



# SERABI GOLD

SERABI GOLD PLC

**INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Stated in US Dollars)

**FOR THE THREE MONTHS AND SIX MONTHS ENDED**  
**30 JUNE 2017**

## NOTICE

These unaudited interim condensed consolidated financial statements have been prepared by management and have not been subject to review by the Company's independent auditor.

**SERABI GOLD PLC**  
**Condensed Consolidated Statements of Comprehensive Income**

(expressed in US\$)	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
<b>CONTINUING OPERATIONS</b>					
<b>Revenue</b>		<b>10,142,676</b>	14,232,086	<b>23,316,260</b>	25,911,175
Cost of sales		<b>(6,849,960)</b>	(8,923,316)	<b>(16,642,310)</b>	(15,612,822)
Provision for Impairment of Inventory		—	—	<b>(220,000)</b>	—
Depreciation of plant and equipment		<b>(2,710,157)</b>	(2,428,213)	<b>(4,610,861)</b>	(3,644,940)
<b>Gross profit</b>		<b>582,559</b>	2,880,557	<b>1,843,089</b>	6,653,413
Administration expenses		<b>(1,178,903)</b>	(1,412,120)	<b>(2,420,358)</b>	(2,544,320)
Share based payments		<b>(112,412)</b>	(25,640)	<b>(178,032)</b>	(148,756)
Gain on disposal of assets		<b>115,975</b>	24,401	<b>115,975</b>	26,969
<b>Operating profit</b>		<b>(592,781)</b>	1,467,198	<b>(639,326)</b>	3,987,306
Foreign exchange loss		<b>(167,236)</b>	(31,609)	<b>(120,399)</b>	(72,408)
Finance expense	3	<b>(34,194)</b>	(1,374,699)	<b>(68,011)</b>	(2,352,739)
Finance income		<b>35</b>	34	<b>69</b>	69
<b>(Loss) / profit before taxation</b>		<b>(794,176)</b>	60,924	<b>(827,667)</b>	1,562,228
Income tax expense		<b>(97,461)</b>	(402,407)	<b>(178,013)</b>	(556,046)
<b>(Loss) / profit for the period from continuing operations</b> <sup>(1) (2)</sup>		<b>(891,637)</b>	(341,483)	<b>(1,005,680)</b>	1,006,182
<b>Other comprehensive income (net of tax)</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Exchange differences on translating foreign operations		<b>(2,124,542)</b>	5,349,439	<b>(656,695)</b>	9,629,568
<b>Total comprehensive income/(loss) for the period</b> <sup>(2)</sup>		<b>(3,016,179)</b>	5,017,956	<b>(1,662,375)</b>	10,635,750
(Loss) / profit per ordinary share (basic) <sup>(1)</sup>	4	<b>(0.13c)</b>	(0.05c)	<b>(0.15c)</b>	0.15c
(Loss) / profit per ordinary share (diluted) <sup>(1)</sup>	4	<b>(0.13c)</b>	(0.05c)	<b>(0.15c)</b>	0.14c

(1) All revenue and expenses arise from continuing operations.

(2) The Group has no non-controlling interests and all losses are attributable to the equity holders of the parent company.

**SERABI GOLD PLC**  
**Condensed Consolidated Balance Sheets**

(expressed in US\$)	Notes	As at 30 June 2017 (unaudited)	As at 30 June 2016 (unaudited)	As at 31 December 2016 (audited)
<b>Non-current assets</b>				
Deferred exploration costs	6	9,868,205	9,550,074	9,990,789
Property, plant and equipment	7	43,557,012	46,927,210	45,396,140
Deferred taxation		3,133,428	—	3,253,630
<b>Total non-current assets</b>		<b>56,558,645</b>	56,477,284	58,640,559
<b>Current assets</b>				
Inventories	8	6,844,757	9,520,851	8,110,373
Trade and other receivables		2,865,877	7,783,763	1,233,049
Prepayments and accrued income		5,166,612	4,348,014	3,696,550
Cash and cash equivalents		3,832,218	4,774,537	4,160,923
<b>Total current assets</b>		<b>18,709,464</b>	26,427,165	17,200,895
<b>Current liabilities</b>				
Trade and other payables		5,330,772	6,480,142	4,722,139
Interest bearing loan	9	1,371,489	2,516,667	1,371,489
Convertible loan facility	10	—	1,892,624	—
Trade and asset finance facilities		1,338,475	7,608,526	1,592,568
Derivative financial liabilities	11	650,000	1,577,832	—
Accruals		512,649	443,601	635,446
<b>Total current liabilities</b>		<b>9,203,385</b>	20,519,392	8,321,642
<b>Net current assets</b>		<b>9,506,079</b>	5,907,773	8,879,253
<b>Total assets less current liabilities</b>		<b>66,064,724</b>	62,385,057	67,519,812
<b>Non-current liabilities</b>				
Trade and other payables		2,133,294	2,298,786	2,211,078
Provisions		1,824,472	2,309,908	1,851,963
Interest bearing liabilities		212,328	208,212	77,798
<b>Total non-current liabilities</b>		<b>4,170,094</b>	4,816,906	4,140,839
<b>Net assets</b>		<b>61,894,630</b>	57,568,151	63,378,973
<b>Equity</b>				
Share capital	14	5,540,960	5,263,182	5,540,960
Share premium reserve		1,722,222	—	1,722,222
Option reserve	14	1,332,578	1,136,509	1,338,652
Other reserves		3,404,624	361,461	3,051,862
Translation reserve		(31,264,543)	(29,596,967)	(30,607,848)
Retained earnings		81,158,789	80,403,966	82,333,125
<b>Equity shareholders' funds</b>		<b>61,894,630</b>	57,568,151	63,378,973

The interim financial information has not been audited and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. Whilst the financial information included in this announcement has been compiled in accordance with International Financial Reporting Standards ("IFRS") this announcement itself does not contain sufficient financial information to comply with IFRS. The Group statutory accounts for the year ended 31 December 2016 prepared under IFRS as adopted in the EU and with IFRS and their interpretations adopted by the International Accounting Standards Board have been filed with the Registrar of Companies following their adoption by shareholders at the last Annual General Meeting. The auditor's report on these accounts was unqualified but did contain an Emphasis of Matter with respect to the Company and the Group regarding Going Concern. The auditor's report did not contain a statement under Section 498 (2) or 498 (3) of the Companies Act 2006.

**SERABI GOLD PLC**  
**Condensed Consolidated Statements of Changes in Shareholders' Equity**

(expressed in US\$)	Share capital	Share premium	Share option reserve	Other reserves <sup>(1)</sup>	Translation reserve	Retained earnings	Total equity
<b>Equity shareholders' funds at 31 December 2015 (audited)</b>	<b>5,263,182</b>	<b>—</b>	<b>2,747,415</b>	<b>450,262</b>	<b>(39,226,535)</b>	<b>77,549,321</b>	<b>46,783,645</b>
Foreign currency adjustments	—	—	—	—	9,629,568	—	9,629,568
Profit for the period	—	—	—	—	—	1,006,182	1,006,182
Total comprehensive income for the period	—	—	—	—	9,629,568	1,006,182	10,635,750
Warrants lapsed	—	—	—	(88,801)	—	88,801	—
Share options lapsed in period	—	—	(1,759,662)	—	—	1,759,662	—
Share option expense	—	—	148,756	—	—	—	148,756
<b>Equity shareholders' funds at 30 June 2016 (unaudited)</b>	<b>5,263,182</b>	<b>—</b>	<b>1,136,509</b>	<b>361,461</b>	<b>(29,596,967)</b>	<b>80,403,966</b>	<b>57,568,151</b>
Foreign currency adjustments	—	—	—	—	—	—	—
Loss for the period	—	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	—	—	—
Transfer to taxation reserve	—	—	—	2,690,401	—	(2,690,401)	—
Shares Issued in period	277,778	1,722,222	—	—	—	—	2,000,000
Release of fair value provision on convertible loan	—	—	—	—	—	1,195,450	1,195,450
Share option expense	—	—	—	—	—	—	—
<b>Equity shareholders' funds at 31 December 2016 (audited)</b>	<b>5,540,960</b>	<b>1,722,222</b>	<b>1,338,652</b>	<b>3,051,862</b>	<b>(30,607,848)</b>	<b>82,333,125</b>	<b>63,378,973</b>
Foreign currency adjustments	—	—	—	—	(656,695)	—	(656,695)
Loss for the period	—	—	—	—	—	(1,005,680)	(1,005,680)
Total comprehensive income for the period	—	—	—	—	(656,695)	(1,005,680)	(1,662,375)
Transfer to taxation reserve	—	—	—	352,762	—	(352,762)	—
Share options lapsed in period	—	—	(184,106)	—	—	184,106	—
Share option expense	—	—	178,032	—	—	—	178,032
<b>Equity shareholders' funds at 30 June 2017 (unaudited)</b>	<b>5,540,960</b>	<b>1,722,222</b>	<b>1,332,578</b>	<b>3,404,624</b>	<b>(31,264,543)</b>	<b>81,158,789</b>	<b>61,894,630</b>

(1) Other reserves comprise a merger reserve of US\$361,461 and a taxation reserve of US\$2,337,639 (2016: merger reserve of US\$ 361,461 and a taxation reserve of US\$2,690,401)

**SERABI GOLD PLC**

**Condensed Consolidated Cash Flow Statements**

	For the three months ended 30 June		For the six months ended 30 June	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
(expressed in US\$)				
<b>Operating activities</b>				
Operating (loss)/profit	(891,637)	(341,483)	(1,005,680)	1,006,182
Depreciation – plant, equipment and mining properties	2,710,157	2,428,213	4,610,861	3,644,940
Net financial expense	201,395	1,406,273	188,341	2,425,077
Provision for impairment of inventory	—	—	220,000	—
Provision for Taxation	97,461	402,407	178,013	556,046
Share-based payments	112,412	25,639	178,032	148,756
Foreign exchange (loss) / gain	(84,778)	(302,227)	40,560	169,676
<b>Changes in working capital</b>				
(Increase)/decrease in inventories	(483,319)	1,189,635	987,364	(780,741)
(Increase) in receivables, prepayments and accrued income	(333,475)	(2,073,657)	(2,577,285)	(2,764,970)
Increase/(decrease) in payables, accruals and provisions	894,832	(22,698)	3,589	1,479,848
<b>Net cash inflow from operations</b>	<b>2,223,048</b>	<b>2,712,102</b>	<b>2,823,795</b>	<b>5,884,814</b>
<b>Investing activities</b>				
Purchase of property, plant and equipment and projects in construction	(815,924)	(1,463,710)	(1,083,839)	(2,127,671)
Mine development expenditures	(877,530)	(729,010)	(1,964,320)	(1,249,151)
Exploration and other development expenditure	21	—	(2,500)	—
Proceeds from sale of assets	115,975	24,401	115,975	26,969
Interest received	35	34	69	69
<b>Net cash outflow on investing activities</b>	<b>(1,577,423)</b>	<b>(2,168,285)</b>	<b>(2,934,615)</b>	<b>(3,349,784)</b>
<b>Financing activities</b>				
Repayment of short-term secured loan	—	(1,333,333)	—	(1,333,333)
Draw-down of short-term convertible loan facility	—	—	—	2,000,000
Receipts from short-term trade finance	—	6,750,809	—	11,901,098
Repayment of short-term trade finance	—	(5,194,131)	—	(11,509,875)
Payment of finance lease liabilities	(132,164)	(169,793)	(132,164)	(381,521)
Interest paid and other finance costs	(55,807)	(272,937)	(67,455)	(498,332)
<b>Net cash (outflow)/ inflow from financing activities</b>	<b>(187,971)</b>	<b>(219,385)</b>	<b>(199,619)</b>	<b>178,037</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>457,654</b>	<b>324,432</b>	<b>(310,439)</b>	<b>2,713,068</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>3,407,117</b>	<b>4,410,589</b>	<b>4,160,923</b>	<b>2,191,759</b>
Exchange difference on cash	(32,553)	39,516	(18,266)	(130,289)
<b>Cash and cash equivalents at end of period</b>	<b>3,832,218</b>	<b>4,774,537</b>	<b>3,832,218</b>	<b>4,774,537</b>

**SERABI GOLD PLC**  
**Report and condensed consolidated financial statements for the 3 month and 6 month periods ended 30 June 2017**

**Notes to the Condensed Consolidated Financial Statements**

**1. Basis of preparation**

These interim condensed consolidated financial statements are for the three and six month periods ended 30 June 2017. Comparative information has been provided for the unaudited three and six month periods ended 30 June 2016 and, where applicable, the audited twelve month period from 1 January 2016 to 31 December 2016. These condensed consolidated financial statements do not include all the disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2016 annual report.

The condensed consolidated financial statements for the periods have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the accounting policies are consistent with those of the annual financial statements for the year ended 31 December 2016 and those envisaged for the financial statements for the year ending 31 December 2017. The Group has not adopted any standards or interpretation in advance of the required implementation dates. It is not anticipated that the adoption in the future of the new or revised standards or interpretations that have been issued by the International Accounting Standards Board will have a material impact on the Group's earnings or shareholders' funds.

These financial statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006.

**(i) Going concern**

On 1 February 2016, the Group announced that, with effect from 1 January 2016, the Sao Chico Mine had achieved Commercial Production. The Palito Mine has been in Commercial Production since 1 July 2014.

The Directors anticipate the Group now has access to sufficient funding for its immediate projected needs. The Group expects to have sufficient cash flow from its forecast production to finance its on-going operational requirements, to repay its secured loan facilities and to, at least in part, fund exploration and development activity on its other gold properties. The secured loan facility was repayable by 31 August 2017 and at 31 June 2017, the amount outstanding under this facility was US\$1.37 million (31 December 2016: US\$1.37 million). On 30 June the Group completed a re-negotiation of an increased secured loan facility of US\$5 million (including the existing loan to US\$1.37 million). The new facility is repayable by 31 December 2019 and the incremental funds were received by the Company on 5 July 2017.

The Directors consider that the Group's operations are performing at the levels that they anticipate, but the Group remains a small scale gold producer with limited cash resources to support any unplanned interruption or reduction in gold production, unforeseen reductions in the gold price, or appreciation of the Brazilian currency, all of which could adversely affect the level of free cash flow that the Group can generate on a monthly basis. In the event that the Group is unable to generate sufficient free cash flow to meet its financial obligations as they fall due, or to allow it to finance exploration and development activity on its other gold properties, additional sources of finance may be required. Should additional working capital be required the Directors consider that further sources of finance could be secured within the required timescale.

On this basis, the Directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis. However, there is no certainty that such additional funds either for working capital or for future development will be forthcoming and these conditions indicate the existence of a material uncertainty, which may cast significant doubt over the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The condensed consolidated financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

**(ii) Use of estimates and judgements**

There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the 2016 annual financial statements.

**(iii) Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered impairment. Prior to carrying out of impairment reviews, the significant cash generating units are assessed to determine whether they should be reviewed under the requirements of IFRS 6 - Exploration for and Evaluation of Mineral Resources or IAS 36 - Impairment of Assets. Such determination is by reference to the stage of development of the project and the level of reliability and surety of information used in calculating value in use or fair value less costs to sell. Impairment reviews performed under IFRS 6 are carried out on a project by project basis, with each project representing a

potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise; typically when one of the following circumstances applies:

- (i) sufficient data exists that render the resource uneconomic and unlikely to be developed
- (ii) title to the asset is compromised
- (iii) budgeted or planned expenditure is not expected in the foreseeable future
- (iv) insufficient discovery of commercially viable resources leading to the discontinuation of activities

Impairment reviews performed under IAS 36 are carried out when there is an indication that the carrying value may be impaired. Such key indicators (though not exhaustive) to the industry include:

- (i) a significant deterioration in the spot price of gold
- (ii) a significant increase in production costs
- (iii) a significant revision to, and reduction in, the life of mine plan

If any indication of impairment exists, the recoverable amount of the asset is estimated, being the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Such impairment losses are recognised in profit or loss for the year.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss for the year.

#### **(iv) Property, plant and equipment and mining properties**

##### *(i) Owned assets*

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Upon demonstration of the feasibility of commercial production, any past deferred exploration, evaluation and development costs related to that operation are reclassified as Assets in Construction. When commercial production commences, these expenditures are then subsequently transferred at cost to Mining Properties. They are stated at cost less amortisation charges and any provision for impairment. Amortisation is calculated over the estimated life of the mineable inventory on a unit of production basis. Future forecast capital expenditure is included in the unit of production depreciation calculation.

##### *(ii) Depreciation*

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The Group reviews the economic lives at the end of each annual reporting period.

The residual value, if not insignificant, is reassessed annually. Gains and losses on disposal are determined by comparing proceeds with carrying values and are included in profit or loss.

##### *(iii) Commercial production*

Following the commencement of development and construction work intended to advance a mining project into commercial production, the Board will consider and approve the criteria that they will apply in assessing when that mining project has achieved commercial production. These criteria may be agreed in conjunction with other stakeholders particularly financing parties and lenders. There are no set regulations or standards to be applied, but the criteria set will primarily consider the performance of the project compared to projections and generally these criteria will be measured over a continuous period of time. The judgements made and the relative performance measures will be based on the Board's view of the complexity and the relative importance of certain key activity areas in determining the long term commerciality of the mining project.

#### **(v) Inventories**

Inventories are stated at the lower of cost and net realisable value. Materials that are no longer considered as likely to be used by the Group or their value is unlikely to be readily realised through a sale to a third party, are provided for.

Materials held for consumption within operations are valued based on purchase price or, when manufactured internally, at cost. Costs are allocated on an average basis and include direct material, labour, related transportation costs and an appropriate allocation of overhead costs.

Gold bullion, copper/gold concentrate, run of mine ore and any other production inventories are valued at the lower of cost and net realisable value. Dependent on the current stage of any product inventory in the process cycle, cost will reflect, as appropriate, mining, processing, transport and labour costs as well as an allocation of mine services overheads required to bring the product to its current state.

Net realisable value is the estimated selling price in the ordinary course of business, after deducting any costs to completion and any applicable marketing, selling, shipping and other distribution expenses.

#### **(vi) Revenue**

Revenue represents amounts receivable in respect of sales of gold and by-products. Revenue represents only sales for which contracts have been agreed and for which the product has been delivered to the purchaser in the manner set out in the contract. Revenue is stated net of any applicable sales taxes. All revenue is derived from the sales of copper/gold concentrates produced by the Palito Mine and gold bullion produced from both the Palito Mine and the Sao Chico Mine.

Revenue from the sale of goods is recognised when the risks and rewards of ownership have been transferred to the buyer. Revenues are recognised in full using prices ruling at the date of sale with adjustments in respect of final sales prices being recognised in the month that such adjustment is agreed. Fair value adjustments for gold prices in respect of any sale for which final pricing has not been agreed at any balance sheet date is accounted for using the gold price at that balance sheet date. Any unsold production and in particular concentrate, is held as inventory and valued at the lower of production cost and net realisable value until sold.

In the case of the sales of copper/gold concentrates, revenue is recognised when, in accordance with the terms of the contract, the customer takes delivery and the Company has no further risk regarding the physical product. In the case of gold bullion, revenue is recognised at the time that gold is delivered to the end purchaser.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

All sales revenue from incidental production arising during the exploration, evaluation, development and commissioning of a mineral resource prior to commercial production, are taken as a contribution towards previously incurred costs and offset against the related asset accordingly.

Interest income is recognised on a time-proportion basis using the effective interest rate method.

#### **(vii) Currencies**

The condensed financial statements are presented in United States Dollars (US\$ or "\$"). Other currencies referred to in these condensed financial statements are UK Pounds ("UK£"), Canadian Dollars ("C\$") and Brazilian Reals ("BrR\$").

The Group's presentational currency is US Dollars and has been selected based on the currency of the primary economic environment in which the Group as a whole operates, on the basis that the Group's primary product is generally traded by reference to its pricing in US Dollars.

Transactions in currencies other than the functional currency of a Group company are recorded at a rate of exchange approximating to that prevailing at the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in currencies other than the functional currency are translated at the amounts prevailing at the balance sheet date and any gains or losses arising are recognised in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations that do not have a US Dollar functional currency, are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rate for the period. Exchange differences arising on the net investment in subsidiaries are recognised in other comprehensive income.



### (viii) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities in current liabilities on the balance sheet.

## 2. Taxation

The Group has recognised a deferred tax asset to the extent that the Group has reasonable certainty as to the level and timing of future profits that might be generated and against which the asset may be recovered. The Group has released the amount of US\$74,888 as a deferred tax charge during the six month period to 30 June 2017.

The Group has also incurred a tax charge for the period in Brazil of US\$103,125.

## 3. Finance income and expense

Finance expense	3 months ended 30 June 2017 US\$ (unaudited)	3 months ended 30 June 2016 US\$ (unaudited)	6 months ended 30 June 2017 US\$ (unaudited)	6 months ended 30 June 2016 US\$ (unaudited)
Interest and fees on loans and finance facilities	34,194	255,887	68,011	538,332
Effective interest charge of the fair value, and loss on revaluation, of derivatives	—	987,206	—	1,320,456
Finance cost on gold trading	—	131,606	—	493,951
	<b>34,194</b>	<b>1,374,699</b>	<b>68,011</b>	<b>2,352,739</b>

## 4. Earnings per share

	3 months ended 30 June 2017 US\$ (unaudited)	3 months ended 30 June 2016 US\$ (unaudited)	6 months ended 30 June 2017 US\$ (unaudited)	6 months ended 30 June 2016 US\$ (unaudited)
(Loss)/profit attributable to ordinary shareholders (US\$)	(891,637)	(341,483)	(1,005,680)	1,006,182
Weighted average ordinary shares in issue	698,701,772	656,389,204	698,701,772	656,389,204
Basic (loss)/profit per share (US cents)	(0.13)	(0.05)	(0.14)	0.15
Diluted ordinary shares in issue <sup>(1)</sup>	698,701,772	656,389,204	698,701,772	706,299,204
Diluted (loss)/profit per share (US cents)	(0.13) <sup>(2)</sup>	(0.05) <sup>(2)</sup>	(0.14) <sup>(2)</sup>	0.14

(1) Assumes exercise of all options and warrants outstanding as of that date where the Group has reported a profit for the period. As the effect of dilution is to reduce the loss per share, the diluted loss per share is considered to be the same as the basic loss per share.

## 5. Segmental analysis

The following information is given about the Group's reportable segments:

The Chief Operating Decision Maker is the Board of Directors. The Board reviews the Group's internal reporting in order to assess performance of the business. Management has determined the operating segments based on the reports reviewed by the Board.

The Board considers the performance of the Group by the geographical location of expenditures, and the division of capital expenditure between exploration and operations.

An analysis of the results for the three month period by management segment is as follows:

	3 months ended 30 June 2017 (unaudited)			3 months ended 30 June 2016 (unaudited)		
	Brazil US\$	UK US\$	Total US\$	Brazil US\$	UK US\$	Total US\$
Revenue	5,786,358	4,356,318	10,142,676	6,621,882	7,610,204	14,232,086
Intra-group sales	3,217,130	(3,217,130)	—	6,462,856	(6,462,856)	—
Operating expenses	(5,568,106)	(1,281,854)	(6,849,960)	(7,484,325)	(1,438,991)	(8,923,316)
Provision for impairment of inventory	—	—	—	—	—	—
Depreciation and amortisation	(2,548,821)	(161,336)	(2,710,157)	(2,235,246)	(192,967)	(2,428,213)
Gross profit/(loss)	886,561	(304,002)	582,559	3,365,167	(484,610)	2,880,557
Administration expenses	(636,044)	(542,859)	(1,178,903)	(839,806)	(572,314)	(1,412,120)
Share based payments	—	(112,412)	(112,412)	—	(25,640)	(25,640)
Profit on sale of fixed assets	115,975	—	115,975	24,401	—	24,401
Operating profit/(loss)	366,492	(959,273)	(592,781)	2,549,762	(1,082,564)	1,467,198
Foreign exchange (loss)/gain	(253,269)	86,033	(167,236)	(84,607)	52,998	(31,609)
Finance expense	—	(34,159)	(34,159)	—	(1,374,665)	(1,374,665)
Profit / (loss) before taxation	113,223	(907,399)	(794,176)	2,465,155	(2,404,231)	60,924

	6 months ended 30 June 2017 (unaudited)			6 months ended 30 June 2016 (unaudited)		
	Brazil US\$	UK US\$	Total US\$	Brazil US\$	UK US\$	Total US\$
Revenue	14,484,399	8,831,861	23,316,260	12,351,372	13,559,803	25,911,175
Intra-group Sales	6,747,712	(6,747,712)	—	11,176,444	(11,176,444)	—
Operating expenses	(14,276,221)	(2,366,089)	(16,642,310)	(12,495,049)	(3,117,773)	(15,612,822)
Provision for impairment of inventory	(220,000)	—	(220,000)	—	—	—
Depreciation and amortisation	(4,351,873)	(258,988)	(4,610,861)	(3,240,641)	(404,299)	(3,644,940)
Gross profit/(loss)	2,384,017	(540,928)	1,843,089	7,792,126	(1,138,713)	6,653,413
Administration expenses	(1,261,479)	(1,158,879)	(2,420,358)	(1,327,489)	(1,216,831)	(2,544,320)
Share based payments	—	(178,032)	(178,032)	—	(148,756)	(148,756)
Profit on sale of fixed assets	115,975	—	115,975	26,969	—	26,969
Operating profit/(loss)	1,238,513	(1,877,839)	(639,326)	6,491,606	(2,504,300)	3,987,306
Foreign exchange (loss)/gain	(140,881)	20,482	(120,399)	765,020	(837,428)	(72,408)
Finance expense	—	(67,942)	(67,942)	(2,354)	(2,350,316)	(2,352,670)
Profit / (loss) before taxation	1,097,632	(1,925,299)	(827,667)	7,254,272	(5,692,044)	1,562,228

An analysis of non-current assets by location is as follows:

	<b>Total non-current assets</b>		
	<b>30 June 2017 (unaudited) US\$</b>	30 June 2016 (unaudited) US\$	31 December 2016 (audited) US\$
Brazil – operations	43,557,012	46,927,210	45,396,140
Brazil – exploration	9,868,205	9,550,074	9,990,789
Brazil – deferred tax	3,133,428	—	3,253,630
Brazil - total	56,558,645	56,477,284	58,640,559
UK	—	—	—
	<b>56,558,645</b>	56,477,284	58,640,559

An analysis of total assets by location is as follows:

	<b>Total assets</b>		
	<b>30 June 2017 (unaudited) US\$</b>	30 June 2016 (unaudited) US\$	31 December 2016 (audited) US\$
Brazil	67,814,130	66,153,727	69,489,023
UK	7,409,930	16,750,722	6,352,431
	<b>75,224,060</b>	82,904,449	75,841,454

#### 6. Deferred exploration costs

	<b>30 June 2017 (unaudited) US\$</b>	30 June 2016 (unaudited) US\$	31 December 2016 (audited) US\$
<b>Cost</b>			
Balance at beginning of period	9,990,789	8,679,246	8,679,246
Exploration and development expenditure	2,500	—	525,444
Reclassification to mine assets	—	(553,813)	(558,895)
Foreign exchange movements	(125,084)	1,424,639	1,344,994
<b>Balance at end of period</b>	<b>9,868,205</b>	9,550,074	9,990,789

#### 7. Property, plant and equipment including mining property and projects in construction

	<b>30 June 2017 (unaudited) US\$</b>	30 June 2016 (unaudited) US\$	31 December 2016 (audited) US\$
<b>Cost</b>			
Balance at beginning of period	71,237,368	54,940,285	54,940,285
Reclassifications from deferred exploration costs	—	553,813	558,895
Additions	3,264,280	3,381,391	6,282,145
Disposals	(237,031)	—	(23,490)
Foreign exchange movements	(917,595)	10,490,154	9,479,533
<b>Balance at end of period</b>	<b>73,347,022</b>	69,365,643	71,237,368

	<b>30 June 2017 (unaudited) US\$</b>	30 June 2016 (unaudited) US\$	31 December 2016 (audited) US\$
<b>Accumulated depreciation</b>			
Balance at beginning of period	(25,841,228)	(14,789,801)	(14,789,801)
Charge for period	(4,551,768)	(4,047,769)	(8,182,668)
Released on disposals	199,911	—	—
Foreign exchange movements	403,075	(3,600,863)	(2,868,759)
<b>Balance at end of period</b>	<b>(29,790,010)</b>	<b>(22,438,433)</b>	<b>(25,841,228)</b>
<b>Net book value at end of period</b>	<b>43,557,012</b>	<b>46,927,210</b>	<b>45,396,140</b>

#### 8. Inventories

	<b>30 June 2017 (unaudited) \$</b>	30 June 2016 (unaudited) \$	31 December 2016 (audited) \$
Consumables	2,361,794	2,303,994	2,380,873
Ore stockpiles and other work in progress	2,487,816	3,364,362	4,156,726
Finished goods awaiting sale	1,995,147	3,852,495	1,572,774
<b>Balance at end of period</b>	<b>6,844,757</b>	<b>9,520,851</b>	<b>8,110,373</b>

#### 9. Interest bearing loan

	<b>30 June 2017 (unaudited) US\$</b>	30 June 2016 (unaudited) US\$	31 December 2016 (audited) US\$
Balance at start of period	1,371,489	4,000,000	4,000,000
Initial fair value of derivative associated with loan	—	(212,500)	—
Repayments	—	(1,333,333)	(3,261,111)
Amount due on settlement of call options	—	—	432,600
Extension fee payable	—	—	200,000
Effective interest rate charge of the fair value of derivative	—	62,500	—
<b>Balance at end of period</b>	<b>1,371,489</b>	<b>2,516,667</b>	<b>1,371,489</b>

#### 10. Convertible Loan facility

	<b>30 June 2017 (unaudited) US\$</b>	30 June 2016 (unaudited) US\$	31 December 2016 (audited) US\$
Balance at start of period	—	—	—
Loan drawdown in period	—	2,000,000	—
Initial fair value of derivative associated with loan	—	(199,413)	—
Effective interest rate charge of the fair value of derivative	—	92,037	—
<b>Balance at end of period</b>	<b>—</b>	<b>1,892,624</b>	<b>—</b>

## 11. Provision for derivatives

Gold Call Options	30 June 2017 (unaudited) US\$	30 June 2016 (unaudited) US\$	31 December 2016 (audited) US\$
Fair value at start of period	—	—	—
Fair value at date of grant	650,000	212,500	—
Increase / (decrease) in fair value in period	—	352,250	—
<b>Fair value at end of period</b>	<b>650,000</b>	<b>564,750</b>	<b>—</b>

In consideration of a loan facility (see note 16 Post Balance Sheet Events) with Sprott Resource Lending Partnership (“Sprott”), the Company has granted to Sprott call options over 6,109 ounces of gold at a strike price of \$1,320 per ounce exercisable at any time up until 31 December 2019 and have been valued at US\$650,000. The additional funds due under the new secured loan facility were received on 5 July 2017,

## 12. Contingencies

Employment legislation in Brazil allows former employees to bring claims against an employer at any time for a period of two years from the date of cessation of employment and regardless of whether the employee left the company voluntarily or had their contract terminated by the company. The Group considers that it operates in compliance with the law at all times but is aware that claims are made against all companies in Brazil on a regular basis. Whilst not accepting legal liability the Group makes provision or accrues for all known claims further claims may arise at any time.

During 2013, Serabi Mineração SA (“SMSA”) was requested by the Tax Authorities for the State of Para, to provide supporting documentation in respect of certain tax reclaims made by SMSA dating back for six years. SMSA has provided all the requested information and the Group considers all claims made were in accordance with prevailing legislation. The total sum of the tax claims that are subject to this review is BrR\$78,000, which at the year-end is equivalent to US\$24,000.

## 13. Related party transactions

The Group has not entered into any related party transactions during the period.

## 14. Share capital

### (a) Ordinary and deferred shares

Ordinary shares	31 June 2017 (unaudited)		31 June 2016 (unaudited)		31 December 2016 (audited)	
	Number	US\$	Number	US\$	Number	US\$
<b>Balance at beginning of period</b>	698,701,772	5,540,960	656,389,204	5,263,182	656,389,204	5,263,182
Issued in period	—	—	—	—	42,312,568	277,778
<b>Balance at end of period</b>	<b>698,701,772</b>	<b>5,540,960</b>	<b>656,389,204</b>	<b>5,263,182</b>	<b>698,701,772</b>	<b>5,540,960</b>

### (b) Stock option reserve

#### Contributed surplus

	US\$
Balance at beginning of period	1,338,652
Option costs for period	178,032

Options lapsed in period	(184,106)
Balance at end of period	1,332,578

Under the Company's Stock Option Plan (the "2011 Plan"), stock options may be granted only to directors, officers, employees and consultants of the Company or to their permitted assignees and may be granted for a term not exceeding ten years. The Ordinary Shares to be purchased upon exercise of each option must be paid for in full by the grantee at the time of exercise. Unless otherwise directed by the Board of Directors at the date of the grant, each award shall vest as to one third on the date of grant, one third on the first anniversary of grant and the balance vesting on the second anniversary of the date of grant. The board of directors shall also be entitled to establish performance criteria, which may affect the vesting of the options or the rights of the holder to exercise the options. The 2011 Plan reserves for issuance, pursuant to its terms, up to 10% of the number of Ordinary Shares issued or issuable and outstanding from time to time.

The Company has operated other plans which have now been discontinued but certain options granted to individuals no longer employed by the Company continue to be outstanding under these plans.

The following summarises the outstanding options in issue at 30 June 2017 under the various plans that have been operated by the Company:

Issue date	Options outstanding	Options vested	Exercise price	Expiry
07 April 2017	15,650,000	5,216,672	UK£0.050	06 April 2020
16 May 2016	15,650,000	10,433,336	UK£0.050	15 May 2019
22 January 2015	15,000,000	15,000,000	UK£0.055	21 January 2018
30 September 2014	3,200,000	3,200,000	UK£0.055	29 September 2017
28 January 2011	1,285,000	1,285,000	UK£0.41	27 January 2021
28 January 2011	450,000	450,000	UK£0.37	27 January 2021
21 December 2009	1,700,000	1,700,000	UK£0.15	20 December 2019
15 November 2007	25,000	25,000	UK£2.64	14 November 2017
	<u>52,960,000</u>	<u>37,310,008</u>		

The approximate weighted average exercise price is UK£0.067605

## 15. Impairment

For the purposes of the preparation of the annual audited financial statements for the year ended 31 December 2016, management undertook an impairment review of the Group's exploration, development and production assets. At that time, there was no indication that the Group required a provision for impairment.

As at 30 June 2017 the carrying value of the assets relating to the Palito and Sao Chico Mines has decreased from US\$45.396 million as at 31 December 2016 to US\$43.557 million.

The major assumptions underlying management's estimate of the value in use attributable to the Palito and Sao Chico Mines as at 31 December 2016 are detailed in note 19 to the Company's Annual Report and Financial Statements for the year ended 31 December 2016. Management do not consider that any events have occurred during the period since the preparation of that estimate which would lead them to vary any of the assumptions underlying the estimate of the value in use, which supports the amended carrying value as at 30 June 2017. The matter will continue to be reviewed in future periods.

## 16. Post Balance Sheet Events

On 30 June 2017 the Company entered into a new secured loan agreement with Sprott Resource Lending Partnership for US\$5.0 million (to include the amount of US\$1.37 million outstanding as at that date), repayable on or before 31 December 2019. Whilst the documentation was signed on 30 June 2017, the additional funds were not

send or received until 5 July 2017 and accordingly no liability for the increased level of the loan was recognized in these financial statements.

Other than as set out above between the end of the financial period and the date of this management discussion and analysis, there has been no item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Group, to affect significantly the continuing operations of the entity, the results of these operations, or the state of affairs of the entity in future financial periods.

#### **17. Approval of the interim condensed consolidated financial statements**

These unaudited interim condensed consolidated financial statements for the three and six month periods ended 30 June 2017 were approved by the board of directors on 11 August 2017.