



SERABI GOLD PLC

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

FOR THE THREE MONTHS AND NINE MONTHS ENDED
30 SEPTEMBER 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 September		For the nine months ended 30 September	
		2019	2018	2019	2018
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
CONTINUING OPERATIONS					
Revenue		14,353,771	7,523,203	43,939,510	33,223,837
Cost of sales		(8,496,884)	(6,380,505)	(28,161,873)	(23,853,392)
Release of impairment provision		—	—	500,000	200,000
Depreciation and amortization charges		(2,204,030)	(1,765,849)	(6,454,531)	(6,256,749)
Gross profit / (loss)		3,652,857	(623,151)	9,823,106	3,313,696
Administration expenses		(1,174,204)	(1,171,660)	(3,973,168)	(3,860,898)
Share based payments		(65,484)	(58,546)	(196,455)	(214,117)
(Loss) / gain on disposals		(8,717)	44,141	117,718	108,465
Operating profit / (loss)		2,404,452	(1,809,216)	5,771,201	(652,854)
Foreign exchange (loss) / gain		(169,113)	260,606	(235,216)	(295,027)
Finance expense	2	(735,003)	(403,759)	(1,818,702)	(1,103,277)
Finance income		—	440	121,917	474
Profit / (loss) before taxation		1,500,336	(1,951,929)	3,839,200	(2,050,684)
Income tax expense		(370,635)	(296,547)	(989,859)	(680,426)
Profit / (loss) for the period from continuing operations ⁽¹⁾		1,129,701	(2,248,476)	2,849,341	(2,731,110)
Exchange differences on translating foreign operations		(5,187,377)	(2,708,319)	(4,695,527)	(11,968,323)
Total comprehensive loss for the period		(4,057,676)	(4,956,795)	(1,846,186)	(14,699,433)
Profit / (loss) per ordinary share (basic) ⁽¹⁾	4	1.92c	(3.82c)	4.84c	(5.59c)
Profit / (loss) per ordinary share (diluted) ⁽¹⁾	4	1.85c	(3.82c)	4.67c	(5.59c)

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

SERABI GOLD PLC
Condensed Consolidated Balance Sheets

(expressed in US\$)	Notes	As at 30 September 2019 (unaudited)	As at 30 September 2018 (unaudited)	As at 31 December 2018 (audited)
Non-current assets				
Deferred exploration costs	6	28,439,970	25,578,156	27,707,795
Property, plant and equipment	7	38,807,114	40,834,470	42,342,102
Taxes receivable		1,549,463	1,551,593	1,555,170
Deferred taxation		1,542,803	2,170,458	2,162,180
Total non-current assets		70,339,350	70,134,677	73,767,247
Current assets				
Inventories	8	6,610,477	7,335,282	8,511,474
Trade and other receivables		872,325	898,773	758,209
Prepayments and accrued income		4,390,107	4,379,203	4,166,916
Cash and cash equivalents		13,440,173	15,204,568	9,216,048
Total current assets		25,313,082	27,817,826	22,652,647
Current liabilities				
Trade and other payables		7,158,839	5,755,426	6,273,321
Interest bearing liabilities	9	6,949,152	4,571,126	4,302,798
Acquisition payment outstanding		11,810,372	—	10,997,757
Derivative financial liabilities		—	168,609	390,976
Accruals		344,502	342,632	372,327
Total current liabilities		26,262,865	10,837,793	22,337,179
Net current assets		(949,783)	16,980,033	315,468
Total assets less current liabilities		67,460,556	87,114,710	74,082,715
Non-current liabilities				
Trade and other payables		564,524	2,150,732	955,521
Provisions		1,364,487	1,788,844	1,543,811
Acquisition payment outstanding		—	10,736,702	—
Interest bearing loan liabilities	9	—	2,780,984	2,473,096
Total non-current liabilities		1,929,011	17,457,262	4,972,428
Net assets		67,460,556	69,657,448	69,110,287
Equity				
Share capital	12	8,882,803	8,882,803	8,882,803
Share premium reserve		21,752,430	21,752,430	21,752,430
Option reserve	12	1,171,501	1,247,865	1,363,367
Other reserves		6,464,152	5,108,940	4,763,819
Translation reserve		(45,502,650)	(43,167,891)	(40,807,123)
Retained surplus		74,692,320	75,833,301	73,154,991
Equity shareholders' funds		67,460,556	69,657,448	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. 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'

(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	—	—	—	—	(11,968,323)	—	(11,968,323)
Profit for the period	—	—	—	—	—	(2,731,110)	(2,731,110)
Total comprehensive income for the period	—	—	—	—	(11,968,323)	(2,731,110)	(14,699,433)
Transfer to taxation reserve	—	—	—	1,051,427	—	(1,051,427)	—
Share options lapsed in period	—	—	(391,277)	—	—	391,277	—
Shares issued in period	3,341,843	20,030,208	—	—	—	—	23,372,051
Share option expense	—	—	214,118	—	—	—	214,118
Equity shareholders' funds at 30 September 2018	8,882,803	21,752,430	1,247,865	5,066,796	(43,167,891)	75,875,445	69,657,448
Foreign currency adjustments	—	—	—	—	2,360,768	—	2,360,768
Loss for the period	—	—	—	—	—	(3,023,431)	(3,023,431)
Total comprehensive income for the period	—	—	—	—	2,360,768	(3,023,431)	(662,663)
Transfer to taxation reserve	—	—	—	(302,977)	—	302,977	—
Share option expense	—	—	115,502	—	—	—	115,502
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	—	—	—	—	(4,695,527)	—	(4,695,527)
Profit for the period	—	—	—	—	—	2,849,341	2,849,341
Total comprehensive income for the period	—	—	—	—	(4,695,527)	2,849,341	(1,846,186)
Transfer to taxation reserve	—	—	—	1,700,333	—	(1,700,333)	—
Share options lapsed in period	—	—	(388,321)	—	—	388,321	—
Share option expense	—	—	196,455	—	—	—	196,455
Equity shareholders' funds at 30 September 2019	8,882,803	21,752,430	1,171,501	6,464,152	(45,502,650)	74,692,320	67,460,556

(1) Other reserves comprise a merger reserve of US\$361,461 and a taxation reserve of US\$6,102,691 (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 September		For the nine months ended 30 September	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
(expressed in US\$)				
Operating activities				
Post tax profit / (loss) for period	738,725	(2,248,476)	2,458,365	(2,731,110)
Depreciation – plant, equipment and mining properties	2,204,030	1,765,849	6,454,531	6,256,749
Net financial expense	1,295,092	52,713	2,322,977	1,217,830
Provision for impairment of inventory	—	—	(500,000)	(200,000)
Provision for taxation	370,635	296,547	989,859	680,426
Share-based payments	65,484	148,546	196,455	394,117
Foreign exchange gain / (loss)	22,685	259,258	(360,116)	413,608
Changes in working capital				
(Increase)/decrease in inventories	(193,156)	(1,733,345)	1,972,184	(1,616,199)
Decrease/(increase) in receivables, prepayments and accrued income	119,905	(628,425)	(993,117)	(2,131,720)
Increase/(decrease) in payables, accruals and provisions	461,603	841,546	1,979,991	954,626
Net cash inflow from operations	5,085,003	(1,245,787)	14,521,129	3,238,327
Investing activities				
Acquisition payments	(196,037)	—	(1,352,112)	(4,740,928)
Purchase of property, plant and equipment and projects in construction	(1,138,120)	(1,457,399)	(2,599,412)	(2,775,325)
Capitalised mine development costs	(1,342,675)	(934,169)	(2,835,238)	(2,964,658)
Geological exploration expenditure	(290,503)	(1,222,559)	(1,087,027)	(3,234,361)
Pre-operational project costs	(433,526)	(562,969)	(1,277,048)	(1,852,448)
Proceeds from sale of assets	16,741	44,141	169,822	108,465
Interest received	—	440	2,217	474
Net cash outflow on investing activities	(3,384,120)	(4,132,515)	(8,978,798)	(15,458,781)
Financing activities				
Issue of ordinary share capital	—	—	—	23,807,346
Costs associated with issue of share capital	—	—	—	(566,518)
Drawdown of secured loan	—	—	—	3,000,000
Repayment of secured loan	—	(333,333)	—	(1,333,333)
Payment of finance lease liabilities	(125,804)	(156,519)	(588,025)	(582,729)
Interest paid and other finance costs	(117,308)	(122,803)	(421,241)	(509,390)
Net cash (outflow) / inflow from financing activities	(243,112)	(612,655)	(1,009,266)	23,815,376
Net increase / (decrease) in cash and cash equivalents	1,457,771	(5,990,957)	4,533,065	11,594,922
Cash and cash equivalents at beginning of period	12,366,683	21,052,325	9,216,048	4,093,866
Exchange difference on cash	(384,281)	143,200	(308,940)	(484,220)
Cash and cash equivalents at end of period	13,440,173	15,204,568	13,440,173	15,204,568

SERABI GOLD PLC
Report and condensed consolidated financial statements for the 3 month and 9 month periods ended 30
September 2019

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation

These interim condensed consolidated financial statements are for the three and nine month period ended 30 September 2019. Comparative information has been provided for the unaudited three and nine month period ended 30 September 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 September 2019 the Group had cash in hand of US\$13.44 million and net assets of US\$67.07 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, both the deferred consideration of US\$12 million payable for the acquisition of Coringa which falls due in December 2019 and the secured loan repayments due during the first six months of 2020.

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 and the secured loan repayment obligations or renegotiating the timing of these payments 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 September 2019 US\$ (unaudited)	3 months ended 30 September 2018 US\$ (unaudited)	9 months ended 30 September 2019 US\$ (unaudited)	9 months ended 30 September 2018 US\$ (unaudited)
Interest on secured loan	(173,637)	(172,284)	(474,177)	(530,183)
Unwinding of discount on acquisition payment	(280,344)	(254,858)	(812,615)	(738,741)
Amortisation of fair value of derivatives	—	(65,000)	—	(195,000)
Amortisation of effective interest rate adjustment	(39,900)	—	(53,212)	—
Loss upon revaluation of derivative	(241,122)	—	(531,910)	—
Arrangement fee for secured loan	—	(90,000)	—	(180,000)
	(735,003)	(582,142)	(1,871,914)	(1,643,924)
Gain on revaluation of derivatives	—	178,383	—	540,647
Recognition of variation in effective interest rate of secured loan	—	—	172,912	—
Interest income	—	440	2,217	474
Net finance expense	(735,003)	(403,319)	(1,686,785)	(1,102,803)

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\$683,146 as a deferred tax charge during the nine month period to 30 September 2019.

The Group has also incurred a tax charge for the period in Brazil of US\$306,713.

4. Earnings per share

	3 months ended 30 September 2019 (unaudited)	3 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2018 (unaudited)
Profit/(loss) attributable to ordinary shareholders (US\$)	1,129,701	(2,248,476)	2,849,341	(2,731,110)
Weighted average ordinary shares in issue	58,909,551	58,790,954	58,909,551	48,865,897
Basic profit/(loss) per share (US cents)	1.92	(3.82c)	4.84	(5.59c)
Diluted ordinary shares in issue ⁽²⁾	60,997,145	58,790,954 ⁽¹⁾	60,997,145	48,865,897 ⁽¹⁾
Diluted loss per share (US cents)	1.85	(3.82c) ⁽¹⁾	4.67	(5.59c) ⁽¹⁾

(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 2,087,594 options vested and exercisable as at 30 September 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 September 2019 (unaudited)			3 months ended 30 September 2018 (unaudited)		
	Brazil US\$	UK US\$	Total US\$	Brazil US\$	UK US\$	Total US\$
Revenue	12,426,438	1,927,333	14,353,771	6,558,607	964,596	7,523,203
Intra-group sales	(1,723,178)	1,723,178	—	835,991	(835,991)	—
Operating expenses	(7,448,263)	(1,048,621)	(8,496,884)	(4,898,833)	(1,481,672)	(6,380,505)
Depreciation and amortisation	(2,158,710)	(45,320)	(2,204,030)	(1,719,698)	(46,151)	(1,765,849)
Gross profit/(loss)	1,096,287	2,556,570	3,652,857	776,067	(1,399,218)	(623,151)
Administration expenses	(662,695)	(511,509)	(1,174,204)	(581,198)	(590,462)	(1,171,660)
Share based payments	—	(65,484)	(65,484)	—	(58,546)	(58,546)
Profit on sale of fixed assets	(8,717)	—	(8,717)	44,141	—	44,141
Operating profit/(loss)	424,875	1,979,577	2,404,452	239,010	(2,048,226)	(1,809,216)
Foreign exchange (loss)/gain	(145,088)	(24,025)	(169,113)	(808,915)	1,069,521	260,606
Finance expense	—	(1,125,979)	(1,125,979)	—	(403,319)	(403,319)
(Loss)/Profit before taxation	279,787	829,573	1,109,360	(569,905)	(1,382,024)	(1,951,929)

	9 months ended 30 September 2019 (unaudited)			9 months ended 30 September 2018 (unaudited)		
	Brazil US\$	UK US\$	Total US\$	Brazil US\$	UK US\$	Total US\$
Revenue	33,674,845	10,264,665	43,939,510	26,609,362	6,614,475	33,223,837
Intra-group Sales	(8,013,655)	8,013,655	—	5,167,301	(5,167,301)	—
Operating expenses	(24,586,582)	(3,575,291)	(28,161,873)	(20,090,108)	(3,763,284)	(23,853,392)
Release of impairment provision	—	500,000	500,000	200,000	—	200,000
Depreciation and amortisation	(6,307,746)	(146,785)	(6,454,531)	(6,096,749)	(160,000)	(6,256,749)
Gross profit/(loss)	(5,233,138)	15,056,244	9,823,106	5,789,806	(2,476,110)	3,313,696
Administration expenses	(2,150,218)	(1,822,950)	(3,973,168)	(1,912,488)	(1,948,410)	(3,860,898)
Share based payments	—	(196,455)	(196,455)	—	(214,117)	(214,117)
Profit on sale of fixed assets	117,718	—	117,718	108,465	—	108,465
Operating profit/(loss)	(7,265,638)	13,036,839	5,771,201	3,985,783	(4,638,637)	(652,854)
Foreign exchange gain / (loss)	(245,678)	10,462	(235,216)	(397,943)	102,916	(295,027)
Finance expense	—	(2,087,761)	(2,087,761)	—	(1,102,803)	(1,102,803)
Profit / (loss) before taxation	(7,511,316)	10,959,540	3,448,224	3,587,840	(5,638,524)	(2,050,684)

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

	Total non-current assets		
	30 September 2019 (unaudited) US\$	30 September 2018 (unaudited) US\$	31 December 2018 (audited) US\$
Brazil – operations	28,439,970	40,834,470	42,342,102
Brazil – exploration	38,807,114	25,578,156	27,707,795
Brazil – taxes receivable	1,549,463	—	1,555,170
Brazil – deferred tax	1,542,803	2,170,458	2,162,180
Brazil - total	70,339,350	70,134,677	73,767,247
UK	—	—	—
	70,339,350	70,134,677	73,767,247

An analysis of total assets by location is as follows:

	Total assets		
	30 September 2019 (unaudited) US\$	30 September 2018 (unaudited) US\$	31 December 2018 (audited) US\$
Brazil	85,300,809	72,770,145	88,285,140
UK	10,351,623	25,182,358	8,134,754
	95,652,432	97,952,503	96,419,894

6. Deferred exploration costs

	30 September 2019 (unaudited) US\$	30 September 2018 (unaudited) US\$	31 December 2018 (audited) US\$
Cost			
Balance at beginning of period	27,707,795	23,898,819	23,898,819
Exploration and evaluation expenditure	1,087,207	3,303,346	4,610,450
Pre-Operational and evaluation expenditure	1,277,048	1,783,463	2,274,133
Re-allocation from projects in construction	—	138,235	—
Re-allocation from tangible assets	—	—	136,276
Foreign exchange movements	(1,631,900)	(3,545,707)	(3,211,883)
Balance at end of period	28,439,970	25,578,156	27,707,795

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

	30 September 2019 (unaudited) US\$	30 September 2018 (unaudited) US\$	31 December 2018 (audited) US\$
Cost			
Balance at beginning of period	81,238,029	83,981,200	83,981,200
Additions	5,441,728	5,767,382	8,965,674
Reallocation to deferred exploration costs	—	(138,235)	(136,276)
Disposals	(200,549)	—	(522,636)
Foreign exchange movements	(4,944,773)	(13,070,119)	(11,049,933)
Balance at end of period	81,534,435	76,540,228	81,238,029

	30 September 2019 (unaudited) US\$	30 September 2018 (unaudited) US\$	31 December 2018 (audited) US\$
Accumulated depreciation			
Balance at beginning of period	(38,895,927)	(35,000,819)	(35,000,819)
Charge for period	(6,419,397)	(6,344,087)	(9,341,601)
Released on asset disposals	59,271	—	454,785
Foreign exchange movements	2,528,732	5,639,148	4,991,708
Balance at end of period	(42,727,321)	(35,705,758)	(38,895,927)
Net book value at end of period	38,807,114	40,834,470	42,342,102

8. Inventories

	30 September 2019 (unaudited) US\$	30 September 2018 (unaudited) US\$	31 December 2018 (audited) US\$
Consumables	3,486,316	3,277,684	2,929,297
Ore stockpiles and other material in progress	1,827,052	1,759,236	1,762,492
Finished goods awaiting sale	1,297,109	2,298,362	3,819,685
Balance at end of period	6,610,477	7,335,282	8,511,474

9. Interest bearing liabilities

a. Secured loan

	30 September 2019 (unaudited) US\$	30 September 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
Exercise of gold call options	922,886		
Fair value adjustment for change in effective interest rate	(172,912)	—	—
Amorisation of effective interest rate adjustment	53,212	—	—
Amount repaid during year	—	(1,333,333)	(1,939,394)
Amortisation of derivative in period	—	195,000	—
Value of secured loan at end of period	6,863,792	6,341,667	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 September 2019 (unaudited) US\$	30 September 2018 (unaudited) US\$	31 December 2018 (audited) US\$
Amount outstanding at end of period	85,360	1,010,443	715,288
Value of all secured liabilities at the end of the period	85,360	1,010,443	715,288

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.

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\$94,000, which at the period is equivalent to US\$24,000.

11. Related party transactions

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

12. Share capital

a) Ordinary shares

	30 September 2019 (unaudited)		30 September 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	145,479	19,048
Ordinary shares in issue at start of period	58,909,551	8,882,803	58,909,551	8,882,803	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.

b) Stock option reserve

Contributed surplus

	30 September 2019 (unaudited) US\$	30 September 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	196,455	214,118	329,620
Balance at end of period	1,171,501	1,247,865	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 September 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	1,133,344	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>2,087,594</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 September 2019 the carrying value of the assets relating to the Palito and Sao Chico Mines has decreased to US\$34.45 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\$28.44 million at 30 September 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

Subsequent to the end of the quarter, there has been no item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company to affect significantly the continuing operation of the entity, the results of these operations, or the state of affairs of the entity in future financial periods.

15. Approval of the interim condensed consolidated financial statements

These unaudited interim condensed consolidated financial statements for the three and nine month periods ended 30 September 2019 were approved by the Board of Directors on 8 November 2019.