



SERABI GOLD PLC

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

**FOR THE THREE AND SIX MONTHS ENDED
30 JUNE 2019**

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	
		2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
CONTINUING OPERATIONS					
Revenue		12,459,699	11,873,783	29,585,739	25,700,634
Cost of sales		(7,803,002)	(7,983,786)	(19,664,989)	(17,472,887)
Release of inventory impairment provision		–	200,000	500,000	200,000
Depreciation and amortisation charges		(1,960,956)	(2,498,047)	(4,250,501)	(4,490,900)
Gross profit		2,695,741	1,591,950	6,170,249	3,936,847
Administration expenses		(1,415,133)	(1,357,814)	(2,798,964)	(2,689,238)
Share-based payments		(65,486)	(78,278)	(130,971)	(155,571)
Gain on sales of assets disposal		101,623	13,209	126,435	64,324
Operating profit		1,316,745	169,067	3,366,749	1,156,362
Foreign exchange (loss) / gain		(51,486)	(498,543)	(66,103)	(555,633)
Finance expense	2	(849,336)	(109,145)	(1,123,599)	(699,518)
Finance income	2	159,600	–	161,817	34
Profit / (loss) before taxation		575,523	(438,621)	2,338,864	(98,755)
Income tax expense	3	(405,845)	(54,799)	(619,224)	(383,879)
Profit / (loss) after taxation		169,678	(493,420)	1,719,640	(482,634)
Other comprehensive income (net of tax)					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		1,053,943	(8,925,573)	491,850	(9,260,004)
Total comprehensive profit / (loss) for the period operations attributable to the owners of the parent		1,223,621	(9,418,993)	2,211,490	(9,742,638)
Profit / (loss) per ordinary share (basic) ⁽¹⁾	4	0.29c	(0.94c)	2.92c	(1.10c)
Profit / (loss) per ordinary share (diluted) ⁽¹⁾	4	0.28c	(0.94c)	2.85c	(1.10c)

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

SERABI GOLD PLC
Condensed Consolidated Balance Sheets

(expressed in US\$)	Notes	As at 30 June 2019 (unaudited)	As at 30 June 2018 (unaudited)	As at 31 December 2018 (audited)
Non-current assets				
Deferred exploration costs	6	29,591,753	24,490,001	27,707,795
Property, plant and equipment	7	41,228,338	42,049,417	42,342,102
Taxes receivable		1,556,125	1,556,129	1,555,170
Deferred taxation		2,008,732	2,276,588	2,162,180
Total non-current assets		74,384,948	70,372,135	73,767,247
Current assets				
Inventories	8	6,898,033	5,827,745	8,511,474
Trade and other receivables		1,291,505	1,596,978	758,209
Prepayments and accrued income		4,706,018	3,398,201	4,166,916
Cash and cash equivalents		12,366,683	21,052,325	9,216,048
Total current assets		25,262,239	31,875,249	22,652,647
Current liabilities				
Trade and other payables		7,389,818	5,050,232	6,273,321
Interest bearing liabilities	9	6,122,584	5,774,122	4,302,798
Acquisition payment outstanding		11,530,027	–	10,997,757
Derivative financial liabilities		681,765	346,992	390,976
Accruals		335,142	350,878	372,327
Total current liabilities		26,059,336	11,522,224	22,337,179
Net current assets		(797,097)	20,353,025	315,468
Total assets less current liabilities		73,587,851	90,725,160	74,082,715
Non-current liabilities				
Trade and other payables		562,627	2,233,353	955,521
Provisions		1,572,476	1,857,564	1,543,811
Acquisition payment outstanding		–	10,481,843	–
Interest bearing liabilities	9	–	1,686,704	2,473,096
Total non-current liabilities		2,135,103	16,259,464	4,972,428
Net assets		71,452,748	74,465,696	69,110,287
Equity				
Share capital	12	8,882,803	8,863,755	8,882,803
Share premium reserve		21,752,430	21,681,478	21,752,430
Option reserve	12	1,106,017	1,189,318	1,363,367
Other reserves		5,590,190	5,066,796	4,763,819
Translation reserve		(40,315,273)	(40,459,572)	(40,807,123)
Retained surplus		74,436,581	78,123,921	73,154,991
Equity shareholders' funds		71,452,748	74,465,696	69,110,287

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 2018 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 2019 Annual General Meeting. The auditor's report on these accounts was unqualified. 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\$)

(unaudited)	Share capital	Share premium	Share option reserve	Other reserves ⁽¹⁾	Translation reserve	Retained Earnings	Total equity
Equity shareholders' funds at 31 December 2017	5,540,960	1,722,222	1,425,024	4,015,369	(31,199,568)	79,266,705	60,770,712
Foreign currency adjustments	—	—	—	—	(9,260,004)	—	(9,260,004)
Profit for the period	—	—	—	—	—	(482,634)	(482,634)
Total comprehensive income for the period	—	—	—	—	(9,260,004)	(482,634)	(9,742,638)
Transfer to taxation reserve	—	—	—	1,051,427	—	(1,051,427)	—
Shares issued in period	3,322,795	19,959,256	—	—	—	—	23,282,051
Share options lapsed in period	—	—	(391,277)	—	—	391,277	—
Share option expense	—	—	155,571	—	—	—	155,571
Equity shareholders' funds at 30 June 2018	8,863,755	21,681,478	1,189,318	5,066,796	(40,459,572)	78,123,921	74,465,696
Foreign currency adjustments	—	—	—	—	(347,551)	—	(347,551)
Loss for the period	—	—	—	—	—	(4,968,930)	(4,968,930)
Total comprehensive income for the period	—	—	—	—	(347,551)	(4,968,930)	(5,316,481)
Transfer to taxation reserve	—	—	—	(302,977)	—	—	(302,977)
Shares issued in period	19,048	70,952	—	—	—	—	90,000
Share option expense	—	—	174,049	—	—	—	174,049
Equity shareholders' funds at 31 December 2018	8,882,803	21,752,430	1,363,367	4,763,819	(40,807,123)	73,154,991	69,110,287
Foreign currency adjustments	—	—	—	—	491,850	—	491,850
Profit for the period	—	—	—	—	—	1,719,640	1,719,640
Total comprehensive income for the period	—	—	—	—	491,850	1,719,640	2,211,490
Transfer to taxation reserve	—	—	—	826,371	—	(826,371)	—
Share options lapsed in period	—	—	(388,321)	—	—	388,321	—
Share option expense	—	—	130,971	—	—	—	130,971
Equity shareholders' funds at 30 June 2019	8,882,803	21,752,430	1,106,017	5,590,190	(40,315,273)	74,436,581	71,452,748

(1) Other reserves comprise a merger reserve of US\$361,461 and a taxation reserve of US\$5,228,729 (31 December 2018: merger reserve of US\$361,461 and a taxation reserve of US\$4,402,358).

SERABI GOLD PLC
Condensed Consolidated Cash Flow Statements

	For the three months ended 30 June		For the six months ended 30 June	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
(expressed in US\$)				
Operating activities				
Post tax (loss) / profit for period	169,678	(493,420)	1,719,640	(482,634)
Depreciation – plant, equipment and mining properties	1,960,956	2,498,047	4,250,501	4,490,900
Net financial expense	741,222	607,688	1,027,885	1,165,117
Provision for impairment of inventory	—	(200,000)	(500,000)	(200,000)
Provision for taxation	405,845	54,799	619,224	383,879
Share-based payments	65,486	78,278	130,971	245,571
Foreign exchange (loss) / gain	(404,652)	222,774	(382,801)	154,350
Changes in working capital				
(Increase)/decrease in inventories	(572,470)	(619,967)	2,165,340	117,146
(Increase) in receivables, prepayments and accrued income	(376,417)	(1,003,947)	(1,113,022)	(1,503,295)
Increase/(decrease) in payables, accruals and provisions	979,894	242,933	1,518,388	113,080
Net cash inflow from operations	2,969,542	1,387,185	9,436,126	4,484,114
Investing activities				
Acquisition payments	(120,988)	(4,740,928)	(1,156,075)	(4,740,928)
Capitalised mine development costs	(654,253)	(1,064,966)	(1,492,563)	(2,030,489)
Purchase of property, plant and equipment and projects in construction	(1,071,564)	(892,233)	(1,461,292)	(1,317,926)
Geological exploration expenditure	(208,062)	(1,443,384)	(796,524)	(2,011,802)
Pre-operational project costs	(403,580)	(496,049)	(843,522)	(1,289,479)
Proceeds from sale of assets	118,039	13,209	153,081	64,324
Interest received	—	—	2,217	34
Net cash outflow on investing activities	(2,340,408)	(8,624,351)	(5,594,678)	(11,326,266)
Financing activities				
Issue of ordinary share capital	—	23,807,346	—	23,807,346
Costs associated with issue of share capital	—	(566,518)	—	(566,518)
Drawdown secured loan	—	—	—	3,000,000
Repayment of secured loan	(195,043)	(666,667)	(195,043)	(1,000,000)
Payment of finance lease liabilities	(81,573)	(143,063)	(267,178)	(426,210)
Interest paid and other finance costs	(151,137)	(234,166)	(303,933)	(386,587)
Net cash (outflow) / inflow from financing activities	(427,753)	22,196,932	(766,154)	24,428,031
Net increase / (decrease) in cash and cash equivalents	201,381	14,959,766	3,075,294	17,585,879
Cash and cash equivalents at beginning of period	12,133,712	6,695,526	9,216,048	4,093,866
Exchange difference on cash	31,590	(602,967)	75,341	(627,420)
Cash and cash equivalents at end of period	12,366,683	21,052,325	12,366,683	21,052,325

SERABI GOLD PLC

Report and condensed consolidated financial statements for the three and six month periods ended 30 June 2019

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation

These interim condensed consolidated financial statements are for the three and six month period ended 30 June 2019. Comparative information has been provided for the unaudited three and six month period ended 30 June 2018 and, where applicable, the audited twelve month period from 1 January 2018 to 31 December 2018. 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 2018 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 2018 and those envisaged for the financial statements for the year ending 31 December 2019.

Accounting standards, amendments and interpretations effective in 2019

The Group has not adopted any standards or interpretations in advance of the required implementation dates.

As of 1 January 2019, IFRS "16 Leases", became effective and requires lessees to recognise all lease assets and liabilities on the balance sheet for both finance leases and operating leases. The adoption of IFRS 16 has not had any significant impact on the Group's financial statements as the operating leases held by the Group are of low value and the majority of the existing contracts either relate to service agreements or otherwise do not result in right of use assets or lease liabilities.

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

(i) Going concern

As at 30 June 2019 the Group had cash in hand of US\$12.3 million and net assets of US\$71.5 million. The Directors have reviewed the forecast cash flow of the Group for the next 12 months. Based on this forecast, which includes planned capital and exploration programmes, the Group may not be able to generate sufficient cash flows to settle, in full, the deferred consideration of US\$12 million payable for the acquisition of Coringa which falls due in December 2019.

The Directors believe there is a reasonable prospect of the Group securing further funds as and when required in order that the Group can meet all liabilities including the deferred consideration payable for the acquisition of Coringa as and when they fall due in the next 12 months and have prepared the financial statements on a going concern basis.

As at the date of this report the outcome of raising further funds remains uncertain and this represents a material uncertainty surrounding going concern. If the Group fails to raise the necessary funds the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The matters explained indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent's ability to continue as a going concern. These financial statements do not show the adjustments to the assets and liabilities of the Group or the Parent company if this was to occur.

(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 2018 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) Leased assets

Assets held under leases, which result in the Group bearing risk and receiving benefit of ownership (finance leases), are capitalised as property, plant and equipment at the estimated present value of underlying lease payments.

The corresponding finance lease obligation is included within borrowings. The interest element is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period.

(iii) Subsequent costs

Costs relating to maintenance and upkeep of the Group's assets, once such assets have been commissioned and entered into commercial operations, will generally be expensed as incurred. In the event, however, that the costs demonstrably result in extending the original estimated life of such asset or enhances its value, then such expenditure is added to the carrying value of that asset and amortised over its remaining estimated useful life.

(iv) 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.

(v) Deferred exploration costs

All costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are written off as incurred. Subsequent to the legal rights being obtained, all costs related to the exploration of mineral properties are capitalised on a project-by-project basis and deferred until either the properties are demonstrated to be commercially viable (see note 1(d)(i)) or until the properties are sold, allowed to lapse or abandoned, at which time any

capitalised costs are written off to the income statement. Costs incurred include appropriate technical and administrative overheads but not general overheads. Deferred exploration costs are carried at cost, less any impairment losses recognised.

At such time as commercial feasibility is established and a development decision is reached, the costs associated with that property will be transferred to and re-categorised as Projects in Construction and upon commercial production being achieved, re-categorised as Mining Property.

Property, plant and equipment used in the Group's exploration activities are separately reported.

(vi) 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.

(vii) Revenue

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Company has elected to early adopt IFRS 15, with effect from 1 January 2018. IFRS 15 had no impact on prior year results.

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.

Revenues are recognised in full using contractual pricing terms ruling at the date of sale with adjustments in respect of final contractual pricing terms 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. Under the terms of the sales contracts, the Company's performance obligation is considered to be the delivery of gold and copper/gold concentrate meeting agreed criteria.

The Company recognises 100% of the revenue on transfer of title where it is considered highly probable there will be no reversals, having consideration of quality tests performed upon delivery of shipment.

The performance obligation and associated revenue from customers is recorded when the title for a shipment is transferred to the customer in accordance with the contract terms. On transfer of title, control is considered to have passed to the customer with the Company having right to payment, but no ongoing physical possession or involvement with the concentrate, legal title and insurance risk having transferred.

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.

(viii) 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. The functional currency of the Company is also considered to be the US Dollar.

Transactions in currencies other than the functional currency of a 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 for which the US Dollar is not the 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.

(ix) 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.

(x) Derivatives

Derivatives are valued by reference to available market data. Any change in the value of the derivative is recognised in the statement of comprehensive income in the period in which it occurs. The fair value of the derivative has been measured using level 1 inputs.

2. Finance Costs

	3 months ended 30 June 2019 (unaudited) US\$	3 months ended 30 June 2018 (unaudited) US\$	6 months ended 30 June 2019 (unaudited) US\$	6 months ended 30 June 2018 (unaudited) US\$
Interest expense on secured loan	(150,956)	(205,479)	(300,540)	(357,899)
Unwinding of discount on acquisition	(270,750)	(246,137)	(532,271)	(483,883)
Arrangement fee for secured loan	—	—	—	(90,000)
Loss on revaluation of derivatives	(427,630)	—	(290,788)	—
Amortisation of fair value of derivatives	—	(65,000)	—	(130,000)
	(849,336)	(516,616)	(1,123,599)	(1,061,782)
Gain on revaluation of derivatives	—	407,471	—	362,264
Recognition of variation in effective interest rate of secured loan	159,600	—	159,600	—
Interest income	—	—	2,217	34
Net finance expense	(689,736)	(109,145)	(961,782)	(699,484)

3. 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\$502,707 as a deferred tax charge during the six month period to 30 June 2019.

The Group has also incurred a tax charge in Brazil for the six month period of US\$116,517.

4. Earnings per share

	3 months ended 30 June 2019 (unaudited)	3 months ended 30 June 2018 (unaudited)	6 months ended 30 June 2019 (unaudited)	6 months ended 30 June 2018 (unaudited)
Profit / (loss) attributable to ordinary shareholders (US\$)	169,678	(493,420)	1,719,640	(482,634)
Weighted average ordinary shares in issue	58,909,551	52,529,475	58,909,551	43,821,118
Basic profit / (loss) per share (US cents)	0.29c	(0.94c)	2.92c	(1.10c)
Diluted ordinary shares in issue	60,430,473 ⁽²⁾	52,529,475 ⁽¹⁾	60,430,473 ⁽²⁾	43,821,118 ⁽¹⁾
Diluted profit / (loss) per share (US cents)	0.28c	(0.94c)	2.85c	(1.10c)

(1) As the effect of dilution is to reduce the loss per share, the diluted shares in issue are the same as the basic shares in issue and the diluted loss per share is considered to be the same as the basic loss per share.

(2) Based on 1,520,922 options vested and exercisable as at 30 June 2019.

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 2019 (unaudited)			3 months ended 30 June 2018 (unaudited)		
	Brazil US\$	UK US\$	Total US\$	Brazil US\$	UK US\$	Total US\$
Revenue	9,383,867	3,075,832	12,459,699	8,689,878	3,183,905	11,873,783
Intra-group sales	2,897,966	(2,897,966)	—	2,339,974	(2,339,974)	—
Operating expenses	(6,576,320)	(1,226,682)	(7,803,002)	(6,902,692)	(1,081,094)	(7,983,786)
Release of impairment provision	—	—	—	200,000	—	200,000
Depreciation and amortisation	(1,887,511)	(73,445)	(1,960,956)	(2,437,858)	(60,189)	(2,498,047)
Gross profit / (loss)	3,818,002	(1,122,261)	2,695,741	1,889,302	(297,352)	1,591,950
Administration expenses	(780,817)	(634,316)	(1,415,133)	(663,559)	(694,255)	(1,357,814)
Share based payments	—	(65,486)	(65,486)	—	(78,278)	(78,278)
Profit on sale of fixed assets	101,623	—	101,623	13,209	—	13,209
Operating profit / (loss)	3,138,808	(1,822,063)	1,316,745	1,238,952	(1,069,885)	169,067
Foreign exchange gain / (loss)	(30,634)	(20,852)	(51,486)	439,806	(938,349)	(498,543)
Finance expense	—	(689,736)	(689,736)	—	(109,145)	(109,145)
Profit / (loss) before taxation	3,108,174	(2,532,651)	575,523	1,678,758	(2,117,379)	(438,621)

	6 months ended 30 June 2019 (unaudited)			6 months ended 30 June 2018 (unaudited)		
	Brazil US\$	UK US\$	Total US\$	Brazil US\$	UK US\$	Total US\$
Revenue	21,248,407	8,337,332	29,585,739	20,050,755	5,649,879	25,700,634
Intra-group Sales	6,290,477	(6,290,477)	—	4,331,310	(4,331,310)	—
Operating expenses	(17,138,319)	(2,526,670)	(19,664,989)	(15,191,275)	(2,281,612)	(17,472,887)
Release of impairment provision	—	500,000	500,000	200,000	—	200,000
Depreciation and amortisation	(4,149,036)	(101,465)	(4,250,501)	(4,377,051)	(113,849)	(4,490,900)
Gross profit / (loss)	6,251,529	(81,280)	6,170,249	5,013,739	(1,076,892)	3,936,847
Administration expenses	(1,487,523)	(1,311,441)	(2,798,964)	(1,331,290)	(1,357,948)	(2,689,238)
Share based payments	—	(130,971)	(130,971)	—	(155,571)	(155,571)
Profit on sale of fixed assets	126,435	—	126,435	64,324	—	64,324
Operating profit / (loss)	4,890,441	(1,523,692)	3,366,749	3,746,773	(2,590,411)	1,156,362
Foreign exchange gain / (loss)	(100,590)	34,487	(66,103)	410,972	(966,605)	(555,633)
Finance expense	—	(961,782)	(961,782)	—	(699,484)	(699,484)
Profit / (loss) before taxation	4,789,851	(2,450,987)	2,338,864	4,157,745	(4,256,500)	(98,755)

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

	Total non-current assets		
	30 June 2019 (unaudited) US\$	30 June 2018 (unaudited) US\$	31 December 2018 (audited) US\$
Brazil – operations	29,591,753	42,049,417	42,342,102
Brazil – exploration	41,228,338	24,490,001	27,707,795
Brazil – taxes receivable	1,556,125	1,556,129	1,555,170
Brazil – deferred tax	2,008,732	2,276,588	2,162,180
Brazil - total	74,384,948	70,372,135	73,767,247
UK	—	—	—
	74,384,948	70,372,135	73,767,247

An analysis of total assets by location is as follows:

	Total assets		
	30 June 2019 (unaudited) US\$	30 June 2018 (unaudited) US\$	31 December 2018 (audited) US\$
Brazil	88,017,319	74,382,837	88,285,140
UK	11,629,868	27,864,547	8,134,754
	99,647,187	102,247,384	96,419,894

6. Deferred exploration costs

	30 June 2019 (unaudited) US\$	30 June 2018 (unaudited) US\$	31 December 2018 (audited) US\$
Cost			
Opening balance	27,707,795	23,898,819	23,898,819
Exploration and evaluation expenditure	796,524	2,011,802	4,610,450
Pre-operational project costs	843,523	1,289,479	2,274,133
Re-allocation from projects in construction	—	145,408	—
Re-allocation from tangible assets	—	—	136,276
Foreign exchange movements	243,911	(2,855,507)	(3,211,883)
Total as at end of period	29,591,753	24,490,001	27,707,795

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

	30 June 2019 (unaudited) US\$	30 June 2018 (unaudited) US\$	31 December 2018 (audited) US\$
Cost			
Balance at start of period	81,238,029	83,981,200	83,981,200
Additions	2,953,855	3,589,068	8,965,674
Re-allocation to deferred exploration costs	—	(145,408)	(136,276)
Additions from acquisition	—	—	—
Disposals	(149,061)	—	(522,636)
Foreign exchange movements	775,676	(10,649,668)	(11,049,933)
Balance at end of period	84,818,499	76,775,192	81,238,029

	30 June 2019 (unaudited) US\$	30 June 2018 (unaudited) US\$	31 December 2018 (audited) US\$
Accumulated depreciation			
Balance at start of period	(38,895,927)	(35,000,819)	(35,000,819)
Charge for period	(4,221,163)	(4,584,064)	(9,341,601)
Released on asset disposals	59,926	—	454,785
Foreign exchange movements	(532,997)	4,859,108	4,991,708
Balance at end of period	(43,590,161)	(34,725,775)	(38,895,927)
Net book value at end of period	41,228,338	42,049,417	42,342,102

8. Inventories

	30 June 2019 (unaudited) US\$	30 June 2018 (unaudited) US\$	31 December 2018 (audited) US\$
Consumables	3,279,913	2,772,606	2,929,297
Ore stockpiles and other work in progress	1,527,009	1,642,948	1,762,492
Finished goods	2,091,111	1,412,191	3,819,685
Balance at end of period	6,898,033	5,827,745	8,511,474

9. Interest bearing liabilities

a. Secured loan

	30 June 2019 (unaudited) US\$	30 June 2018 (unaudited) US\$	31 December 2018 (audited) US\$
Amount outstanding at start of period	6,060,606	4,480,000	4,480,000
Derecognition of substantial modified loan			
- Repayment of principal	—	—	(4,480,000)
Recognition of new loan	—	—	5,000,000
Additional draw-down of short-term loan	—	3,000,000	3,000,000
Fair value adjustment for change in effective interest rate	(172,912)	—	—
Amorisation of effective interest rate adjustment	13,312	—	—
Amount repaid during year	—	(1,000,000)	(1,939,394)
Amortisation of derivative in period	—	130,000	—
Value of secured loan at end of period	5,901,006	6,610,000	6,060,606

On 19 January 2018 and at the same time as taking out an additional US\$3 million loan with Sprott, a six month extension to the repayment terms for this US\$5 million loan was agreed. Under IFRS9, this variation being more than 10 per cent of the future cash flows was considered a substantial modification to the original US\$5 million loan. Accordingly, the original loan under the terms of IFRS 9 was considered to be repaid and a new loan for US\$5 million taken out but with no derivative instrument attached to it. As a result, the outstanding fair value of the derivative attaching to the original US\$5 million loan was required to be amortised in full upon the deemed repayment of the original loan.

On 19 May 2019, the Group agreed with Sprott a variation in the repayment terms such that the outstanding loan would be repaid in six equal monthly installments commencing on 31 January 2020. Under IFRS9, this variation is considered to be a non-substantial modification but nonetheless gave rise to a change in the effective interest rate of the loan which has been recognized in the period and is being amortised over the remaining term of the loan.

b. Finance leases and other asset finance

The Group had the following amounts due under finance leases or other asset finance arrangements outstanding at the end of each period.

	30 June 2019 (unaudited) US\$	30 June 2018 (unaudited) US\$	31 December 2018 (audited) US\$
Amount outstanding at end of period	221,578	850,286	715,288
Value of all secured liabilities at the end of the period	6,122,584	7,460,286	6,775,894

10. 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.

11. Related party transactions

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

12. Share capital

a) Ordinary shares

	30 June 2019 (unaudited)		30 June 2018 (unaudited)		31 December 2018 (audited)	
	Number	\$	Number	\$	Number	\$
Allotted, called up and fully paid						
Ordinary shares in issue at start of period	58,909,551	8,882,803	698,701,772	5,540,960	698,701,772	5,540,960
Shares issued in period before 19 June 2018	–	–	476,579,668	3,322,795	476,579,668	3,322,795
Effect of share consolidation ⁽¹⁾	–	–	(1,116,517,368)	–	(1,116,517,368)	–
Equivalent shares in issue post consolidation	58,909,551	8,882,803	58,764,072	8,863,755	58,764,072	8,863,755
Shares issued in period after 19 June 2018	–	–	–	–	145,479	19,048
Ordinary shares in issue at start of period	58,909,551	8,882,803	58,764,072	8,863,755	58,909,551	8,882,803

(1) On 19 June 2018, the Group completed a capital reorganisation with every 20 existing shares being consolidated into one new share. The total number of existing ordinary shares in issue immediately prior to the capital reorganisation was 1,175,281,440. The total number of ordinary shares in issue following the capital reorganisation was 58,764,072. For comparative purpose the weighted average ordinary shares in issue and the diluted ordinary shares in issue for the three month period ended 30 June 2018, has been adjusted to reflect the share consolidation of 20 existing shares into one new share.

(b) Stock option reserve

Contributed surplus

	30 June 2019 (unaudited) US\$	30 June 2018 (unaudited) US\$	31 December 2018 (audited) US\$
Balance at start of period	1,363,367	1,425,024	1,425,024
Options lapsed in period	(388,321)	(391,277)	(391,277)
Options costs for period	130,971	155,571	329,620
Balance at end of period	1,106,017	1,189,318	1,363,367

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 10 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 per cent 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 retain 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 2019 under the various plans that have been operated by the Company:

Issue date	Options outstanding	Options vested	Exercise price	Expiry
2 July 2018	1,700,000	566,672	UK£0.75	01 July 2021
07 April 2017	782,500	782,500	UK£1.00	06 Apr 2020
28 January 2011	64,250	64,250	UK£8.20	27 January 2021
28 January 2011	22,500	22,500	UK£7.40	27 January 2021
21 December 2009	85,000	85,000	UK£3.00	20 December 2019
	<u>2,654,250</u>	<u>1,520,922</u>		

The approximate weighted average exercise price is UK£1.13

13. Impairment

For the purposes of the preparation of the annual audited financial statements for the year ended 31 December 2018, management undertook an impairment review of the Group's exploration, development and production assets. At that time, it was concluded there were no indicators of impairment at that time. Further information regarding impairment is set out in note 21 to the Company's Annual Report and Financial Statements for the year ended 31 December 2018.

As at 30 June 2019 the carrying value of the assets relating to the Palito and Sao Chico Mines has decreased to US\$36.15 million from US\$37.66 million as at 31 December 2018, whilst the carrying value of deferred exploration costs has increased from US\$27.71 million at 31 December 2018 to US\$29.59 million at 30 June 2019.

Management do not consider that any events have occurred which would give rise to management concluding that there has been any indication of impairment since 31 December 2018.

14. Post Balance Sheet Events

On 18 July 2019, Sprott Resource Lending Corp. ("Sprott"), exercised their call options over 6,109 ounces of gold representing all the call options granted by the Group. This has given rise to a liability of US\$922,886. A provision of US\$ 681,765 calculated based on the value of these 6,109 options as at 30 June 2019 has been included in these Financial Statements. It has been agreed that this cash liability of US\$922,886 will be paid in six equal monthly instalments commencing on 31 January 2020 and will be subject to the same terms and conditions as the existing loan liability due to Sprott.

15. 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 2019 were approved by the board of directors on 13 August 2019.