Audited Results for the year ended 31 December 2021

Serabi (AIM:SRB, TSX:SBI), the Brazilian focused gold mining and development company, today releases its audited results for the year ended 31 December 2021 and the unaudited results for the three month period to 31 December 2021.

Key Financial Information

SUMMARY FINANCIAL STATISTICS FOR THE THREE AND TWELVE MONTHS ENDING 31 DECEMBER 2021

	12 months to 31 Dec 2021 US$	**3 months to 31 Dec 2021 US$**	12 months to 31 Dec 2020 US$	3 months to 31 Dec 2020 US$
Revenue	**63,141,437**	**16,400,215**	55,830,078	11,616,129
Cost of Sales	**(37,759,318)**	**(10,531,621)**	(34,165,731)	(9,237,743)
Gross Operating Profit	**25,382,119**	**5,868,594**	21,664,347	2,378,386
Administration and share based payments	**(6,256,505)**	**(1,742,471)**	(6,144,281)	(1,305,620)
EBITDA	**19,125,614**	**4,126,123**	15,520,066	1,072,766
Depreciation and amortisation charges	**(6,049,628)**	**(1,956,539)**	(5,128,895)	(412,086)
Operating profit before finance and tax	**13,075,986**	**2,169,584**	10,391,171	660,680
Profit/(loss) after tax	**9,949,964**	**2,288,363**	7,031,025	411,758
Earnings per ordinary share (basic)	**13.85 cents**	**3.02 cents**	11.92 cents	(0.70 cents)
Average gold price received	**US$1,776**	**US$1,772**	US$1,727	US$1,841

	As at 31 December 2021	As at 31 December 2020
Cash and cash equivalents	**12,217,751**	6,603,620
Net assets	**79,885,501**	57,747,524

Cash Cost and All-In Sustaining Cost ("AISC")

	12 months to 31 December 2021	12 months to 31 December 2020
Gold production for cash cost and AISC purposes	**33,848 ozs**	31,212 ozs
Total Cash Cost of production (per ounce)	**US$1,090**	US$1,075
Total AISC of production (per ounce)	**US$1,429**	US$1,374

Financial Highlights

- Revenue increase of 13 per cent to US$63.1 million (2020: US$55.8 million) reflecting the eight per cent increase in gold production.
- EBITDA of US$19.13 million also represents the best annual performance for the Group (2020: US$15.52 million).
- Revenues and EBITDA are in line with consensus forecasts.
- Post tax profit of US$9.95 million represents the best annual result for the Group and an increase of 42 per cent year on year.
- Earnings per share of 13.85 cents compared with 11.92 cents for 2020.
- Average gold price of US$1,776 received on gold sales in 2021. (2020: US$1,727).

- Cash Cost for the year of US$1,090 per ounce (2020: US$1,075).
- All-In Sustaining Cost for the year of US$1,429 per ounce (2020: US$1,374 per ounce) reflecting the additional US$2.45 million of mine development expenditure incurred in the year.

Clive Line, CFO of Serabi commented,

We are delighted to have produced another year of improving financial results, reporting EBITDA of US$19.1 million representing a 23 per cent improvement year on year and a profit after tax of US$9.95 million, which is a 42 per cent improvement compared with 2020, despite facing a number of operational challenges during 2021. This represents the highest level of annual EBITDA and the highest level of post-tax annual profit ever reported by the Group.

During the year, approximately US$9.4 million of cash flow was generated by the mining operations (after mine development capital), which compares with US$11.6 million in the preceding year. This broadly reflects the US$2.4 million increase in mine development expenditure during the year, a consequence of the reduction in 2020 when operations were hampered by reduced staffing levels as a result of the pandemic.

All outstanding debt that the Company held at the start of the year was repaid and the final payments due for the acquisition of Coringa were completed, assisted by the raising of US$16.9 million through the issue of new shares and warrants in March 2021.

Spending on exploration was increased during the year with US$4.1 million being spent on exploration activity including over 26,000 meters of surface exploration drilling. This was on top of a further 34,500 metres of underground drilling, the cost of which is generally treated as an on-going operational expense.

With the successful commencement of the underground development at Coringa during July 2021, expenditure on the project has been US$4.4 million, which included the cost for establishing the mine portal including the necessary steel and concrete reinforcement works. As we have previously reported, on-lode development has now started and some of the ore recovered has been transported during May 2022 to the Palito processing site, where full scale processing and ore sorting work will be undertaken.

Cash Costs and All-In-Sustaining Costs have increased marginally to US$1,090/oz and US$1,429/oz respectively (2020: US$1,075/oz and US$1,374/oz) reflecting the inflationary effects of the pandemic and the higher costs of mine development. The increase in expenditure on mine development as we work to catch up on work that could not be undertaken during the pandemic accounts for an increase in the AISC of approximately US$75 year on year.

The Julia Vein at Sao Chico had been expected to continue to contribute a significant portion of the annual production and consequently revenue for 2022. The problems that we have encountered with higher levels of dilution, a result of long hole stoping not having the necessary selectivity around the areas directly impacted by the intrusive dykes will mean that projected production for 2022 will be lower than originally forecast which will impact on cash generation until such time as the work to reconfigure the Julia area for more selective mining, and also open up other production areas, is completed. We have in mitigation adjusted the mine plan for Palito to incorporate production from some additional areas of the deposit including the G3 vein which has previously been a very productive part of the deposit. Underground drilling being undertaken has identified some additional veins and confirmed down dip extensions of several other veins which bodes well for continuation of our success with resource replenishment.

In May 2022, we completed a 12-month unsecured loan for US$5 million with one of the major Brazilian banks. This additional working capital offsets the unexpected reduction in revenue and cash for the first quarter of 2022 and, whilst we are continuing to restrict some discretionary expenditure to offset the lower revenues anticipated for the rest of the year, this should allow the Company to continue its progress with the development of Coringa until such time as the longer-term funding for the main project development and site construction is in place.

2021 was marred by the identification of some financial irregularities. The consequent investigation was completed during September of last year and following this we have used the services Deloitte Touche Tohmatsu Consultores Ltda in Brazil ("Deloitte") to establish an Internal Audit function reporting to the Audit Committee. A legal process is underway to recover funds that are considered to have been misappropriated, but it is expected that it will be some time before the court proceedings are completed.

Chairman's Statement

In common with many other businesses, we have continued to face challenges and through 2021 we have sought to re-establish our activities as quickly as possible in an environment that is still resetting itself following what we all hope are the worst effects of the COVID-19 pandemic. As we return to normality, protecting the health of our employees, suppliers and communities continues to be a priority, and the Company will maintain its full commitment to be a safe place in this difficult environment.

The development of our Coringa project remains our immediate growth priority and it is very pleasing to see the continued progress that we are making. As we reported in the first quarter of 2022, the ramp development of the Serra orebody has intersected the three known veins, with grades significantly higher than we were expecting. All three veins have been intersected on the 320m and 340m levels, with excellent results to date. Our plan is now to develop the two principal veins, V1 and V3 to the north. We have also introduced ‘resue’ development mining, where the ore and waste can be blasted separately. The advantage of this technique is that dilution of the ore coming out of the mine will be minimised and allow us to build a high-grade stockpile over the coming months, in preparation for plant feed in 2023.

The current development operations at Coringa are being carried out under a trial mining licence (“GUIA”) that allows us to undertake mining activities and perform some initial processing of the ore and further test work at the Palito Complex. We remain optimistic regarding the award of the Installation Licence which is required before we can start construction of the plant and the rest of the site infrastructure. Ongoing dialogue with the relevant agencies involved with issuing this licence, continues to be very positive and has not highlighted any concerns with the project design. The agencies continue to follow the steps and processes set down by the law to help expedite the issue of the licence. Both the National Mining Agency (the “ANM”) and the State environmental agency (“SEMAS”) have together with Serabi, filed documents of protest with the relevant court authorities and the court judge who is currently reviewing the need for any ongoing intervention given that all proper processes are being followed. The key issue has been confirmation that the needs of the indigenous populations have been properly considered. In all steps of the process Serabi, SEMAS and the ANM have observed their legal and moral obligations consulting with and obtaining approval from FUNAI, the national agency that protects the rights of indigenous populations. A specific indigenous study that goes beyond the requirements of the law is now expected to be completed during the second quarter of 2022 and is intended to allay any further concerns regarding the impact of mining activity at Coringa. In the meantime, SEMAS have received letters from the indigenous tribes confirming their support for the project. Discussions regarding the additional funding that will be required for the longer term development of Coringa, including the construction of the plant and the necessary site infrastructure, remain on-going with a variety of providers.

Brownfield exploration during 2021 brought some excellent mine-site discoveries, especially around the current Palito deposit, which will allow us to expand the operation during the latter half of 2022. This growth is particularly important after the lower than expected production in the fourth quarter of 2021 and the first quarter of 2022.

The last 12 months have been challenging and I believe that the post pandemic effects on Serabi have been more wide ranging than we originally anticipated. Whilst in 2020, it was the pandemic itself that hampered operations, 2021 was a year when supply chain delays became prevalent, as businesses in Brazil accelerated output, but struggled to meet targets due to lack of critical items. Since travel restrictions for non-nationals travelling to Brazil were eased in the latter part of 2021, Serabi’s executive management have spent a lot of time in country, making a number of management changes and implementing numerous operational actions.

At the Palito operation, whilst 2021 was a better year than 2020, we still faced a number of challenges, and the final quarter of 2021 as well as the first quarter of 2022 saw lower than anticipated levels of production. The reasons for this are twofold. In the Palito orebody, ongoing delays in the delivery of a critical new mining fleet have hampered mine development and therefore the speed at which new areas at Palito can be prepared for mining. The brownfield exploration has brought some excellent results over the past six months but accessing these resources and translating them into reserves and production has not been possible due to fleet shortage, which we have been waiting on since mid 2021. In the meantime, we have been reliant upon an aging fleet that, with increasing maintenance downtime, is unable to provide the required capacity. As a consequence of this delay, we have been somewhat restricted in our production options and have, in the short-term, needed to mine and process the ore that is in immediately accessible blocks, including those with lower grades. This has resulted in lower than anticipated production in the fourth quarter of 2021 and the first quarter of 2022. Nevertheless, we are confident the already identified new vein structures will allow us to increase production from the deposit during the remainder of 2022 and in 2023. All new items of fleet have been or are expected to be delivered during the second quarter of 2022.

Secondly, we have also experienced lower than expected production from the São Chico orebody. During the second half of 2021, we commenced production on the Julia Vein. Up until then, most São Chico production has come from the Main Vein, where mechanised long hole open stoping has proved to be an efficient and effective mining method. During the second and third quarters of 2021, the Julia Vein was developed with the intention to again use mechanised long hole open stoping. However, as we progressed through the fourth quarter, it became clear that the levels of dilution from stoping were far higher than forecast as a consequence of the presence of multiple cross cutting faults and intrusive dykes, which post-date the ore. These faults were not easily identified in the initial drilling into the vein Through the latter part of the fourth quarter of 2021 and the first quarter of this year we installed significant amounts of ground support such as cable bolts and leaving ground pillars to help minimise dilution. This made some marginal improvements, but production rates were nevertheless greatly reduced, with the drilling equipment and manpower being utilised just as much for ground support activity as they have been for production. During February 2022, the decision was made to stop the long hole method on the Julia Vein, and introduce selective open stoping, with air-legs, as used in most areas of the Palito orebody. This will bring improved grades by minimising dilution through greater selectivity. However, this is not an overnight change. It is slower, and therefore needs preparation time, but continuing with long hole mining is not a viable option. A consequence is that 1,000 ounces of production scheduled from São Chico in February by long hole, was delayed and will now be mined selectively during both the second quarter and over the rest of the year.

This decision to move away from long hole to selective mining methods means the reliance on production ounces will, in the near term, move away from the São Chico orebody to the Palito orebody, with operations at São Chico focusing far more on mine development with a view to a return to normal production in 2023. In parallel to this, during the second half of 2022, we will be increasing production from the Palito orebody. As a result, it is unlikely that we will be able to maintain quarterly production at a level of around 9,000 ounces, and we will focus on producing profitable ounces and maximising operational cashflow rather than production growth for the rest of the year. This has required us to lower our production guidance for 2022 to be in the region of 30,000 ounces but expect a return to previous levels once access has been gained to the new working areas.

I am pleased to say that these decisions are beginning to bear fruit with some much-improved grades and daily production in March and April. We will make every effort to exceed the revised guidance and have already taken and implemented the decision to bring in 34 specialised selective miners to help accelerate the transition back to selective mining at São Chico and increase production from Palito. There are multiple smaller, higher-grade areas in upper levels, that require minimal development and access, but lend themselves to selective mining and these can provide additional ounces. This transition to the more selective mining method going forward to emphasise quality over quantity, means an increased focus on reducing costs, moving less volume and optimising the operation rather than just chasing scale. The real scale change will be driven by the successful start-up of Coringa.

Exploration results from the Palito Mine have been very encouraging. The Ipe and Mogno veins in the Chica da Santa sector, which was a key part of the Palito production during 2021, have demonstrated the depth potential and continued high grades of the sector. Lateral extensions of the deposit comprising the Piaui sector to the southwest and Pele sector to the northeast also bode well with both sectors expected to support resource replenishment, growth and future production at the Palito Mine while ensuring a successful future for this long-life asset. The drilling into Piaui has really opened up the deposit to the southwest. The Piaui sector hosts two veins, which have now been drilled over a strike length of 500m and 200m vertical depth. Plans are now being finalised to cross cut to this sector from the Senna Vein later this year.

The potential of Palito both along strike, at depth and now laterally is very evident. From Pele in the east and Piaui in the west, the deposit now comprises a series of veins within a 1,000m wide corridor. Over the next 12 months, we will be expanding the Palito orebody considerably as we access these new sectors.

The reduction in revenues that we will experience in 2022 will impact the level of cash that can be generated and have necessitated restricting discretionary expenditure including exploration activity. I hope that this will be temporary and that we can pick up on some of exciting exploration opportunities with funding being provided by operational cash-flow as gold production grows.

Whilst the last two years have been tough operationally due to global supply chain issues and impacts of Covid, we are confident in Serabi's future. The Palito orebody remains the engine room to our production base but with a turnaround expected at São Chico this year and the material growth from Coringa, our strategy remains to turn Serabi into a multi-asset gold miner with production approaching 100koz within the next few years.

Nicolas Bañados
Chairman

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 as it forms part of UK Domestic Law by virtue of the European Union (Withdrawal) Act 2018.

The person who arranged for the release of this announcement on behalf of the Company was Clive Line, Director.

SERABI GOLD

Enquiries

SERABI GOLD plc
Michael Hodgson t +44 (0)20 7246 6830
Chief Executive m +44 (0)7799 473621

Clive Line t +44 (0)20 7246 6830
Finance Director m +44 (0)7710 151692

e contact@serabigold.com

www.serabigold.com

BEAUMONT CORNISH Limited
Nominated Adviser & Financial Adviser
Roland Cornish / Michael Cornish t +44 (0)20 7628 3396

PEEL HUNT LLP
Joint UK Broker
Ross Allister / Alexander Allen t +44 (0)20 7418 9000

TAMESIS PARTNERS LLP
Joint UK Broker
Charlie Bendon/ Richard Greenfield t +44 (0)20 3882 2868

CAMARCO
Financial PR
Gordon Poole / Nick Hennis t +44 (0)20 3757 4980

Copies of this announcement are available from the Company's website at www.serabigold.com.

Qualified Persons Statement
The scientific and technical information contained within this announcement has been reviewed and approved by Michael Hodgson, a Director of the Company. Mr Hodgson is an Economic Geologist by training with over 30 years' experience in the mining industry. He holds a BSc (Hons) Geology, University of London, a MSc Mining Geology, University of Leicester and is a Fellow of the Institute of Materials, Minerals and Mining and a Chartered Engineer of the Engineering Council of UK, recognizing him as both a Qualified Person for the purposes of Canadian National Instrument 43-101 and by the AIM Guidance Note on Mining and Oil & Gas Companies dated June 2009.

See www.serabigold.com for more information and follow us on twitter @Serabi_Gold

Serabi's Directors Report and Financial Statements for the year ended 31 December 2021 together the Chairman's Statement will be available from the Company's website – www.serabigold.com and will be posted on SEDAR at www.sedar.com.

Annual Report
The Annual Report has been published by the Company on its website at www.serabigold.com and printed copies are expected to be available before 30 June 2022. Additional copies will be available to the public, free of charge, from the Company's offices at The Long Barn, Cobham Park Road, Downside, Surrey, KT11 3NE and will be available to download from the Company's website at www.serabigold.com.

The data included in the selected annual information tables below is taken from the Company's annual audited financial statements for the year ended 31 December 2021, which were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The Parent Company financial statements have also been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under International Financial Reporting Standards ("IFRS").

The audited financial statements for the year ended 31 December 2021 will be presented to shareholders for adoption at the next General Meeting of the Company's shareholders and filed with the Registrar of Companies.

The following information, comprising, the Income Statement, the Group Balance Sheet, Group Statement of Changes in Shareholders' Equity, and Group Cash Flow, is extracted from these financial statements.

Statement of Comprehensive Income
For the year ended 31 December 2021

	Notes	Group For the year ended 31 December 2021 US$	For the year ended 31 December 2020 US$
Revenue		63,141,437	55,830,078
Cost of sales		(37,759,318)	(33,127,648)
Provision for impairment of State taxes receivable		–	(1,038,083)
Depreciation and amortisation charges		(6,049,628)	(5,128,895)
Total cost of sales		(43,808,946)	(39,294,626)
Gross profit		19,332,491	16,535,452
Administration expenses		(5,825,655)	(5,856,760)
Share-based payments		(270,631)	(533,264)
(Loss)/gain on disposal of fixed assets		(160,219)	245,743
Operating profit		13,075,986	10,391,171
Foreign exchange (loss)/gain		(41,456)	(214,845)
Finance expense	4	(261,825)	(1,763,240)
Finance income	4	585,840	74,403
Profit before taxation		13,358,545	8,487,489
Income tax expense		(3,408,581)	(1,456,464)
Profit for the period(1)		9,949,964	7,031,025
Other comprehensive income (net of tax)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(4,643,212)	(15,591,140)
Total comprehensive profit/(loss) for the period(1)		5,306,752	(8,560,115)
Earnings per ordinary share (basic) (1)	5	13.85c	11.92c
Earnings per ordinary share (diluted) (1)	5	12.97c	11.10c

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

SERABI GOLD

Balance Sheet as at 31 December 2021

	Group	
	At 31 December 2021 US$	At 31 December 2020 US$
Non-current assets		
Deferred exploration costs	34,857,905	27,778,354
Property, plant and equipment	27,575,335	26,235,551
Right of use assets	2,600,631	2,573,738
Taxes receivable	605,125	696,077
Deferred taxation	1,224,360	1,879,158
Total non-current assets	66,863,356	59,162,878
Current assets		
Inventories	6,973,207	6,979,438
Trade and other receivables	2,307,458	1,936,044
Prepayments	2,316,669	1,554,991
Cash and cash equivalents	12,217,751	6,603,620
Total current assets	23,815,085	17,074,093
Current liabilities		
Trade and other payables	5,624,511	6,846,202
Interest-bearing liabilities	290,060	8,726,302
Derivative financial liabilities	–	390,456
Accruals	397,400	292,089
Total current liabilities	6,311,971	16,255,049
Net current assets	17,503,114	819,044
Total assets less current liabilities	84,366,470	59,981,922
Non-current liabilities		
Trade and other payables	427,663	91,916
Provisions	2,581,431	1,467,032
Deferred tax liability	861,430	324,519
Derivative financial liabilities	165,495	–
Interest-bearing liabilities	444,950	350,931
Total non-current liabilities	4,480,969	2,234,398
Net assets	79,885,501	57,747,524
Equity		
Share capital	11,213,618	8,905,116
Share premium reserve	36,158,068	21,905,976
Option reserve	1,075,348	1,173,044
Other reserves	13,694,731	10,254,048
Translation reserve	(68,648,170)	(64,004,958)
Retained surplus	86,391,906	79,514,298
Equity shareholders' funds attributable to owners of the parent	79,885,501	57,747,524

SERABI GOLD

Statements of Changes in Shareholders' Equity
For the year ended 31 December 2021

Group	Share capital US$	Share premium US$	Share option reserve US$	Other reserves US$	Translation reserve US$	Retained surplus US$	Total equity US$
Equity shareholders' funds at 31 December 2019	**8,882,803**	**21,752,430**	**1,019,589**	**7,149,274**	**(48,413,818)**	**75,208,238**	**65,598,516**
Foreign currency adjustments	–	–	–	–	(15,591,140)	–	(15,591,140)
Profit for year	–	–	–	–	–	7,031,025	7,031,025
Total comprehensive income for the year	–	–	–	–	(15,591,140)	7,031,025	(8,560,115)
Shares issued in period	22,313	153,546	–	–	–	–	175,859
Transfer to taxation reserve	–	–	–	3,104,774	–	(3,104,774)	–
Share options exercised in period	–	–	(31,752)	–	–	31,752	–
Share options lapsed in period	–	–	(348,057)	–	–	348,057	–
Share option expense	–	–	533,264	–	–	–	533,264
Equity shareholders' funds at 31 December 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	–	–	–	–	**(4,643,212)**	–	**(4,643,212)**
Profit for year	–	–	–	–	–	**9,949,964**	**9,949,964**
Total comprehensive income for the year	–	–	–	–	**(4,643,212)**	**9,949,964**	**5,306,752**
Shares issued in period	**2,308,502**	**14,252,092**	–	–	—	–	**16,560,594**
Transfer to taxation reserve	–	–	–	**3,440,683**	—	**(3,440,683)**	—
Share options lapsed in period	–	–	**(368,327)**	—	—	**368,327**	—
Share option expense	–	–	**270,631**	—	—	—	**270,631**
Equity shareholders' funds at 31 December 2021	**11,213,618**	**36,158,068**	**1,075,348**	**13,694,731**	**(68,648,170)**	**86,391,906**	**79,885,501**

Other reserves comprise a merger reserve of US$361,461 and a taxation reserve of US$13,333,270 (2020: merger reserve of US$361,461 and taxation reserve of US$9,892,587).

Cash Flow Statement
For the year ended 31 December 2021

	Group	
	For the year ended 31 December 2021 US$	For the year ended 31 December 2020 US$
Cash outflows from operating activities		
Profit for the period	9,949,964	7,031,025
Net financial expense	(282,559)	1,903,682
Depreciation – plant, equipment and mining properties	6,049,628	5,128,895
Taxation expense	3,408,581	1,456,464
Share-based payments	270,631	587,970
Loss/(gain) on fixed asset sales	160,219	(245,743)
Taxation paid	(1,125,382)	(466,604)
Interest paid	(1,302,708)	(285,567)
Foreign exchange (loss) / gain	(104,531)	129,533
Changes in working capital		
(Increase) in inventories	(331,400)	(1,843,621)
(Increase) in receivables, prepayments and accrued income	(1,259,952)	(770,571)
(Decrease)/increase in payables, accruals and provisions	(637,285)	1,930,609
Increase in short-term intercompany payables	–	–
Net cash inflow from operations	14,795,206	14,556,072
Investing activities		
Acquisition payment for subsidiary	(5,500,000)	(6,500,000)
Acquisition of other property rights	(101,106)	(634,594)
Purchase of property, plant, equipment, and projects in construction	(4,132,914)	(2,545,575)
Mine development expenditure	(5,400,933)	(2,952,943)
Geological exploration expenditure	(4,102,530)	(2,425,440)
Pre-operational project costs	(4,354,954)	(1,330,469)
Proceeds from sale of assets	379,347	627,447
Interest received and other finance income	–	911
Net cash outflow on investing activities	(23,213,090)	(15,760,663)
Financing activities		
Issue of ordinary share capital (net of costs)	16,560,593	–
Issue of warrants	333,936	–
Repayment of convertible loan	(2,000,000)	–
Payment of convertible loan arrangement fee	(300,000)	–
Convertible loan note receipts	–	2,000,000
Repayment of short-term secured loan	–	(6,983,492)
Payment of lease liabilities	(355,836)	(397,490)
Net cash inflow/(outflow) from financing activities	14,238,694	(5,380,982)
Net (decrease)/increase in cash and cash equivalents	5,820,810	(6,585,573)
Cash and cash equivalents at beginning of period	6,603,620	14,234,612
Exchange difference on cash	(206,679)	(1,045,419)
Cash and cash equivalents at end of period	12,217,751	6,603,620

<u>Notes</u>

1. General Information

The financial information set out above for the years ended 31 December 2021 and 31 December 2020 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006 but is derived from those accounts. 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. A copy of the statutory accounts for 2020 has been delivered to the Registrar of Companies and those for 2021 will be delivered to the Registrar of Companies following approval by shareholders at the Annual General Meeting. The full audited financial statements for the years end 31 December 2021 and 31 December 2020 comply with IFRS.

2. Auditor's Opinion

The auditor has issued an unqualified opinion in respect of the financial statements for both 2021 and 2020 which do not contain any statements under the Companies Act 2006, Section 498(2) or Section 498(3). The auditor's opinion in respect of the financial statements for 2021, does however contain a material uncertainty related to going concern. As detailed in the note regarding the Basis of Preparation set out below, in order to fund the continued development of the Coringa mine and repay the Group's US$5 million bank loan which will mature in May 2023, the Group will need to raise additional funding which could include a combination of bank debt, royalty, streaming of gold and copper revenues or new equity capital.

It is however emphasised that the auditor's opinion is not qualified in respect of this material uncertainty.

3. Basis of Preparation

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The Parent Company financial statements have also been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under International Financial Reporting Standards ("IFRS").

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 new standards, amendments or interpretations applicable to periods beginning on or after 1 January 2021 were each effective as of 1 January 2021:

	Effective date
COVID-19-Related rent Concession (Amendment to IFRS 16)	1 June 2020
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 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. A new standard Property, Plant and Equipment – Proceeds before Intended Use (amendments to IAS 16) which is effective 1 January 2022 will impact the Group as it develops the Coringa mine. In the event that the Group realises sales revenues prior to a declaration of commercial production it will now be required to recognise the proceeds from sales and the costs of production in profit and loss. Previously the sales would have been treated as a deduction from the cost of bringing an item (or items) of property, plant and equipment to the location and condition necessary to be capable of operating in the manner intended by management.

Of the remaining standards, amendments to standards, and interpretations, none of these are expected to have a significant effect on the Group, in particular.

	Effective date
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

Investigation into Unsubstantiated Payments

During 2021 an investigation into certain unsubstantiated cash withdrawals and irregularities relating to the payment of travel advances and expense claims was commissioned by the Board and by the Audit Committee and was completed. The value of the irregularities relating to the payment of travel advances and expense claims incurred during 2021 was US$116,000 with further transactions totalling US$29,000 identified as being improperly documented. The total value of all unsubstantiated cash withdrawals identified by the review was US$349,000 with irregularities relating to the payment of travel advances totalling US$510,000 and expense claims totalling approximately US$904,000. The review concluded that all costs have been expensed through the Group's income statement in each of the relevant years and no adjustment to previously disclosed financial results of the Group was required.

Going concern and availability of finance

At 31 December 2021, the Group held cash of US$12.2 million and has subsequently reported that at 31 March it held cash of US$6.9 million with a further receipt of US$1.6 million for a sale of copper/gold concentrate due to be received in early April having been delayed from March following late changes in sailing schedules. The reduction in cash reflects the continued development expenditure of Coringa during the quarter, and the reduced level of sales revenue generated in the period as a result of lower production.

The Group has advised that in light of the issues encountered in the mining of the Julia Vein at São Chico, it has reduced its production guidance for the remainder of 2022 whilst it reconfigures the Julia Vein for selective mining and undertakes further evaluation and development of other sectors of the São Chico deposit. This will reduce revenue for the rest of 2022 and will therefore impact on the ability of the Group to generate positive cash flow for the rest of 2022. Management have already taken actions to reduce some of the operational costs and is evaluating further options to generate additional gold production to improve cash generation. This includes the transportation and processing of high grade ore recovered from the current mine development being undertaken at Coringa. The first trucks began transporting ore during May 2022. In addition, in the short term, the Group has negotiated a US$5 million unsecured loan with a Brazilian bank for an initial 12 month period to ease any immediate working capital pressure. These funds were received during May 2022.

The Directors have prepared an operational plan and cash flow forecast based on their best judgement of the operational performance of the Group for the next 18 months using economic assumptions that the Directors consider are reasonable in the current global economic climate. This plan assumes, interalia, that during the rest of 2022 and for 2023, the Group will be successful in mining higher levels of gold from its Palito orebody than it originally planned for and will continue to generate a limited level of gold production from São Chico, albeit at lower levels than 2021 and those previously planned for 2022, due to the issues encountered at the Julia Vein. In addition, the Group will, as a temporary measure, transport Coringa ore for processing at the Palito Complex. To manage costs, discretionary expenditures will be minimised including further regional exploration drilling which has now been suspended.

Although the Group's operational plan incorporates the processing of some of the ore recovered from the planned development of the Coringa mine at the Palito complex, the Group's plan is to construct a gold processing plant at Coringa. The estimated cost of the full-scale development of the Coringa project reported in the Coringa PEA, including necessary mine development, the erection of a gold processing plant and other site infrastructure was estimated to be approximately US$24.7 million before sustainable positive cash flow is achieved.

While the Group plans to restrict development activity to a level that can be supported by available financial resources, in order to fund the longer term continued development of Coringa including a gold processing facility, and repay the Group's debt, which comprises a 12 month, US$5 million bank loan maturing in May 2023, the Group intends to obtain additional funding. This funding may be generated from a variety of sources which could include a combination of bank debt, royalty, streaming of gold and copper revenues, new equity capital and cash flow from the current operations. The Group has been successful in raising funding as and when required in the past and the Directors 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 such, whilst the expenditure on the development of Coringa will be incurred over a period of nine to twelve months it is the intention of management that firm commitments for the majority of this funding must have been secured and there is strong confidence that the balance of any remaining financing requirement is available prior to commencing the full-scale development.

Whilst recognising the uncertainty that has been created by the need to adjust the operational plan during the first half of the year and the lower levels of gold production that are now forecast as a result, the Directors and management are confident of their ability to raise additional finance and that the Group's operations will perform at the levels that they now anticipate over the next 18 month period. However, an inability to raise new finance, unplanned interruptions or further reductions in gold production, unforeseen reductions of the gold price or appreciation of the Brazilian Real could adversely affect the level of free cash flow available to the Group.

These material uncertainties may cast significant doubt upon the Group's ability to continue as a going concern and therefore its ability to settle its debts and realise its assets in the normal course of business. Notwithstanding these material uncertainties, the Directors have a reasonable expectation that the Group has adequate resources to continue in existence for the foreseeable future and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

4. Finance expense and income

	Group	
	For the year ended 31 December 2021 US$	For the year ended 31 December 2020 US$
Interest expense on secured loan	–	(203,127)
Interest expense on convertible loan	(47,502)	(152,943)
Interest expense on mineral property acquisition liability	(23,854)	(1,035,904)
Unwinding of discount on rehabilitation provision	–	(141,466)
Amortisation of arrangement fee for convertible loan	(150,000)	(150,000)
Recognition of variation in effective interest rate of secured loan	–	(79,800)
Finance expense in respect of non-substantial modification	(40,469)	–
Interest payable	(261,825)	(1,763,240)
Gain on revaluation of derivative	–	33,023
Unwinding of discount on rehabilitation provision	417,399	–
Gain on warrants	168,441	–
Gain in respect of non-substantial modification	–	40,469
Finance income on short-term deposits	–	911
Finance income	585,840	74,403
Net finance income/(expense)	324,015	(1,688,837)

5. Earnings per Share

	For the year ended 31 December 2021	For the year ended 31 December 2020
Profit attributable to ordinary shareholders (US$)	9,949,964	7,031,025
Weighted average ordinary shares in issue	71,829,223	58,981,340
Basic profit per share (US cents)	13.85	11.92
Diluted ordinary shares in issue	76,726,221(1)	63,362,744(2)
Diluted profit per share (US cents)	12.97	11.10

(1) Based on 1,166,670 options vested and exercisable as at 31 December 2021.

(2) Based on 2,345,088 options vested and exercisable as at 31 December 2020 and 2,036,316 shares that could be issued pursuant to any exercise of conversion rights attaching to the convertible loan notes as at 31 December 2020.

6. Post balance sheet events

On 19 April 2022, the Company advised that dilution in the Julia Vein which forms part of the Sao Chico deposit and which is being mined by mechanised long hole open stoping was higher than expected as a consequence of the presence of parallel and cross cutting faults and intrusive dykes which post-date the ore. This level of faulting appears to be unique to the Julia Vein. The Company advised that it would introduce selective open stoping, the method used successfully on the Palito orebody, and which over time is expected to improve grades by minimising dilution through greater selectivity in the mining. 1,000 ounces of production which had been scheduled from São Chico in February by long hole, would now be mined selectively during the second quarter and over the rest of the year.

The Company further advised that as a result of the decision to mine selectively on the Julia Vein, the reliance on production ounces would, in the near term, focus on the Palito orebody, with operations at São Chico focusing more on mine development with a view to a return to planned production levels later in the year and into 2023. In the short term the Company advised that it would be focusing on producing profitable ounces and maximising operational cashflow rather than production growth for the rest of the year. The Company reduced production guidance for 2022 from the previously declared level of 36,000 to 38,000 ounces to being in the region of 30,000 ounces.

On 17 May 2022, the Company completed a US$5.1 million unsecured loan arrangement with a Brazilian bank. The loan is repayable as a bullet payment on 12 May 2023 and carries an interest coupon of 6.6 per cent.

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.