SERABI GOLD

SERABI GOLD PLC

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 six months ended 30 June **2021** **(unaudited)**	2020 (unaudited and restated)
CONTINUING OPERATIONS			
Revenue		**32,530,473**	29,461,830
Cost of sales		**(18,357,673)**	(16,421,213)
Depreciation and amortisation charges		**(2,716,607)**	(3,232,094)
Total cost of sales		**(21,074,280)**	(19,653,307)
Gross profit		**11,456,193**	9,808,523
Administration expenses		**(3,006,414)**	(3,663,145)
Share-based payments		**(136,200)**	(161,838)
Gain on sales of assets disposal		**20,154**	154,917
Operating profit		**8,333,733**	6,138,457
Foreign exchange loss		**(43,743)**	(150,674)
Finance expense	2	**(340,558)**	(936,156)
Finance income	2	–	41,380
Profit before taxation		**7,949,432**	5,093,007
Income tax expense	3	**(1,596,779)**	(1,453,613)
Profit after taxation		**6,352,653**	3,639,394
Other comprehensive income (net of tax)			
Exchange differences on translating foreign operations		**2,227,950**	(19,217,510)
Total comprehensive profit /(loss) for the period(1)		**8,580,603**	(15,578,116)
Profit per ordinary share (basic)	4	**9.06c**	6.18c
Profit per ordinary share (diluted)	4	**8.75c**	5.83c

(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 30 June 2021 (unaudited)**	As at 30 June 2020 (unaudited and restated)	**As at 31 December 2020** (audited)
Non-current assets				
Deferred exploration costs	6	**31,956,193**	24,456,040	27,778,354
Property, plant and equipment	7	**27,277,248**	23,942,813	26,235,551
Right of use assets	8	**2,951,714**	1,863,595	2,573,738
Taxes receivable		**747,499**	829,555	696,077
Deferred taxation		**1,022,227**	490,890	1,879,158
Total non-current assets		**63,954,881**	51,582,893	59,162,878
Current assets				
Inventories	9	**7,354,165**	5,587,300	6,979,438
Trade and other receivables		**2,057,413**	1,344,595	1,936,044
Prepayments and accrued income		**2,376,924**	2,078,415	1,554,991
Cash and cash equivalents		**18,121,392**	9,627,412	6,603,620
Total current assets		**29,909,894**	18,637,722	17,074,093
Current liabilities				
Trade and other payables		**7,418,052**	4,591,280	6,846,202
Interest bearing liabilities	10	**238,017**	11,553,545	8,726,302
Derivative financial liabilities	11	**–**	–	390,456
Accruals		**298,758**	281,712	292,089
Total current liabilities		**7,954,827**	16,426,537	16,255,049
Net current assets		**21,955,067**	2,211,185	819,044
Total assets less current liabilities		**85,909,948**	53,794,078	59,981,922
Non-current liabilities				
Trade and other payables		**91,040**	88,707	91,916
Interest bearing liabilities	10	**673,971**	1,481,207	350,931
Deferred tax liability		**172,837**	–	324,519
Derivative financial liabilities	11	**412,669**	340,508	–
Provisions		**1,534,510**	1,646,712	1,467,032
Total non-current liabilities		**2,885,027**	3,557,134	2,234,398
Net assets		**83,024,921**	50,236,944	57,747,524
Equity				
Share capital	14	**11,213,618**	8,888,963	8,905,116
Share premium reserve		**36,158,068**	21,800,976	21,905,976
Option reserve	14	**1,309,244**	833,370	1,173,044
Other reserves		**12,151,873**	9,017,420	10,254,048
Translation reserve		**(61,777,008)**	(67,631,328)	(64,004,958)
Retained surplus		**83,969,126**	77,327,543	79,514,298
Equity shareholders' funds		**83,024,921**	50,236,944	57,747,524

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 2020 prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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' 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 2019 (restated)	**8,882,803**	**21,752,430**	**1,019,589**	**7,149,274**	**(48,413,818)**	**75,208,238**	**65,598,516**
Foreign currency adjustments	—	—	—	—	(19,217,510)	—	(19,217,510)
Profit for the period	—	—	—	—	—	3,639,394	3,639,394
Total comprehensive income for the period	—	—	—	—	(19,217,510)	3,639,394	(15,578,116)
Shares issued in the period	6,160	48,546	—	—	—	—	54,706
Transfer to taxation reserve	—	—	—	1,868,146	—	(1,868,146)	—
Share options lapsed in period	—	—	(348,057)	—	—	348,057	—
Share option expense	—	—	161,838	—	—	—	161,838
Equity shareholders' funds at 30 June 2020 (restated)	**8,888,963**	**21,800,976**	**833,370**	**9,017,420**	**(67,631,328)**	**77,327,543**	**50,236,944**
Foreign currency adjustments	—	—	—	—	3,626,370	—	3,626,370
Profit for the period	—	—	—	—	—	3,391,631	3,391,631
Total comprehensive income for the period	—	—	—	—	3,626,370	3,391,631	7,018,001
Shares issued in the period	16,153	105,000	—	—	—	—	121,153
Transfer to taxation reserve	—	—	—	1,236,628	—	(1,236,628)	—
Share options exercised in period	—	—	(31,752)	—	—	31,752	—
Share option expense	—	—	371,426	—	—	—	371,426
Equity shareholders' funds at 31 Dec 2020	**8,905,116**	**21,905,976**	**1,173,044**	**10,254,048**	**(64,004,958)**	**79,514,298**	**57,747,524**
Foreign currency adjustments	—	—	—	—	2,227,950	—	2,227,950
Profit for the period	—	—	—	—	—	6,352,653	6,352,653
Total comprehensive income for the period	—	—	—	—	2,227,950	6,352,653	8,580,603
Transfer to taxation reserve	—	—	—	1,897,825	—	(1,897,825)	—
Share Premium	2,308,502	—	—	—	—	—	2,308,502
Share Issued during period	—	14,252,092	—	—	—	—	14,252,092
Share option expense	—		136,200	—	—	—	136,200
Equity shareholders' funds at 30 June 2021	**11,213,618**	**36,158,068**	**1,309,244**	**12,151,873**	**(61,777,008)**	**(83,969,126)**	**83,024,921**

(1) Other reserves comprise a merger reserve of US$361,461 and a taxation reserve of US$11,790,412 (31 December 2020: merger reserve of US$361,461 and a taxation reserve of US$9,892,587).

SERABI GOLD PLC
Condensed Consolidated Cash Flow Statements

(expressed in US$)	For the six months ended 30 June 2021 (unaudited)	For the six months ended 30 June 2020 (unaudited)
Operating activities		
Post tax (loss) / profit for period	**6,352,653**	3,639,394
Depreciation – plant, equipment and mining properties	**2,716,607**	3,232,094
Net financial expense	**384,301**	1,045,450
Provision for taxation	**1,596,779**	1,453,613
Share-based payments	**136,200**	216,544
Taxation Paid	**(130,701)**	—
Interest Paid	**(1,282,833)**	(262,999)
Foreign exchange (loss) / gain	**(188,564)**	(45,805)
Changes in working capital		
(Increase)/decrease in inventories	**(99,292)**	(789,533)
(Increase) in receivables, prepayments and accrued income	**(845,173)**	(1,000,176)
Increase/(decrease) in payables, accruals and provisions	**90,892**	(57,232)
Net cash inflow from operations	**8,730,869**	7,431,350
Investing activities		
Purchase of property, plant and equipment and assets in construction	**(741,303)**	(1,189,953)
Mine development expenditure	**(2,558,341)**	(1,221,677)
Geological exploration expenditure	**(1,799,969)**	(1,085,272)
Pre-operational project costs	**(1,265,891)**	(477,640)
Acquisition payment for subsidiary	**(5,500,000)**	(1,000,000)
Acquisition of other property rights	**(101,386)**	(332,513)
Proceeds from sale of assets	**25,081**	327,859
Interest received	**—**	911
Net cash outflow on investing activities	**(11,941,809)**	(4,978,285)
Financing activities		
Issue of Ordinary share capital (net of costs)	**16,560,593**	—
Issue of warrants	**333,936**	—
Drawdown of convertible loan	**—**	1,500,000
Repayment of convertible loan	**(2,000,000)**	—
Repayment of secured loan	**—**	(6,983,492)
Payment of finance lease liabilities	**(263,278)**	(46,274)
Net cash (outflow) / inflow from financing activities	**14,631,251**	(5,529,766)
Net increase / (decrease) in cash and cash equivalents	**11,420,311**	(3,076,701)
Cash and cash equivalents at beginning of period	**6,603,620**	14,234,612
Exchange difference on cash	**97,461**	(1,530,499)
Cash and cash equivalents at end of period	**18,121,392**	9,627,412

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation

These interim condensed consolidated financial statements are for the six month period ended 30 June 2021. Comparative information has been provided for the unaudited six month period ended 30 June 2020 and, where applicable, the audited twelve month period from 1 January 2020 to 31 December 2020. 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 2020 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 2020 and those envisaged for the financial statements for the year ending 31 December 2021.

Accounting standards, amendments and interpretations effective in 2021

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

The following Accounting standards came into effect as of 1 January 2021

	Effective Date
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate benchmark Reform – Phase 2	1 January 2021

The adoption of this standard 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

	Effective Date
Property, Plant and Equipment – Proceeds before Intended Use (amendments to IAS 16)	1 January 2022
Onerous Contracts- Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Reference to Conceptual Framework (Amendments to IFRS 3)	1 January 2022
IFRS 17 Insurance Contracts, including Amendments to IFRS 17	1 January 2023
Classification of Liabilities as Current or Non-current (Amendments to IAS 1) and Classification of Liabilities as Current or Non-current – Deferral of Effective Date	1 January 2023

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

(i) Going concern

On 2 March 2021, the Group announced that it had concluded a placing of new shares raising gross proceeds of £12.5 million. The shares were issued and admitted to trading on AIM and listed on the TSX on 9 March 2021.

Following completion of the placing, the Group settled the remaining deferred consideration due to Equinox for the acquisition of Coringa amounting to US$2.5 million plus accrued interest of US$1.09 million. The Group also redeemed US$2.0 million of convertible loan stock held by Greenstone together with interest and other agreed fees totalling US$533,560. Following the settlement of these liabilities, the Group has no long-term borrowings or debt, and all security interests held by Equinox and Greenstone have been released.

The Group is using some of the proceeds from the balance of the funds raised through the placing of new shares to start the development of the mine at Coringa during 2021 and also to fund the Group's exploration programme for 2021.

The Group expects that it will use a combination of debt finance and cash flow from its existing operations to meet the further development costs of Coringa until that project reaches a position of sustained positive cash-flow. The preliminary economic assessment issued by the Group in October 2019, estimated an initial capital requirement of US$24.7 million prior to sustained positive cash-flow. Management estimates that first gold production could occur 18 months after the commencement of initial mine development.

The incidence of COVID-19 in Brazil remains high, but management considers that, whilst this creates some uncertainty, the actions and procedures that have been implemented by the Group and its history over the past 12 months of dealing with the effects of the pandemic, are minimising the potential for any significant and extended effect on the business and its operations. Management and the Board will continue to assess any further actions that may be necessary, but at this time, based on the information currently available and experiences to date, consider that the measures currently in place will permit the Group to maintain operations at forecast rates of production.

The Group did not claim or receive any COVID-19 related grants or other funding from any government or other sources, during 2020 and has no expectation of receiving any such financial support in the future.

The Directors are confident as at the date of this report of being able to raise the necessary debt funding for the continued development of Coringa, as and when necessary. Whilst the Group's operations are performing at the levels that they anticipate, the Directors acknowledge that the Group remains a small-scale gold producer and any unplanned interruption or reduction in gold production, unforeseen reduction of the gold price or appreciation of the Brazilian Real could adversely affect the level of free cash flow that the Group can generate on a monthly basis. The Group maintains stocks of spare parts, and the modular nature of the plant should permit gold production to continue in the event of breakdowns. The Group constantly monitors gold price and exchange rate and will use hedging facilities to protect its cash flow where appropriate. .Should it be required the Board could also reduce the planned level of exploration expenditure or reduce the planned rate of expenditure on the development of Coringa to reduce cash outflows.

On this basis, the Directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis.

(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 2020 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 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.

At each balance sheet date the Company reviews the potential recoverability of investments in subsidiaries and intercompany debts by reviewing the underlying value of the assets of those subsidiaries and the future cash generation of those subsidiaries to determine whether there is any indication that those assets have suffered impairment or the debts may not be repaid. As with the Group each subsidiary is reviewed 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 and this determination and the indicators of impairment are consistent with those applied to the Group.

(iv) Property, plant and equipment and mining properties

(i) Owned assets

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

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.

(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

Amortisation of Mining Property is calculated over the estimated life of the mineable inventory on a unit of production basis. Mineable Inventory will include be based on management's judgement as to the recoverability of Measured, Indicated and Inferred Resources and these judgments may vary from time to time as the level of management's understanding and historical operational performance information increases. Future forecasted capital mine development expenditure is included in the unit of production amortisation calculation.

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. In addition to the direct costs involved in exploration activity, including sample collection, drilling costs, geophysical surveys and assay expenses, exploration costs are also considered to include technical and administrative overheads directly attributable to the exploration department including the cost of consultants, security, salaries, travel and accommodation but not general overheads of the Group. 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

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 doré produced from both the Palito Mine and the São 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 doré and copper/gold concentrate in accordance with 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 or gold doré, 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 Reais ("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) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(i) Classification of financial assets

The Company is a trading entity, selling directly to its end customers and receiving payments directly from such customers and as such within its business model all financial assets are treated on a hold to collect basis.

Financial assets that meet the following conditions are measured subsequently at amortised cost using effective interest rate method:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group' Trade Receivables are subject to subsequent recognition at fair value through profit or loss ("FVTPL"). The Group does not otherwise hold any financial assets that meet conditions for subsequent recognition at fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL").

(ii) Impairment of financial assets
The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets that are measured at amortised cost which comprise mainly trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL on trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The Company recognises lifetime ECL on intercompany loans, based on management's assessment and understanding of the credit risk attaching to each loan, changes in the level of credit risk between periods and assessment of the scenarios under which management expects the loan to be repaid. Any credit loss will be calculated as the net present value of the difference between the contractual and expected cash flows and the ECL will represent the weighted average of those credit losses based on the respective risks of each scenario.

(iii) Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial Liabilities

(i) Classification of financial liabilities

The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics.
All purchases of financial liabilities are recorded on trade date, being the date on which the Group becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the Group's financial liabilities approximate to their fair values.

The Group's financial liabilities consist of financial liabilities measured at amortised cost and financial liabilities at fair value through profit or loss.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method. The Group's financial liabilities measured at amortised cost comprise loans and other borrowings, equipment loans, leases, and other payables and accruals. The effective interest method is a method of calculating the amortised cost of a financial asset/liability and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts/payments through the expected life of the financial asset/liability or, where appropriate, a shorter period.

(ii) Derecognition of financial liabilities

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

(iii) Derivatives

This category comprises out-of-money derivatives where the time value does not offset the negative intrinsic value. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. The Group does not hold or issue derivative instruments for speculative purposes, but for hedging purposes. Other than these derivative financial instruments, the Group does not have any liabilities held for trading.

The Group has issued convertible loan notes providing the holder with the right to convert all or part of the loan notes into new Ordinary Shares at any time prior to the repayment date at a fixed conversion price. The Group has no right to repay the convertible loan notes at any time prior to the repayment date. The Group estimates the value of the conversion option at the date that loan notes are issued and accounts for this derivative liability separately to the host debt instrument. At each balance sheet date, the fair value of the derivatives issued by the Group is estimated by reference to quoted mid-market price using level 1 and level 2 inputs under the fair value hierarchy.

The Group has issued warrants which confer the right but not the obligation on the holder to acquire additional Ordinary Shares of the Company at a pre-determined price for a period expiring on 26 May 2023. The exercise pirce is set in GB pounds. However, as the functional currency of the Group is US Dollar the value of the option to the Group will vary with the exchange rate. At each balance sheet date, the fair value of the derivatives issued by the Group is estimated by reference to quoted mid-market price using level 1 and level 2 inputs under the fair value hierarchy.

(x) Prior period adjustment

Since incorporation in 2005, costs incurred by Serabi Gold Plc (the "Company"), relating to exploration and mining activity, have been capitalised on the Company Statement of Financial Position as either Deferred exploration costs or Property Plant and Equipment. During the year ended 31 December 2020 management undertook an exercise to reassess these costs and determined that, given the Company does not hold the overarching exploration and mining licences of the Group or directly controls these assets, the capitalisation of these costs as Deferred Exploration costs and PPE was done in error. These costs have been incurred on behalf of the Company's subsidiaries and should have been capitalised within the Investment in Subsidiary. On consolidation, to correct this error, the costs are required to be pushed down into the subsidiaries and recognised as the appropriate Deferred Exploration assets and PPE. These costs would have been capitalised using the subsidiaries' functional currency, which is the Brazilian Real. A cumulative adjustment has been calculated to reflect the translation of these costs into Brazilian Real and then back to the Group's presentation currency of USD on consolidation.

2. Finance Costs

	6 months ended 30 June 2021 (unaudited) US$	6 months ended 30 June 2020 (unaudited) US$
Interest expense on secured loan	**—**	(203,127)
Interest expense on convertible loan	**(47,502)**	(17,524)
Interest expense on mineral property acquisition liability	**(23,854)**	(594,014)
Recognition of variation in effective interest rate of secured loan	**—**	(79,800)
Loss in respect of non-substantial modification	**(40,469)**	—
Warrants Expense	**(78,733)**	—
Amortisation of arrangement fee for convertible loan	**(150,000)**	(37,500)
Loss on revaluation of derivatives	**—**	(4,191)
	(340,558)	(936,156)
Gain in respect of non-substantial modification	**—**	40,469
Interest income	**—**	911
Net finance expense	**(340,558)**	(894,776)

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$706,977 as a deferred tax charge during the six month period to 30 June 2021 (six months to 30 June 2020 - US$536,270).

The Group has also incurred a tax charge in Brazil for the six month period of US$889,802 (six months to 30 June 2020 - US$917,343).

4. Earnings per share

	6 months ended 30 June 2021 (unaudited)	6 months ended 30 June 2020 (unaudited)
Profit attributable to ordinary shareholders (US$)	**6,352,653**	3,639,394
Weighted average ordinary shares in issue	**70,123,225**	58,928,611
Basic profit per share (US cents)	**9.06c**	6.18c
Diluted ordinary shares in issue (1)	**72,639,895**	62,440,788
Diluted profit per share (US cents)	**8.75c**	5.83c

(1) Based on 2,516,670 options vested and exercisable as at 30 June 2021 (30 June 2020: 1,903,425 options and 1,608,750 shares that could be issued pursuant to any exercise of conversion rights attaching to the Convertible Loan Notes)

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:

	6 months ended 30 June 2021 (unaudited)			6 months ended 30 June 2020 (unaudited)		
	Brazil US$	**UK US$**	**Total US$**	Brazil US$	UK US$	Total US$
Revenue	**20,107,872**	**12,422,601**	**32,530,473**	22,584,367	6,877,463	29,461,830
Intra-group sales/purchases	**10,771,031**	**(10,771,031)**	**—**	5,890,376	(5,890,376)	—
Operating expenses	**(16,269,658)**	**(2,088,015)**	**(18,357,673)**	(14,082,167)	(2,339,046)	(16,421,213)
Depreciation and amortisation	**(2,607,348)**	**(109,259)**	**(2,716,607)**	(3,156,690)	(75,404)	(3,232,094)
Gross profit / (loss)	**12,001,897**	**(545,704)**	**11,456,193**	11,235,886	(1,427,363)	9,808,523
Administration expenses	**(1,356,699)**	**(1,649,715)**	**(3,006,414)**	(1,294,216)	(2,368,929)	(3,663,145)
Share based payments	**—**	**(136,200)**	**(136,200)**	—	(161,838)	(161,838)
Profit on sale of fixed assets	**20,154**	**—**	**20,154**	154,917	—	154,917
Operating profit / (loss)	**10,665,352**	**(2,331,619)**	**8,333,733**	10,096,587	(3,958,130)	6,138,457
Foreign exchange (loss)/gain	**(48,304)**	**4,561**	**(43,743)**	(143,036)	(7,638)	(150,674)
Finance expense	**—**	**(340,558)**	**(340,558)**	—	(894,776)	(894,776)
Profit / (loss) before taxation	**10,617,048**	**(2,667,616)**	**7,949,432**	9,953,551	(4,860,544)	5,093,007

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

	Total non-current assets		
	30 June 2021 (unaudited) US$	30 June 2020 (unaudited and restated) US$	31 December 2020 (audited) US$
Brazil – operations	**30,228,962**	25,806,408	28,809,289
Brazil – exploration	**31,956,193**	24,456,040	27,778,354

	Total non-current assets		
	30 June 2021 (unaudited) US$	30 June 2020 (unaudited and restated) US$	31 December 2020 (audited) US$
Brazil – taxes receivable	**747,499**	829,555	696,077
Brazil – deferred tax	**1,022,227**	490,890	1,879,158
Brazil - total	**63,954,881**	51,582,893	59,162,878
UK	**—**	—	—
	63,954,881	51,582,893	59,162,878

An analysis of total assets by location is as follows:

		Total assets	
	30 June 2021 (unaudited) US$	30 June 2020 (unaudited and restated) US$	31 December 2020 (audited) US$
Brazil	**76,370,225**	64,535,176	70,243,353
UK	**17,494,550**	5,685,439	5,993,618
	93,864,775	70,220,615	76,236,971

6. Deferred exploration costs

	30 June 2021 (unaudited) US$	30 June 2020 (unaudited and restated) US$	31 December 2020 (audited) US$
Cost			
Opening balance	**27,778,354**	29,656,716	29,656,716
Exploration and evaluation expenditure	**1,799,969**	1,085,272	2,425,440
Pre-operational project costs	**1,265,891**	477,640	1,330,469
Foreign exchange movements	**1,111,979**	(6,763,588)	(5,634,271)
Total as at end of period	**31,956,193**	24,456,040	27,778,354

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

	30 June 2021 (unaudited) US$	30 June 2020 (unaudited and restated) US$	31 December 2020 (audited) US$
Cost			
Balance at start of period	**65,168,100**	78,523,385	78,523,385
Additions	**3,299,645**	2,411,630	5,498,518
Disposals	**—**	(145,321)	(637,077)
Changes in estimates on rehabilitation provision	**—**	—	(441,405)
Foreign exchange movements	**2,062,977**	(21,557,560)	(17,775,321)
Balance at end of period	**70,530,722**	59,232,134	65,168,100

	30 June 2021 (unaudited) US$	30 June 2020 (unaudited and restated) US$	31 December 2020 (audited) US$
Accumulated depreciation			

	30 June 2021 (unaudited) US$	30 June 2020 (unaudited and restated) US$	31 December 2020 (audited) US$
Balance at start of period	**(38,932,549)**	(44,031,222)	(44,031,222)
Charge for period	**(2,877,587)**	(3,307,433)	(5,097,349)
Released on asset disposals	**—**	—	32,997
Foreign exchange movements	**(1,443,338)**	12,049,334	10,163,025
Balance at end of period	**(43,253,474)**	(35,289,321)	(38,932,549)
Net book value at end of period	**27,277,248**	23,942,813	26,235,551

8. Right of use Assets

	30 June 2021 (unaudited) US$	30 June 2020 (unaudited) US$	31 December 2020 (audited) US$
Cost			
Balance at start of period	**3,733,675**	2,904,085	2,904,085
Additions	**500,202**	—	835,848
Foreign exchange movements	**(6,256)**	—	(6,258)
Balance at end of period	**4,227,621**	2,904,085	3,733,675

	30 June 2021 (unaudited) US$	30 June 2020 (unaudited) US$	31 December 2020 (audited) US$
Amortisation			
Balance at start of period	**(1,159,937)**	(906,909)	(906,909)
Charge for period	**(117,879)**	(133,581)	(254,937)
Foreign exchange movements	**1,909**	—	1,909
Balance at end of period	**(1,275,907)**	(1,040,490)	(1,159,937)
Net book value at end of period	**2,951,714**	1,863,595	2,573,738

9. Inventories

	30 June 2021 (unaudited) US$	30 June 2020 (unaudited) US$	31 December 2020 (audited) US$
Consumables	**3,840,296**	2,550,820	3,171,288
Ore stockpiles	**120,188**	307,248	349,024
Other material in process	**1,872,378**	1,237,086	1,233,291
Finished goods	**1,521,303**	1,492,146	2,225,835
Balance at end of period	**7,354,165**	5,587,300	6,979,438

10. Interest bearing liabilities

	30 June 2021 (unaudited) US$	30 June 2020 (unaudited) US$	31 December 2020 (audited) US$
Current			
Convertible loan stock	**—**	—	2,029,464
Acquisition liability	**—**	11,553,545	6,495,435
Obligations under right of use asset leases	**238,017**	—	201,403
Due in less than one year	**238,017**	11,553,545	8,726,302
Non-current			
(Between one and five years)			
Convertible loan stock	**—**	1,481,207	—
Obligations under right of use asset leases	**673,971**	—	350,931
Due in more than one year	**673,971**	1,481,207	350,931

a) Secured loan

	30 June 2021 (unaudited) US$	30 June 2020 (unaudited) US$	31 December 2020 (audited) US$
Secured loan outstanding at start of period	**—**	6,903,692	6,903,692
Repayment of principal	**—**	(6,983,492)	(6,983,492)
Exercise of Gold Call options	**—**	—	—
Gain on non-substantial modification	**—**	—	—
Amortisation of gain on non-substantial modification	**—**	79,800	79,800
Value of secured loan outstanding at end of period	**—**	—	—

During 2020, the Group made capital repayments of US$6,983,492 and incurred an interest expense of US$203,127. Interest payments of US$262,439 have been made in the period including payment of US$59,518 for interest accrued as at 31 December 2019. Following final settlement of this loan, which occurred on 30 June 2020, the security in favour of the lender was released.

b) Convertible loan

	30 June 2021 (unaudited) US$	30 June 2020 (unaudited) US$	31 December 2020 (audited) US$
Value of secured convertible loan at start of period	**2,029,464**	—	–
Drawdown of convertible loan	**—**	1,500,000	2,000,000
Repayment of convertible loan	**(2,500,455)**	—	—
Initial fair value of derivative associated with loan	**—**	(336,317)	(423,479)
Release of derivative associated with loan	**423,479**	—	—
Loan Arrangement Fee	**—**	300,000	300,000
Accrued interest	**47,512**	17,524	152,943
Value of secured convertible loan at end of period	**—**	1,481,207	2,029,464

During the six months to 30 June 2021, the Group incurred an interest expense of US$47,512 (six months to 30 June 2020 - US$17,524). In accordance with the terms of the convertible loan, interest was capitalised and repaid when the Convertible Loan Notes are repaid or converted. An arrangement fee of US$300,000 was also incurred in connection with the Convertible Loan Notes. Following the settlement of the Secured Loan on 30 June 2020, the Convertible Loan Notes became secured and a security package in favour of the holder of the Convertible Loan Notes was put in place. On 19 March 2021, the Group redeemed all of the outstanding Loan Notes together with interest and other fees payable in connection with the Loan Notes and the security package was released by Greenstone.

c) Mineral property acquisition liability

	30 June 2021 (unaudited) US$	30 June 2020 (unaudited) US$	31 December 2020 (audited) US$
Deferred acquisition liability at start of period	**6,495,435**	12,000,000	12,000,000
Repayment of principal	**(5,500,000)**	—	—
Repayment of interest	**(1,053,945)**	—	—
Interest payable	**18,041**	594,014	1,035,904
Gain in respect of non-substantial modification	**—**	(40,469)	(40,469)
Loss in respect of non-substantial modification	**40,469**	—	—
Repayment of principal	**—**	(1,000,000)	(6,500,000)
Value of deferred acquisition liability at end of period	**—**	11,553,545	6,495,435

During the six months to 30 June 2021, the Group incurred an interest expense of US$18,041 (six months to 30 June 2020 - US$594,014). Interest charges incurred were to be paid at the same time that the final payment was made in respect of the mineral property acquisition.

At the start of the second quarter of 2020, the Group agreed revised repayment terms for the mineral property acquisition allowing for a series of staged payments replacing the single lump sum payment that was otherwise then due . In accordance with IFRS 9, the Group was required to recognise the effect of a non-substantial modification to the previous payment arrangement. Accordingly, the Group initially recognised a benefit arising from the modification totalling US$40,469 which was fully amortised during 2020.

11. Derivatives

Conversion rights attaching to warrant notes	**30 June 2021 (unaudited) US$**	30 June 2020 (unaudited) US$	31 December 2020 (audited) US$
Fair value at start of period	**–**	–	–
Initial cash received at issue	**333,936**	–	–
Fair value adjustment on initial recognition	**337,087**	–	–
Initial fair value of financial liability	**671,023**	**–**	**–**
Decrease in fair value at end of period	**(258,354)**	–	–
Fair value of warrants at end of period	**412,669**	–	–

Fair value is determined using a Black-Scholes model and by reference to quoted mid-market prices at each balance sheet date for the Ordinary Shares. The fair value of the derivative has been measured using level 1 and level 2 inputs.

The conversion rights embedded in the warrant notes represent a derivative as the Group's functional currency is United States dollars but the conversion price is denominated in Great British pounds. Therefore the amount to be released in US Dollars on conversion is variable dependent upon the exchange rate between the US dollar and GB pound.

Conversion rights attaching to convertible loan	**30 June 2021 (unaudited) US$**	30 June 2020 (unaudited) US$	31 December 2020 (audited) US$
Fair value at start of period	**–**	–	–
Fair value of derivative on initial recognitions	**–**	336,317	423,479
Increase/(decrease) in fair value at end of period	**–**	4,191	(33,023)
Value of secured convertible loan at end of period	**–**	340,508	390,456

Fair value is determined using a Black-Scholes model and by reference to quoted mid-market prices at each balance sheet date for the Ordinary Shares. The fair value of the derivative has been measured using level 1 and level 2 inputs.

The conversion rights embedded in the convertible loan notes represented a derivative as the loan was denominated in United States dollars but the conversion price denominated in Great British pounds. Therefore number of shares to be issued on conversion was variable dependent upon the exchange rate between the US dollar and GB pound.

12. Contingencies

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

13. Related party transactions

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 the Coringa Deferred Consideration. The subscription deed was subject to shareholder approval and certain other conditions being fulfilled at the time of initial drawdown. Shareholder approval was received on 26 February 2020.

However, as a consequence of the uncertainties caused by COVID-19, the Group subsequently agreed with Greenstone to extend the period for the satisfaction of all the conditions necessary for the completion of the subscription by, and issue to, Greenstone of the Loan Notes.

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

Under the Amended Subscription Deed and a further subsequent amendment, whilst the Travel Restriction Condition is in place the Company may 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 requests 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. The arrangements with Greenstone include a provision whereby the Loan Notes are available to be drawn down by the Company at any time until 30 June 2021. The Loan Notes carry fixed conversion rights into Ordinary Share of the Company at a price of UK£0.76 per share. Subject to certain conditions the holder of the Loan Notes may covert all of part of the Loan Notes in issue at any time before 31 August 2021. Unless otherwise converted into Ordinary Shares of the Company, the Loan Notes are due to be redeemed on 31 August 2021.

Whilst the secured loan facility with Sprott (the "Sprott Loan") was outstanding the Loan Notes were unsecured and subordinated to the Sprott Loan. Following settlement of the Sprott Loan, the security interests of Sprott were discharged and the Group granted to Greenstone the security package as originally envisaged save that a pledge of the shares of Chapleau Resources Limited ("CRL") continued to be held by Anfield and its parent company, Equinox, until such time as the Coringa Deferred Consideration was 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.

The Amended Subscription Deed included certain covenants and undertakings that are in accordance with normal market practice for these types of arrangement. These included an undertaking that at each month end (i) the cash position of the Group should be the higher of US$1 million or 25 per cent of the value of the partial subscriptions completed at that date and (ii) the Group should have positive working capital (excluding the value of the Loan Notes) of at least US$2.5 million.

On 19 March 2021, the Group redeemed all of the outstanding Loan Notes together with interest and other fees payable in connection with the Loan Notes and the security package was released by Greenstone.

14. Share capital

a) Ordinary shares

	30 June 2021 (unaudited)		30 June 2020 (unaudited)		31 December 2020 (audited)	
	Number	$	Number	$	Number	$
Allotted, called up and fully paid						
Ordinary shares in issue at start of period	59,084,551	8,905,116	58,909,551	8,882,803	58,909,551	8,882,803
Ordinary shares issued during the period	16,650,000	2,308,502	50,000	6,160	175,000	22,313
Ordinary shares in issue at end of period	75,734,551	11,213,618	58,959,551	8,888,963	59,084,551	8,905,116

(b) Stock option reserve

Contributed surplus

	30 June 2021 (unaudited) US$	30 June 2020 (unaudited) US$	31 December 2020 (audited) US$
Balance at start of period	**1,173,044**	1,019,589	1,019,589
Share options exercised in period	**—**	—	(31,752)
Options lapsed in period	**—**	(348,057)	(348,057)
Options costs for period	**136,200**	161,838	533,264
Balance at end of period	**1,309,244**	833,370	1,173,044

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 following summarises the outstanding options in issue at 30 June 2021 under the 2011 Plan

Issue date	Options outstanding	Options vested	Exercise price	Expiry
27 May 2020	1,750,000	1,166,670	UK£0.85	26 May 2023
2 July 2018	1,350,000	1,350,000	UK£0.75	01 July 2021
	3,100,000	2,516,670		

The approximate weighted average exercise price is UK£0.80

15. Impairment

For the purposes of the preparation of the annual audited financial statements for the year ended 31 December 2020, 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 30 June 2021 the carrying value of the assets relating to the Palito and Sao Chico Mines has increased to US$30.23 million from US$28.81 million as at 31 December 2020, whilst the carrying value of deferred exploration costs has increased from US$27.78 million at 31 December 2020 to US$31.96 million at 30 June 2021.

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 2020.

16. Post Balance Sheet Events

Subsequent to the end of the period, 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.

17. Approval of the interim condensed consolidated financial statements

These unaudited interim condensed consolidated financial statements for the six month period ended 30 June 2021 were approved by the board of directors on 29 September 2021.

During the first six months of 2020, Serabi Gold plc was reclassified as a Designated Foreign Issuer for the purposes of Canadian Securities Regulations, As a result the Company is no longer required to submit a quarterly Management Discussion and Analysis document ("MD&A") as part of it Continuous Disclosure Obligations under Canadian National Instrument 51-102. The following commentary on the Financial Statements for the six month period to 30 June 2021 and comparison against the same period in 2020 or to the Balance Sheet at 31 December 2020 is provided in lieu of the commentary that would otherwise appear in the MD&A

COMMENTARY ON THE FINANCIAL RESULTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021 COMPARED TO THE SIX MONTH PERIOD ENDED 30 JUNE 2020

Production for the first six months of 2021 was 17,361 ounces of gold (six months to 30 June 2020: 17,524 ounces) with sales recognised for 17,662 ounces (six months to 30 June 2020: 17,560 ounces).

INCOME STATEMENT

The gross profit for the six month period was US$11,456,193 in comparison with a gross profit of US$9,808,523 for the six months ended 30 June 2021. The comparison between the periods is set out in the table below.

	Six months ended June 2021	Six months ended June 2020	Variance
Concentrate Sold (Ounces)	6,542	4,128	2,414
Bullion Sold (Ounces)	11,120	13,432	(2,312)
Total Ounces Sold	**17,662**	**17,560**	**102**
Average gold sales price achieved	**1,807**	**1,647**	**160**
Revenue from Ordinary Activity	**US$**	**US$**	**Variance**
Gold (in Concentrate)	11,246,558	6,578,848	4,667,710
Copper (in Concentrate)	1,103,529	445,734	657,795
Silver (in Concentrate)	72,514	35,987	36,527
Total Concentrate Revenue	**12,422,601**	**7,060,569**	**5,362,032**
Gold Bullion	20,107,874	22,401,261	(2,293,387)
Total Sales	**32,530,475**	**29,461,830**	**3,068,645**
Costs of sales			
Operational costs	17,024,781	15,369,275	1,655,506
Shipping costs	563,008	378,333	184,675
Treatment charges	246,364	202,924	43,440
Royalties	523,522	470,681	52,841
Amortisation of Mine Property	1,994,636	2,474,111	(479,475)
Depreciation of Plant & Equipment	721,971	757,983	(36,012)
Total Operating costs	**21,074,282**	**19,653,307**	**1,420,975**
Gross Profit	**11,456,193**	**9,808,523**	**1,647,670**

Revenue

For the six month period ended 30 June 2021, the Group generated US$12,422,601 (2020: US$7,060,569) in revenue through sales of an estimated 6,542 ounces of gold sold in the form of a copper/gold concentrate (2020: 4,128 ounces for revenue of US$7,060,569) and 11,120 ounces of gold bullion generating revenue of US$20,107,874 (2020: 13,432 ounces for revenue of US$22,401,261)

Production of gold bullion for the six months to 30 June 2021 was 11,145 ounces of gold compared with 13,185 ounces during the same period of the previous year, a decrease of 15 per cent.

During the same six month period 616 wet tonnes of copper/gold concentrate, containing an estimated 6,216 ounces was produced (six months to 30 June 2020: 450 wet tonnes of copper/gold concentrate, containing 4,340 ounces of gold). The unsold material is held as inventory.

Variations in the blend of production between bullion and copper/gold concentrate reflect normal operational variances including the mix of ore-feed from each of the Sao Chico and Palito deposits, the mineralogy of the Palito ore and particularly the levels of copper which vary within the deposit, and general processing activities.

Operating Costs
Operational costs for the six months ended 30 June 2021 were US$17.02 million (2020: US$15.37 million). Operational costs include mining costs at both the Palito and Sao Chico Mines, plant processing costs, as well as all general site costs on both mine sites

	Six months ended June 2021	Six months ended June 2020	Variance	Variance %
Tonnes Mined	83,422	85,556	(2,134)	(2%)
Tonnes Milled	85,141	84,700	441	1%
Ounces Produced	17,361	17,524	(163)	(1%)
Ounces Sold	17,662	17,560	102	1%

	Six months ended June 2021 US$'000	Six months ended June 2020 US$'000	Variance US$'000	Variance %
Operating Costs				
Labour	7,321	6,532	789	12%
Mining consumables & Maintenance	5,703	5,072	631	12%
Plant Consumables	2,213	2,075	138	7%
General Site	1,788	1,691	97	6%
	17,025	15,369	1,656	11%

In addition to the small variations in the mining and processing statistics shown in the table, a total of 6,534 metres of horizontal development was completed during the first six months of 2021, an improvement of 11 per cent compared with 5,882 metres completed during the same six month period of 2020.

Operating Costs are calculated on a unit of production basis and therefore fluctuate directly with the level of sales recognised in any period.

During the first six months of 2021 the average exchange rate was BrR$5.39 to US$1.00 compared with an average exchange rate of BrR$4.92 to US$1.00 during the same period of the previous year, a weakening of approximately nine percent.

Labour
The increase in labour costs of 12 per cent reflects the nine percent increase in the number of staff employed during the six month period ended 30 June 2021. During the second quarter of 2020, although head count had increased reflecting planned changes in shift patterns, the level of staff and numbers at site were restricted, as a result of social distancing measures implemented due to the Covid -19 pandemic, reducing the relative levels of overtime and similar costs. Additional mine development crews have been recruited in 2021 to recover some of the development that could not be completed during 2020. In addition, each Brazilian employee received a three per cent salary increase in May 2020 as a result of the national collective wage agreement in Brazil.

Mining consumables & maintenance
Mining consumables and maintenance for the six month period ended 30 June 2021 have increased by 12 per cent in comparison to the same six month period of 2020. In part this reflects a return to normal levels of staffing and maintenance activity during 2021. However, the Group has also been undertaking a significant programme for the redesign and continued improvement of its tailings management infrastructure. This work which is being completed in the third quarter of 2021 had necessitated the use of a third party contractor operated earth moving fleet as well as additional workload on the Group's own fleet resulting in increased consumption of consumables, particularly diesel, spare parts. The additional mine development competed has also impacted on costs.

Plant consumables
Plant costs have increased by US$0.14 million, or 7 per cent, for the six month period ended 30 June 2021 compared with the same period in the previous year. The increase is primarily due to an increase in maintenance costs due to repair work carried out on the crusher and milling circuit as well as an increase in power costs and also consumable costs, primarily replacement of mill balls and additional laboratory testing work carried out on samples taken from the horizontal development.

General site costs
General site costs for the six month period ended 30 June 2021 increased by 6 per cent compared with the same period in the previous year. The Group incurred an increase in costs on PPE and other general sits cost as a result of increased levels of personnel on site.

Shipping costs
Variations in shipping costs reflect the relative levels of shipments made in the period. In the first six months of 2021, 640 tonnes of copper gold concentrate were shipped compared with 460 tonnes for the same period of the previous year.

Treatment charge
Treatment charges have increased by US$0.04 million between the first half of 2020 compared with the same period during 2021. This results from the higher volume of material sold in the period although there has been a lower level of penalties incurred for penalties for impurities. The occurrence and level of impurities varies according to the mineralogy of the particular veins being mined.

Royalties
Royalty payments of US$0.52 million have increased by 11 percent in comparison to the same period of the previous year (US$0.47 million) and comprise statutory levies payable in Brazil and royalties payable to prior owners of the Sao Chico deposit. Government royalty rates are uniform across all mining operations with a rate of 1.5 per cent being applied to gold production and the royalty on copper production being 2.0 per cent. The increase in royalty payments reflects the increased gold price and revenues in US dollars, with the average gold price achieved for the first six months of 2021 of US$1,807 being approximately 10 percent higher than the average price achieved of US$1,647 during the same period of the previous year.

Amortisation
Charges for the amortisation of mine property are calculated by reference to the depletion, during the quarter, of the total estimated mineable resource at each of the Palito and Sao Chico orebodies. In each case the base carrying cost of the asset is adjusted to include a provision for future mine development costs for each of these ore bodies. The Group reviews, on an annual basis, the expected future life of the mine based on the mineral resources and the mine development costs that will be capitalised to achieve this estimated life-of-mine plan. During the second half of 2020 the group increased its assessment of mineable mineral resource for Sao Chico and at the same time recognised an increase in the level of future mine development costs required to access this increased mineral inventory. The total amortisation charge relating to the Palito and Sao Chico ore bodies for the six month period ended 30 June 2021 is approximately US$2.00 million compared with US$2.47 million for the same period of the previous year. The decrease is due to the increased level of mineral resources being considered in the life of mine plans which has in part been offset by the effect of the increased future capital development costs.

Depreciation
A depreciation charge of US$0.72 million was recorded during the six month period ended 30 June 2021 on plant and equipment used in the mining and processing, (six months to 30 June 2020: US$0.76 million).

Operating profit
The Group has recognised an operating profit before interest and other income of US$8.33 million, (2020: operating profit of US$6.14 million) reflecting the improvement of US$1.65 million of gross profit from operations and after incurring US$3.01 million (2020: US$3.66 million) in administrative expenses as well as US$0.14 (2020: US$0.16 million) on share based incentive costs. The deemed value assigned to these share options is amortised over the expected option life and is calculated using the Black Scholes model. The charge for the six months to 30 June 2021 is in respect of options granted between January 2017 and 30 June 2021. The Group also reported a profit of US$0.02 million from the disposal of assets (2020: US$0.15 million).

Administration costs of US$3.01 million for the six month period ended 30 June 2021 are approximately US$0.60 million lower than for the same period in 2020 (US$3.56 million) In 2020 costs were impacted by legal and other advisory fees relating to the US$12.0 million convertible loan note facility subscribed for by Greenstone including the initial negotiation, security arrangements and subsequent variations necessary as a result of CV-19.

The Company recorded a foreign exchange loss of US$0.04 million for the six months ended 30 June 2021 which compares with a foreign exchange loss of US$0.15 million recorded for the six months ended 30 June 2020. These foreign exchange losses are primarily incurred in respect of the cash holdings of the Company in currencies other than US Dollars as at the period end and do not necessarily reflect actual realised profits or losses. The Company holds funds in certain currencies in anticipation of future expenditures that are anticipated to be settled in those currencies.

Net interest charges for the six month period to 30 June 2021 were US$0.34 million compared with US$0.89 million for the same six month period of 2020. An analysis of the composition of these charges is set out in the table below:

	6 months ended 30 June 2021 (unaudited) US$	6 months ended 30 June 2020 (unaudited) US$
Interest expense on secured loan	**—**	(203,127)
Interest expense on convertible loan	**(47,502)**	(17,524)

	6 months ended 30 June 2021 (unaudited)	6 months ended 30 June 2020 (unaudited)
Unwinding of discount on mineral property acquisition liability	**(23,854)**	(594,014)
Recognition of variation in effective interest rate of secured loan	**—**	(79,800)
Loss in respect of non-substantial modification	**(40,469)**	—
Warrants Expense	**(78,733)**	—
Amortisation of arrangement fee for convertible loan	**(150,000)**	(37,500)
Loss on revaluation of derivatives	**—**	(4,191)
	(340,558)	(936,156)
Gain in respect of non-substantial modification	**—**	40,469
Interest income	**—**	911
Net finance expense	**(340,558)**	(894,776)

The interest on the secured loan of US$0.20 million for the first six months of 2020 was the cost of six months of interest on loan funds advanced under the credit agreement with Sprott Resource Lending Partnership. This loan was fully repaid on 30 June 2020,so there was no similar charge during 2021.

The interest on the convertible loan of US$47,502 (2020: US$17,524) is the interest cost on funds advanced under the US$12 million convertible loan note facility subscribed for by Greenstone. During the first six months of 2020 the Group had drawn down three equal instalments of US$0.5 million each, on 30 April 2020, 29 May 2020,and 30 June 2020. There was one further drawdown of US$0.5 million on 30 June 2021. The convertible loan notes and all associated fees and interest were redeemed on 19 March 2021.

The interest expense of US$0.02 million on the property acquisition payment is the interest accrued on the outstanding purchase price obligation for the Coringa gold project (2020: US$594,014). Interest charges incurred were paid at the same time that the final payment was made in respect of the mineral property acquisition. At 31 December 2019 the purchase obligation was US$12 million and during the twelve month period ended 31 December 2020 payments totalling US$6.5 million were made of which US$1.0 million was paid in the first six months of 2020. The balance outstanding on the original purchase obligation of US$5.5 million as well as all accrued interested charges was completed during 2021 with the final payment being made on 29 April 2021.

At the start of the second quarter of 2020, the Group agreed revised repayment terms for this mineral property acquisition allowing for a series of staged payments replacing the single lump sum payment that was otherwise then due . In accordance with IFRS 9, the Group was required to recognise the effect of a non-substantial modification to the previous payment arrangement. Accordingly, the Group recognised a benefit arising from the modification totalling US$40,469 during the first six months of 2020. Upon completion of the repayment of the loan the Group has recognised an expense arising from this modification for US$40,469.

The derivative in 2020 represents the value of the conversion rights attaching to the US$1.5 million of convertible loan notes that had been issued at 30 June 2020. The Group calculated separately for each drawdown the value of the conversion options associated with each drawdown instalment. The aggregate value of the derivatives on initial recognition was US$336,317. Each derivative was then revalued at 30 June 2020 giving rise a further expense on revaluation of US$4,191. With the convertible loan notes having been repaid in March 2021, there is no corresponding income or expense of 2021.

The Group incurred an arrangement fee in respect of the convertible loan note facility of US$300,000 which is payable to Greenstone. The arrangement fee was being amortised over the 16 month life of the loan resulting in a charge incurred during the period of US$37,500. In total, during 2020, US$150,000 of the fee was amortised. With the convertible loans repaid in March 2021, the balance of the arrangement fee of US$150,000 was amortised in the six month period to 30 June 2021.

The expense incurred during the six months to 30 June 2020 described as “Recognition of variation in effective interest rate of secured loan” represented the amortisation of a non-substantial modification under IFRS 9 relating to a secured loan. This loan was fully repaid on 30 June 2020.

On 27 May 2021, the Group issued 4,003,527 warrants at a price of £0.06 giving the buyers the rights to purchase shares at £0.9375 at any time over the next two years. Subscription proceeds from the sale of the warrants totalled US$333,936. Whilst the warrants are convertible into a fixed number of shares, as the Group’s functional currency is US Dollars and the exercise price denominated in Pounds Sterling, the future exercise of the warrants would result in a variable amount of US Dollars. The warrants are therefore required to be classified as a financial liability. The Group has fair valued the warrants upon initial recognition and subsequently revalued the liability at 30 June 2021 recognising a net increase in the fair value compared with the subscription proceeds received of US$78,733 for the period to 30 June 2021.

BALANCE SHEET

Non-current assets

On 30 June 2021, the Group's non-current assets amounted to US$64.0 million, which compares to US$59.2million as reported at 31 December 2020.

Deferred exploration costs have increased by US$4.2 million during the first six months of 2021. Exploration activities in 2020 were suspended during the second quarter of 2020, in reaction to the immediate effects of the CV-19 pandemic and resumed during the fourth quarter 2020. Exploration expenditure of US$1.8 million during the first six months of 2021 represents a 66 per cent period on period increase.

Activity at the Company's Coringa project was limited during 2020 to basic care and maintenance. However, following the award on the Preliminary Licence in October 2020, expenditure has increased from US$0.5 million in the first six months of 2020 to US$1.3 million in the first six months of 2021. The expenditure has included studies required as part of the application process for the Installation licences and preparation work for the initial mine development which commenced in late July 2021.

Capital expenditure on the existing Palito Complex operations during the six months to 30 June 2021 was US$3.3 million which includes US$2.6 million of capitalised mine development expenditure, with work on upgrade and improvements to the leaching circuit of the process plant costing a further US$0.26 million. In addition, a further US$0.5 million of mobile mining fleet has been acquired under leasing arrangements.

The Group has also a long-term receivable in respect of state taxes due in Brazil of US$0.75 million (31 December 2020: US$0.70 million). The overall level of State Taxes owed has increased from US$2.81 million to US3.43 million before provisions. The group has established a provision against the future recoverability of this debt totaling US$1.63 million. Of the total value outstanding the Company expects to recover US$1.05 million within the next 12 months and has classified this element as short-term debt, with the balance of US$0.75 million (net of provisions) classified as long-term.

The Group has estimated that it has a deferred tax asset amounting to US$1.02 million (2020: US$1.88 million) comprising the benefit of future tax losses that the Group expects to be used in the next 12 months and timing differences on the recognition of exchange rate losses.

Working Capital

The Group had a positive working capital position of US$21.96 million at 30 June 2021 compared to a positive working capital position of US$0.82 million at 31 December 2020.

During the first six months of 2021 the Group has raised new capital from an issue of new equity of approximately US$16.56 million (net of costs) and a further US$333,936 was generated from the issue of the warrants. The Company has settled, in the first six months of 2021, all of its outstanding interest bearing debt obligations with the exception of some equipment leasing arrangements.

Current Assets

Inventory

Inventory on hand at the end of the period was valued at US$7.4 million representing an increase of US$0.4 million compared to 31 December 2020. This represents an increase in holdings of consumable items acquired in anticipation of the commencement for development activities at Coringa.

	30 June 2021 US$	**31 December 2020 US$**	**Variance US$**
Stockpile of mined ore	120,188	349,024	(228,836)
Finished goods awaiting sale	1,872,378	2,225,835	(353,457)
Other material in process	1,521,303	1,233,291	288,012
	3,513,869	**3,808,150**	**(294,281)**
Consumables	3,840,296	3,171,288	669,008
Total Inventory	**7,354,165**	**6,979,438**	**374,727**

Trade and other receivables.

Trade and other receivables representing outstanding sums for the sales of bullion and concentrate of US$2.1 million have increased by US$0.12 million since 31 December 2020, a normal operational variance.

Prepayments and accrued income
Prepayments and accrued income primarily comprise prepaid taxes and deposit payments paid to suppliers. The total value of US$2.38 million compared with US$1.56 million at 31 December 2020 million has increased by US$0.82 million comprising US$0.25 million in increased deposits and the balance in increased level of taxes recoverable.

Cash at Bank
Between 31 December 2020 and 30 June 2021, cash balances have increased by approximately US$11.52 million. During 2021 the Group has raised new capital from an issue of new equity of approximately US$16.56 million (net of costs). A further US$333,936 (net of costs) was raised from the issue of the warrants.

The Group repaid a total of US$5.5 million for the purchase of Coringa from Anfield Gold plus an additional US$1.06 million in interest during the first five months of 2021 as well as repaying Greenstone the US$2.0 million convertible loan plus interest of US$200k and an arrangement fee of US$300k.

Current Liabilities
Trade and other payables
Trade and other payables at 30 June of US$7.42 million have increased from US$6.85 million at 31 December 2021. Trade creditors of US$3.5 million are US$0.1 million lower than at 31 December 2021, whilst Other provisions of US$1.4 million and Sales and state tax liabilities of US$1.7 million have increased by US$0.7 million and US$0.1 million respectively. The increase in Other provisions principally reflects the provision accumulated monthly for the payment of the normal 13th salary paid to Brazilian based staff at the end of the calendar year.

Interest bearing liabilities
Following settlement during March and April 2021 of the outstanding convertible loan notes and the outstanding purchase consideration for the Coringa project the only interest-bearing liabilities comprise lease obligations for mobile mining fleet comprising two underground loaders and a jumbo drill rig.

Non-current Liabilities
Derivative financial liabilities
As part of the issue of new equity undertaken in March 2021, the Company also issued approximately 4 million share purchase warrants exercisable at a price of UK£0.9375. The warrants were issued on 27 May and are exercisable at any time for a period of two years from that date., As the Group's functional currency is US Dollars and the exercise price denominated in Pounds Serling, the future exercise of these warrants would result in a variable amount of US Dollars denominated cash on exercise. They are therefore classified as a financial liability and the liability at 30 June represents the estimated fair value of the warrants at 30 June 2021.

Provisions
Provisions of US$1.5 million represent the estimated fair value of the future liability for closure of costs of the Company's current operations. Movements since the 31 December are attributable to exchange rate variations.

Exchange Rate
The Brazilian Real strengthened by four percent from 31 December 2020 when the exchange rate was BrR$5.20 to US$1.00 to the rate of BrR$5.00 to US$1.00 at 30 June 2021.