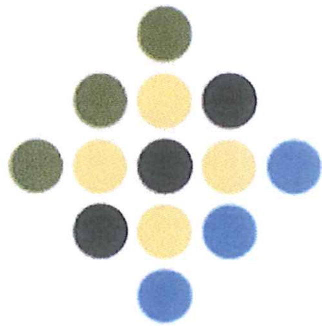

SHANTA GOLD

Annual Accounts 2011

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CHAIRMAN'S ADDRESS TO SHAREHOLDERS

After what seems like much longer than a year since my previous account to the shareholders of Shanta Gold, it is with enormous pleasure that I share with you the progress we have made in our journey of sustained transformation from a junior exploration company to an emerging gold producer with both near and medium-term growth prospects.

Gold Operations

The first phase of our journey has culminated in the establishment of our first gold mine, the New Luika Gold Mine, in the Chunya district of Tanzania. Work commenced during April 2011, with the first ore mined during November. Already management at this project has built up an enviable safety record with over one million injury-free hours worked.

There has been significant and tangible progress on the ground, including the erection of the crushing, milling and leaching circuits. An onsite laboratory, which will facilitate the quick turnaround of assay samples for grade and metallurgical controls is complete. A particularly gratifying aspect to this development is the availability of power and water. The conventional carbon in leach plant is powered by six diesel generation sets, while the company has built a weir on the nearby Luika river to mitigate possible water shortages in the plant. We have also obtained a screening plant that will treat gold bearing gravels, which are not included in our resource.

The delay in commissioning of the plant has been influenced by security concerns and the need for a high security gold room to be constructed. While the delay is somewhat disappointing, it has given us the opportunity of commencing mining operations and the build up of surface stockpiles, allowing management the flexibility of access to varying grades at the time of commissioning and to ramp up quickly to nameplate capacity.

The economic prospects of New Luika were enhanced by a significant increase in the resource announced in May 2011, combined with spectacular drilling results during June. The drilling campaign focused on the optimization of New Luika's main ore deposits at Bauhinia Creek.

Medium-term growth and exploration

A pivotal development in our strategy to grow Shanta into a mid-tier gold producer over the forthcoming years was the joint venture agreement reached with Great Basin Gold Limited ("GBG") on 1 June 2011. The due diligence process under this agreement was finalised on 14 November 2011 with terms that entitle Shanta to an 80% interest in GBG's exploration assets within the historic Lupa Goldfields, in exchange for Shanta funding and carrying out exploration activities in the area.

Our teams on the ground have made solid strides in moving our Singida prospect up the value curve. The Singida project is earmarked to be the Group's second producing gold mine in Tanzania. Post the year end we appointed Mr Philbert Rweyemamu as the general manager of the project. Mr Rweyemamu is responsible for the final design and construction of the project and management of the subsequent gold mine.

Positive feasibility study results in July were followed in December by the granting of our mining licences for Singida. A number of funding options to finance the move into production are being considered by the Board and the timing of the start up of construction and mining activities will be announced in due course. In the interim, evaluations such as the resettlement of affected persons and water permitting will be undertaken.

Restructuring and transformation

With the shifting profile of the Group, we have made a number of changes at the executive level. Gareth Taylor, appointed as COO in May 2011, took on the position of CEO on 1 October 2011. Gareth's energy and experience in Tanzania is of enormous value to the company and its operations.

I would like to thank Walter Vorwerk, Chief Financial Officer until his resignation at the end of the financial year, for steering us through the early days and the Group's AIM listing in 2005. Walter has been succeeded by Edward Johnstone, who took on the role of CFO in November 2011.

In conclusion

The year has not been without challenges, both seen and unforeseen. I am grateful for the vision of my fellow board members, management and contractors who are integral in the building of our company and its long-term plans and to see Shanta debut as a Tanzanian gold producer in 2012.

Walton Imrie

Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

2011 was a significant year for Shanta as we continued the development towards our first gold production.

In July 2011, despite difficult public market conditions, the Company was able to raise £15 million from new and existing shareholders, which supported the construction of the New Luika plant and the beginning of mining of ore at the mine site.

A key driver of the Board's decision making in 2011 was the expected, now confirmed, increase in the New Luika Gold Mine resource as a result of further exploration drilling at the Bauhinia Creek target. Early in 2011, the Board took the decision to increase the capital budget of the mine from $23million to $29million to enable the installation of a second mill and increase the installed milling capacity from 50 to 75 tonnes per hour. This decision was justified when the resource statement was published in April and the Bauhinia Creek resource increased from 75,000 ounces at 2.5 g/t to 355,000 ounces at 5.5 g/t. Modelling showed that changing the mining and feed schedule of the mine by bringing Bauhinia Creek forward to the first ore feed, resulted in an increase in the mine NPV from $28 million to $66 million ($1,200/ounce gold price).

Good progress has been made to implement a practical, yet strict, grade control process. First reconciliation of resource to grade control models shows a decrease in tonnage of 6% and an increase in grade of 12%. Ore stockpiled from these blocks has shown that the planned parameters of 11% dilution and 6% gold loss can be beaten as the grades on stockpile are well above planned.

The New Luika Gold Mine financial model is based on feeding run of mine ore (ROM) at 50 tonne per hour and feeding ore from surface sources at 25 tonne per hour.

The first surface source comes from elluvial gravels at the Luika target. 500,000 tonnes of elluvial gravel is available as free-dig. Once screened to the plus 10mm fraction, 180,000 tonnes of ore is available at an average grade of 2.9 g/t.

All open pits in the New Luika production schedule were originally modelled to 100m depth only and are open at depth. Infill, strike and depth extension drilling has been undertaken at Bauhinia Creek, Jamhuri, Black Tree Hill and Elizabeth Hill targets. Raw results from Bauhinia Creek were announced in June 2011 and the intersection showed that the ore body is increasing in grade and width to the west and with depth. Based on the exceptional results announced in June 2011 further strike and depth extension drilling was undertaken. The resource statement scheduled to be released in July 2012 is expected to show a substantial increase in the New Luika resource which will enable the Company to produce an updated mine plan and production forecast.

While the move into production at New Luika will be a major milestone for the Company, Shanta has also made significant progress in securing its growth pipeline. In June 2011 the Company completed a joint venture agreement with Great Basin Gold covering the prolific Lupa goldfields adjacent to our New Luika mine. The exploration programme within this prospective ground holding is already underway, supporting Shanta's vision of becoming a mid tier producer. This fits very nicely within the expertise and track record of our exploration team.

Although the delay to commencement of production at New Luika has been frustrating, since the year end, the Company has achieved a number of key milestones on the pathway to production. The fundraising announced in April 2012 has enabled the Company to complete the construction of the New Luika plant, with the successful wet commissioning undertaken in June 2012. With the first gold production expected in Q3 2012, the Company is well positioned to ramp up production through its high grade feedstock that has been stockpiled since ore mining commenced in November 2011.

With production scheduled to commence imminently, an upgraded resource statement due in July and an exploration drilling programme underway across the Company's joint venture area, the Board believes the Company is well placed to deliver significant value for shareholders in the year ahead.

Gareth Taylor

Chief Executive Officer

Directors' report

The directors present their report and financial statements of the company and the group for the year ended 31 December 2011.

Status

The company was established in 2005. On 11 July 2005 its shares were listed on the London Stock Exchange's Alternative Investment Market (AIM).

The company is a limited company incorporated in Guernsey.

Principal activity

Investment in gold exploration and gold production in Tanzania.

Business review

A review of the business during the year is contained in the Chairman's statement on page 3 and in the Chief Executive Officer's review on page 4. 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, financed by the company. This has resulted in the group's net loss of US$ 12.273 million. In common with all exploration companies it is likely that these losses will continue until the subsidiaries move into operations. Until then, it is through the expenditure of money in the discovery of resources that value is added for the shareholders of the company.

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

Nominated advisor

Up until 28 March 2012 the Company's nominated advisor was Fairfax I.S. PLC. Subsequent to this date the nominated advisor is Liberum Capital Limited.

Financial results

The results for the year are set out in the attached financial statements.

As the company made a loss for the year ended 31 December 2011, no dividends have been recommended by the board of directors (2010: nil dividends).

Directors

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

Walton Norman Brian Imrie
Paul David Heber
Ketankumar Vinubhai Patel
David Scott (resigned 26 June 2011)
Gareth John Taylor
Walter Egmund Vorwerk (resigned 31 December 2011)
Maheshkumar Raojibhai Patel (Alternate director)

Mr M R Patel has been appointed as an alternate director to Mr K V Patel. As an alternate director, he is allowed to attend and vote at any board meeting at which Mr K V Patel is not present.

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

Directors' contracts

W N B Imrie is executive chairman and in January 2011 Mr Imrie signed a new service agreement with a six-month notice period. As remuneration for his services, the company pays remuneration of US$390 000 per annum. With effect from 1 March 2012 the service agreement was superseded by a consulting contract with Partridge Consultants Limited to provide the services of W N B Imrie at a cost of $390 000 per annum.

K V Patel as non-executive director had an agreement and £25 000 per annum with a three-month notice period. With effect from 1 March 2012 the service agreement was superceded by a consulting contract.

G J Taylor is an executive director. In January 2011 Mr Taylor signed a new service agreement with a 91 day notice period. As remuneration for his services the company paid remuneration of US$300 000 per annum. With effect from 1 March 2012 the service agreement was

superceded by a consulting contract with Partridge Consultants Limited to provide the services of G J Taylor at a cost of $300 000 per annum.

P D Heber as a non-executive has an agreement for £25 000 per annum.

Directors' Remuneration							
	31-Dec-11				31-Dec-10		
	US$' 000	US$' 000	US$' 000	US$' 000	US$' 000	US$' 000	US$' 000
	Termination Payment	Performance bonus	Salary	Total	Performance bonus	Salary	Total
Walton Norman Brian Imrie	–	–	385	385	66	180	246
Paul David Heber	–	57	37	94	–	5	5
Ketankumar Vinubhai Patel	–	57	37	94	33	14	47
Gareth Taylor	–	–	300	300	33	150	183
Walter Egmund Vorwerk	76	–	317	393	66	218	284
Walter David Scott	–	–	91	91	66	166	232
Maheshkumar Raojibhai Patel (Alternate director)	–	–	–	–	–	–	–
Total	76	114	1 167	1 357	264	733	997

The directors are provided with life assurance cover of the higher of US$200 000 and four times their directors' fees.

Directors' interests

The interest of the directors (all of which are beneficial) in the issued ordinary share capital of the company are as follows:

	31 December 2011		31 December 2010	
	Number each of ordinary shares	%	Number each of ordinary shares	%
Walton Norman Brian Imrie	10 161 241	3.74	9 320 959	5.20
Paul David Heber	256 933	0.09	41 600	0.02
Ketankumar Vinubhai Patel	13 659 340	5.03	10 343 750	5.76
Gareth Taylor	831 490	0.31	498 952	0.28
Walter Egmund Vorwerk	1 019 277	0.38	869 709	0.48
Maheshkumar Raojibhai Patel (Alternate director)	13 659 340	5.03	10 343 750	5.76
Walter David Scott	-	-	386 074	0.20

Directors' responsibilities

Company law requires directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group at the end of the year and of the profit or loss of the company for that year in accordance with applicable laws. 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 company and 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 company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the company 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 the directors are aware, there is no relevant audit information of which the company's auditor is unaware, having taken all steps the directors ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

A statement of corporate governance is included on page 9.

Share options

The following share options have been granted to the following directors under the Share Option Plan:

	Grant date	Number of share options	Option price
Walton Norman Brian Imrie	29-Jul-05	168 006	25p
Walton Norman Brian Imrie	07-Sep-09	350 000	6p
Walton Norman Brian Imrie	16-Nov-10	250 000	28.25p
Walton Norman Brian Imrie	26-Oct-11	250,000	25.00p
Walton Norman Brian Imrie	26-Oct-11	750,000	30.00p
Walton Norman Brian Imrie	26-oct-11	1,000,000	35.00p
Gareth Taylor	16-Nov-10	125 000	28.25p
Gareth Taylor	26-Oct-11	250,000	25.00p
Gareth Taylor	26-Oct-11	750,000	30.00p
Gareth Taylor	26-Oct-11	1,000,000	35.00p
Ketankumar Vinubhai Patel	29-Jul-05	168 006	25p
Ketankumar Vinubhai Patel	07-Sep-09	150 000	6p
Walter Egmund Vorwerk	29-Jul-05	466 685	25p
Walter Egmund Vorwerk	14-Jul-06	363 718	59p
Walter Egmund Vorwerk	07-Oct-09	350 000	6p
Walter Egmund Vorwerk	16-Nov-10	250 000	28.25p
Walter Egmund Vorwerk	26-Oct-11	250,000	25.00p
Maheshkumar Raojibhai Patel (alternate director)	29-Jul-05	168 000	25p

The share option plan was adopted by the board of directors on 1 July 2005. Details of the share option plan are available at the company's registered office.

No directors' options lapsed as a result of vesting conditions not being met. No directors' options were exercised during the year.

Under the share option plan where the option holder relinquishes his contract of employment with the company, any vested options will expire after 12 months from date of termination of their contract, unless otherwise agreed by the Directors.

Further details, including share options provided to employees of the group, are contained in note 25 to the financial statements.

Substantial shareholdings

The following shareholders held more than 3% of the issued ordinary shares of the company as at 31 December 2011 as per the share register:

	Shares	%
Total shares in issue	271 560 546	100
Aurora	37 092 222	13.66
Export Holdings Limited	27 318 680	10.06
Lynchwood Nominees Limited	23 830 418	8.78
Redmayne (Nominees) Limited	20 554 218	7.57
State Street Nominees	13 077 778	4.82
Barclayshare Nominees Limited	12 682 684	4.67
Secure Nominees	11 480 556	4.23
W N B Imrie	10 343 250	3.74
DRA Africa	9 803 922	3.61
TD Direct Investing Nominees	9 054 851	3.33
The Bank of New York (Nominees)	8 426 622	3.10

Auditor

BDO Limited has expressed their willingness to continue in office as auditors and a resolution to re-appoint BDO Limited will be proposed at the forthcoming annual general meeting.

Going concern

After making enquiries, and bearing in mind the nature of the company and group's business and assets, the directors consider that the company and 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.

Signed on behalf of the board of directors on 29 June 2012.

Walton Imrie

Gareth Taylor

Corporate governance

Guernsey does not have its own corporate governance regime. As a Guernsey-registered company it is not required to comply with the Combined Code on Corporate Governance issued by the Financial Reporting Council.

Board of directors

The company has two executive directors and two non-executive directors. 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 chief geologist 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 company 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 2011:

Directors				
		Board	Audit	Remuneration
			Committee	Committee
Walton Norman Brian Imrie	Executive	5	n/a	n/a
Gareth Taylor	Executive	5	n/a	n/a
Ketankumar Vinubhai Patel	Non-executive	3	n/a	n/a
Paul David Heber	Non-executive	5	n/a	n/a
Walter Egmund Vorwerk	Executive	5	n/a	n/a
Walter David Scott	Executive	2	n/a	n/a
Maheshkumar Raojibhai Patel	Alternate director	4	n/a	n/a

Audit committee

An Audit Committee, comprised of two non-executive directors being K Patel and P D Heber, has been established by the company. The Audit Committee aims to meet at least twice 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 and reviewing their reports and accounts and the group's internal controls.

Remuneration committee

The company has established a Remuneration Committee, comprised of two non-executive directors. The Remuneration Committee aims to meet at least once a 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 board committee

The board continues to assume responsibility for safety, environment and community, thereby indicating the importance of these aspects.

Signed on behalf of the board of directors on 29 June 2012.

Walton Imrie

Gareth Taylor

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 2011 which comprise the Group and Parent Company Statements of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Statements of Cash Flows and the related notes 1 to 32. 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 is undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 Auditing Practices Board's (APB'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 and parent company'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. If we become aware of any apparent 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 and of the parent company's affairs as at 31 December 2011 and of the group's loss and the parent company's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly 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 Limited

CHARTERED ACCOUNTANTS
Place du Pré
Rue du Pré
St Peter Port
Guernsey
Date: 29 June 2012

Statements of comprehensive income

		GROUP		COMPANY	
		31 December 2011	31 December 2010	31 December 2011	31 December 2010
	Notes	US$' 000	US$' 000	US$' 000	US$' 000
Revenue		-	-	-	-
Cost of sales		-	-	-	-
Gross profit		-	-	-	-
Administration expenses		(4 969)	(2 692)	(2 464)	(1 881)
Exploration and evaluation costs		(3 508)	(4 970)	-	-
Impairment of intangible assets	9	(3 558)	(122)	-	-
Operating loss		**(12 035)**	**(7 784)**	**(2 464)**	**(1 881)**
Finance income	4	28	15	28	15
Finance expense	5	(266)	-	(266)	-
Loss before taxation	6	**(12 273)**	**(7 769)**	**(2702)**	**(1 866)**
Taxation	7	-	-	-	-
Loss for the year		(12 273)	(7 769)	(2 702)	(1 866)
Other comprehensive income for the year		-	-	-	-
Total comprehensive loss for the year		**(12 273)**	**(7 769)**	**(2 702)**	**(1 866)**
Earnings per share					
Basic loss per share (US cents)	8	(5.58)	(6.14)		

The loss for the year and the total comprehensive loss for the year is attributable to the equity holders of the parent company. There are no minority interests.

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

The accompanying notes on pages 15 to 38 form an integral part of these financial statements.

Statements of financial position

		GROUP		COMPANY	
		31 December	31 December	31 December	31 December
		2011	2010	2011	2010
	Notes	US$' 000	US$' 000	US$' 000	US$' 000
Assets					
Non-current assets					
Intangible assets	9	876	4 376	-	-
Property, plant and equipment	11	40 306	221	-	-
Investment in subsidiary companies	12	-	-	-	-
Loans receivable from subsidiary companies	12	-	-	74 984	33 723
		41 182	4 597	74 984	33 723
Current assets					
Trade and other receivables	14	3 748	2 950	1 246	2 412
Cash and cash equivalents		572	17 050	522	16 898
		4 320	20 000	1 768	19 310
Total assets		45 502	24 597	76 752	53 033
Equity and liabilities					
Equity					
Share capital	19	45	30	45	30
Share premium	20	81 029	55 936	81 029	55 936
Share option reserve	21	1 722	1 088	1 722	1 088
Shares to be issued reserve		-	92	-	92
Warrant reserve	22	-	336	-	336
Translation reserve	23	400	400	-	-
Retained losses	24	(46 296)	(34 023)	(7 715)	(5 013)
Total equity		34 219	23 859	75 081	52 469
Current liabilities					
Trade and other payables and accruals	16	6 129	402	212	228
Provision for decommissioning	18	1 014			
Other loans	17	1 123	-	1 123	-
Loans payable to related parties	15	336	336	336	336
Total liabilities		8 602	738	1 671	564
Total equity and liabilities		45 502	24 597	76 752	53 033

The financial statements on pages 11 to 38 were approved and authorised for issue by the board of directors on 29 June 2012 and signed on its behalf by:

Walton Imrie

Gareth Taylor

The accompanying notes on pages 11 to 38 form an integral part of these financial statements.

Statements of changes in equity

GROUP								
	Share capital	Share premium	Share option reserve	Warrant reserve	Translation reserve	Shares to be issued	Retained earnings	Total Equity
	US$' 000	US$' 000	US$' 000	US$' 000	US$' 000	US$' 000	US$' 000	US$' 000
Total equity 31 December 2009	19	31 976	678		400	86	(26 254)	6 905
Total comprehensive loss for the year							(7 769)	(7 769)
Share based payments	1	1 743				(86)		1 658
Shares issued for cash	10	23 637						23 647
Share issue costs		(1 084)						(1 084)
Shares to be issued						92		92
Share option costs			410					410
Warrants issued		(336)		336				-
Total equity 31 December 2010	30	55 936	1 088	336	400	92	(34 023)	23 859
Total comprehensive loss for the year							(12 273)	(12 273)
Share based payments		638				(59)		579
Shares issued for cash	14	24 263				(33)		24 244
Share issue costs		(1 265)						(1 265)
Share option costs			736					736
Warrants exercised	1	1 249		(336)				914
Share options expired		208	(102)					106
Total equity 31 December 2011	45	81 029	1 722	-	400	-	(46,296)	36 900

COMPANY								
	Share capital	Share premium	Share option reserve	Warrant reserve	Translation reserve	Shares to be issued	Retained earnings	Total Equity
Total equity 31 December 2009	19	31 976	678	-	-	86	(3 147)	29 612
Total comprehensive loss for the year							(1 866)	(1 866)
Share based payments	1	1 743				(86)		1 658
Shares issued for cash	10	23 637						23 647
Share issue costs		(1 084)						(1 084)
Shares to be issued						92		92
Share option costs			410					410
Warrants issued		(336)		336				-
Total equity 31 December 2010	30	55 936	1 088	336	-	92	(5 013)	52 469
Total comprehensive loss for the year							(2 702)	(2 702)
Share based payments		638				(59)	-	(579)
Shares issued for cash	14	24 263				(33)		24 244
Share issue costs		(1 265)						(1 265)
Shares to be issued								
Share option costs			736					736
Warrants exercised	1	1 249		(336)				914
Share options exercised		208	(102)					106
Total equity 31 December 2011	45	81 029	1 722	-	-	-	(7 715)	75 081

The accompanying notes on pages 15 to 38 form an integral part of these financial statements

Statements of cash flows

		GROUP		COMPANY	
		31 December	31 December	31 December	31 December
		2011	2010	2011	2010
	Notes	US$' 000	US$' 000	US$' 000	US$' 000
Net cash flows from operating activities	26	(7 661)	(5 761)	(1 936)	134
Investing activities					
Cash flow attributable to the exploration					
for and evaluation of mineral resources:					
– Purchase of intangible assets		(58)	(56)	-	-
– Purchase of plant and equipment		(845)	(112)	-	-
– Asset under construction		(32 763)	(2 192)	-	(2 192)
Cash advanced to group companies		-	-	(39 287)	(6 137)
Net cash flows from investing activities		(33 666)	(2 360)	(39 287)	(8 195)
Financing activities					
Proceeds from issue of ordinary share capital		23 991	22 563	23 991	22 563
Loans repaid		(2 100)	-	(2 100)	-
Loan interest paid		(104)	-	(104)	-
Loans advanced		3 060	-	3 060	-
Net cash flows from financing activities		24 847	-	24 847	-
Net increase/(decrease) in cash and cash equivalents		(16 479)	14 442	(16 376)	14 368
Cash and cash equivalents at beginning of year		17 050	2 608	16 898	2 530
Cash and cash equivalents at end of year		572	17 050	522	16 898

The accompanying notes on pages 11 to 38 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 Point House, 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 chief executive officer's review and the directors' report on pages 3 to 8.

These financial statements were approved and authorised for issue on 29 June 2012 by Walton Imrie and Gareth Taylor on behalf of the board.

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) which comprise standards and interpretations by the International Accounting Standards Board (IASB) and International Accounting Standards and Standing Interpretations approved by the International Accounting Standards Committee (IASC) that remain in effect, and to the extent that they have been adopted by the European Union.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a high degree of judgments or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

a) Adoption of new and revised Standards

A number of standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee are effective for the current year. These were:

Revised and amended Standards

IFRS 1: **First-time Adoption of International Financial Reporting Standards - Amendments resulting from May 2010 Annual Improvements to IFRSs** - for accounting periods commencing on or after 1 January 2011

IFRS 3: **Business combinations - Amendments resulting from May 2010 Annual Improvements to IFRSs** - for accounting periods commencing on or after 1 July 2010

IFRS 7: **Financial Instruments: Disclosures - Amendments resulting from May 2010 Annual Improvements to IFRSs** - for accounting periods commencing on or after 1 January 2011

IAS 1: **Presentation of Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs** - for accounting periods commencing on or after 1 January 2011

IAS 24: **Related Party Disclosures - Revised definition of related parties** - for accounting periods commencing on or after 1 January 2011

IAS 27: **Consolidated and Separate Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs** - for accounting periods commencing on or after 1 July 2010

IAS 32: **Financial Instruments: Presentation - Amendments related to classification of rights issues** - for accounting periods commencing on or after 1 February 2010

Interpretations

IFRIC 13 **Customer Loyalty Programmes - Amendments resulting from May 2010 Annual Improvements to IFRSs** - for accounting periods commencing on or after 1 January 2011

IFRIC 14 **IAS 19 - November 2009 amendment with respect to voluntary prepaid contributions** - for accounting periods commencing on or after 1 January 2011

IFRIC 19 **Extinguishing Financial Liabilities with Equity Instruments** - for accounting periods commencing on or after 1 July 2010

The adoption of these standards and interpretations has not led to any changes in the Group's accounting policies.

b) Standards and Interpretations in issue and not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:-

IFRS 9: **Financial Instruments** - for accounting periods commencing on or after 1 January 2015* (mandatory application date amended in December 2011)

IFRS 10: **Consolidated Financial Statements** - for accounting periods commencing on or after 1 January 2013*

IFRS 11: **Joint Arrangements** - for accounting periods commencing on or after 1 January 2013*

IFRS 12: **Disclosure of Interests in Other Entities** - for accounting periods commencing on or after 1 January 2013*

IFRS 13: **Fair Value Measurement** - for accounting periods commencing on or after 1 January 2013*

Revised and amended Standards

IFRS 1: **First-time Adoption of International Financial Reporting Standards – Replacement of 'fixed dates' for certain exceptions with 'the date of transition' to IFRS** - for accounting periods commencing on or after 1 July 2011

IFRS 1: **First-time Adoption of International Financial Reporting Standards – Additional exemptions for entities ceasing to suffer from severe hyperinflation** - for accounting periods commencing on or after 1 July 2011*

IFRS 1: **First-time Adoption of International Financial Reporting Standards – Amendments for government loan with a below market rate of interest when transitioning to IFRS**- for accounting periods commencing on or after 1 January 2013*

IFRS 1: **First-time Adoption of International Financial Reporting Standards – Amendments resulting from Annual Improvements 2009-2011 cycles** - for accounting periods commencing on or after 1 January 2013*

IFRS 7: **Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets** - for accounting periods commencing on or after 1 July 2011

IFRS 7: **Financial Instruments: Disclosures – Amendments enhancing disclosures about offsetting of financial assets and financial liabilities** - for accounting periods commencing on or after 1 January 2013* and interim periods within those periods

IFRS 7: **Financial Instruments: Disclosures – Amendments requiring disclosures about the initial application of IFRS 9** - for accounting periods commencing on or after 1 January 2015* (or otherwise when IFRS 9 is first applied)

IAS 1: **Presentation of Financial Statements — Amendments to revise the way other comprehensive income is presented** - for accounting periods commencing on or after 1 July 2012

IAS 1: **Presentation of Financial Statements – Amendments resulting from Annual Improvements 2009-2011 cycles** - for accounting periods commencing on or after 1 January 2013*

IAS 12: **Income taxes – Limited scope amendment (recovery of underlying assets)** - for accounting periods commencing on or after 1 January 2012*

IAS 16: **Property, Plant and Equipment – Amendments resulting from Annual Improvements 2009-2011 cycles** - for accounting periods commencing on or after 1 January 2013*

IAS 19: **Employee Benefits – Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects** - for accounting periods commencing on or after 1 January 2013

IAS 27: **Consolidated and Separate Financial Statements – Reissued as IAS 27 *Separate Financial Statements* (as amended in 2011)** - for accounting periods commencing on or after 1 January 2013*

IAS 28: **Investments in Associates – Reissued as IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011)** - for accounting periods commencing on or after 1 January 2013*

IAS 32: **Financial Instruments: Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities** - for accounting periods commencing on or after 1 January 2014*

IAS 32: **Financial Instruments: Presentation – Amendments resulting from Annual Improvements 2009-2011 cycles** - for accounting periods commencing on or after 1 January 2013*

Interpretations

IFRIC 20 **Stripping Costs in the Production Phase of a Surface Mine** - for accounting periods commencing on or after 1 July 2013*

**Still to be endorsed by the EU*

The Directors anticipate that, with the exception of IFRS 9, IFRS 10 and IFRS 11, the adoption of these standards and interpretations in future years will not have a material impact on the financial statements of the Group.

In November 2009, the IASB issued the first part of IFRS 9 relating to the classification and measurement of financial assets. IFRS 9 will ultimately replace IAS 39. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset and subsequently measures the financial assets as either at amortised cost or fair value.

In October 2010, the IASB issued the second part of IFRS 9 incorporating new requirements on accounting for financial liabilities and carrying over from IAS 39 the requirements for de-recognition of financial assets and financial liabilities. The standard addressed the issue of volatility in the income statement whereby an entity would choose to measure its own debt at fair value. The standard requires an entity choosing to measure a liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income section of the income statement, rather than within the profit and loss. The standard maintained the requirement to measure other liabilities at amortised cost. The new standard is mandatory for annual periods beginning on or after 1 January 2013.

In May 2011, the IASB issued IFRS 10 which establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The new standard is effective for accounting periods beginning on or after 1 January 2013 but earlier application is permitted.

In May 2011 the IASB issued IFRS 11 Joint Arrangements which provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. The new standard is effective for accounting periods beginning on or after 1 January 2013.

The principal accounting policies adopted are set out below.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31 December each year. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

2.3 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 individual company financial statements and 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.

The functional currency and presentation currency of the subsidiary entities was Tanzanian shillings up to 1 January 2007. Following a review of the functional currencies of all group companies, the functional currency and presentation currency of all those subsidiaries with a Tanzanian shilling functional currency, was changed to US dollars as the subsidiaries are now heavily financed by US dollars via inter-group loans and now pay the majority of expenses in US dollars.

In accordance with IAS 21, the change in functional currencies was implemented by translating all assets into US dollars using the exchange rate (1261.64) at the date of the change (1 January 2007). The resulting translated amount for non-monetary items have been treated at their historical costs.

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 balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or

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

Group companies
Prior to the change in the functional currency of the subsidiary entities the assets and liabilities of the group's overseas operations were translated at exchange rates prevailing on the balance sheet date on consolidation.

Income and expense items were translated at the average exchange rates for the period unless exchange rates fluctuated significantly. Exchange differences arising, were classified as equity and transferred to the group's translation reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

2.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the amount of revenue can be reliably measured.

2.5 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 mine life or 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 where found to 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 licenses are in the renewal process they are not considered impaired unless the directors are aware that the renewal will not be granted.

2.6 Operating loss

Operating loss is stated after charging administrative and exploration and evaluation costs but before interest income.

2.7 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 adjusted 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 balance sheet 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 balance sheet 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.

2.8 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 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	Rates (%)
Mining and related equipment	25
Office equipment	12.5
Computers	33.3
Motor vehicles	25
Furniture and fittings	16.7

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

Assets under construction are not subject to depreciation until the date on which the group brings them into use.

2.9 Investments in subsidiary companies

Investments in subsidiaries are initially recognised and subsequently carried at cost, in the company's financial statements less, where appropriate, provisions for impairment.

2.10 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.

2.11 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 evaluation and exploration assets on initial recognition. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision for the expected cost is included within interest and similar charges.

The costs of on-going programmes to prevent and control pollution and to rehabilitate the environment are charged to profit or loss as incurred.

2.12 Share-based payment/incentive programmes

The group has applied the requirements of IFRS 2: Share-Based Payments.

a) The group issues share options to certain employees and directors. Share options 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 made to employees are expensed in the statement of comprehensive income over the vesting period.

b) The group issues shares in settlement of services received. The equity settled payments are measured at the market value of the shares issued.

2.13 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 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.

The group has no revenue at this stage.

All the group's non-current assets are located in Tanzania.

2.14 Financial instruments

Financial assets and financial liabilities are recognised in the group and company statement of financial position when the group and company 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.

i) 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 company or group became party to the contractual requirement of the financial asset.

The group and company have not classified any of the financial assets as held to maturity or as available for sale. The group and company had also not designated any financial assets as fair value through profit or loss.

The company's financial assets comprise of loans and receivables. Unless otherwise indicated the carrying amounts of the company's financial assets approximate to their fair values.

a) 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 receivable from subsidiary companies, trade and other receivables and cash and cash equivalents. 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.

b) Derecognition of financial assets
A financial asset (in whole or in part) is derecognised 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.

c) 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 impaired 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 statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the statement od comprehensive income.

d) 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.

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

All financial liabilities are initially recognised at fair value net of transaction costs incurred. All purchases of financial liabilities are recorded on trade date, being the date on which the company or group becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the company and group's financial liabilities approximate to their fair values.

The company's and group's financial liabilities consists of financial liabilities measured at amortised cost and financial

liabilities at fair value through profit or loss:

a) Financial liabilities measured at amortised cost.
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.

b) Financial liabilities at fair value through profit or loss
This category comprises the loans payable to related parties. These are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance cost.
The loans payable to related parties are repayable on demand and therefore their carrying value approximates the fair value at each balance sheet date.

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

iii) Fair Value measurement hierarchy

IFRS 7 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.

iv) Capital
Financial instruments issued by the company and group are treated as equity if the holder has only a residual interest in the assets of the company and 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 27.5 the company 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.

v) 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 exactly discounts estimated future cash receipts/payments through the expected life of the financial asset/liability or, where appropriate, a shorter period.

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:

i) Impairment of acquired exploration and evaluation assets
In line with IAS 36 the group is required to test the carrying value of acquired exploration and evaluation assets at least annually, for impairment. 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. As a result of the impairment review the value of the asset at the balance sheet date was US$ Nil (2010: US$3 318 000).

ii) Impairment of intangibles

The group is required to test on an annual basis whether mining options and license acquisition costs have suffered any impairment. 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 2011 the intangibles amounted to US$876 000 (2010: US$4 736 000).

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.

The government of Tanzania has enacted a new Mining Act 2010, which has replaced the previous Mining Act 1998; The new Act became effective from 1 November 2010. The Act has introduced new procedures on renewal of prospecting Licences (PL's) that now involves a tender process. The changes increase the risk of licences not being able to retain PL's that have or are due to expire.

iii) 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 2011 was US$861 857 (2010: US$221 000).

iv) Impairment of plant and equipment

Where there is an indication that the carrying value of items of plant and equipment may have been impaired through events or changes in circumstances 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.

No impairments were recognised in 2011 and 2010.

v) Share based payments

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.

The fair value of the share options is estimated by using in 2011 an appropriate binomial formula on the date of grant based on certain assumptions. Those assumptions include among others, the expected volatility and expected life of the options. Further details are given in note 25.

vi) Exploration and evaluation exploration

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 are also capitalised.

The directors consider that all other expenses incurred in exploration and evaluation should be expensed until the ore body is considered to be commercially recoverable. As at 31 December 2011 exploration costs amounting to US$8 477 000 (2010: US$5 396 000) have been expensed.

vii) 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$0.1 million (2010: US$ nil) on the provision for environmental & site restoration.

		GROUP		COMPANY	
		31 December	31 December	31 December	31 December
		2011	2010	2011	2010
		US$' 000	US$' 000	US$' 000	US$' 000
4.	***Finance income***				
	Bank interest	28	15	28	15

The above interest income arises from financial assets classified as loans and receivables (including cash and cash equivalents) and has been calculated using the effective interest rate method.

		GROUP		COMPANY	
		31 December	31 December	31 December	31 December
		2011	2010	2011	2010
		US$' 000	US$' 000	US$' 000	US$' 000
5.	***Finance expense***				
	Loan Interest	103	-	103	-
	Loan fee amortisation	163	-	163	-
		266	-	266	-

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.

		GROUP		COMPANY	
		31 December	31 December	31 December	31 December
		2011	2010	2011	2010
		US$' 000	US$' 000	US$' 000	US$' 000
6.	***Loss before taxation***				
	Loss before tax is arrived at after				
	charging/(crediting):				
	Foreign exchange (gain) / loss	(275)	103	(275)	103
	Impairment loss (note 9)	3 558	122	-	-
	Depreciation (note 11)	204	143	-	-
	Share option costs (note 25)	736	410	383	147
	Directors' remuneration				
	W Imrie	385	246	385	246
	K Patel	94	47	94	47
	P D Heber	94	5	94	5
	W Vorwerk	393	284	393	284
	W Scott	91	232	91	232
	G Taylor	300	183	300	183
	Other key management personnel - Staff costs	817	348	-	-
	Auditors' remuneration				
	- Audit fees of the company	45	49	45	49
	- Audit fees of the company's subsidiaries	69	40	-	-

7. Taxation

COMPANY & GROUP

Effective I 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.

There are no tax charges for the year as the group has not generated any revenue and has a computed tax loss. The tax charge for the year can be reconciled to the loss per the statement of comprehensive income as follows:

	31 December 2011 US$' 000	31 December 2010 US$' 000
Loss before taxation	(12 273)	(7 769)
Tax at the standard tax rate		
Tanzanian Corporation tax at 30%	(3 682)	(2 331)
Tax effect of expenses that are not deductible in determining taxable profit	2 518	1 668
Tax effect of income not chargeable to tax	(8)	(4)
Unprovided deferred tax assets	1 172	667
Tax charge	-	-

At the balance sheet date, the group has unused tax losses of US$29 567 649 (2010: US$25 685 303) available for offset against future profits. This equates to a deferred tax asset of US$8 870 295 (2010: US$7 705 591) which the directors do not consider it to be prudent to recognise due to the unpredictability of future profit streams. The unused tax losses can be carried forward indefinitely.

8. Earnings per share

	GROUP	
	31 December 2011 US$' 000	31 December 2010 US$' 000
The earnings and weighted average number of ordinary shares used in the calculation of basic loss per share is as follows:		
Loss for the year attributable to equity holders of the company	(12 273)	(7 769)
Earnings used in the calculation of basic loss per share as presented below:	(12 273)	(7 769)
Basic loss per share (US cents)	(5.58)	(6.14)
Weighted average number of shares in issue	219 797 684	126 579 240

IAS 33 "Earnings per share" defines dilution as a reduction in earnings per share or as an increase in loss per share. When calculating the dilutive earnings per share the loss is decreased. Accordingly dilutive loss per share is not disclosed.

	Number	Number
The group has the following instruments which could potentially dilute basic earnings per share in the future		
Share options	12 866 564	6 934 064
Warrants	-	5 770 016

As disclosed in note 19, the company has entered into a SEDA agreement, in terms of which the company raises funds by the issue of shares. The SEDA agreement could potentially dilute basic earnings per share in the future.

9. 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.

			GROUP			
	Owned prospecting licences	Third party primary mining licences	Third party prospecting licences	Third party mining licence	Acquired exploration and evaluation Assets (note 10)	Total
US$'000	US$' 000	US$' 000	US$' 000	US$' 000	US$' 000	US$' 000
At 31 December 2009	344	556	195	29	3 318	4 442
Additions	-	-	56		-	56
Impairments	(122)	-	-	-	-	(122)
At 31 December 2010	222	556	251	29	3 318	4 376
Additions	-	-	58	-	-	58
Impairments	(21)	(240)	21	-	(3 318)	(3 558)
At 31 December 2011	200	316	330	29	-	876

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 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 impairment losses have been recognised as exploration costs.

The government of Tanzania has enacted a new Mining Act 2010, which has replaced the previous Mining Act 1998; the new Act became effective from1 November 2010. The Act has introduced new procedures on renewal of prospecting Licences (PL's) that now involves a tender process. The changes increase the risk of licences not being able to retain PL's that have or are due to expire.

Owned prospecting licences

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

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.

Third party prospecting licences

These are prospecting licences held by an unrelated party, but in terms of which the subsidiary company holds the right to explore and evaluate the site. Under the agreement the subsidiary company pays the third party for this right. In addition, the agreement provides for additional payments to be made which will be linked to certain events, for example establishment of proven and probable reserves or future sales. Further details are given in note 30.

Third party mining licences

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.

Impairment of acquired exploration and evaluation assets

Impairment of acquired exploration and evaluation assets is discussed in note 10.

10. Acquired exploration and evaluation assets

The acquired exploration and evaluation assets are tested for impairment on an annual basis.

Before recognition of impairment losses, the carrying amount of acquired exploration and evaluation assets have been fully allocated to the Mgusu Project area.

In the prior year on the advice of the authorities, the group applied for a mining license for the Mgusu area.
In order to apply for a mining license in Tanzania the group is required to undertake a feasibility and environment and social impact assessment which form part of the application. The feasibility is required to contain:
A proposed programme of mining operations including such measures as are required to be taken in relation to any adverse impacts to the environment:

- The estimated recovery rate of ore and the applicant's proposals for its treatment and disposal, and
- The estimate of the quantity of minerals to be produced for sale annually.

As the group has been unable to gain access to Mgusu the group has been unable to comply with the feasibility and environmental assessment requirements. Furthermore, the directors consider that should the application for the mining license be approved there is unlikely to be a change in the situation in terms of gaining access and hence undertaking the work required to comply with the provisions of the mining license. The directors therefore consider it very unlikely that the application for a mining license will be approved. There has been no decision from the Commissioner and the Minister in respect of the mining license to date.

Given the lack of access and up to date information in respect of the resources at the site, the directors consider the value of the assets to be fully impaired.

11. Property, Plant and equipment

	GROUP					
	Mining and related equipment	Office equipment	Motor vehicles	Furniture and fittings	Asset under Construction	Total
	US$ 000	US$ 000	US$ 000	US$ 000	US$ 000	US$ 000
Cost						
At 1 January 2010	150	115	430	77	70	842
Additions	11	4	166	1	(70)	112
Disposals	-	-	-	-	-	-
At 31 December 2010	161	119	596	78	-	954
Accumulated depreciation						
Balance at 1 January 2010	96	89	363	42	-	590
Charges for the period	30	13	85	15	-	143
Disposals	-	-		-	-	-
At 31 December 2010	126	102	448	57	-	733
Net book value at						
31 December 2010	35	17	148	21	-	221
Cost						
At 1 January 2011	161	119	596	78		954
Additions	259	24	556	6	39 444	40 289
Disposals	-	-	-	-	-	-
At 31 December 2011	420	143	1 152	84	39 444	41 243
Accumulated depreciation						
Balance at 1 January 2011	126	102	448	57	--	733
Charges for the period	52	8	131	13	-	204
Disposals	-	-	-	-	-	-
At 31 December 2011	178	110	579	70	-	937
Net book value at						
31 December 2011	242	33	573	14	39 444	40 306

The asset under construction represents the New Luika mine under construction.

COMPANY

The company owns an immaterial amount of computer equipment which has been fully written off.

12. Investment in subsidiary companies

	Share capital	Loans	Total
	US$' 000	US$' 000	US$' 000
At 31 December 2009	-	27 324	27 324
Loans to subsidiary companies	-	6 399	6 399
At 31 December 2010	-	33 723	33 723
Loans to subsidiary companies	-	41 261	41 261
At 31 December 2011	-	74 984	74 984

At 31 December 2011 the Company held an interest, directly or indirectly in the following subsidiaries:

Name of company	Holding	Country of Incorporation	Principal activity
Shanta Gold Holdings Limited	100%	Guernsey	Holding company
Chunya Gold Holdings Limited	100%	Guernsey	Dormant
Shanta Mining Company 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

The loans to the subsidiaries have been subordinated in favour of other creditors of the subsidiaries. The loans are interest-free and have no set repayment terms as they are for the purpose of long-term financing of the subsidiaries. The directors consider the loans to be additional capital contributions and they have therefore been accounted for as non-current assets.

13. Categories of financial assets and liabilities

	GROUP		COMPANY	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	US$' 000	US$' 000	US$' 000	US$' 000
Loans and receivables				
Current financial assets				
Trade and other receivables	3 748	2 950	1 246	2 412
Cash and cash equivalents	572	17 050	522	16 898
Total current financial assets	4 320	20 000	1 768	19 310
Loans and receivables				
Non- current financial assets				
Loans receivable from subsidiary companies	–	–	74 984	33 723

	Total financial assets	4 320	20 000	76 752	53 033
	Financial liabilities measured at amortised cost				
	Current financial liabilities				
	Other loans payable	1 123	–	1 123	
	Trade and other payables	6 129	402	212	228
	Financial liabilities at fair value through profit or loss				
	Current financial liabilities				
	Loans payable to related parties (i)	336	336	336	336
	Total current financial liabilities	7 588	738	1 671	564
	Total financial liabilities	7 588	738	1 671	564

(i) *The loans payable to related parties have been deemed to be level 3 liabilities under the fair value hierarchy. The fair value measurements of these liabilities are not based on observable market data (unobservable input).*

		GROUP		COMPANY	
		31 December	31 December	31 December	31December
		2011	2010	2011	2010
		US$' 000	US$' 000	US$' 000	US$' 000
14.	***Trade and other receivables***				
	Trade receivables	–	–	–	–
	Prepayment	287	293	200	220
	Other receivables	3 461	2 657	1 046	2 192
		3 748	2 950	1 246	2 412

During the year no impairments were recognised. (2010: nil) The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

15.	***Loans payable to related parties***				
	Loans from shareholders	336	336	336	336

The loans payable to related parties are interest free, unsecured and repayable on demand. During the year there were no changes to the fair value (2010: nil) of the loans payable to related parties. The fair value is determined based on amounts expected by the counter party in settlement of the loan, which is considered to be its face value as the loan is repayable on demand. Accordingly no sensitivity analysis has been presented regarding the valuation inputs.

The group designated the loans payable to related parties at fair value through profit or loss on initial recognition. No gains or losses were recognised on the loans payable to related parties in 2011 or 2010.

16.	***Trade and other payables***				
	Trade payables	2 399	183	–	–
	Accruals and other payables	3 730	219	212	228
		6 129	402	212	228

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.

		GROUP		COMPANY	
		31 December	31 December	31 December	31December
		2011	2010	2011	2010
		US$' 000	US$' 000	US$' 000	US$' 000
17.	***Other Loans***				
	Loans payable	1 300	-	1 300	-
	Un-amortised loan fee	(177)	-	(177)	-
	At 31 December 2011	1 123	-	1 123	-

The loan above represents a working capital loan facility initially of $3.4m. The loan is unsecured, bears interest at a rate of 8% and is repayable monthly with the final repayment being in July 2012.

		GROUP		COMPANY	
		31 December	31 December	31 December	31December
		2011	2010	2011	2010
		US$' 000	US$' 000	US$' 000	US$' 000
18.	***Provision for Decommissioning***				
	Balance at 1 January	-	-	-	-
	Provision for Chunya	1 014	-	-	-
	At 31 December	1 014	-	-	-

The above provision relates to site restoration at the New Luika project, which is expected to be utilised by 2022 based on the current mineable resource. The amount of $1,013,792 (2010: $ nil) is included in asset under construction within property, plant and equipment. 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.

19. *Share capital*

		£	US $' 000
Authorised			
300 000 000 ordinary shares of 0.01 pence each		**30 000**	
Issued and fully paid			
As at 31 December 2009	104 099 198	10 410	19
Issued in year	75 192 690	7 519	11
As at 31 December 2010	179 291 888	17 929	30
Issued in year	92 268 658	9 227	15
As at 31 December 2011	271 560 546	27 156	45

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

The Company has entered into a Standby Equity Distribution Agreement (SEDA) entitling the company to sell shares to YA Global Master SPV Ltd which is obliged to provide cash in return. This facility is based on trading volumes and prices obtained on the AIM market. The company is not obliged to utilise the facility. The maximum amount that may be utilised under the facility was £3.0 million and was varied on 30 January 2012 to £6.0 million.

20. *Share premium*

As at 31 December 2009	31 976
Issued in year	25 380
Warrants issued	(336)
Share issue cost	(1 084)
As at 31 December 2010	55 936
Issued in year	24 655
Transfer on exercise of warrants	336
Transfer on exercise of share options	102
As at 31 December 2011	81 029

21. *Share option reserve*

	GROUP	
	31 December 2011	31 December 2010
	US$' 000	US$' 000
At 1 January	1 088	678
Recognised fair value of share based payments in the year	736	410
Share options exercised in the year	(102)	-
At 31 December	1 722	1 088

Details of share based payments are shown in note 25.

The share option reserve contains the fair value of share based payments in respect of the share options issued to Directors and employees of the group.

22. *Warrant reserve*

In 2010, the company granted 5 770 016 warrants, the terms of which gave the right to subscribe for one ordinary share at a price of 10p for a period of three years from July 2010. These were exercised during 2011.

	31 December 2011			31 December 2010		
	Number	Weighted average exercise price	US$' 000	Number	Weighted average exercise price	US$' 000
Details of the warrants outstanding during the year are as follows:						
Outstanding at 1 January	5 770 016	0.10	336	-	-	-
Exercised in the year	(5 770 016)	0.10	(336)	5 770 016	0.10	336
Outstanding at end of year	-	-	-	5 770 016	0.10	336

23. *Translation reserve*

The translation reserve contains exchange differences that arose on consolidation of the group's overseas operations that had a functional currency and presentation currency that was different to the parent company (US$). The subsidiaries changed their functional and presentation currency from Tanzanian shillings to US dollars with effect from 1 January 2007. Accordingly there is no movement to the reserve in the current year.

In accordance with IAS 21, exchange differences arising from this translation of foreign operations, previously disclosed in equity, are not recognised in the profit and loss until disposal of the foreign operation.

24. *Retained earnings*

	GROUP		COMPANY	
	31 December 2011 US$' 000	31 December 2010 US$' 000	31 December 2011 US$' 000	31 December 2010 US$' 000
At 1 January	(34 023)	(26 254)	(5 013)	(3 147)
Loss for the year	(12 273)	(7 769)	(2 702)	(1 866)
At 31 December	(46 296)	(34 023)	(7 715)	(5 013)

Any surplus arising from net profit after tax is taken to the revenue reserve which may be utilised for the buyback of shares and payment of dividends.

25. *Share-based payments*

a) Equity-settled share option scheme

Options in issue at the yearend are as follows:

Number of options	Grant date	Exercise price	Final exercise date
1,146,697	29 July 2005	25p	29 July 2015
407,367	14 July 2006	59p	14 July 2016
550,000	30 April 2008	8.5p	30 April 2018
1,515,000	7 September 2009	6p	7 September 2019
1,522,500	27 July 2010	18.2p	27 July 2020
875,000	17 November 2010	28.3p	17 November 2020
100,000	16 February 2011	35.13p	16 February 2021
2,750,000	26 October 2011	25p	26 October 2021
1,500,000	26 October 2011	30p	26 October 2021
2,000,000	26 October 2011	35p	26 October 2021
100,000	16 December 2011	25p	16 December 2021
200,000	16 December 2011	30p	16 December 2021
200,000	16 December 2011	35p	16 December 2021

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, are forfeited when 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%.

	31 December 2011		31 December 2010	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Details of the share option outstanding during the year are as follows:				
Outstanding at 1 January	6 934 064	0.19	4 449 064	0.17
Granted in the year	100 000	0.351	1 610 000	0.18
Granted in the year	2 850 000	0.25	875 000	0.2825
Granted in the year	1 700 000	0.30	-	-
Granted in the year	2 200 000	0.35	-	-
Share options exercised during the year	(100 000)	0.085	-	-
Share options exercised during the year	(87 500)	0.182	-	-
Share options exercised during the year	(730 000)	0.06	-	-
Outstanding at end of year	12 866 564	0.25	6 934 064	0.19
Exercisable share options at the end of year	6 486 564	0.19	3 947 814	0.19

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 have been used in calculating the fair value of options granted during 2011 and 2010:

	31-Dec 2011	31-Dec 2011	31-Dec 2011	31-Dec 2011	31-Dec 2011	31-Dec 2011	31-Dec 2011	31-Dec 2010	31-Dec 2010
Share price at grant	£0.21	£0.21	£0.21	£0.31	£0.22	£0.22	£0.22	£0.176	£0.24
Option exercise price	£0.35	£0.30	£0.25	£0.35	£0.25	£0.30	£0.35	£0.182	£0.2825
Expected life of options	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Expected volatility	55%	55%	55%	55%	55%	55%	55%	85.10%	85.10%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%	0% p.a	0% p.a
Risk free rate	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	3.664% p.a	3.664% p.a
Grant date	16-Dec-11	16-Dec-11	16-Dec-11	16-Feb-11	26-Oct-11	26-Oct-11	26-Oct-11	03-Aug-10	17-Nov-10
Fair value per share option	£0.114	£0.12	£0.1128	£0.19	£0.13	£0.13	£0.12	17.6 p	24.0p
Exchange rate used	1.55	1.55	1.55	1.61	1.59	1.59	1.59	1.55	1.6
Total charge over the vesting period	$35 340	$37 200	$19 840	$31 154	$581 543	$300 510	$378 420	$283 360	$4 210 000

Volatility has been based on the company's trading performance to 31 December 2011. The risk free rate has been determined from government zero coupon stock of equivalent maturity.

b)	Share-based payment expense		
	The share-based remuneration charge comprises		
		31 December 2011	31 December 2010
		US$ 000	US$ 000
	Share-based payment in respect of share options	736	410
	Share-based payment in respect of W Imrie (executive contract)	-	156
	Share-based payment in respect of W Vorwerk (executive contract)	-	164
	Share-based payment in respect of D Scott (executive contract)	-	191
	Share-based payment in respect of G Taylor (executive contract)	-	183
	Share-based bonus payment in respect of K Patel	57	33
	Share-based bonus payment in respect of P Heber	57	-
	Share-based payment in respect of employees of the group	465	14
	SEDA agreement		
	Share based payment recognized within administrative expenses	-	*1 151*
	Share based payment in respect of feasibility study incorporated within exploration and evaluation costs	-	*200*
	Share based payment in respect of nomad and broker commission on share issue recognised in share premium	-	*929*
	Total share based payments	1 315	2 280

		GROUP		COMPANY	
		31 December 2011	31 December 2010	31 December 2011	31 December 2010
		US$' 000	US$' 000	US$' 000	US$ 000
26	***Net cashflows from operating activities***				
	Loss for the year	(12 273)	(7 769)	(2 702)	(1 866)
	Adjustments for:				
	Depreciation	204	143	-	-
	Loss on disposal of plant and equipment	-	-	-	-
	Impairment of prospecting licences	3 558	122	-	-
	Share option costs	736	410	383	147
	Share-based payments	579	1 751	113	1 751
	Finance income (note 4)	(28)	(15)	(28)	(15)
	Finance expense (note 5)	266	-	266	
	Operating cash flow before movement in working capital	(6 958)	(5 358)	(1 968)	17
	Movements in working capital				
	(Decrease)/ Increase in receivables	452	(331)	20	(43)
	(Decrease)/Increase in payables	(1 183)	(87)	(16)	145
		(7 689)	(5 776)	(1 964)	119
	Interest received	28	15	28	15
	Taxation				
	Net cash inflow / (outflow)	(7 661)	(5 761)	(1 936)	134

27. Financial risk management

In common with other businesses, 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 receivable from subsidiary companies (as disclosed in note 12)
- Trade and other receivables (as disclosed in note 14)
- Cash and cash equivalents
- Trade and other payables (as disclosed in note 16)
- Loans payable to related parties (as disclosed in note 15)

The group and company held no derivative financial instruments during the years ended 31 December 2011 and 31 December 2010.

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 accountant 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 above financial risk management policies apply equally to the group and the company, and all references to group in the notes above apply to the company.

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

27.1 Interest rate risk

a) *Group*

The group's exposure to interest rate risk relates to the group's cash and cash equivalents. Interest rate risk is the risk that the value of financial instruments will fluctuate due to the changes in market interest rates. All deposits are made at floating rates and in doing so the group exposes itself to the fluctuation of the interest rate that is inherent in such a market.

The group's cash and cash equivalents are carried at an effective interest rate of 1% (2010: 1.2%). The annualised effect of a 1% decrease in the interest rate at the balance sheet date on that variable rate deposits carried at that date with all other variables held constant, would have resulted in a decrease in a post tax profit for the year of US$5 700 (2010: US$26 000). A 1% increase in the interest rate would, on the same basis, increase post tax profit by the same amount.

b) *Company*

The company's cash and cash equivalents are carried at an effective interest rate of 0.25% (2010: 0.25%).
The annualised effect of a 1% decrease in the interest rate at the balance sheet date on that variable rate deposits carried at that date with all other variables held constant would have resulted in a decrease in a post tax profit for the year of US$5 225 (2009: US$25 000). A 1% increase in the interest rate would, on the same basis, increase post tax profit by the same amount.

27.2 Credit risk

Credit risk arises when a failure by counter-parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The maximum exposure is the company value disclosed throughout these financial statements.

The group and company have the following financial assets;

a) *Loans from subsidiary companies (company only)*

These loans are for the purpose of long-term financing and are interest-free with no set repayment terms.
The directors do not intend to demand repayment within one year. The subsidiary companies are dependent on the company for funding to continue their operations. Whilst the company is able to provide continued funding (see

note 12) the directors consider the loans to be recoverable out of future anticipated income.

b) *Trade and other receivables*
As the company and group are not yet generating revenue, it has no trade receivables. However, in the event of a default by a debtor of amounts due from other receivables, the group will incur additional costs, including legal expenses to recover amounts due.

The group and company have no significant credit risk as there is no exposure with one significant counter party. The group and company did not recognise any impairment during the year and there were no other receivables that were past due.

c) *Cash and cash equivalents*
The group and company have significant concentration of credit risk arising from its bank holdings of cash and cash equivalents.

To manage this exposure, the group and company have 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 and company financial assets and has concluded that the carrying values as at balance sheet date are fully recoverable.

27.3 Liquidity risk
Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets.
Cash and cash equivalents are placed with financial institutions on a short-term basis reflecting the group's desire to maintain high levels of liquidity in order to enable timely completion of transactions.

a) *Group*
All financial liabilities have a maturity of less than one year or have no specific repayment dates. The maturity of financial liabilities is as follows:

		31 December 2011	
	US$' 000	US$' 000	US$' 000
		Within	After
	On demand	1 year	1 year
Loans from shareholders	(336)	-	-
Loans payable	(1 123)	-	-
Other payables and accruals	(6 129)	-	-
	(7 588)	-	-
		31 December 2010	
	US$' 000	US$' 000	US$' 000
		Within	After
	On demand	1 year	1 year
Loans from shareholders	(336)	-	-
Other payables and accruals	(402)	-	-
	(738)	-	-

b) *Company*
All financial liabilities have a maturity of less than one year or have no specific repayment dates. The maturity of financial liabilities is as follows:

		31 December 2011	
	US$' 000	US$' 000	US$' 000
		Within	After
	On demand	1 year	year
Loans from shareholders	(336)	-	-
Loans payable	(1 123)		
Other payables and accruals	(212)	-	-
	(1 671)	-	-

		31 December 2010	
	US$' 000	US$' 000	US$' 000
		Within	After
	On demand	1 year	year
Loans from shareholders	(336)	-	-
Other payables and accruals	(228)	-	-
	(564)	-	-

27.4 Currency risk for group and company

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 measurement currency.

a) *Group*

The group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Tanzanian shilling and Sterling. The group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

	31 December 2011			
	US$	Tsh	GBP	Total
	US$' 000	US$' 000	US$' 000	US$' 000
Trade and other receivables	3 548	-	200	3 748
Cash and cash equivalents	84	-	488	572
Trade and other payables	(6 033)	-	(96)	(6 129)
Loans payable to related parties	(336)	-	-	(336)
Other loans	(1 123)	-	-	(1 123)
Net exposure	(3 860)		592	(3 268)
	31 December 2010			
	US$	Tsh	GBP	Total
	US$' 000	US$' 000	US$' 000	US$ '000
Trade and other receivables	2 198	533	219	2 950
Cash and cash equivalents	17 029	21		17 050
Trade and other payables	(149)	(59)	(194)	(402)
Loans payable to related parties	(336)			(336)
Net exposure	18 742	495	25	19 262

b) *Company*

The company is exposed to foreign exchange risk arising from Sterling as a number of its administration services are settled in Sterling. The company's exposure to foreign currency risk was as follows based on notional amounts.

	31 December 2011		
	US$	GBP	Total
	US$' 000	US$' 000	US$' 000
Loans to subsidiary companies	73 398	-	73 398
Trade and other receivables	1 046	200	1 246
Cash and cash equivalents	34	488	522
Trade and other payables	(116)	(96)	(212)
Loans payable to related parties	(336)	-	(336)
Other loans	(1 123)	-	(1 123)
Net exposure	72 903	592	73 495

	31 December 2010		
	US$	GBP	Total
	US$' 000	US$' 000	US$' 000
Loans to subsidiary companies	33 723	-	33 723
Trade and other receivables	2 193	219	2 412
Cash and cash equivalents	16 898	-	16 898
Trade and other payables	-	(228)	(228)
Loans payable to related parties	(336)	-	(336)
Net exposure	52 478	(9)	52 469

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.

	REPORTING DATES			
	Average rate		Spot rate	
	2011	2010	2011	2010
TZN 1	0.001	0.001	0.001	0.001
GBP 1	1.587	1.545	1.596	1.547

As the group and company do not hold significant net assets denominated in currencies other than US dollars, it is not exposed to significant foreign currency fluctuation.

27.5 Capital risk management

The company'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, once operational and producing profit, adjust the amount of dividends paid to shareholders.

The group and company have no bank borrowings at present. However, the directors are aware that the group and company may require substantial additional financing if it is to be successful in pursuing its ultimate strategy. The gearing ratio at balance sheet date was nil.

28. Related party transactions

Balances and transactions between the company and its subsidiaries have been disclosed in note 12.

Details of the directors' remuneration, share options and other key management personnel are contained within note 6 and the Directors report.

Details of directors' share based payments, and nomad & brokers share based payments are disclosed in note 25.

The loans from related parties are from companies in which K Patel, M Patel and W Imrie have an indirect interest (note 15).

Payments of US$ 60 000 (2010: US$ 60 000) for consulting services has been made to a company in which K Patel (Director) and Mr. Patel (alternate director) have an indirect interest.

W Imrie is a director of Rameron Consulting which is considered to be a related party as a result of the common directorship. During the year a total amount of US$4 000 (2010: US$ 48 000) was paid to Rameron Consulting which was in relation to W Imrie's duties as an executive chairman of the company.

Payments of $194 000 (2010: US$ Nil) for security services, has been made to a company in which G Taylor (Director) has an interest.

29. Commitments

The directors confirm that the company has a capital commitment in respect of the mine construction of US$ 21.2m (2010: US$2.5m)

The company entered into an agreement with Great Basin Gold Limited "GBG" in June 2011 whereby GBG granted the company the option,

following the fulfillment of the conditions precedent, to acquire an 80% interest in GBG's wholly owned subsidiary, Shield Resources Limited, who is the holder of various prospecting licenses in the Lupa Goldfields of Tanzania.

In consideration for providing the company with the exclusive right to acquire the shares in Shield Resources Limited the company is obliged to issue ordinary shares to the value of $7 million and Shanta warrants to the value of $7 million (at an implied value of 35p each) to GBG. Furthermore the company has to fund a US$ 12 million exploration programme, spread over a period of 3 years ending 31 December 2014 and make additional payments depending on the number of gold ounce resources discovered. Shanta will acquire the 80% equity interest in Shield Resources Limited upon the completion of the exploration programme.

Certain conditions precedent to affect the transaction remained outstanding n 31 December 2011 and are expected to be satisfied during the third quarter of 2012.

30. Licence commitments

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 may cause the company to have a material cash requirement at some time in the future. Such payments are linked to the proven and probable reserves once established.

31. Contingent liabilities

The company's wholly owned subsidiary, Shanta Mining Company Limited is facing contingent liabilities amounting to approximately US $ 4.1m. In total. The principal case of US$ 4m is litigation against the company for trespassing, destruction and damage of property in other licence holders' areas. The licence holders want the court to restrain the company from mining and prospecting work in the subject area and to declare the said area unlawful.

The subsidiary's lawyers are of the opinion that, the cases have no basis and therefore do not suggest any provision against the claims.

32. Events after balance sheet date

In January 2012, the Company announced that it had secured US$20 million of new debt facilities. The Company secured a US$15 million facility with FBN Bank (UK) Ltd ("FBN"), of which US$12.5 million was drawn down in February 2012 and the remaining US$2.5 million was drawn down in June 2012 post receipt of a the wet commission certificate from DRA. The facility with FBN is repayable within 18 months from the first drawdown date. Repayments will occur in 12 equal monthly instalments of the facility drawdown after an original grace period of 6 months. Interest is payable on the outstanding loan amount at 7% over LIBOR over the term of the loan. Shanta Gold Holdings Limited & Shanta Mining Company Limited, wholly owned subsidiaries of the Company, are guarantors of the loan. The Company also secured a US$5 million a standby equity distribution agreement ("SEDA") backed loan agreement with YA Global Master SPV. Ltd ("YAGM"). Interest on the YAGM loan accrues on the committed amount at a rate of 8% per annum. As part of the agreement with YAGM, the SEDA originally announced in December 2009 was increased from GBP £3 million to GBP £6 million and the availability period was extended to June 2014.

In March 2012, the Company appointed Liberum Capital Limited as its new Broker and Nominated Advisor.

In April 2012, the Company raised gross proceeds of US$40 million by way of a concurrent equity and convertible loan note placing. The Company issued 47,258,980 new shares at a price of 20 pence per share raising gross proceeds of approximately US$15 million (GBP £9.5 million). The Company also issued US$25 million in nominal value of senior unsecured subordinated convertible loan notes due 2017 ("Notes"). The coupon of the Notes was set at 8.5% per annum and the conversion price of the Notes has been set at 29.53p, representing a 25% conversion premium to the closing mid-market price on the AIM market of the London Stock Exchange plc on 3 April 2012.

Subsequent to the Extraordinary General Meeting held on 15 February 2012, the Authorised Share Capital of the company was increased by £20,000 divided into 200 million ordinary shares of 0.01p each.