



SERABI GOLD PLC

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

**FOR THE THREE MONTHS ENDED
31 MARCH 2022**

NOTICE

These unaudited interim condensed consolidated financial statements have been prepared by management and have not been subject to review by the Company's independent auditor.

SERABI GOLD PLC
Condensed Consolidated Statements of Comprehensive Income

(expressed in US\$)	Notes	For the three months ended 31 March	
		2022 (unaudited)	2021 (unaudited)
CONTINUING OPERATIONS			
Revenue		12,885,020	15,828,812
Cost of Sales		(9,273,472)	(8,976,167)
Depreciation and amortisation charges		(1,171,888)	(1,163,802)
Total cost of sales		(10,445,360)	(10,139,969)
Gross profit		2,439,660	5,688,843
Administration expenses		(1,445,953)	(1,992,594)
Share-based payments		(112,125)	(68,100)
Gain on sales of assets disposal		(1,064)	10,403
Operating profit		880,518	3,638,552
Foreign exchange loss		176,586	19,014
Finance expense	2	(1,839)	(65,543)
Finance income	2	104,780	–
Profit before taxation		1,160,045	3,592,023
Income and other tax income/(charges)	3	569,558	(1,685,117)
Profit after taxation		1,729,603	1,906,906
Other comprehensive income (net of tax)			
Exchange differences on translating foreign operations		8,859,456	(3,472,358)
Total comprehensive profit /(loss) for the period⁽¹⁾		10,589,059	(1,565,452)
<hr/>			
Profit per ordinary share (basic)	4	2.28c	2.96c
Profit per ordinary share (diluted)	4	2.25c	2.85c

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

SERABI GOLD PLC
Condensed Consolidated Balance Sheets

(expressed in US\$)	Notes	As at 31 March 2022 (unaudited)	As at 31 March 2021 (unaudited)	As at 31 December 2021 (audited)
Non-current assets				
Deferred exploration costs	6	41,624,903	28,715,969	34,857,905
Property, plant and equipment	7	30,748,907	23,755,812	27,575,335
Right of use assets	8	4,481,942	3,009,604	2,600,631
Deferred taxation		1,456,454	579,878	1,224,360
Taxes receivable		824,172	1,169,621	605,125
Total non-current assets		79,136,378	57,230,884	66,863,356
Current assets				
Inventories	9	10,271,853	6,243,802	6,973,207
Trade and other receivables		3,247,685	5,709,937	2,307,458
Prepayments and accrued income		3,592,942	1,195,793	2,316,669
Cash and cash equivalents		6,932,625	15,945,065	12,217,751
Total current assets		24,045,105	29,094,597	23,815,085
Current liabilities				
Trade and other payables		6,860,327	6,333,201	5,624,511
Interest bearing liabilities	10	769,698	3,825,290	290,060
Accruals		378,868	290,058	397,400
Total current liabilities		8,008,893	10,448,549	6,311,971
Net current assets		16,036,212	18,646,048	17,503,114
Total assets less current liabilities		95,172,590	75,876,932	84,366,470
Non-current liabilities				
Trade and other payables		499,042	83,838	427,663
Interest bearing liabilities	10	935,698	669,688	444,950
Deferred tax liability		–	998,092	861,430
Derivative financial liabilities	11	60,175	–	165,495
Provisions		3,090,450	1,314,548	2,581,431
Total non-current liabilities		4,585,905	3,066,166	4,480,969
Net assets		90,586,685	72,810,766	79,885,501
Equity				
Share capital	14	11,213,618	11,213,618	11,213,618
Share premium reserve		36,158,068	36,158,068	36,158,068
Option reserve	14	1,187,473	1,241,144	1,075,348
Other reserves		14,114,049	11,145,669	13,694,731
Translation reserve		(59,788,714)	(67,477,316)	(68,648,170)
Retained surplus		87,702,191	80,529,583	86,391,906
Equity shareholders' funds		90,586,685	72,810,766	79,885,501

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 2021 prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 has 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 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	—	—	—	—	(3,472,358)	—	(3,472,358)
Profit for the period	—	—	—	—	—	1,906,906	1,906,906
Total comprehensive income for the period	—	—	—	—	(3,472,358)	1,906,906	(2,699,842)
Shares issued in the period	2,308,502	14,252,092	—	—	—	—	16,560,594
Transfer to taxation reserve	—	—	—	891,621	—	(891,621)	—
Share option expense	—	—	68,100	—	—	—	68,100
Equity shareholders' funds at 31 March 2021	11,213,618	36,158,068	1,241,144	11,145,669	(67,477,316)	80,529,583	72,810,766
Foreign currency adjustments	—	—	—	—	(1,170,854)	—	(1,170,854)
Profit for the period	—	—	—	—	—	8,043,058	8,043,058
Total comprehensive income for the period	—	—	—	—	(1,170,854)	8,043,058	6,872,204
Transfer to taxation reserve	—	—	—	2,549,062	—	(2,549,062)	—
Share options exercised in period	—	—	(368,327)	—	—	368,327	—
Share option expense	—	—	202,531	—	—	—	202,531
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
Foreign currency adjustments	—	—	—	—	8,859,456	—	8,859,456
Profit for the period	—	—	—	—	—	1,729,603	1,729,603
Total comprehensive income for the period	—	—	—	—	8,859,456	1,729,603	10,589,059
Transfer to taxation reserve	—	—	—	419,318	—	(419,318)	—
Share option expense	—	—	112,125	—	—	—	112,125
Equity shareholders' funds at 31 March 2022	11,213,618	36,158,068	1,187,473	14,114,049	(59,788,714)	(87,702,191)	90,586,685

(1) Other reserves comprise a merger reserve of US\$361,461 and a taxation reserve of US\$13,752,588 (31 December 2021: merger reserve of US\$361,461 and a taxation reserve of US\$13,333,270).

SERABI GOLD PLC
Condensed Consolidated Cash Flow Statements

(expressed in US\$)	For the three months ended 31 March	
	2022 (unaudited)	2021 (unaudited)
Operating activities		
Post tax profit for period	1,729,603	1,906,906
Depreciation – plant, equipment and mining properties	1,171,888	1,163,802
Net financial income/(expense)	(279,527)	46,529
Loss/(gain) on asset disposals	1,064	(10,403)
Provision for taxation	(569,558)	1,685,117
Share-based payments	112,125	68,100
Taxation Paid	(127,649)	—
Interest Paid	(20,226)	(211,180)
Foreign exchange (loss) / gain	(139,928)	
Changes in working capital		
(Increase)/decrease in inventories	(1,899,699)	100,649
(Increase/decrease in receivables, prepayments and accrued income)	(1,747,341)	758,558
Increase in payables, accruals and provisions	317,743	72,697
Net cash (outflow)/inflow from operations	(1,451,505)	5,790,397
Investing activities		
Purchase of property, plant and equipment and assets in construction	(968,887)	(377,152)
Mine development expenditure	(1,065,885)	(1,073,153)
Geological exploration expenditure	(469,250)	(800,841)
Pre-operational project costs	(1,141,582)	(661,608)
Acquisition payment for subsidiary	—	(3,000,000)
Acquisition of other property rights	—	(99,550)
Proceeds from sale of assets	13,157	12,239
Net cash outflow on investing activities	(3,632,447)	(6,000,065)
Financing activities		
Issue of ordinary share capital (net of costs)	—	12,162,950
Repayment of convertible loan	—	(2,000,000)
Payment of convertible loan arrangement fee		(300,000)
Payment of finance lease liabilities	(187,317)	(177,733)
Net cash (outflow) / inflow from financing activities	(187,317)	9,685,217
Net increase / (decrease) in cash and cash equivalents	(5,271,269)	9,475,549
Cash and cash equivalents at beginning of period	12,217,751	6,603,620
Exchange difference on cash	(13,857)	(134,104)
Cash and cash equivalents at end of period	6,932,625	15,945,065

SERABI GOLD PLC
Report and condensed consolidated financial statements for the three-month period ended 31 March 2022

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation

These interim condensed consolidated financial statements are for the three-month period ended 31 March 2022. Comparative information has been provided for the unaudited three-month period ended 31 March 2021 and, where applicable, the audited twelve month period from 1 January 2021 to 31 December 2021. 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 2021 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 2021 and those envisaged for the financial statements for the year ending 31 December 2021.

Accounting standards, amendments and interpretations effective in 2022

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 2022

	<u>Effective Date</u>
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

The adoption of these standards has had no effect to date on the financial results of the Group. The updated 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. At such time as the Group generates revenues from the processing of ore from Coringa in future periods, this will be reflected as operational revenue of the business and the Group will account for the costs incurred in relation to this income as a cost of sale. Previously, under IAS16, 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.

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.

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.

a) Going concern

At 31 March the Group 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 arranged 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, *inter alia*, 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 have 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.

(b) 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 2021 annual financial statements.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) Currencies

The condensed financial statements are presented in United States Dollars (US\$ or "\$"). Other currencies referred to in these condensed financial statements are UK Pounds ("UK£"), Canadian Dollars ("C\$") and Brazilian Reals ("BrR\$").

The Group's presentational currency is US Dollars and has been selected based on the currency of the primary economic environment in which the Group as a whole operates on the basis that the Group's primary product is generally traded by reference to its pricing in US Dollars. The functional currency of the Company is also considered to be the US Dollar.

Transactions in currencies other than the functional currency of a company are recorded at a rate of exchange approximating to that prevailing at the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in currencies other than the functional currency are translated at the amounts prevailing at the balance sheet date and any gains or losses arising are recognised in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations for which the US Dollar is not the functional currency, are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rate for the period. Exchange differences arising on the net investment in subsidiaries are recognised in other comprehensive income.

(i) 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.

(j) 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 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 price 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.

2. Finance Costs

	3 months ended 31 March 2022 (unaudited) US\$	3 months ended 31 March 2021 (unaudited) US\$
Interest expense on secured loan	—	(18,041)
Interest expense on convertible loan	—	(47,502)
Amortisation of arrangement fee	—	(150,000)
Other	(1,839)	—
	(1,839)	(215,543)
Gain on revaluation of warrants	104,780	—
Interest income	—	—
Net finance expense	102,941	(215,543)

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 deferred tax liability arising on unrealised exchange gains has been eliminated in the three-month period to 31 March 2022 reflecting the stronger Brazilian Real exchange rate at the end of the period and resulting in deferred tax income of US\$932,133 (three months to 31 March 2021 – charge of US\$891,621).

The Group has also incurred a tax charge in Brazil for the three-month period of US\$362,575 (three months to 31 March 2021 tax charge - US\$1,685,117).

4. Earnings per share

	3 months ended 31 March 2022 (unaudited)	3 months ended 31 March 2021 (unaudited)
Profit attributable to ordinary shareholders (US\$)	1,729,603	1,906,906
Weighted average ordinary shares in issue	75,734,551	64,390,594
Basic profit per share (US cents)	2.28	2.96
Diluted ordinary shares in issue ⁽¹⁾	76,901,221	66,907,264
Diluted profit per share (US cents)	2.25	2.85

(1) Based on 1,166,670 options vested and exercisable as at 31 March 2022 (31 March 2021: 2,516,670 options)

5. Segmental analysis

The following information is given about the Group's reportable segments:

The Chief Operating Decision Maker is the Board of Directors. The Board reviews the Group's internal reporting in order to assess performance of the business. Management has determined the operating segments based on the reports reviewed by the Board.

The Board considers the performance of the Group by the geographical location of expenditures, and the division of capital expenditure between exploration and operations.

An analysis of the results for the three-month period by management segment is as follows:

	3 months ended 30 March 2022 (unaudited)			3 months ended 30 March 2021 (unaudited)		
	Brazil US\$	UK US\$	Total US\$	Brazil US\$	UK US\$	Total US\$
Revenue	7,406,943	5,478,077	12,885,020	9,382,579	6,446,233	15,828,812
Intra-group sales/purchases	4,739,292	(4,739,292)	—	5,579,330	(5,579,330)	—
Operating expenses	(8,409,045)	(864,427)	(9,273,472)	(7,821,749)	(1,154,418)	(8,976,167)
Depreciation and amortisation	(1,118,825)	(53,063)	(1,171,888)	(1,113,049)	(50,753)	(1,163,802)
Gross profit / (loss)	2,618,365	(178,705)	2,439,660	6,027,111	(338,268)	5,688,843
Administration expenses	(736,567)	(709,386)	(1,445,953)	(798,014)	(1,194,580)	(1,992,594)
Share based payments	—	(112,125)	(112,125)	—	(68,100)	(68,100)
Profit on sale of fixed assets	(1,064)	—	(1,064)	10,403	—	10,403
Operating profit / (loss)	1,880,734	(1,000,216)	880,518	5,239,500	(1,600,948)	3,638,552
Foreign exchange (loss)/gain	175,317	1,269	176,586	(3,869)	22,883	19,014
Finance expense	—	102,941	102,941	—	(65,543)	(65,543)
Profit / (loss) before taxation	2,056,051	(896,006)	1,160,045	5,235,631	(1,643,608)	3,592,023

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

	Total non-current assets		
	31 March 2022 (unaudited)	31 March 2021 (unaudited)	31 December 2021 (audited)
Brazil – operations	35,230,849	26,765,416	30,175,966
Brazil – exploration	41,624,903	28,715,969	34,857,905
Brazil – taxes receivable	1,456,454	579,878	1,224,360
Brazil – deferred tax	824,172	1,169,621	605,125
Brazil - total	79,136,378	57,230,884	66,863,356
UK	—	—	—
	79,136,378	57,230,884	66,863,356

An analysis of total assets by location is as follows:

	Total assets		
	31 March 2022 (unaudited)	31 March 2021 (unaudited)	31 December 2021 (audited)
Brazil	96,530,912	70,706,831	79,665,799
UK	6,650,571	15,618,650	11,022,642
	103,181,483	85,191,091	90,678,441

6. Deferred exploration costs

	31 March 2022 (unaudited)	31 March 2021 (unaudited)	31 December 2021 (audited)
Cost			
Opening balance	34,857,905	27,778,354	27,778,354
Exploration and evaluation expenditure	469,250	801,231	4,102,530
Pre-operational project costs	1,035,682	661,608	4,884,596
Foreign exchange movements	5,262,066	(525,224)	(1,907,575)
Total as at end of period	41,624,903	28,715,969	34,857,905

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

	31 March 2022 (unaudited)	31 March 2021 (unaudited)	31 December 2021 (audited)
Cost			
Balance at start of period	69,439,602	65,168,100	65,168,100
Additions	2,293,979	1,450,488	9,533,847
Disposals	(43,876)	—	—
Changes in estimates on rehabilitation provision	—	—	1,695,416
Foreign exchange movements	9,381,865	(5,640,178)	(5,155,249)
Balance at end of period	81,071,570	60,978,410	69,439,602

	31 March 2022 (unaudited)	31 March 2021 (unaudited)	31 December 2021 (audited)
Accumulated depreciation			
Balance at start of period	(41,864,267)	(38,932,549)	(38,932,549)
Charge for period	(1,382,303)	(1,306,718)	(6,238,020)
Released on asset disposals	29,894	—	608,628
Foreign exchange movements	(7,105,987)	3,016,669	2,697,674
Balance at end of period	(50,322,663)	(37,222,598)	(41,864,267)
Net book value at end of period	30,748,907	23,755,812	27,575,335

8. Right of use Assets

	31 March 2022 (unaudited)	31 March 2021 (unaudited)	31 December 2021 (audited)
Cost			
Balance at start of period	3,968,038	3,733,675	3,733,675
Additions	1,334,121	500,446	508,018
Foreign exchange movements	844,462	(3,546)	(273,655)
Balance at end of period	6,146,462	4,230,575	3,968,038

	31 March 2022 (unaudited)	31 March 2021 (unaudited)	31 December 2021 (audited)
Amortisation			
Balance at start of period	(1,367,407)	(1,159,937)	(1,159,937)
Charge for period	(48,941)	(62,269)	(297,103)
Foreign exchange movements	(248,331)	1,235	89,633
Balance at end of period	(1,664,679)	(1,200,971)	(1,367,407)
Net book value at end of period	4,481,942	3,009,604	2,600,631

9. Inventories

	31 March 2022 (unaudited) US\$	31 March 2021 (unaudited) US\$	31 December 2021 (audited) US\$
Consumables	5,065,916	3,161,142	3,692,452
Ore stockpiles	292,626	204,160	266,214
Other material in process	3,069,925	1,650,698	1,920,136
Finished goods	1,843,386	1,227,802	1,094,405
Balance at end of period	10,271,853	6,243,802	6,973,207

10. Interest bearing liabilities

	31 March 2022 (unaudited) US\$	31 March 2021 (unaudited) US\$	31 December 2021 (audited) US\$
Current			
Acquisition liability	—	3,513,476	—
Obligations under right of use asset leases	769,698	311,814	290,060
Convertible loan stock	—	—	—
Due in less than one year	769,698	3,825,290	290,060
Non-current			
(Between one and five years)			
Obligations under right of use asset leases	935,698	669,688	444,950
Due in more than one year	935,698	669,688	444,950

a) Mineral property acquisition liability

	31 March 2022 (unaudited) US\$	31 March 2021 (unaudited) US\$	31 December 2021 (audited) US\$
Deferred acquisition liability at start of period	—	6,495,435	6,495,435
Repayment of principal	—	(3,000,000)	(5,500,000)
Interest payable	—	18,041	18,045
Repayment of Interest	—	—	(1,053,949)
Gain in respect of non-substantial modification	—	—	40,469
Value of deferred acquisition liability at end of	—	3,513,476	—

During the three months to 31 March 2022, the Group incurred an interest expense of US\$18,041 (Three months to 31 March 2021 - 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 2021, 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 recognized a benefit arising from the modification totalling US\$40,469 which was fully amortized during 2021.

b) Convertible loan

	31 March 2022 (unaudited) US\$	31 March 2021 (unaudited) US\$	31 December 2021 (audited) US\$
Value of secured convertible loan at start of period	—	2,029,464	2,029,464
Repayment of convertible loan	—	(2,500,455)	(2,500,455)
Release of derivative associated with loan	—	423,479	423,479
Accrued interest	—	47,512	47,512
Value of secured convertible loan at end of period	—	—	—

During the three months to 31 March 2022, the Group incurred an interest expense of US\$47,512 (three months to 31 March 2021 - 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 2021, 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.

11. Derivatives

	31 March 2022 (unaudited) US\$	31 March 2021 (unaudited) US\$	31 December 2021 (audited) US\$
Conversion rights attaching to warrant notes			
Fair value at start of period	165,495	–	–
Initial cash received at issue	–	–	333,936
Fair value adjustment on initial recognition	–	–	337,087
Initial fair value of financial liability	165,495	–	671,023
Decrease in fair value at end of period	(104,780)	–	(505,528)
Fair value of warrants at end of period	60,715	–	165,495

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.

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. Share capital

a) Ordinary shares

	31 March 2022 (unaudited)		31 March 2021 (unaudited)		31 December 2021 (audited)	
	Number	\$	Number	\$	Number	\$
Allotted, called up and fully paid	–	–	–	–	–	–
Ordinary shares in issue at start of period	75,734,551	11,213,618	59,084,551	8,905,116	59,084,551	8,905,116
Ordinary shares issued during the period	–	–	16,650,000	2,308,502	16,650,000	2,308,502
Ordinary shares in issue at end of period	75,734,551	11,213,618	75,734,551	11,213,618	75,734,551	11,213,618

(b) Stock option reserve

Contributed surplus

	Three months ended March 2022	Three months ended March 2021	31 December 2021 (audited)
	US\$	US\$	US\$
Balance at start of period	1,075,348	1,173,044	1,173,044
Options lapsed in period	–	–	(368,327)
Options costs for period	62,528	68,100	270,631
Balance at end of period	1,137,876	1,241,144	1,075,348

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 2011 Plan has now expired, and no new options will be issued under the 2011 Plan. It remains in force until the expiry or exercise in full of the remaining options that are outstanding under the 2011 Plan.

The following summarises the outstanding options in issue at 31 March 2022 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

(c) Conditional Share Awards

On 16 June 2020, shareholders approved the adoption of the Serabi 2020 Restricted Share Plan (the "2020 Plan") which was subsequently adopted by the Board on 10 November 2020. Details of the 2020 Plan were set out in the Notice of Annual General Meeting dated 15 May 2020, which is available from the Company's website. The 2020 Plan as a Long-term Incentive Plan ("LTIP") replaces the Serabi 2011 Share Option Plan. No further awards are being made by the Company under the Serabi 2011 Share Option Plan.

On 7 December 2021 the Board of Directors agreed to award in aggregate 864,500 Conditional Share Awards to employees (including directors) of the Company. The awards were part of the Company's normal annual compensation review. While the intention of the Board is that awards under the 2020 Plan should be made annually, as a result of the exceptional circumstances in 2020, no awards under the 2020 Plan were made during 2020 following its approval by shareholders. The Board is therefore combining in the award made on 7 December 2021, the annual awards for 2020 and the annual awards for 2021.

The awards are subject to a three-year performance period during which time certain performance criteria stipulated by the Board must be attained. Vesting only occurs at the end of the performance period. The performance criteria and minimum thresholds to be achieved can be summarised as follows:

- 40% of the award is subject to Total Shareholder Return, (where TSR must be 1.2 times or more the BMO Junior Gold Index)
- 30% of the award is subject to Return on Capital Employed (where ROCE premium over Weighted Average Cost of Capital must be 1.2 times or more), and
- 30% of the award is subject to Return on Sales (where ROS must exceed average annual budget by 10 per cent or more)

The number of Conditional Shares awarded was calculated by reference to the 20 day VWAP average of the Company's shares on the date of grant. The underlying shares to be issued pursuant to each of the Conditional Share Awards will only be issued at the time of vesting and only in such amount (if any) as is required based on the achievement of the performance criteria.

14. Impairment

For the purposes of the preparation of the annual audited financial statements for the year ended 31 December 2021, management undertook an impairment review of the Group's exploration, development and production asset and in particular an assessment of the issues relating to the mining of the Julia Vein. Management concluded that the issues encountered are limited only to the Julia Vein which is located west of the remaining mineral resources that comprise the Sao Chico orebody. Management consider that the introduction of selective mining practices will allow the Julia Vein to be mined in the future allowing better control and the ability to focus on those areas of the orebody with high-grade mineralisation.

However, with the immediate effect being to reduce production from Sao Chico and for the Palito Complex overall it was considered necessary to undertake a detailed impairment review. Management prepared a discounted cash flow model which included a number of estimates and judgments including future commodity prices, production rates, future capital expenditure, reserves and resources, discount rates and foreign exchange rates.

With this exception management otherwise carried out a review of impairment indicators and concluded there were no other indicators of impairment in line with the provisions of IAS 36. The forecasts prepared by management of net present value in connection with the preparation of the annual audited financial statements for the year ended 31 December 2021, were in excess of the carrying value of the CGU as at 31 December 2021.

As at 31 March 2021 the carrying value of the assets relating to the Palito and Sao Chico Mines has increased to US\$30,748,907 million from US\$25,575,336 million as at 31 December 2021, whilst the carrying value of deferred exploration costs has increased from US\$34,857,905 million at 31 December 2021 to US\$41,624,903 million at 31 March 2022.

Management do not consider that any other events have occurred which would give rise to management concluding that there has been any indication of impairment since 31 December 2021.

15. 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.

16. Approval of the interim condensed consolidated financial statements

These unaudited interim condensed consolidated financial statements for the three month period ended 31 March 2022 were approved by the Board of Directors on 28 June 2022.

COMMENTARY ON THE FINANCIAL RESULTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2022 COMPARED TO THE THREE MONTH PERIOD ENDED 31 MARCH 2021

Production for the first three months of 2022 was 7,061 ounces of gold (three months to 31 March 2021: 8,087 ounces) with sales recognised for 6,675 ounces (three months to 31 March 2021: 8,346 ounces).

COMMENTARY ON THE INCOME STATEMENT

The gross profit for the three month period ended 31 March 2022 was US\$2,439,660 in comparison with a gross profit of US\$5,688,843 for the three months ended 31 March 2021. The comparison between the periods is set out in the table below.

	Three months ended March 2022	Three months ended March 2021	Variance
Concentrate Sold (Ounces)	2,714	3,167	(453)
Bullion Sold (Ounces)	3,961	5,179	(1,218)
Total Ounces Sold	6,675	8,346	(1,671)
Average gold sales price achieved	1,844	1,763	81
Revenue from Ordinary Activity	US\$	US\$	Variance
Gold (in Concentrate)	4,883,480	5,870,639	(987,159)
Copper (in Concentrate)	567,125	536,137	30,988
Silver (in Concentrate)	27,471	39,456	(11,985)
Total Concentrate Revenue	5,478,076	6,446,232	(968,156)
Gold Bullion	7,406,944	9,382,580	(1,975,636)
Total Sales	12,885,020	15,828,812	(2,943,792)
Costs of sales			
Operational costs	8,720,077	8,312,073	408,004
Shipping costs	246,811	291,742	(44,931)
Treatment charges	105,533	120,307	(14,774)
Royalties	201,051	252,045	(50,994)
Amortisation of Mine Property	956,769	834,519	122,250
Depreciation of Plant & Equipment	215,119	329,283	(114,164)
Total Operating costs	10,445,360	10,139,969	305,391
Gross Profit	2,439,660	5,688,843	(3,249,183)

Revenue

For the three month period ended 31 March 2022, the Group generated US\$5,478,076 (2021: US\$6,446,232) in revenue through sales of an estimated 2,714 ounces of gold sold in the form of a copper/gold concentrate (2021: 3,167 ounces) and 3,961 ounces of gold bullion generating revenue of US\$7,406,944 (2021: 5,179 ounces for revenue of US\$9,382,580). During the first three months of 2022 the average gold price achieved was US\$1,844 in comparison to an average gold price achieved of US\$1,763 during the same period of 2021, an improvement of five per cent.

Production of gold bullion for the three months to 31 March 2022 was 4,171 ounces of gold compared with 5,021 ounces during the same period of the previous year, a decrease of 17 per cent.

During the same three month period 268 wet tonnes of copper/gold concentrate, containing an estimated 2,890 ounces was produced (three months to 31 March 2021: 355 wet tonnes of copper/gold concentrate, containing 3,066 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 three months ended 31 March 2022 were US\$8.72 million (2021: US\$8.31 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

	Three months ended March 2022	Three months ended March 2021	Variance \$	Variance %
Tonnes Mined	40,606	40,371	235	1%
Tonnes Milled	41,357	41,462	(105)	0%
Ounces Produced	7,061	8,087	(1,026)	-13%
Ounces Sold	6,675	8,346	(1,671)	-20%

	Three months ended March 2022	Three months ended March 2021	Variance	Variance
	US\$'000	US\$'000	US\$'000	%

Operating Costs

Labour	3,662	3,533	130	4%
Mining consumables & Maintenance	2,921	2,743	178	6%
Plant Consumables	1,151	1,122	29	3%
General Site	985	914	71	8%
	8,720	8,312	408	5%

During the first three months of 2022 the average exchange rate was BrR\$5.23 to US\$1.00 compared with an average exchange rate of BrR\$5.48 to US\$1.00 during the same period of the previous year, a strengthening of approximately five percent.

Labour

The increase in labour costs of four per cent reflects the three percent increase each Brazilian employee received in May 2021 as a result of the national collective wage agreement in Brazil. Additional mine development crews were recruited during 2021 to recover some of the development that could not be completed during 2020.

Mining consumables & maintenance

Mining consumables and maintenance for the three month period ended 31 March 2022 have increased by six per cent in comparison to the same three month period of 2021. Increased power costs have impacted costs whilst unit prices of consumable have also increased. The five per cent strengthening of the Brazilian real has also impacted comparable costs when reported in US Dollars

Plant consumables

Plant costs have increased by US\$0.03 million, or three per cent, for the three month period ended 31 March 2022 compared with the same period in the previous year. The increase is primarily due to an increase in plant maintenance costs, power costs as well as an increase in the cost of cyanide.

General site costs

General site costs for the three month period ended 31 March 2022 increased by eight per cent compared with the same period in the previous year. The Group incurred an increase in general site costs as a result of equipment rental costs relating to maintenance work on the tailings facility.

Shipping costs

Variations in shipping costs reflect the relative levels of shipments made in the period. In the first three months of 2022, 260 tonnes of copper gold concentrate were shipped compared with 340 tonnes for the same period of the previous year.

Treatment charges

Treatment charges have decreased by US\$0.01 million between the first quarter of 2022 compared with the same period during 2021. This results from the lower volume of material sold in the period offset by an increase in the average gold price achieved and the change in the mix of concentrate sold in comparison to bullion sold.

Royalties

Royalty payments of US\$0.20 million have decreased by 20 percent in comparison to the same period of the previous year (US\$0.05 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 decrease in royalty payments reflects the decrease in the total ounces sold.

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. The total amortisation charge relating to the Palito and Sao Chico ore bodies for the three month period ended 31 March 2022 is approximately US\$1.0 million compared with US\$0.80 million for the same period of the previous year. The increase is due to the reduced level of mineral resources being considered in the life of mine plans which has in part been offset by the amount of amortisation allocated to inventory at the period end.

Depreciation

A depreciation charge of US\$0.22 million was recorded during the three month period ended 31 March 2022 on plant and equipment used in the mining and processing, (three months to 31 March 2021: US\$0.33 million).

Operating profit

The Group has recognised an operating profit before interest and other income of US\$0.88 million, (2021: operating profit of US\$3.59 million) reflecting the decrease in the gross profit from operations of US\$3.25 million and after incurring US\$1.45 million (2021: US\$1.84 million) in administrative expenses as well as US\$0.11 (2021: US\$0.07 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 three months to 31 March 2022 is in respect of options granted on 28 May 2020 which will expire on 27 May 2023 as well as conditional share awards which were issued in December 2020.

Administration costs of US\$1.45 million for the three month period ended 31 March 2022 are approximately US\$0.40 million lower than for the same period in 2021 (US\$1.84 million) In 2021 costs were impacted by legal and other advisory fees relating to the raising of equity capital and settlement of debt obligations in the first quarter of 2021.

The Company recorded a foreign exchange gain of US\$0.18 million for the three months ended 31 March 2022 which compares with a foreign exchange gain of US\$0.02 million recorded for the three months ended 31 March 2021. Foreign exchange gains and losses are incurred in respect of the cash holdings of the Group in currencies other than US Dollars or debtors and liabilities incurred in currencies other than the reporting currency of the individual entities 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 income for the three month period to 31 March 2022 were US\$0.10 million compared with an expense of US\$0.21 million for the same three month period of 2021. An analysis of the composition of these charges is set out in the table below:

	3 months ended 31 March 2022 (unaudited) US\$	3 months ended 31 March 2021 (unaudited) US\$
Interest expense on secured loan	—	(18,041)
Interest expense on convertible loan	—	(47,502)
Amortisation of arrangement fee for convertible loan	—	(150,000)
Other interest	(1,839)	—
	—	(215,543)
Gain of fair value adjustment of warrant liability	104,780	—
Net finance income / (expense)	102,941	(215,543)

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). Interest charges incurred were paid at the same time that the final payment was made in respect of the mineral property acquisition. 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.

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 of which US2.0 million had been drawn down. The convertible loan notes and all associated fees and interest were redeemed on 19 March 2021. There has been no similar charge in 2022.

The Group incurred an arrangement fee in respect of the convertible loan note facility of US\$300,000. The arrangement fee was being amortised over the 16 month life of the loan. During the first quarter of 2021, US\$150,000 of the fee was amortised. With the convertible loan notes being repaid in March 2021, there has been no similar charge during the three month period ended 31 March 2022.

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 Parent Company'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 fair value of the warrants at 31 December 2021 was S\$165,495 and were revalued to US\$60,715 on 31 March 2022 and the decrease in the fair value of US\$104,780 recognised as a gain in the income statement.

COMMENTARY ON THE BALANCE SHEET

Non-current assets

On 31 March 2022, the Group's non-current assets amounted to US\$79.1 million, which compares to US\$66.9 million as reported at 31 December 2021.

Deferred exploration costs have increased by US\$6.8 million during the first three months of 2022, however US\$5.3 million of this movement relates to movement in the exchange rate with the Brazilian Real strengthening by 15 per cent against the dollar from an exchange rate of BrR\$5.58 to US\$1.00 at 31 December 2021 compared with an exchange rate of BR\$4.74 to US\$1.00 at 31 March 2022.

Activity at the Company's Coringa project continued during the first quarter of 2022, with the Group spending US\$1.0 million on mine development during the first three months of the year having begun initial mine development work in July 2021. Exploration activity has slowed down in 2022 with the Group only spending US\$0.5 million on exploration during the first three months of 2022.

Capital expenditure on the existing Palito Complex operations during the three months to 31 March 2022 was US\$2.3 million which includes US\$1.1 million of capitalised mine development expenditure, with work on upgrade and improvements to the leaching circuit of the process plant costing a further US\$0.5 million. In addition, a further US\$0.6 million spent on the purchase of underground fleet and other equipment. A further US\$1.3 million of underground 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\$1.5 million (31 December 2021: US\$1.2 million).

The Group has estimated that it has a deferred tax asset amounting to US\$0.8 million (31 December 2021: US\$0.6 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\$16.04 million at 31 March 2022 compared to a positive working capital position of US\$17.5 million at 31 December 2021.

	31 March 2022 US\$	31 December 2021 US\$	Variance US\$
<u>Current assets</u>			
Inventories	10,271,853	6,973,207	3,298,646
Trade and other receivables	3,247,685	2,307,458	940,227
Prepayments	3,592,942	2,316,669	1,276,273
Cash and cash equivalents	6,932,625	12,217,751	(5,285,126)
Total current assets	24,045,105	23,815,085	230,020
<u>Current liabilities</u>			
Trade and other payables	6,860,327	5,624,511	1,235,816
Equipment leases and unsecured loan	769,698	290,060	479,638
Accruals	378,868	397,400	(18,532)
Total current liabilities	8,087,893	6,311,971	1,696,922
Working capital	16,036,212	17,503,114	(1,466,902)
<u>Non-current liabilities</u>			
Trade and other payables	499,042	427,663	71,379
Provisions	3,090,450	2,581,431	509,019
Secured loan	—	861,430	(861,430)
Fair value of warrant liability	60,715	165,495	(104,780)
Equipment leases	935,698	444,950	490,748
Total non-current liabilities	4,585,905	4,480,969	104,936

Current Assets

Inventory

Inventory on hand at the end of the period was valued at US\$10.27 million representing an increase of US\$3.30 million compared to 31 December 2021. This represents an increase in holdings of consumable items acquired in connection with the development activities at Coringa.

	31 March 2022 US\$	31 December 2021 US\$	Variance US\$
Stockpile of mined ore	292,626	266,214	26,412
Finished goods awaiting sale	1,843,386	1,094,405	748,981
Other material in process	3,069,925	1,920,136	1,149,789
	5,205,937	3,280,755	1,925,182
Consumables	5,065,916	3,692,452	1,373,464
Total Inventory	10,271,853	6,973,207	3,298,646

Trade and other receivables

Trade and other receivables representing outstanding sums for the sales of bullion and concentrate of US\$3.25 million have increased by US\$0.94 million since 31 December 2021, which is primarily due to the relative increase in the sales being generated from the shipment of copper/gold concentrate during the first three months of 2022.

Prepayments and accrued income

Prepayments and accrued income primarily comprise prepaid taxes and deposit payments paid to suppliers. The total value of US\$3.6 million compared with US\$2.3 million at 31 December 2021 million has increased by US\$1.3 million comprising US\$0.6 million in increased deposits for equipment orders and the balance in increased level of taxes recoverable.

Cash at Bank

Between 31 December 2021 and 31 March 2022, cash balances have decreased by approximately US\$5.3 million. There was a net outflow of cash from operations of US\$1.5 million and the Group also spent US\$0.5 million on exploration, US\$1.0 million on the purchase of plant and equipment and US\$1.1 million on mine development. The Group also spent US\$1.2 million on pre-operating costs on the Coringa project.

Current liabilities

Trade and other payables

Trade and other payables at 31 March 2022 of US\$6.9 million have increased from US\$5.6 million at 31 December 2021. Trade creditors of US\$4.1 million are US\$0.9 million higher than at 31 December 2021, whilst other provisions of US\$1.4 million have increased by US\$0.4 million and sales and state tax liabilities of US\$1.4 million have decreased by US\$0.1 million.

Interest bearing liabilities

Both short-term interest-bearing liabilities of US\$0.8 million at and long-term interest-bearing liabilities of US\$0.9 million at 31 March 2022 have increased by US\$0.5 million from US\$0.3 million and US\$0.4 million respectively at 31 December 2021. This Group's only interest-bearing liabilities are for equipment leases and during the first three months of 2022 the Group entered into three new leases for underground equipment.

Non-current liabilities

Derivative financial liabilities

The derivative financial liabilities relate to warrants which were issued on 27 May 2022 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 exercisable at any time for a period of two years from the date of issue. As the Parent Company's functional currency is US Dollars and the exercise price denominated in Pounds Sterling, the future exercise of these warrants would result in a variable amount of US Dollars on exercise. They are therefore classified as a financial liability. The liability at 31 March represents the estimated fair value of the warrants at 31 March 2022.

Provisions

Provisions of US\$3.0 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 15 per cent from 31 December 2021 when the exchange rate was BrR\$5.58 to US\$1.00 to the rate of BrR\$4.74 to US\$1.00 at 31 March 2022.