and receivables. Unless otherwise indicated the carrying amounts of the Group's financial assets approximate to their fair values.

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.

#### Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They principally comprise loans, trade and other receivables, cash and cash equivalents and restricted cash. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition, and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The effect of discounting on these financial instruments is not considered to be material.

##### a) De-recognition of financial assets

A financial asset (in whole or in part) is de-recognised either:

- When the Group has transferred substantially all the risk and rewards of ownership or,
- When it has neither transferred nor retained substantially all the risk and rewards and when it no longer has control over the financial asset or a portion of the asset; or
- When the contractual right to receive cash flow has expired

##### b) Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

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.

*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.

d) *Financial liabilities measured at amortised cost*

All financial liabilities are initially recognised at fair value net of transaction costs incurred.

*Loans, borrowings and trade payables*

These include trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

*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 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.

*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 borrowing, 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 borrowing 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.

*De-recognition of financial liabilities*

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

*Effective interest rate method*

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.

*Fair Value measurement hierarchy*

IFRS 13 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:

- a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- b) 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
- c) 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.

#### *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 21 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 judgments and estimation**

The preparation of financial statements in conformity with IFRS requires management to make judgments, 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 judgments 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 estimation uncertainty and judgment are:

- **Mining Property Policy**  
Depreciation of the mining properties is by 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.

- **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.

- **Stripping assumptions of access to ore**

Stripping costs incurred in opening up new ore areas are capitalised as part of the mine development costs and subsequently amortised over the mining of the ore body that becomes more accessible as a result of the stripping activity. The Group is required to estimate at each period end the quantity of ore that has become more accessible as a result of the stripping activity. The estimates made are supported by technical data. During the year there was on-going stripping activity that enhanced future accessibility of the ore body, of which 109,000 tonnes was mined.

- **Impairment of acquired exploration and evaluation assets**

The Group tests the carrying value of acquired exploration and evaluation assets when circumstances suggest that the carrying amount may not be recoverable. As part of this review process the recoverable amount of the asset is determined using value in use calculations, which requires estimates of future cash flows and as such is subject to estimates and assumptions. The key assumptions are disclosed in note 10.

The Group tests whether mining options and license acquisition costs have suffered any impairment 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. As at 31 December 2016 the intangibles amounted to US\$23,262,000 (2015: US\$23,201,000).

The Mining Act 2011, (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. The Directors have no reason to believe renewal will not be granted on the licenses.

■ **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 judgments. The amount of plant and equipment net of depreciation as at 31 December 2016 was US\$99,556,000 (2015: US\$91,093,000).

A change in the reserves in the year resulted in a lower US\$1,553,000 depreciation charge. Future impact has not been assessed as it is impractical to do so as the future conversion of resources into reserves is unknown.

■ **Impairment of intangibles**

Where potential triggers for impairment are identified which may indicate that the carrying value of intangible assets may have been impaired, a review will be undertaken of the recoverable amount of that asset. No triggers of impairment were identified in 2016 or 2015.

■ **Impairment of plant and equipment**

Where potential triggers for impairment are identified which may indicate that the carrying value of items of plant and equipment may have been impaired, a review will be undertaken of the recoverable amount of that asset based on value in use calculations which will involve estimates and assumptions to be made by management. Using a range of discount rates, gold prices and cash costs, no requirements for impairment were

identified. No impairments were recognised in 2016 and 2015.

■ **Warrants and Share based payments**

The Group has not issued any warrants during the period. The Group operates an equity settled share based remuneration scheme for key employees. Employees' services received and the corresponding increase in equity are measured by reference to the fair value of equity instruments at the date of the grant. In 2016, no share options were granted, but a total of 1,950,000 share awards were awarded as part of the Group's policy on attraction and retention of skills. The Group determines the fair value of equity-settled share based payments, using valuation techniques and models which are significantly affected by the assumptions used. The methods and assumptions applied, and valuations models used are disclosed in note 23.

■ **Exploration and evaluation expenditure**

Exploration and evaluation expenditure such as costs of acquiring tenement rights, mining and prospecting licences are capitalised.

The cost of entering into an option agreement to explore and evaluate other licence holders' rights, with the option of converting these licences is also capitalised.

The Group has to apply judgement in determining whether exploration and evaluation expenditure should be capitalised or expensed. Exploration and evaluation costs are expensed as incurred until a decision is taken that a mining property is economically feasible, after which subsequent expenditures are capitalised as intangible assets. Management estimates the economic feasibility of a property using key inputs such as gold resources, future gold prices, production levels, production costs and capital expenditure.

For the year to 31 December 2016 exploration costs amounting to US\$4,697,000 (2015: US\$2,434,000) were expensed.

■ **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. 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\$700,000 million (2015: US\$500,000) on the provision for environmental and site restoration. In the current financial period these have been reviewed downward as the Group is engaged in a process to commence the necessary work programs required during the current life on mine operations.

■ **SSA accounting judgement and estimate**

The Silver Stream liability is disclosed in note 18. The carrying amount of the Silver Stream liability is adjusted at each balance sheet date to reflect the discounted estimates of the value of the silver to be delivered in the future, over the term of the Silver Stream Agreement. The key estimates are the quantity of silver expected to be delivered and future silver prices. The Group estimates the quantity of silver to be delivered based on the silver reserves and the Group's life of mine plan. Future silver prices are estimated using market based estimates of silver price over the short term and a nominal inflationary increase of 2% over the longer term.

**4. (Loss)/gain on non-hedge derivatives and other commodity contracts**

(US\$'000)	31-Dec 2016	31-Dec 2015
Valuation of open commodity swap	256	1,312
Commodity swap (expenditure)/revenue	(4,322)	941
	<b>(4,066)</b>	<b>2,253</b>

A mark to market valuation of open swap deals was done at 31 December 2016 (31 December 2015). This resulted in a gain on non-hedging instruments of US\$1,568,000 (2015: US\$1,312,000) as the spot gold price was below the fixed forward prices of these instruments. The movement in 2016 is US\$256,000 (2015: US\$1,312,000). During the year losses of US\$4,322,000 (2015: revenue of US\$941,000) were realised on settlement of commodity swaps as the spot gold prices at the settlement dates were higher than the fixed

forward prices of the instruments.

**5. Finance income**

(US\$'000)	31-Dec 2016	31-Dec 2015
Decrease in fair value of warrants	-	63
Bank interest	98	49
	<b>98</b>	<b>112</b>

**6. Finance expense**

(US\$'000)	31-Dec 2016	31-Dec 2015
Loan and other Interest	4,748	4,877
Unwinding of discount on decommissioning liability	478	718
Interest on Silver Stream advance	924	-
Value adjustment on Silver Stream advance	477	-
Convertible Loan Note accretion	847	1,502
	<b>7,474</b>	<b>7,097</b>

The above finance expense arises on financial liabilities measured at amortised cost using the effective interest rate method. No other losses have been recognised in respect of financial liabilities at cost.

**7. (Loss)/profit before taxation**

(US\$'000)	31-Dec 2016	31-Dec 2015
Loss before tax is arrived at after charging/(crediting)		
Foreign exchange (profit) / losses	(357)	1,080
Depreciation and amortisation of assets	47,114	43,015
Amortisation of intangible assets	5	7
Share based payment costs	200	527
Impairment and write-off of licenses	-	71
(Profit) /loss on disposal of assets	-	368
Directors remuneration	1,087	1,638
Staff costs	16,110	12,978
<b>Auditors' remuneration</b>		
Audit fees of the Company and Group	83	85
Audit fees of subsidiaries by associates of Group auditor	41	54

**8. 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 credit/(charge) for the year relates to:

(US\$'000)	31-Dec 2016	31-Dec 2015
Current tax charge (Corporate and turnover tax charge)	(1,518)	(287)
Deferred tax (charge)/credit	(2,116)	1,091
<b>Net (charge)/credit</b>	<b>(3,634)</b>	<b>804</b>

The tax credit for the year can be reconciled to the (loss) per the statement of comprehensive income as follows:

(US\$'000)	31-Dec 2016	31-Dec 2015
Loss before taxation	(4,339)	(18,110)
<b>Tax at the standard tax rate</b>		
Tanzanian Corporation tax at 30%	(1,302)	(5,433)
Different tax rates applied in overseas jurisdictions	1,378	1,690
Reassessment of losses by the TRA	-	2,390
Permanent adjustments	823	-
Unrecognised taxable losses in subsidiaries	2,548	262
Turnover tax charge—current yr.	171	287
Turnover tax charge—prior yr.	16	-
<b>Tax payable/credit</b>	<b>3,634</b>	<b>(804)</b>
<b>Deferred tax asset movement</b>		
Balance at 1 January	22,776	28,397
Tax losses utilised in the year	(10,414)	(5,621)
<b>Balance at 31 December</b>	<b>12,362</b>	<b>22,776</b>

Included in this year's tax charge is a "Turnover Tax Charge" which is applicable should a company incur tax losses for more than 3 consecutive years, and is levied at a rate of 0.3% of Turnover.

The deferred tax asset has arisen on the unused tax losses. At year end, the Group has unused tax losses of US\$41,205,000 (2015: US\$74,426,000) and further capital allowance of US\$28,393,000 (2015: US\$2,612,000) available for offset against future profits and can be carried forward indefinitely.

Additionally, the Group has accumulated expenditure of US\$18,413,000 (2015: US\$13,144,000) arising on a number of its exploration projects for off-set against future profits generated from those projects which can be carried forward indefinitely. No deferred tax asset has been recognised on these losses as their utilisation is uncertain at this stage.

#### Deferred tax liability movement

(US\$'000)	31-Dec 2016	31-Dec 2015
Balance at 1 January	29,472	36,184
Movement for the year	(8,162)	(6,712)
<b>Balance at 31 December</b>	<b>21,310</b>	<b>29,472</b>

The deferred tax liability has arisen on the temporary differences between the carrying value of assets and tax written down value of assets. Included in the opening balance of 2015 is an amount of US\$5,197,000 relating to deferred tax liability on Shield and Boulder acquisition. A net deferred tax liability of US\$8,948,000 has been recognised (2015: US\$6,696,000).

#### 9. Loss per share

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

The earnings and weighted average number of ordinary shares used in the calculation of basic loss per share is:

(US\$'000)	31-Dec 2016	31-Dec 2015
Loss for the year attributable to equity holders of Company	(7,973)	(17,306)
Loss used in calculation of basic profit per share (see below)	(7,973)	(17,306)
Basic loss per share (US cents)	(1.473)	(3.727)
Weighted average number of shares in issue	541,157,213	464,388,679

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 2016	31-Dec 2015
The Group has the following instruments which could potentially dilute basic earnings per share in the future:		
Share options	3,164,557	7,652,598
Convertible loan notes	-	-
Warrants	-	-

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.











### 10. Intangible assets

The Group has capitalised exploration and evaluation assets relating to amounts spent on the purchase of licences and to acquire rights to explore and evaluate mineral deposits. These assets have been classified as intangible assets.

All of the licences are held by the subsidiary companies. All of the intangible assets have a finite life and have been externally generated. These licences will be amortised when mineral development commences, over the life of the mine or unit of production method.

(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-Dec-14</b>	<b>95</b>	<b>387</b>	<b>22</b>	<b>185</b>	<b>22,519</b>	<b>23,208</b>
Additions	-	-	71	-	-	71
Impaired	(71)	-	-	-	-	(71)
Amortisation	-	-	(7)	-	-	(7)
<b>At 31-Dec-15</b>	<b>24</b>	<b>387</b>	<b>86</b>	<b>185</b>	<b>22,519</b>	<b>23,201</b>
Additions	-	-	-	66	-	66
Amortisation	-	-	(5)	-	-	(5)
<b>At 31-Dec-16</b>	<b>24</b>	<b>387</b>	<b>81</b>	<b>251</b>	<b>22,519</b>	<b>23,262</b>

#### Impairment of licences

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. Licences currently under renewal but viable are not considered to be impaired. The Directors have no reason to believe that renewal will not be granted. The recoverable amounts are determined based on an assessment of economically recoverable mineral resources.

The Mining Act 2011, (which replaced the previous Mining Act 1998), introduced new procedures on renewal of Prospecting Licences (PL's) that involves a tender process. The Group has met its commitments on its PL's which have or are due to expire and has no reason to believe that renewals will not be granted.

#### Owned prospecting licences

These licences are acquired from the Ministry of Minerals and are held in the subsidiary Company's name.

#### Third party mining licence

This licence relates to a mining licence held by an unrelated party but in terms of which the subsidiary Company holds the right to prospect on the licensed area and confers upon the subsidiary an exclusive option to purchase the licence if the Company in its sole discretion requires it for mining.

#### Third party primary mining licences

These licences relate to primary mining licences held by an unrelated party, but in terms of which the subsidiary Company holds rights to explore and evaluate with the option to purchase mining rights at a later stage. Under the agreement the subsidiary company pays the licence acquisition and subsequent maintenance costs.

#### Owned mining licences

These licences are acquired from the Ministry of Minerals and are held in the subsidiary Company's name.

One of the mining licences at Singida is wholly owned by Shanta Mining Company Ltd (SMCL); while GL Jossue & JB Joel Limited hold a 10% minority interest in two of the mining licences. Depending on the option chosen, the minority holder will have up to a 10% earned interest or a smaller royalty. SMCL has over 90% ownership of the Singida mining licences and 100% ownership of the prospecting licences.

#### Acquired exploration and evaluation assets

Included in the book value of intangible assets are values ascribed to the acquisition of the licences held by Shield Resources Limited, the full details of which are contained in the 2014 Annual Report.

**11. Mining properties, and other equipment**

(US\$'000)	Gold processing plant	Mining assets	Assets under Construction	Mining and other equipment	Decommissioning asset	Deferred stripping asset	Total
<b>Cost</b>							
<b>At 1 January 2015</b>	<b>39,815</b>	<b>59,578</b>	<b>1,936</b>	<b>6,173</b>	<b>8,180</b>	<b>9,976</b>	<b>125,658</b>
Additions	423	1,501	8,509	124	-	-	10,557
Asset transfers	-	129	(332)	203	-	-	-
Mining costs capitalised	-	-	-	-	-	18,904	18,904
Disposals/write off	(368)	-	-	-	(3,709)	-	(4,077)
<b>At 31 December 2015</b>	<b>39,870</b>	<b>61,208</b>	<b>10,113</b>	<b>6,500</b>	<b>4,471</b>	<b>28,880</b>	<b>151,042</b>
<b>Accumulated Depreciation</b>							
At 1 January 2015	4,784	7,988	-	2,573	978	611	16,934
Charge for the year	6,561	20,411	-	1,124	1,347	13,572	43,015
Disposals/write off	-	-	-	-	-	-	-
<b>At 31 December 2015</b>	<b>11,345</b>	<b>28,399</b>	<b>-</b>	<b>3,697</b>	<b>2,325</b>	<b>14,183</b>	<b>59,949</b>
<b>Net book value</b>							
<b>At 31 December 2015</b>	<b>28,525</b>	<b>32,809</b>	<b>10,113</b>	<b>2,803</b>	<b>2,146</b>	<b>14,697</b>	<b>91,093</b>
<b>Cost</b>							
<b>At 1 January 2016</b>	<b>39,870</b>	<b>61,208</b>	<b>10,113</b>	<b>6,500</b>	<b>4,471</b>	<b>28,880</b>	<b>151,042</b>
Additions	76	4,856	41,603	2,232	1,014	-	49,781
Asset transfers	-	-	(5,196)	5,196	-	-	-
Mining costs capitalised	-	-	-	-	-	5,796	5,796
Disposals/write off	-	-	-	(113)	-	-	(113)
<b>At 31 December 2016</b>	<b>39,946</b>	<b>66,064</b>	<b>46,520</b>	<b>13,815</b>	<b>5,485</b>	<b>34,676</b>	<b>206,506</b>
<b>Accumulated Depreciation</b>							
At 1 January 2016	11,345	28,399	-	3,697	2,325	14,183	59,949
Charge for the year	5,564	23,291	-	972	418	16,869	47,114
Disposals/write off	-	-	-	(113)	-	-	(113)
<b>At 31 December 2016</b>	<b>16,909</b>	<b>51,690</b>	<b>-</b>	<b>4,556</b>	<b>2,743</b>	<b>31,052</b>	<b>106,950</b>
<b>Net book value</b>							
<b>At 31 December 2016</b>	<b>23,037</b>	<b>14,374</b>	<b>46,520</b>	<b>9,259</b>	<b>2,742</b>	<b>3,624</b>	<b>99,556</b>

The net carrying amount of property plant and equipment includes an amount of US\$12,151,000 (2015: US\$2,574,000) in respect of assets held under finance lease and equipment loan. Depreciation charge for these assets in the year amounted to US\$1,076,000 (2015: US\$604,000). The above assets which are not financed under the finance lease or equipment loan are encumbered as detailed further in note 18 in favour of a Security Agent acting on behalf of Investec Bank Limited.

**12. Subsidiary companies**

At 31 December 2016, the Group had the following subsidiary undertakings:

Name of company	Holding	Country of Incorporation	Principal activity
Shanta Gold Holdings Limited	100%	Guernsey	Holding Company
Chunya Gold Holdings Limited	100%	Guernsey	Holding Company
Rukwa Limited	100%	Guernsey	Investment Company
Shanta Mining Company Limited	100%	Tanzania	Exploration and mining
Boulder Investments Limited	100%	Cyprus	Investment Company
Shield Resources Limited	100%	Tanzania	Exploration and mining
Mgusu Mining Limited	100%	Tanzania	Exploration and mining
Nsimbanguru Mining Limited	100%	Tanzania	Exploration and mining
Chunya Resources Limited	100%	Tanzania	Dormant
Songea Resources Limited	100%	Tanzania	Dormant

**13. Categories of financial assets and liabilities**

(US\$'000)	31-Dec 2016	31-Dec 2015
<b>Current Assets measured at Amortised Cost</b>		
Trade and other receivables excluding prepayments	469	2,792
Restricted cash	-	500
Cash and cash equivalents	14,945	19,117
<b>Total financial assets at amortised cost</b>	<b>15,414</b>	<b>22,409</b>
<b>Financial liabilities measured at amortised cost</b>		
<i>Current financial liabilities</i>		
Loans and other borrowings (note 18)	14,660	4,062
Trade and other payables excluding warrants	11,148	5,883
	<b>25,808</b>	<b>9,945</b>
<i>Non-current financial liabilities</i>		
Convertible Loan (note 19)	14,298	23,446
Loans and other borrowings (note 18)	35,768	30,630
	<b>50,066</b>	<b>54,076</b>
<b>Total financial liabilities measured at amortised cost</b>	<b>75,874</b>	<b>64,021</b>
<b>Financial assets at fair value through profit or loss</b>		
Derivative financial assets—commodity hedge (note 25)	1,568	1,312
<b>Total financial assets at fair value through profit or loss</b>	<b>1,568</b>	<b>1,312</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.

Warrant instruments measured at fair value through profit or loss have been deemed to be level 3 liabilities under the fair value hierarchy as the fair value measured of these liabilities are not based on observable market data (unobservable input).

The reconciliation of the opening and closing fair value balance of level 3 financial instruments is provided below:

(US\$'000)	31-Dec 2016	31-Dec 2015
<b>Level 3</b>		
<b>Liabilities</b>		
At 1 January	-	(63)
Movement in fair value	-	63
<b>At 31 December</b>	-	-

During the year no impairments were recognised (2015: US\$ Nil). The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

#### 14. Trade and other receivables

(US\$'000)	31-Dec 2016	31-Dec 2015
Prepayment	3,667	498
Derivative financial asset (Note 25)	1,568	1,312
VAT receivable	8,272	4,115
Other receivables	468	2,792
	<b>13,975</b>	<b>8,717</b>

During the year no impairments were recognised (2015: US\$Nil). The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

#### 15. Inventories

(US\$'000)	31-Dec 2016	31-Dec 2015
Plant spares and consumables	7,406	4,996
Gold in ore stockpile, gold room and CIL	12,885	6,041
	<b>20,291</b>	<b>10,737</b>

The cost of consumable stores consumed during the year and included in cost of sales amounted to US\$11.3 million (2015: US\$9.1 million).

#### 16. Restricted cash

As per IAS 7 (Classification of Restricted Cash), an amount of US\$Nil (2015: US\$500,000) has been shown separately as it has an external restriction placed upon it. The amount is being held by Auramet Trading LLP as collateral fees for the hedging that is in place with the Company. At year end the Mark to Market value of open contracts did not require that the Company provide additional security and this was reimbursed.

#### 17. Trade and other payables

(US\$'000)	31-Dec 2016	31-Dec 2015
Trade payables	4,582	3,256
Accruals and other payables	6,566	2,627
	<b>11,148</b>	<b>5,883</b>

Trade payables and accruals primarily comprise amounts outstanding for trade purchases and ongoing costs. 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.

#### 18. Loans and other borrowings

(US\$'000)	31-Dec 2016	31-Dec 2015
<b>Current liabilities</b>		
Promissory notes <sup>1</sup>	3,158	-
Loans payable to Investec Bank less than 1 year <sup>2</sup>	9,148	3,356
Equipment loan <sup>3</sup>	579	579
Finance lease <sup>4</sup>	143	127
Finance lease <sup>5</sup>	1,632	-
	14,660	4,062
<b>Non-current liabilities</b>		
Promissory notes <sup>1</sup>	-	2,929
Loans payable to Investec Bank after more than 1 year <sup>2</sup>	26,730	25,877
Equipment loan <sup>3</sup>	1,013	1,448
Finance lease <sup>4</sup>	155	376
Finance lease <sup>5</sup>	2,337	-
Silver Stream <sup>6</sup>	5,533	-
	35,768	30,630
<b>Total loans and other borrowings</b>	<b>50,428</b>	<b>34,692</b>

(1) Promissory Notes: Promissory notes relate to Promissory Note 2 of US\$3.1 million issued in consideration for the acquisition of Boulder and is repayable on 15 April 2017. The notes bear annual interest of 2.6% and is payable semi-annually in arrears. The promissory notes are recognised at fair value and subsequently accounted at amortised cost. The fair value of the notes has been determined by discounting the cash flows using a market rate of interest which would be payable on a similar debt instrument obtained from an unconnected third party. Using a market interest rate of 9% and a contractual rate of 2.6%, the fair value of the promissory notes of US\$3.1 million was calculated to be US\$3.1 million.

(2) Loan from Investec Bank in South Africa relates to a drawdown of US\$40 million from two facilities totalling US\$40 million obtained in May 2015. The facilities bear an annual interest rate of 3-month USD LIBOR +4.9% and are secured on the bank account which is credited with gold sales, the shares in Shanta Mining Company Limited (SMCL) and a charge over the assets of SMCL.

Facility A is for US\$20 million and was used to pay the outstanding FBN Bank Ltd loan, accrued interest of US\$101,000 and loan arrangement fees of US\$600,000. Capital repayments



of US\$1.17 million are due every quarter end 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. Subsequent to year end this was termed out and converted into a term facility of which repayment of the drawn facility amount commences in the quarter ending 30 June 2017 on a quarterly basis over 3 years with the capital repayments of US\$1.54 million.

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 made between the Investec and the Security Agent, including any immovable property, moveable property, the Mining Licences, the relevant Prospecting Licences and surface right lease or access agreements and the assignment/charge over Investec's rights under and in terms of all bank accounts, material documents, insurances and insurance proceeds and all loans against any other member of the Group but excluding assets over which a Permitted Security Interest has been created
- A deed of debenture setting out the fixed and floating charge debenture governed by Tanzanian law over all assets and undertakings of Shield Resources Limited and made between Shield Resources Limited and the Security Agent, including any immovable property, moveable property, the relevant Prospecting Licences and surface right lease or access agreements and the assignment/charge over Shield Resources' rights under and in terms of all bank accounts, insurances, insurance proceeds and all loans and claims of Shield Resources against any other member of the Group but excluding assets over which a Permitted Security Interest has been created
- Together there is 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 which means each written deed entitled share pledge governed by Tanzanian law in terms of 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 the Shield Resources Pledge which means each written deed entitled share pledge governed by Tanzanian law in terms of 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

- (3) 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 rate of 6% per annum.
- (4) Finance Lease: This is in respect of a 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. This is classified as a finance lease because the rentals period amounts to the estimated useful economic life of the asset and after five years, the assets will be bought outright by the Company by paying a nominal amount.
- (5) Finance Lease: This is in respect of a lease to acquire mobile equipment from Sandvik, a capital amount of €4,634,000 (US\$5,261,000) repayable monthly over thirty six months commencing on 12 June 2016 for Tranche 1 and 14 September 2016 for Tranche 2 and payable quarterly. 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) Silver Stream: The Company entered into a silver streaming agreement ("SSA") with Silverback Limited ("Silverback"), a privately held Guernsey-based investment company, under which Silverback paid the Company an advanced payment of US\$5.25 million on closing. Silverback will also pay the Company an ongoing payment of 10% of the value of silver sold at the prevailing silver price at the time of deliveries which will be made annually. The SSA relates solely to silver by-product production from NLGM with minimum silver delivery obligations totalling 608,970 oz gold over a 6.75 year period. The term of the SSA is 10 years during which time the Company will sell silver to SSA 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 2016
Balance at 1 January	
Advance	(5,250)
Value of Silver transferred	1,660
Interest at the effective interest rate	(924)
Adjustment for value in future estimates	(1,019)
<b>At 31 December</b>	<b>(5,533)</b>

Future lease payments are due as follows:

(US\$'000)	2016			2015		
	Minimum Lease Payment	Interest	Present Value	Minimum Lease Payment	Interest	Present Value
Not later than one year	2,027	252	1,775	162	34	127
Between one year and five years	2,638	146	2,492	415	39	376
<b>At 31 December</b>	<b>4,665</b>	<b>398</b>	<b>4,267</b>	<b>577</b>	<b>73</b>	<b>503</b>
Current liability	-	-	1,775	-	-	127
Non-current liability	-	-	2,492	-	-	376

**19. Convertible Loan notes**

(US\$'000)	31-Dec 2016	31-Dec 2015
Balance at 1 January	23,446	21,843
Purchase by group company	(9,995)	-
Cash paid interest	(2,065)	(2,125)
Coupon interest (note 6)	2,065	2,125
Accreted Interest (note 6)	847	1,501
Amortisation of warrant costs	-	102
<b>At 31 December</b>	<b>14,298</b>	<b>23,446</b>

In 2015 the convertible loan notes related to US\$25 million fixed coupon convertible loan notes which were due for repayment on 13 April 2017 and contained 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 the year 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.

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. Accreted interest is charged to the statement of comprehensive income over the life of the notes. The Group determined that the modification of the terms of the outstanding loan notes was not a significant modification and therefore the effective interest rate was recalculated and is being recognised over the remaining term of the loan notes.

**20. Provision for decommissioning**

(US\$'000)	31-Dec 2016	31-Dec 2015
Balance at 1 January	5,979	8,970
Increase/(decrease) in provision	1,014	(3,709)
Unwinding of discount (note 6)	478	718
<b>At 31 December</b>	<b>7,471</b>	<b>5,979</b>

The above provision relates to site restoration at the New Luika Gold Mine and nearby open pits, which is expected to be utilised by 2022 based on the current mineable resource. The additional provision predominately relates

to the additional areas created by the waste rock dumps associated with the mining at the Ilunga Pit. The amount of US\$5,485,000 (2015: US\$4,471,000) is included in mining properties within property, plant and equipment. The increase in the expected costs that will be incurred is based on a revision of the planned work programs taking cognisance of planned rehabilitation to take place during the current mining operations. 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.

**21. Share capital**

	31-Dec 2016	31-Dec 2015
665,000,000 ordinary shares of 0.01 pence each	£66,500	£66,500

Issued and fully paid	Number	£	US\$'000
At 1-Jan-2015	464,388,679	46,438	76
Issued in year	4,388,804	439	-
As at 31-Dec-2015	468,777,483	46,877	76
Issued in year	114,168,218	11,418	17
<b>As at 31-Dec- 2016</b>	<b>582,945,701</b>	<b>58,295</b>	<b>93</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.

**22. Warrants issued**

During the year no warrants were issued. As at 31 December 2016, all of the warrants in issue had lapsed.

**23. Share-based payments***Equity-settled share option scheme*

Options in issue are as follows:

Grant date	Exercise price (p)	Final exercise date	Number of options at 31-Dec-16	Number of options at 31-Dec-15
10 August 2006	59	10 August 2016	-	43,649
25 April 2008	8.5	25 April 2018	350,000	450,000
8 September 2009	6	8 September 2019	400,000	750,000
27 July 2010	18.2	27 July 2020	955,000	1,005,000
17 November 2010	28.3	17 November 2020	-	250,000
26 September 2011	25	26 September 2021	500,000	1,250,000
26 September 2011	30	26 September 2021	-	1,500,000
26 September 2011	35	26 September 2021	-	1,000,000
6 January 2012	23.13	6 January 2022	1,770,000	2,130,000
23 August 2012	25	23 August 2022	250,000	250,000
23 August 2012	30	23 August 2022	500,000	500,000
23 August 2012	35	23 August 2022	500,000	500,000

There were no market conditions within the terms of the grant of the options. The main vesting condition for all the options awarded was that the employee or Director remained contracted to the Company at the date of exercise. All such options, subject to the remuneration committee discretion, lapse 12 months after an employee or Director leaves the Group before the options vest. All options vest over a three-year period in tranches of 25%, 25% and 50% respectively.

	31 December 2016		31 December 2015	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Details of the share options outstanding during the year are:				
Outstanding at 1 January	8,878,649	0.254	12,283,661	0.238
Lapsed share options	(3,653,649)	0.269	-	-
Exercised options	-	-	(350,000)	0.060
Outstanding at end of year	5,225,000	0.220	8,878,649	0.254
Exercisable share options at the end of year	5,225,000	0.220	8,878,649	0.254

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	\$94,989	\$181,336	\$173,645	\$700,984

### Share based payments

#### 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	No. shares at 31-Dec-16	No. shares at 31-Dec-15
01-Apr-13	0p	31-Mar-17	598,500	736,500
01-Apr-13	0p	31-Mar-17	2,493,500	4,125,000
01-Apr-14	0p	31-Mar-18	504,000	643,500
01-Apr-14	0p	31-Mar-18	1,270,500	1,606,500
01-Jan-15	0p	31-Dec-17	1,000,000	1,000,000
01-Jan-15	0p	31-Dec-17	500,000	500,000
15-Apr-16	0p	28-Feb-18	550,000	-
15-Apr-16	0p	30-Jun-18	400,000	-
15-Apr-16	0p	21-Dec-19	1,000,000	-
WAEP	0p	Outstanding at end of yr.	8,316,500	8,611,500
WAEP	0p	Exercisable at end of yr.	1,314,500	846,500

Details of the share options outstanding during the year are:

(US\$'000)	31-Dec 2016	31-Dec 2015
Outstanding at 1 January	8,611,500	9,681,000
Lapsed	(2,222,500)	(1,631,000)
New awards at 1 January	1,950,000	1,500,000
Exercised	(22,500)	(938,500)
Outstanding at end of year	<b>8,316,500</b>	<b>8,611,500</b>

The Company's mid-market closing share price at 31 December 2016 was 9.375 pence (2015: 4.63 pence). The lowest and highest mid-market closing price during the year was 5.000 pence (2015: 4.125 pence) and 12.38 pence (2015: 11.25 pence) respectively.

The vesting periods for the 598,500 shares awarded on 1 April 2013 were that 25% would vest on 31 March 2015, another 25% would vest on 31 March 2016, and then 50% would vest on 31 March 2017, subject to the recipients being in the Group's employment on these dates.

The vesting conditions of the 2,493,500 shares awarded on 1 April 2013 are dependent on meeting certain market conditions. The fair value at the date of grant was determined using a probability of meeting the market conditions using the Monte Carlo method.

The vesting periods for the 504,000 shares awarded on 1 April 2014 were that 25% would vest on 31 March 2015, another 25% would vest on 31 March 2016, and then 50% would vest on 31 March 2017, subject to the recipients being in the Group's employment on these dates.

The vesting conditions of the 1,270,500 shares awarded on 1 April 2014 are dependent on

meeting certain market conditions. The fair value at the date of grant was determined using a probability of meeting the market conditions using the Monte Carlo method.

The vesting conditions of 1,000,000 shares awarded on 1 January 2015 are dependent on meeting certain market conditions. The trigger price on 500,000 shares was achieved in January 2016. A further 500,000 retention shares have been issued to Toby Bradbury and these vest on 31 December 2017. The fair value at the date of grant was determined using a probability of meeting the market conditions using the Monte Carlo method.

The vesting conditions of the 550,000 and 400,000 shares awarded on 15 April 2016 were that 100% would vest on 28 February 2016 and 30 June 2018 respectively, subject to the recipients being in the Group's employment on these dates.

The vesting conditions of the 1,000,000 shares awarded on 15 April 2016 are dependent on meeting certain market conditions. The fair value at the date of grant was determined using a probability of meeting the market conditions using the Monte Carlo method.

#### 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.

#### 24. Categories of financial assets and liabilities

(US\$'000)	31-Dec 2016	31-Dec 2015
(Loss) before taxation for the year	(4,339)	(18,110)
Adjustments for:		
Depreciation/depletion of assets	47,114	43,015
Amortisation/write off of intangible assets	5	78
Loss on disposal of assets	-	368
Share based payment costs	200	527
Gain on non-hedge derivatives	(256)	(1,312)
Unrealised exchange losses	45	276
Finance income (note 5)	(98)	(112)
Finance expense (note 6)	7,474	7,097
Operating cash flow before movement in working capital	50,145	31,827
(Increase) /Decrease in inventories	(9,553)	1,970
(Increase) /Decrease in receivables	(5,503)	1,718
Increase /(Decrease) in payables	5,266	(260)
	<b>40,354</b>	<b>35,255</b>
Taxation paid	(122)	(287)
Interest received	98	49
<b>Net cash flow from operating activities</b>	<b>40,330</b>	<b>35,017</b>



## 25. 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:

- Loans and Trade and other receivables
- Cash and cash equivalents
- Restricted cash
- Trade and other payables
- Loans
- Convertible Loan Notes
- Silver Stream advance on silver revenues
- Finance leases and asset loans
- Commodity price hedging

The Group held derivative financial instruments during the years ended 31 December 2016 and 2015 and these were in respect of forward sales of gold. 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.

At 31 December 2016, the following commodity hedges were in place:

Product	Fixed price	Start date	End date	Quantity	Mark to market US\$000s
Gold - USD	1,297	2016-11-02	2017-04-28	1,000	151
Gold - USD	1,300	2016-11-02	2017-05-31	1,000	153
Gold - USD	1,300	2016-11-02	2017-05-31	1,000	153
Gold - USD	1,300	2016-11-03	2017-08-31	3,000	447
Gold - USD	1,310	2016-11-09	2017-06-30	2,000	323
Gold - USD	1,320	2016-11-09	2017-07-31	2,000	341
<b>Gain on non-hedge derivatives</b>					<b>1,568</b>

At 31 December 2015, the following commodity hedges were in place:

Product	Fixed price	Start date	End date	Quantity	Mark to market US\$000s
Gold - USD	1,070	2015-12-08	2016-05-31	3,000	26
Gold - USD	1,176	2015-10-16	2016-04-29	1,000	115
Gold - USD	1,176	2015-10-16	2016-03-31	1,000	115
Gold - USD	1,181	2015-10-15	2016-04-29	2,000	239
Gold - USD	1,181	2015-10-15	2016-03-31	2,000	239
Gold - USD	1,140	2015-09-24	2016-02-29	1,500	118
Gold - USD	1,140	2015-09-24	2016-01-29	1,500	118
Gold - USD	1,130	2015-08-28	2016-01-29	2,500	171
Gold - USD	1,130	2015-08-28	2016-02-29	2,500	171
<b>Gain on non-hedge derivatives</b>					<b>1,312</b>

The risk management policies employed by the Group to manage these risks are set out below.

### 25.1 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 is 0.995%. The variable rate loans bear interest at LIBOR + 4.9%. Currently, the interest charge per month is an average of US\$175,000 (2015: US\$133,000). A 1% increase or decrease in the LIBOR rate will increase or decrease the monthly interest charge by approximately US\$33,000 (US\$23,000 after tax) (2015: US\$25,000, US\$17,500 after tax).

The Group's cash and cash equivalents are carried at an effective interest rate of 1% (2015: 1%).

### 25.2 Credit risk

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

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

#### a) Trade and other receivables

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

#### b) Cash and cash equivalents

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

To manage this exposure, the Group has a policy of maintaining its cash and cash equivalents with counterparties that have a credit listing of at least A from independent

rating agencies. Given this high credit rating, the Directors do not expect any counterparty to fail. The Board has reviewed the maximum exposure on the Group financial assets and has concluded that the carrying values as at reporting date are fully recoverable.

#### c) Restricted cash

The Group has paid to Auramet Trading LLC, an amount of US\$Nil (2015: US\$500,000) as collateral fees for the forward sales contracts that it has set up with Auramet. Although the Group has no control over the money, Auramet cannot use the money.

### 25.3 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 2016		
	On demand	Within 1 year	After 1 year
Loans and other borrowings	-	(11,322)	(29,383)
Equipment loan	-	(653)	(914)
Finance lease	-	(2,524)	(3,392)
Promissory notes	-	(3,158)	-
Silver Stream	-	-	(5,533)
Other payables and accruals	(11,148)	-	-
	<b>(11,148)</b>	<b>(17,657)</b>	<b>(39,222)</b>

(US\$'000)	31 December 2015		
	On demand	Within 1 year	After 1 year
Loans and other borrowings	-	(5,461)	(30,705)
Equipment loan	-	(689)	(1,569)
Finance lease	-	(160)	(308)
Promissory notes	-	-	(2,929)
Other payables and accruals	(5,883)	-	-
	<b>(5,883)</b>	<b>(6,310)</b>	<b>(35,511)</b>

#### 25.4 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 and Sterling, but these are not significant as most of the transactions are in USD. However, the Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

(US\$'000)	31 December 2016				
	USD	TZS	EUR	GBP	Total
Trade and other receivables	4,136	-	-	-	4,136
Derivative financial asset	1,568	-	-	-	1,568
Cash and cash equivalents	14,224	709	-	12	14,945
Trade and other payables	(9,675)	(1,272)	(66)	(136)	(11,149)
Loans and other borrowings	(46,358)	-	(3,969)	-	(50,327)
Convertible loan notes	(14,298)	-	-	-	(14,298)
Net exposure	(50,403)	(563)	(4,035)	(124)	(55,125)

(US\$'000)	31 December 2015				
	USD	TZS	EUR	GBP	Total
Trade and other receivables	7,405	-	-	-	7,405
Cash and cash equivalents	1,312	-	-	-	1,312
Trade and other payables	18,749	353	-	15	19,117
Loans payable to related parties	(5,846)	(1)	-	(36)	(5,883)
Restricted cash	500	-	-	-	500
Loans and other borrowings	(34,692)	-	-	-	(34,692)
Convertible loan notes	(23,446)	-	-	-	(23,446)
Net exposure	(36,018)	352	-	(21)	(35,687)

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	
	2016	2015	2016	2015
TZS 1	0.001	0.001	0.001	0.001
EUR 1	1.1066	1.1097	1.0523	1.0867
GBP 1	1.3557	1.5285	1.2332	1.4803

#### 25.5 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.

The Group has a US\$36.5 million loan facility from Investec Bank Limited in South Africa, all of which has been drawn down. In 2016 the Facility B was fully drawn down and has post year end been converted into a term loan. Full details are included in Note 18.

#### 26. Related party transactions

Details of the remuneration and share options of the directors, who are key management personnel, are contained within note 7 and the Directors Report. Toby Bradbury is the only Executive Directors during the year. Executive Directors are considered key management.

Details of Directors' share based payments are disclosed in the Directors' Report.

#### 27. Commitments

The Directors confirm that the Group has a capital commitment of US\$38.54 million (2015: US\$28.62 million) relating to plant equipment, infrastructure projects and feasibility studies at New Luika Gold Mine. As at 31 December 2016, the Group had forward sales commitments of 21,000 ounces of gold at an average price of US\$1,318 per oz. Since the year end, the Group has entered into additional forward sales contracts for 22,000 oz (2015: 12,000 oz). The total forward sales commitments at June 2017 was 36,000 oz (2015 32,000 oz) at an average price of \$1,281/oz (2015 US\$1,172 oz).

#### 28. Contingent liabilities

Shanta Mining Company Limited ("SMCL") has acquired certain prospecting licences and mining licences under agreements which provide for payments to be made in certain circumstances to the party from whom the licence was acquired. Payments under these agreements are unquantified at this time but the maximum amount payable is not considered to be material. Such payments are linked to the proven and probable reserves once established.

The Directors confirm that there are no other contingent liabilities as at 31 December 2016 (2015: US\$Nil).

## **29. Events after reporting date**

### **29.1 Completion of €2.1 million underground equipment financing**

On 18 May 2017 the Company announced that it has completed a finance agreement with Sandvik Mining and Construction OY. The approximately €2.1 million (US\$2.3 million) financing will be used to purchase underground mobile equipment and is repayable quarterly in two tranches over respective 36 month periods. The first tranche will be repayable from June 2017 and the second from October 2017. Both tranches will carry a fixed interest cost of 6.5%.

### **29.2 Power Station equipment financing**

On 22 May 2017 the Company announced that it has received US\$10.0 million financing from Exim Bank (Tanzania) Limited following the commissioning in March 2017 of its 7.5 Mega Watts ("MW") Power Station (the "Power Station") at the New Luika Gold Mine ("NLGM" or "the Mine") located in the Lupa Goldfield in southwest Tanzania. The facility is for US\$10.0 million, and is a four-year term loan amortizing quarterly, bearing variable interest at 7.25% per annum (2.75% below the Exim Base Lending Rate). The facility is split into a US\$7.5 million long term funding and US\$2.5 million short-term funding for working capital. The term loan is secured against the NLGM Power Station.











# 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 Twelfth Annual General Meeting of the shareholders of the Company will be held at Suite A, St Peter Port House, Sausmarez Street, St Peter Port, Guernsey, GY1 2PU on 3 July 2017 at 10.00am (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 2016.
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 fix the directors' remuneration as US\$1,087,000
5. To re-appoint BDO LLP as the auditors of the Company
6. To authorise the directors to fix the remuneration of the auditors as the directors see fit
7. To consider and if thought fit re-elect Toby Bradbury as director of the Company who retires by rotation and who makes himself available for re-election as a director of the Company
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

### Special resolutions

9. That the regulations contained in the document signed for the purposes of identification by the Chairman be and are hereby approved and adopted as the new articles of incorporation of the Company

Dated 12 June 2016

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 Twelfth 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 Suite A, St Peter Port House, Sausmarez Street, St Peter Port, Guernsey, GY1 2PU on 3 July 2017 at 10.00am and at any adjournment thereof and to attend and vote thereat as indicated below. To allow effective constitution of the Meeting, if it is apparent to the Chairman that no shareholders will be present in person or by proxy, other than by proxy in the Chairman's favour, then the Chairman may appoint a substitute to act as proxy in his stead for any shareholders provided that such substitute proxy shall vote on the same basis as the Chairman.

Please indicate with an 'X' in the appropriate space how you wish your votes to be cast (see Note 4):

### Ordinary Resolutions—Ordinary Business

	For	Against	Vote withheld
1. Ordinary Resolution to receive and consider the profit and loss account and the balance sheet of the Company for the financial year ended 31 December 2016	<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 fix the directors' remuneration at US\$1,087,000	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Ordinary Resolution to re-appoint BDO LLP as the auditors of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. 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"/>
7. Ordinary Resolution to consider and if thought fit re-elect Toby Bradbury 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"/>
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"/>

### Special Resolutions

9. That the regulations contained in the document signed for the purposes of identification by the Chairman be and are hereby approved and adopted as the new articles of incorporation of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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\_\_\_\_\_  
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: [kelly.regnard@providentfg.com](mailto:kelly.regnard@providentfg.com) or posting the original to: PO Box 240, Suite A, St Peter Port House, Sausmarez Street, St Peter Port, Guernsey, GY1 3PG not less than 48 hours before the time appointed for holding the meeting or adjourned meeting
7. In the case of joint holders, the signature of any one of them will suffice, but if a holder other than the first-named holder signs, it will help the Registrars if the name of the first-named holder is given
8. Any alteration to this Form of Proxy must be initialled
9. Completion and return of this Form of Proxy does not preclude a member subsequently attending and voting at the Meeting

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





