



**SERABI GOLD PLC**

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

**FOR THE THREE MONTHS ENDED  
31 MARCH 2020**

**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 31 March	
		2020 (unaudited)	2019 (unaudited)
<b>CONTINUING OPERATIONS</b>			
<b>Revenue</b>		<b>13,097,687</b>	17,126,040
Cost of sales		<b>(8,233,056)</b>	(11,861,987)
Release of inventory impairment provision		–	500,000
Depreciation and amortisation charges		<b>(1,704,361)</b>	(2,289,545)
<b>Total cost of sales</b>		<b>(9,937,417)</b>	(13,651,532)
<b>Gross profit</b>		<b>3,160,270</b>	3,474,508
Administration expenses		<b>(1,740,964)</b>	(1,383,831)
Share-based payments		<b>(25,238)</b>	(65,485)
Gain on disposal of fixed assets		<b>101,572</b>	24,812
<b>Operating profit</b>		<b>1,495,640</b>	2,050,004
Foreign exchange loss		<b>(8,858)</b>	(14,617)
Finance expense	2	<b>(184,991)</b>	(411,105)
Finance income	2	–	139,059
<b>Profit before taxation</b>		<b>1,301,791</b>	1,763,341
Income tax expense	3	<b>(529,159)</b>	(213,379)
<b>Profit for the period<sup>(1)</sup></b>		<b>772,632</b>	1,549,962
<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>(14,976,508)</b>	(562,093)
<b>Total comprehensive profit /(loss) for the period<sup>(1)</sup></b>		<b>(14,203,876)</b>	987,869
Profit / (loss) per ordinary share (basic)	4	1.31 cents	2.63 cents
Profit / (loss) per ordinary share (diluted)	4	1.27 cents	2.49 cents

(1) the Group has no non-controlling interest and all profits are attributable to the equity holders of the Parent Company.

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

(expressed in US\$)	Notes	As at 31 March 2020 (unaudited)	As at 31 March 2019 (unaudited)	As at 31 December 2019 (audited)
<b>Non-current assets</b>				
Deferred exploration costs	6	26,169,961	28,581,674	30,686,652
Property, plant and equipment	7	30,256,311	38,520,503	37,597,100
Right of use assets	8	1,923,563	2,245,801	1,997,176
Taxes receivable		832,520	1,554,651	848,845
Deferred taxation		865,371	2,091,031	1,321,782
<b>Total non-current assets</b>		<b>60,047,726</b>	72,993,660	72,451,555
<b>Current assets</b>				
Inventories	9	6,220,213	6,272,053	6,577,968
Trade and other receivables		1,174,968	1,196,042	802,275
Prepayments and accrued income		2,149,300	4,328,718	3,473,288
Cash and cash equivalents		9,149,274	12,133,713	14,234,612
<b>Total current assets</b>		<b>18,693,755</b>	23,930,526	25,088,143
<b>Current liabilities</b>				
Trade and other payables		5,604,674	5,931,532	6,113,789
Interest bearing liabilities	10	3,464,077	4,048,054	6,952,542
Acquisition payment outstanding		12,000,000	11,259,277	12,000,000
Derivative financial liabilities		–	254,134	–
Accruals		289,776	342,322	319,670
<b>Total current liabilities</b>		<b>21,358,527</b>	21,835,319	25,386,001
<b>Net current assets</b>		<b>(2,664,772)</b>	2,095,207	(297,858)
<b>Total assets less current liabilities</b>		<b>57,382,954</b>	75,088,867	72,153,697
<b>Non-current liabilities</b>				
Trade and other payables		93,648	971,662	183,043
Provisions		1,734,556	1,529,318	2,237,266
Interest bearing liabilities	10	–	2,424,246	–
<b>Total non-current liabilities</b>		<b>1,828,204</b>	4,925,226	2,420,309
<b>Net assets</b>		<b>55,554,750</b>	70,163,641	69,733,388
<b>Equity</b>				
Share capital	13	8,882,803	8,882,803	8,882,803
Share premium reserve		21,752,430	21,752,430	21,752,430
Option reserve		1,044,827	1,428,852	1,019,589
Other reserves		7,768,741	4,937,419	7,149,274
Translation reserve		(59,255,454)	(41,369,216)	(44,278,946)
Retained surplus		75,361,403	74,531,353	75,208,238
<b>Equity shareholders' funds</b>		<b>55,554,750</b>	70,163,641	69,733,388

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 2019 prepared under IFRS as adopted in the EU and with IFRS and their interpretations adopted by the International Accounting Standards Board will be filed with the Registrar of Companies following their adoption by shareholders at the next 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 <sup>(1)</sup>	Translation reserve	Retained Earnings	Total equity
<b>Equity shareholders' funds at 31 December 2018</b>	<b>8,882,803</b>	<b>21,752,430</b>	<b>1,363,367</b>	<b>4,763,819</b>	<b>(40,807,123)</b>	<b>73,154,991</b>	<b>69,110,287</b>
Foreign currency adjustments	—	—	—	—	(562,093)	—	(562,093)
Profit for the period	—	—	—	—	—	1,549,962	1,549,962
Total comprehensive income for the period	—	—	—	—	(562,093)	1,549,962	987,869
Transfer to taxation reserve	—	—	—	173,600	—	(173,600)	—
Share option expense	—	—	65,485	—	—	—	65,485
<b>Equity shareholders' funds at 31 March 2019</b>	<b>8,882,803</b>	<b>21,752,430</b>	<b>1,428,852</b>	<b>4,937,419</b>	<b>(41,369,216)</b>	<b>74,531,353</b>	<b>70,163,641</b>
Foreign currency adjustments	—	—	—	—	(2,909,730)	—	(2,909,730)
Loss for the period	—	—	—	—	—	2,283,022	2,283,022
Total comprehensive income for the period	—	—	—	—	(2,909,730)	2,283,022	(626,708)
Transfer to taxation reserve	—	—	—	2,211,855	—	(2,211,855)	—
Shares issued in period	—	—	(605,718)	—	—	605,718	—
Share option expense	—	—	196,455	—	—	—	196,455
<b>Equity shareholders' funds at 31 December 2019</b>	<b>8,882,803</b>	<b>21,752,430</b>	<b>1,019,589</b>	<b>7,149,274</b>	<b>(44,278,946)</b>	<b>75,208,238</b>	<b>69,733,388</b>
Foreign currency adjustments	—	—	—	—	(14,976,508)	—	(14,976,508)
Profit for the period	—	—	—	—	—	772,632	772,632
Total comprehensive income for the period	—	—	—	—	(14,976,508)	772,632	(14,203,876)
Transfer to taxation reserve	—	—	—	619,467	—	(619,467)	—
Share option expense	—	—	25,238	—	—	—	25,238
<b>Equity shareholders' funds at 31 March 2020</b>	<b>8,882,803</b>	<b>21,752,430</b>	<b>1,044,827</b>	<b>7,768,741</b>	<b>(59,255,454)</b>	<b>75,361,403</b>	<b>55,554,750</b>

(1) Other reserves comprise a merger reserve of US\$361,461 and a taxation reserve of US\$7,469,934 (31 December 2019: merger reserve of US\$361,461 and a taxation reserve of US\$6,787,813).

**SERABI GOLD PLC**  
**Condensed Consolidated Cash Flow Statements**

(expressed in US\$)	For the three months ended 31 March	
	<b>2020</b>	2019
	<b>(unaudited)</b>	(unaudited)
<b>Cash flows from operating activities</b>		
Profit for the period	772,632	1,549,962
Net financial expense	193,849	286,663
Depreciation – plant, equipment and mining properties	1,704,361	2,289,545
Inventory impairment expense	—	(500,000)
Taxation expense	529,159	213,379
Share based payments	25,238	65,485
Foreign exchange	77,939	21,851
<b>Changes in working capital</b>		
(Increase) / decrease in inventories	(1,358,052)	2,737,810
(Increase) / decrease in receivables, prepayments and accrued income	(478,552)	(736,605)
Increase / (decrease) in payables, accruals and provisions	743,312	538,494
<b>Net cash inflow from operations</b>	<b>2,209,886</b>	6,466,584
<b>Investing activities</b>		
Purchase of property, plant and equipment and assets in construction	(1,008,310)	(389,728)
Mine development expenditure	(587,609)	(838,310)
Geological exploration expenditure	(836,361)	(588,462)
Pre-operational project costs	(215,296)	(439,942)
Acquisition of other property rights	(183,239)	(1,035,087)
Proceeds from sale of assets	239,003	35,042
Interest received and other finance income	—	2,217
<b>Net cash outflow on investing activities</b>	<b>(2,591,812)</b>	(3,254,270)
<b>Financing activities</b>		
Repayment of short term secured loan	(3,491,746)	—
Payment of lease liabilities	(36,308)	(185,605)
Interest paid	(204,669)	(152,796)
<b>Net cash outflow from financing activities</b>	<b>(3,732,723)</b>	(338,401)
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(4,114,649)</b>	2,873,913
<b>Cash and cash equivalents at beginning of period</b>	<b>14,234,612</b>	9,216,048
Exchange difference on cash	(970,689)	43,751
<b>Cash and cash equivalents at end of period</b>	<b>9,149,274</b>	12,133,713

**SERABI GOLD PLC**  
**Report and condensed consolidated financial statements for the three month period ended 31 March 2020**

**Notes to the Condensed Consolidated Financial Statements**

**1. Basis of preparation**

These interim condensed consolidated financial statements are for the three month period ended 31 March 2020. Comparative information has been provided for the unaudited three month period ended 31 March 2019 and, where applicable, the audited twelve month period from 1 January 2019 to 31 December 2019. 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 2019 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 2019 and those envisaged for the financial statements for the year ending 31 December 2020.

**Accounting standards, amendments and interpretations effective in 2020**

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

The following Accounting standard have come into effect as of 1 January 2020 have been

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)

The adoption of these standards has had no effect on the financial results of the Group.

There are a number of standards, amendments to standards, and interpretations which have been issued that are effective in future periods and which the Group has chosen not to adopt early. None of these are expected to have a significant effect on the Group, in particular

IAS 1 Presentation of Financial Statements

IFRS 3 Business Combinations (Amendment – Definition of a Business)

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

**(i) Going Concern**

As at 31 March 2020 the Group had cash in hand of US\$9.15 million and net assets of US\$55.60 million.

The occurrence of the Coronavirus (COVID-19) pandemic has created significant uncertainty for all business sectors including Serabi and in particular the short-term effects and actions that may need to be implemented either by the Group or that may be imposed on the Group by new regulations or measures taken by government. Already there are limitations imposed which restrict the ability of certain of the Group's personnel and contractors to attend the Group's operations. The Group has and is implementing measures that will permit the Group to maintain operations albeit at potentially reduced levels of production than previously envisaged.

The Group has renegotiated the terms relating to the settlement of a final acquisition payment of US\$12 million due to Equinox Gold Inc ("Equinox") in respect of the purchase of Chapleau Resources Limited and its Coringa gold project (the "Coringa Deferred Consideration"). Under the revised arrangement the Group will pay monthly instalments commencing 1 May 2020 of US\$500,000 per month, increasing to US\$1 million per month from 1 August 2020 and payable thereafter ("the "Deferral Period") until such time as certain conditions relating to travel into and within Brazil are lifted (the "Travel Restriction Conditions"). Within 6 weeks of the satisfaction of the Travel Restriction Conditions the remaining portion of the Coringa Deferred Consideration will become payable.

The Company announced on 22 January 2020 that it had entered into an agreement with Greenstone Resources II LP ("Greenstone") for the issue of and subscription by Greenstone of US\$12 million of Convertible Loan Notes the proceeds of which would be used to satisfy the Coringa Deferred Consideration. However, due to the uncertainties created by the impact of the Coronavirus, the Company and Greenstone agreed to extend the period for the satisfaction of the conditions required for completion of the subscription by Greenstone. On 24 April 2020 the Company announced that it had agreed certain amendments to the original agreement with Greenstone (the "Amended Subscription Deed").

Under the Amended Subscription Deed certain terms of the subscription with Greenstone have been amended as follows:

- (a) the Company may, prior to the satisfaction of the Travel Restriction Condition only submit a subscription request in respect of Convertible Loan Notes in the amount of US\$500,000 each month. Following the satisfaction of the Travel Restriction Condition, the Company may then issue further subscription request for amounts of not less than US\$100,000 and not exceeding an amount equal to US\$12,000,000 less the sum of the aggregate principal amount of all Notes outstanding at that time.
- (b) until such time as the existing secured loan due to Sprott Resource Lending Partnership (the “Sprott Loan”) has been repaid, the Convertible Loan Notes shall be unsecured and will be subordinated to the Sprott Loan. The Sprott Loan was approximately US\$3.45 million as at 31 March 2020 and is being repaid in three equal monthly instalments ending 30 June 2020.
- (c) Following settlement of the Sprott Loan, the security interests of Sprott will be discharged and the Company will grant to Greenstone the security package as originally envisaged save that a pledge of the shares of Chapleau Resources Limited (“CRL”) will continue to be held by Equinox until such time as the Coringa Deferred Consideration is settled in full. CRL holds 100% of the shares of Chapleau Exploração Mineral Ltda which in turn holds the exploration licences for the Coringa gold project
- (d) The period during which the Company may issue an Issue Notice to Greenstone expires on 31 December 2020 unless otherwise agreed.
- (e) Subject to Greenstone not having exercised its option to convert the amount outstanding into Conversion Shares, the Convertible Loan Notes are due to be repaid 16 months after the first Issue Date which was 30 April 2020.

The Directors have prepared an operational plan and cash flow forecast based on their best judgement of the likely impact of the Coronavirus on the Group’s activities. Based on this forecast, which anticipated, for a period of up to three months, reduced levels of gold production, compared to the Group’s 2020 budget, of 50 per cent, and assuming that the Group continues to be able, with the assistance of the proceeds of the Loan Notes subscribed for by Greenstone in accordance with the Amended Subscription Deed, to meet its obligations to Equinox, the Directors consider that the Group will have sufficient cash flows to settle, in full, the Coringa Deferred Consideration, all other trade and other liabilities as they fall due and will also be able to settle its existing secured loan with Sprott.

The Balance Sheet of the Group shows a net liability position of US\$2.7 million at 31 December 2020 including a current liability of US\$12 million in respect of Coringa Deferred Consideration. This liability is being financed through the issue of US\$12 million of Convertible Loan Notes to Greenstone which will not be repayable until 31 August 2021.

Whilst the Directors consider that the assumptions they have used are reasonable and based on the information currently available to them, there remains significant uncertainty regarding further actions that have not been anticipated but which may be required or imposed and may impact on the ability of the Group to meet the operational plan and cash flow forecast.

At the current time the Directors have assumed that mining operations and gold production will continue at the Palito Complex. There is no evidence, at this time, to suggest that the authorities in Brazil have any intention to try and close down or suspend mining activities as a result of the current Coronavirus pandemic. On 20 March 2020, it was stipulated in Decree 10,282/20 that mineral activity was considered an essential business sector and further actions have subsequently been invoked to prevent any restrictive measures being applied to the supplies required by the mining industry including transportation of supplies, availability of materials required for processing, and the sale and transportation of the mineral products.

Whilst recognising all the above uncertainties, the Directors have prepared the financial statements on a going concern basis. In the event that additional short term funding is required, 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 Coringa Deferred Consideration and the secured loan with Sprott as and when they fall due in the next 12 months. The Directors have been successful in raising funding as and when required in the past and consider that the Group continues to have strong support from its major shareholders who been supportive of and provided additional funding when required on previous occasions.

As at the date of this report both the medium and long term impact of COVID-19 on the underlying operations, and the outcome of raising any further funds that may be required, remains uncertain and this represents a material uncertainty surrounding going concern. If the Group fails to achieve the operational plan or to raise any additional 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 Company’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 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 2019 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 Projects 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 forecasted capital expenditure is included in the unit of production amortisation calculation.

##### *(ii) 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.

##### *(iii) 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 (iv)(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 viability 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**

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.

## 2. Finance Costs

	<b>3 months ended 31 March 2020 (unaudited) US\$</b>	3 months ended 31 March 2019 (unaudited) US\$
Interest expense on secured loan	<b>(145,091)</b>	(149,584)
Expense in respect of non-substantial modification	<b>(39,900)</b>	—
Unwinding of discount on acquisition payment		(261,521)
	<b>(184,991)</b>	(411,105)
Income arising upon revaluation of derivatives	—	136,842
Interest income	—	2,217
Net finance expense	<b>(184,991)</b>	(272,046)

## 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\$185,578 as a deferred tax charge during the three month period to 31 March 2020.

The Group has also incurred a tax charge for the period in Brazil of US\$343,581.

## 4. Earnings per share

	<b>3 months ended 31 March 2020 (unaudited)</b>	3 months ended 31 March 2019 (unaudited)
Profit attributable to ordinary shareholders (US\$)	<b>772,632</b>	1,549,962
Weighted average ordinary shares in issue	<b>58,909,551</b>	58,909,551
Basic profit per share (US cents)	<b>1.31</b>	2.63
Diluted ordinary shares in issue <sup>(1)</sup>	<b>60,912,145</b>	62,346,301
Diluted profit per share (US cents)	<b>1.27</b>	2.49

(1) Based on 2,087,587 options vested and exercisable as at 31 March 2020 (31 March 2019: 3,436,750 options)

## 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 31 March 2020 (unaudited)			3 months ended 31 March 2019 (unaudited)		
	Brazil US\$	UK US\$	Total US\$	Brazil US\$	UK US\$	Total US\$
Revenue	9,961,911	3,135,776	13,097,687	11,864,540	5,261,500	17,126,040
Intra-group sales / (purchases)	2,513,194	(2,513,194)	—	3,392,511	(3,392,511)	—
Operating expenses	(7,048,386)	(1,184,670)	(8,233,056)	(10,561,999)	(1,299,988)	(11,861,987)
Provision for impairment of inventory	—	—	—	—	500,000	500,000
Depreciation and amortisation	(1,665,379)	(38,982)	(1,704,361)	(2,261,525)	(28,020)	(2,289,545)
Gross profit / (loss)	3,761,340	(601,070)	3,160,270	2,433,527	1,040,981	3,474,508
Administration expenses	(730,915)	(1,010,049)	(1,740,964)	(706,706)	(677,125)	(1,383,831)
Share based payments	—	(25,238)	(25,238)	—	(65,485)	(65,485)
Profit on sale of fixed assets	101,572	—	101,572	24,812	—	24,812
Operating profit / (loss)	3,131,997	(1,636,357)	1,495,640	1,751,633	298,371	2,050,004
Foreign exchange gain / (loss)	9,284	(18,142)	(8,858)	(69,956)	55,339	(14,617)
Finance expense	—	(184,991)	(184,991)	—	(272,046)	(272,046)
Profit / (loss) before taxation	3,141,281	(1,839,490)	1,301,791	1,681,677	81,664	1,763,341

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

	Total non-current assets		
	31 March 2020 (unaudited) US\$	31 March 2019 (unaudited) US\$	31 December 2019 (audited) US\$
Brazil – operations	32,179,874	40,766,304	39,594,276
Brazil – exploration	26,169,961	28,581,674	30,686,652
Brazil – taxes receivable	832,520	1,554,651	848,845
Brazil – deferred tax	865,371	2,091,031	1,321,782
Brazil - total	60,047,726	72,993,660	72,451,555
UK	—	—	—
	60,047,726	72,993,660	72,451,555

An analysis of total assets by location is as follows:

	Total assets		
	31 March 2020 (unaudited) US\$	31 March 2019 (unaudited) US\$	31 December 2019 (audited) US\$
Brazil	71,245,299	85,988,476	87,212,205
UK	7,496,182	10,935,710	10,327,493
	78,741,481	96,924,186	97,539,698

## 6. Deferred exploration costs

	<b>31 March 2020 (unaudited) US\$</b>	31 March 2019 (unaudited) US\$	31 December 2019 (audited) US\$
<b>Cost</b>			
Opening balance	<b>30,686,652</b>	27,707,795	27,707,795
Exploration and evaluation expenditure	<b>836,361</b>	588,462	2,249,338
Pre-operational project costs	<b>215,296</b>	439,942	1,634,647
Foreign exchange movements	<b>(5,568,348)</b>	(154,525)	(905,128)
<b>Total as at end of period</b>	<b>26,169,961</b>	28,581,674	30,686,652

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

	<b>31 March 2020 (unaudited) US\$</b>	31 March 2019 (unaudited) US\$	31 December 2019 (audited) US\$
<b>Cost</b>			
Balance at start of period	<b>83,160,693</b>	81,238,029	81,238,029
Additions	<b>1,419,822</b>	1,228,038	7,855,362
Reclassified on adoption of IFRS 16	—	(2,904,085)	(2,904,085)
Disposals	—	(61,939)	(258,164)
Foreign exchange movements	<b>(16,535,561)</b>	(866,353)	(2,770,449)
<b>Balance at end of period</b>	<b>68,044,954</b>	78,633,690	83,160,693

	<b>31 March 2020 (unaudited) US\$</b>	31 March 2019 (unaudited) US\$	31 December 2019 (audited) US\$
<b>Accumulated depreciation</b>			
Balance at start of period	<b>(45,563,593)</b>	(38,895,927)	(38,895,927)
Charge for period	<b>(1,712,855)</b>	(2,079,395)	(8,798,835)
Reclassified on adoption of IFRS 16	—	554,723	554,723
Released on asset disposals	—	47,887	90,504
Foreign exchange movements	<b>9,487,805</b>	259,525	1,485,942
<b>Balance at end of period</b>	<b>(37,788,643)</b>	(40,113,187)	(45,563,593)
<b>Net book value at end of period</b>	<b>30,256,311</b>	38,520,503	37,597,100

## 8. Right of use assets

	<b>31 March 2020 (unaudited) US\$</b>	31 March 2019 (unaudited) US\$	31 December 2019 (audited) US\$
<b>Cost</b>			
Balance at start of period	<b>2,904,085</b>	—	—
Reclassified on adoption of IFRS 16	—	2,904,085	2,904,085
Additions	—	—	—
<b>Balance at end of period</b>	<b>2,904,085</b>	2,904,085	2,904,085

	<b>31 March 2020 (unaudited) US\$</b>	31 March 2019 (unaudited) US\$	31 December 2019 (audited) US\$
<b>Amortisation</b>			
Balance at start of period	<b>(906,909)</b>	—	—
Reclassified on adoption of IFRS 16	—	(554,723)	(554,723)
Charge for period	<b>(73,613)</b>	(103,561)	(352,186)
<b>Balance at end of period</b>	<b>(980,522)</b>	(658,284)	(906,909)
<b>Net book value at end of period</b>	<b>1,923,563</b>	2,245,801	1,997,176

## 9. Inventories

	<b>31 March 2020 (unaudited) US\$</b>	31 March 2019 (unaudited) US\$	31 December 2019 (audited) US\$
Consumables	<b>2,750,056</b>	3,155,763	3,478,886
Ore stockpiles	<b>443,193</b>	255,692	331,775
Other material in process	<b>1,160,477</b>	891,262	1,391,302
Finished goods	<b>1,866,487</b>	1,969,336	1,376,005
<b>Balance at end of period</b>	<b>6,220,213</b>	6,272,053	6,577,968

## 10. Interest bearing liabilities

	<b>31 March 2020 (unaudited) US\$</b>	31 March 2019 (unaudited) US\$	31 December 2019 (audited) US\$
Secured loan outstanding at start of period	<b>6,903,692</b>	6,060,606	6,060,606
Repayment of principal	<b>(3,491,746)</b>	—	—
Exercise of Gold Call options	—	—	922,886
Gain on non-substantial modification	—	—	(179,912)
Amortisation of gain on non-substantial modification	<b>39,900</b>	—	100,112
<b>Value of secured loan outstanding at end of period</b>	<b>3,451,846</b>	6,060,606	6,903,692
<b>Lease liabilities</b>	<b>12,231</b>	411,694	48,850
<b>Total interest bearing liabilities at end of period</b>	<b>3,464,077</b>	6,472,300	6,952,542

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 instalments 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 fair value of the cashflows which has been recognized in the period..

Serabi provided to Sprott certain covenants and undertakings, consistent with normal bank lending arrangements, including an undertaking to maintain at all times a minimum of US\$1 million in unrestricted cash and cash equivalents. The Sprott loan is subject to standard events of default. Serabi has been and remains in compliance with all the terms of the secured loan facility. The loans provided by Sprott have been secured at all times against the assets of the Group including the shares of the subsidiaries of the Company.

During 2020, the Group made capital repayments of US\$3,491,746 and incurred an interest expense of US\$145,091. Interest payments of US\$204,609 have been made in the period including payment of US\$59,518 for interest accrued as at 31 December 2019.

## 11. 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.

## 12. Related party transactions

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

## 13. Share capital

### a) Ordinary shares

	31 March 2020 (unaudited)		31 March 2019 (unaudited)		31 December 2019 (audited)	
	Number	\$	Number	\$	Number	\$
<b>Allotted, called up and fully paid</b>						
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
Ordinary shares in issue at end of period	58,909,551	8,882,803	58,909,551	8,882,803	58,909,551	8,882,803

## (b) Stock option reserve

### Contributed surplus

	<b>31 March 2020 (unaudited) US\$</b>	31 March 2019 (unaudited) US\$	31 December 2019 (audited) US\$
Balance at start of period	<b>1,019,589</b>	1,363,367	1,363,367
Options lapsed in period	–	–	(605,718)
Options costs for period	<b>25,238</b>	65,485	261,940
<b>Balance at end of period</b>	<b>1,044,827</b>	1,428,852	1,019,589

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 31 March 2020 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
	<u>2,569,250</u>	<u>2,002,594</u>		

The approximate weighted average exercise price is UK£1.07

## 14. Impairment

For the purposes of the preparation of the annual audited financial statements for the year ended 31 December 2019, 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.

As at 31 March 2020 the carrying value of the assets relating to the Palito and Sao Chico Mines has decreased to US\$32.18 million from US\$39.59 million as at 31 December 2019, whilst the carrying value of deferred exploration costs has decreased from US\$30.69 million at 31 December 2019 to US\$26.17 million at 31 March 2020.

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 2019.

## 15. Post Balance Sheet Events

On 21 January 2020, the Group entered into a subscription deed (the "Subscription Deed") for the issue of US\$12 million of Convertible Loan Notes ("the Loan Notes") by Greenstone Resources II LP ("Greenstone") the proceeds of which were to be applied inter-alia to settle a payment of US\$12 million due to Equinox Gold Corp ("Equinox") representing a final payment for the acquisition of the Coringa gold project (the "Coringa Deferred Consideration"). The subscription deed was subject to shareholder approval and certain other conditions being fulfilled at the time of initial drawdown. However, as a consequence of the uncertainties caused by Coronavirus, the Group subsequently

agreed with Greenstone to extend the period for the satisfaction of all the conditions necessary for the completion of the subscription for and issue to Greenstone of the Loan Notes.

On 9 April 2020, the Group announced that it had reached an agreement with Equinox whereby the date for the completion of the Coringa Deferred Consideration was extended (the "Deferral Period") until such time as there are no international travel restrictions imposed by the Brazilian authorities and also no travel restrictions within or into the State of Para, Brazil, (the "Travel Restriction Condition") where the Group's Palito Complex gold production operations and the Coringa gold project are located. Under the terms of the extension the Group will start to make instalment payments in respect the Coringa Deferred Consideration of US\$500,000 per month payable on each of 1 May 2020, 1 June 2020 and 1 July 2020 which will increase to US\$1 million per month thereafter until such time as the Travel Restriction Condition is satisfied. The balance outstanding of the Coringa Deferred Consideration is expected to be settled within six weeks of the Travel Restriction Condition being satisfied.

On 23 April 2020, The Company and Greenstone signed an amendment deed which varies the original Subscription Deed (the "Amendment Deed").

Under the Amendment Deed certain terms of the subscription with Greenstone have been amended as follows:

- (a) the Company may, prior to the satisfaction of the Travel Restriction Condition only submit a subscription request in respect of Convertible Loan Notes in the amount of US\$500,000 each month. Following the satisfaction of the Travel Restriction Condition, the Company may then issue further subscription request for amounts of not less than US\$100,000 and not exceeding an amount equal to US\$12,000,000 less the sum of the aggregate principal amount of all Notes outstanding at that time.
- (b) until such time as the existing secured loan due to Sprott Resource Lending Partnership (the "**Sprott Loan**") has been repaid, the Convertible Loan Notes shall be unsecured and will be subordinated to the Sprott Loan. The Sprott Loan was approximately US\$3.45 million as at 31 March 2020 and is being repaid in three equal monthly instalments ending 30 June 2020.
- (c) Following settlement of the Sprott Loan, the security interests of Sprott will be discharged and the Company will grant to Greenstone the security package as originally envisaged save that a pledge of the shares of Chapleau Resources Limited ("**CRL**") will continue to be held by Equinox until such time as the Coringa Deferred Consideration is settled in full. CRL holds 100% of the shares of Chapleau Exploração Mineral Ltda which in turn holds the exploration licences for the Coringa gold project
- (d) The period during which the Company may issue an Issue Notice to Greenstone expires on 31 December 2020 unless otherwise agreed.
- (e) Subject to Greenstone not having exercised its option to convert the amount outstanding into Conversion Shares, the Convertible Loan Notes are due to be repaid 16 months after the first Issue Date which was 30 April 2020.

Save as set out above there have been no other material changes to the terms of the Subscription Deed. The underlying conversion price at which Greenstone may, convert any outstanding amount into Ordinary Shares ("**Conversion Shares**") in the Company has not been varied and remains at a price of £0.76 per Ordinary Share. Greenstone may convert any outstanding Convertible Loan Notes at any time.

The occurrence of the Coronavirus (COVID-19) pandemic has created significant uncertainty for all business sectors including the Group and in particular the short-term effects and actions that may need to be implemented either by the Group or that may be imposed on the Group by new regulations or measures taken by government. Already there are limitations imposed which restrict the ability of certain of the Company's personnel and contractors to attend the Group's operations. The Group has and is implementing measures that will permit it to maintain operations albeit at potentially reduced levels of production than previously envisaged. The Group has implemented measures to reduce the numbers of personnel and camp and has ceased all exploration activity to liberate on site accommodation for personnel dedicated to mining and gold production. In the short term, current staff at site have agreed to extend their rosters in order to minimise crew changeovers in the immediate term, thereby minimising the potential for the virus to be introduced to the mine site. The Group started to introduce a testing regime during May 2020 which is allowing for limited changeover of personnel to be re-introduced and keep the mine site virus-free. It is expected that the additional testing capability can be acquired during the second quarter.

Except as set out above, 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.

## 16. Approval of the interim condensed consolidated financial statements

These unaudited interim condensed consolidated financial statements for the three month period ended 31 March 2020 were approved by the board of directors on 14 May 2020.