SERABI GOLD

Annual Report and Accounts 2019

Welcome to Serabi Group plc

Engaging in the evaluation and development of gold projects

We are a gold exploration and production company involved in the evaluation and development of gold deposits in Brazil. The Company's primary interests are its 100 per cent owned Palito Mining Complex and the Coringa Gold Project which it hopes to start development during 2020. Both interests are located in the Tapajos region of northern Brazil.

Our mission

Our objective is to become a pre-eminent junior gold mining company, securing future growth through expansion of our existing operations and projects and taking advantage of our position, as an existing gold producer, to become involved with and successfully develop other carefully selected opportunities.

Read more on **page 06**

Our focus

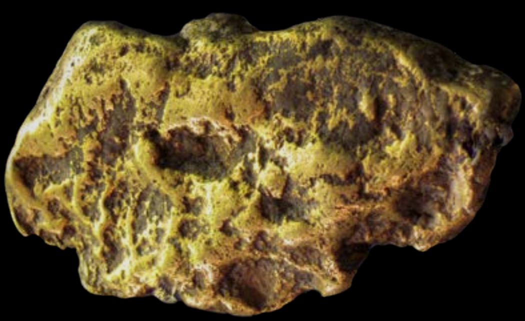
We strive to operate efficiently and effectively with specific focus on quality and efficiency, both in our mining practices and maximising the utilisation of our processing facility.

Whilst we seek to maximise the long-term value for our shareholders we also aim to bring benefits to all stakeholders and to work closely with neighbouring communities' to ensure we can bring benefits to them from our activity.

Read more on **page 04**

40,101 OUNCES

Total production for FY2019



In 2019, Serabi achieved record levels of production of 40,101ozs of gold, an increase over 2018 of eight per cent, plus record levels of revenue, profit and positive cash generation.

Our strategy

- Evaluate and develop the near-mine discoveries and exploration potential of the Palito Mining Complex
- Permit and develop the Coringa gold project
- Evaluate and develop the longer term growth potential of the Jardim do Ouro and Coringa project areas
- Identify and acquire accretive gold opportunities

Read more on **page 04**

For more information

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See our website for more information on our Company: **www.serabigold.com**

Chairman's Statement

An exciting opportunity to grow our production

"It is a pleasure to report the continued progress and improvements for Serabi for 2019, achieving record levels of production of 40,101 ounces of gold, an increase over 2018 of eight per cent, plus record levels of revenue, profit and positive cash generation. The average gold price received in 2019 of $1,376 per ounce was an increase of nine per cent over 2018."

The 2019 cash performance allowed the Group to invest in opportunities for growth, both near and long-term. Management continued with the development of the Coringa project purchased in December 2017, plus ore sorting improvements at the Palito plant and the extensive exploration programmes at Palito, São Chico and Coringa.

However, recent global events have made it necessary to revisit our short-term objectives, and the immediate focus is currently on safeguarding the existing operations, maintaining a safe and responsible work environment for those staff that continue to be based at the mine-site and conserving cash resources. At the current time mining and processing operations are continuing, and the Company has put in place plans that we hope will allow gold production to be maintained throughout this crisis. As with all of us, I hope the effects will be relatively short lived and that normal operations can be resumed later in the year. In the meantime, our employees have already demonstrated significant personal commitment and flexibility to keep the current operations running smoothly, for which we should all be grateful.

I am also pleased that, notwithstanding the current uncertainties, we have identified a solution that we hope should allow the acquisition of Coringa to be completed. The ability to fund the final stage payment had been a concern for the Board, and we are grateful for the flexibility and understanding of both Greenstone Resources and Equinox Gold to achieve a solution that works for all parties. We have completed the new agreement with Equinox Gold and whilst at this time the final arrangements with Greenstone remain to be completed, both parties are working to a put in place an agreement that meets the needs of each other.

On 20 March 2020, the mining industry was designated by the Brazilian government as an essential business sector, and action is being taken to try and guarantee the continuity of the supply chain, transport of materials and processing and transport of mineral products. However, there does remain significant uncertainty and the situation could change very quickly, placing risk on the Group and the levels of cash flow that can be generated over the coming months. Further details are discussed within the Directors Report and have been considered in the basis of preparation of the Financial Statements contained within this Annual Report.

Engaging with our Stakeholders

The Board of Directors of Serabi consider, that they have, individually and collectively, acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members and stakeholders in the decisions that it has taken during the year ended 31 December 2019.

Read more on **pages 24 and 25**

Annual Review

The mining and processing operations at the Palito Complex performed well during 2019, and the record gold production of 40,101 ounces was an eight per cent improvement over 2018, with mined ore from Palito and São Chico increasing by eight per cent in comparison to 2018 and ore processed through the plant at 177,335 tonnes being four per cent better, with the grade of ore processed at 7.02 g/t being very consistent with the 7.06 g/t achieved in 2018. The introduction of the ore-sorter, through the plant capacity that is expected to be liberated, is expected to allow the existing plant to produce up to 20 per cent more gold production as a result of the increased ore-feed grade that can be achieved. The ore-sorter is a good example of being able to use technology and increase gold production without the expense of having to increase milling and process plant capacity. We are confident of the benefits that the sorter will bring and feel that it is a solution well suited to our current and future needs and orebodies, and we will include a study of it in our development of the Coringa orebody.

The progress with licensing of the Coringa project was unavoidably delayed as a consequence of the Brumadinho dam failure, early in 2019. In the light of concerns from the general public and investors, and with the support of local government agencies, we revised our plans, and in particular the environmental impact studies, to incorporate filtration and dry stacking technology to eliminate the requirement for a conventional tailings dam. The revised study was provisionally approved by the environmental authority for the State of Para ("SEMAS"), and the public hearing was held on 6 February 2020. This public hearing passed off as expected, and we are confident that the project will now be submitted by SEMAS to the environmental council for the State of Para (COEMA) for the approval of the Licençia Previa ("LP"), which we consider to be the key licence and hurdle to the development of the project.

The updated Preliminary Economic Assessment for Coringa, the initial results of which were issued in September 2019, was very encouraging. At a base case gold price of US$1,250 the projected post tax IRR was 31 per cent increasing to 46 per cent at a gold price of US$1,450. With current market uncertainty, it is impossible to predict the long-term trend for the gold price but, nonetheless, the economics are very sound and with our operational experience in the region, having a very similar orebody at Palito, we are confident in our ability to deliver the projected returns. We will be doing everything possible to fast track the remaining permits and licences that will allow development to commence. Whilst 12 months ago we had hoped that the development of Coringa might already be underway, the delay has been beneficial in allowing us to concentrate on the immediate needs of and progressing our overall exploration opportunities from which we hope to derive our longer term growth and these continue to provide exciting results. At the Palito orebody, exploration activity tends to be focused on following the immediate strike extensions. With a strike trend of four kilometres already established and with additional parallel vein structures being identified as well, this, we are sure, will be a long-life asset generating steady production for a number of years to come.

At São Chico, the full potential of the area is still being evaluated, but it is a very exciting opportunity. Drilling results received to date indicate an extension of the strike of the Main Vein at São Chico for a further 300 metres to the west, as well as intersecting extensions of the parallel Highway and Julia veins. We are looking to extend this strike extension with further drilling to the west for a further 200 meters at least. This would bring us into close proximity with the first and largest of the western geophysical anomalies where a concurrent drill programme is also in progress. Drilling has also confirmed potential extensions to the east for 220 metres and almost 200 metres at depth. Success from this exploration could impact significantly on the potential of São Chico and result in a significant increase in the ore tonnage that could be mined. This is without even considering the potential of the Cinderella zone to the south-east of the current mining operation, where we hope that we might be able to commence drilling later in 2020.

$1,376
Average gold price in 2019

40,101ozs
Record gold production for 2019

US$6.2m
Profit before tax for 2019

US$5.0m
Cash generated for 2019

Outlook

We continue to enjoy the strong support of our major shareholder groups, Fratelli Investment and Greenstone Resources. The delay with Coringa did have a consequence for the Group's financing plans in 2019, and in particular the settlement of the final US$12 million acquisition payment that was owed for the purchase of Coringa. It made little sense to spend significant sums on this project until the final deferred consideration was paid in full. We had expected that this final settlement payment would form part of the development finance package required to build the project. As announced in January 2020 and approved by shareholders in late February 2020, Greenstone Resources had undertaken to subscribe for US$12 million of Convertible Loan Notes. With the current world uncertainties, it was felt that a delay in completing this transaction was necessary. We are now hoping to finalise a revised arrangement with Greenstone to draw this funding down in instalments until such time as both parties are satisfied that longer term operational plans can be resumed, and the transaction, as originally envisaged, completed.

Despite current events I remain very positive of the outlook for Serabi. Once the current crisis abates, the plans and opportunities moving forward are very exciting and would see the achievement of further record levels of gold production, completion of the necessary permitting and licensing of Coringa and hopefully the enhancement of the potential for São Chico which will provide, I hope, an opportunity for our future production growth target of 100,000 ounces per annum. I am anticipating that there will now be some unavoidable delays in reaching these goals, but I know that our team will be working hard to achieve them as rapidly as is feasible.

Finally, I express my thanks to the management team and the staff of Serabi for a record year. As a small company, our success is driven by the skill, endeavour and commitment of our staff. I am aware of the lengths and sacrifices that, at times, they make, and their professionalism and dedication has made Serabi the success that it is today. Current events make the future uncertain but, in the hope that matters are resolved without significant impact, I look forward to a good and safe 2020.

Mel Williams
Chairman
8 April 2020

Business Model and Strategy

How we create value for our stakeholders

Our strengths

At Serabi, we have a particular set of strengths that help drive the success of our operations.

Strong Gold Production

As a junior mining company seeking to grow and develop, Serabi has established a track record of stable and consistent production, and the current operations are well positioned to deliver growing production in the future.

Experienced Employees

Serabi has assembled an experienced and loyal workforce, well versed in the challenges that the Group's operations might bring.

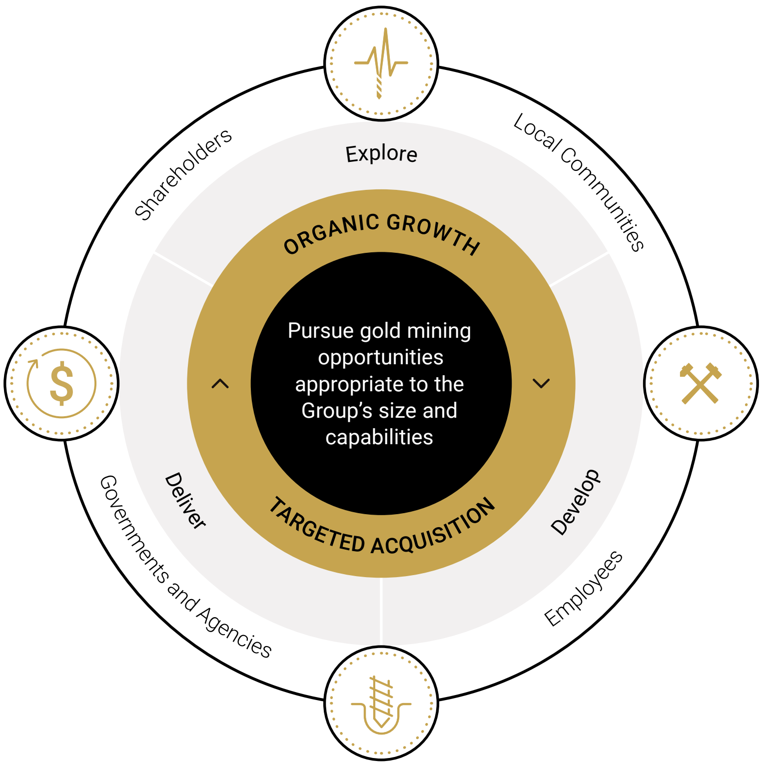
Strong Leadership

Serabi's Board combines experience across a range of disciplines, with a record of successful development of mining projects and growing and realising value for shareholders.

For more information

Our focus

Our focus is to pursue gold mining opportunities appropriate to the Group's size and capabilities, working closely with governing bodies and communities to produce successful and responsible returns.



Our strategy

We strive to be as efficient in our mining and processing operations as possible, utilising existing infrastructure wherever practical to minimise the environmental footprint whilst seeking to maximise value for our shareholders.

Evaluate

Identify high quality opportunities through exploration or acquisition of existing gold exploration development or production opportunities.

Develop

Plan finance and build new mines in a timely and cost-effective manner.

Operate

Seek continuous improvement to maximise value and streamline the production process across our operations.

Return

Generate value for all stakeholders (investors, government and communities) to encourage the continuation of the cycle.

How we performed

Our near term target is to be in a position, before the end of 2021, to deliver an annualised rate of production of 100,000 ounces. To ensure this, we monitor different elements of our process in common with similar companies operating in our industry. These KPI targets primarily focus on production and efficiency.

9,628 metres

Annual mine development completed

2019	9,628
2018	10,371
2017	9,864

176,243 tonnes

Mined ore

2019	176,243
2018	162,722
2017	168,876

40,101 ounces

Annual gold production

2019	40,101
2018	37,108
2017	37,004

177,335 tonnes

Plant throughput

2019	177,335
2018	168,252
2017	172,565

$14.2m

Cash holding (US$)

2019	$14.23m
2018	$9.21m
2017	$4.09m

7.02 g/t

Average gold grade processed

2019	7.02
2018	7.05
2017	7.11

Achieving our mission

100,000 ounces per annum

Successful exploration will help to contribute to our 100,000 ounce per annum target

THE PALITO COMPLEX	CORINGA
40,000oz[1]	38,000oz[2]

1 Based on 2019 productions

2 Future PEA estimate when in full production

current operations — future operations

Creating value for our stakeholders

Shareholders

Generation of capital appreciation through investment of cash flow in accretive growth to increase long-term cash generation which can also support distributions to shareholders.

Host Government and Government Agencies

Generation of tax and royalty receipts to sustain a high-quality oversight and regulatory regime.

Local Communities

Provide improvements to infrastructure, education and healthcare to improve the living standards and opportunities for the local populations.

Employees

Generate a stable and secure work environment in which employees learn, are mentored, and can progress and develop their careers.

Our management process

Risk management

There are many risks inherent in mining operations which to a greater or lesser degree, can be anticipated. Serabi has an active risk management programme, seeking to assess and instigate actions to minimise risk in all areas of the business.

Working with Government Agencies

Serabi works closely and transparently with all key government agencies and other stakeholders to ensure that, with regards to social, environmental and safety aspects, its operations are run in compliance with and above prevailing legislation.

Commitment to Regulation and Responsible Practice

Serabi is committed to ensuring that its operations have minimal adverse impact on communities and the environment. It seeks to bring positive benefit to the neighbouring communities, through providing assistance with infrastructure, education, healthcare and other improvements to living conditions.

Our Near-term Objective

The pathway to 100,000oz

The Palito Mining Complex and the Coringa Project are located in an area known as the Tapajos region of the State of Para in Brazil. The Tapajos region, which encompasses an area of about 100,000 kilometres^2 (350 kilometres by 300 kilometres) in south west Para State, Brazil, is located approximately 1,300 kilometres south-west from the state capital Belem.

The success of our current operations and continued improvements of our gold production comes from the robust and established infrastructure of the Palito Complex.

Through successful exploration programmes and the streamlining of our operations in the region, we are establishing a long-term sustainable mining operation where reserves and resources are being annually replenished. Exploration success during recent years provides great encouragement of the potential to grow these mineral resources and expand gold production as a result.

Read more on **pages 10 to 19**

We have established a strong record of consistent development and performance

Our current operations are centred in the Tapajos region of Brazil. Our main production asset, the Palito Complex, has performed consistently well in recent years, delivering approximately 40,000 ounces per year. With expansion of the current operations and as Coringa achieves expected production levels, we are planning to increase production by over 100 per cent.

Annual gold production

2019	**40,101**
2018	37,108
2017	37,004
2016	39,390

For more information

01

Developing and growing the Palito Complex

Date Acquired: Palito (2001), São Chico (2013)

The Palito Complex comprises 48,846 ha of tenements, including 1,150 ha of fully permitted mining concession and two trial mining licences over a further 2,877 ha.

What happened in 2019:

- Total gold production for 2019 of 40,101 ounces (2018: 37,108 ounces).
- Mine production in 2019 totalling 176,243 tonnes at 7.00 g/t of gold.
- 177,335 tonnes processed through the plant for the combined mining operations, with an average grade of 7.06 g/t of gold.
- 9,628 metres of horizontal mine development completed in the year.
- Drilling at Palito confirms northerly and southerly extensions of the key Pipocas and G3 veins and southerly extensions in the Chico da Santa area.
- Commenced step out drilling programme to expand mineral resources at São Chico.
- Installed a scrubber unit to accelerate the processing of historic flotation tailings.
- Completed test work for, designed, acquired and installed an ore-sorter to reduce waste material passing through the process plant.

What we plan to do in 2020[1]:

- Complete commissioning of ore-sorter which is expected to bring an improvement in gold production of up to a 20 per cent.
- Continue step out drilling around São Chico to expand resource and provide new resource estimate in the second half of the year.
- Undertake exploration drilling over geophysical anomalies in the vicinity of São Chico to assess potential for further resource growth. Continue the current drilling programme at São Chico to test the strike extension of orebodies beyond the current mine limits.
- Finalise the reverse circulation ("RC") drill programme over the geophysical anomalies at São Chico.

1 Subject to operations not being unduly impacted by the effects of Coronavirus.

02

Bringing Coringa into Production

Date Acquired: 2017

Coringa is located 70 kilometres south-east of the city of Novo Progreeso and approximately 200 kilometres from the Palito Complex. The mine is located a short distance from the paved National Highway BR163.

What happened in 2019:

- Expanded total mineral resource by 44 per cent to over 540,000 ounces.
- Submitted updated Environmental Impact Assessment incorporating filtration and dry stacking of tailings eliminating the need for a traditional tailings dam.
- Completed new Preliminary Economic Analysis during September 2019.
- Obtained blasting licence to commence establishing the mine portal.
- Obtained initial approval from SEMAS of revised EIA allowing a public hearing to be called for February 2020.
- Secured support of FUNAI who oversee the interests of indigenous populations.

What we plan to do in 2020[1]:

- Complete public hearing and consultation process and secure the LP.
- Commence initial underground mine development to access and expose the orebody using existing trial mining and operating licences that have already been issued.
- Establish initial ore stockpiles required in advance of plant start-up in 2021.
- Undertake testing of bulk sample for amenability to ore sorting.
- Advance permitting to the stage of the Licença de Instalação ("LI"). This permit allows the construction of the mine, assuming compliance with any conditions imposed by the LP.
- Secure a finance package for plant erection and other site construction.

Efficiency

Serabi's ethos is on quality rather than quantity. Management constantly strives to make each area of its business work better, to improve margins and maximise the use of existing mining, plant and infrastructure capabilities.

Sustainability

The focus is to build a long-term sustainable business that returns value to shareholders but is considerate of the obligations to employees, communities and other stakeholders and provides secure long-term benefit to all those associated with, or affected by, the Group's operations.

Quality

Serabi has established itself as one of the premier underground mining operations in Brazil.

Read more on **pages 30 to 37**

Our Business at a Glance

How we plan to develop

A blend of organic growth through the continued development of the Group's existing assets and targeting opportunities that have potential for long-term value improvement will be at the centre of the Group's plans for expanding the business.

Our strategy	What we have achieved See our **Management Discussion and Analysis** on pages 30 to 47
Focus Pursue gold mining opportunities appropriate to the Group's size and capabilities.	Management has assessed and pursued several opportunities and acquired the Coringa Gold Project in December 2017, an advanced stage project capable of adding further production of 38,000 ounces per annum in the near term. Other opportunities continue to be reviewed which could provide further accretive growth for the Group.
Evaluate Identify high quality opportunities through exploration or acquisition of existing gold exploration and development projects.	Substantial exploration programmes were in progress during 2019 involving: • a step out drilling campaign at São Chico, identifying potentially significant resource extensions to the east, west and at depth, beyond current mine limits. • a surface diamond drilling programme of approximately 9,000 metres, focusing on extensions of known veins of the Palito, São Chico and Coringa orebodies. • the 5,700 metre surface drilling programmes at Coringa resulted in a 44 per cent increase in mineral resources. • follow-up soil geochemical programmes over near mine-site anomalies adjacent to the Palito and São Chico orebodies. • approximately 6,700 metres of stream sediment, rock and soil geochemistry and field mapping of the electro-magnetic ("EM") geophysical targets generated in 2018, covering parts of the JDO tenement holdings that had not received any previous exploration. Several acquisition opportunities are continuing to be assessed, evaluated and compared with potential returns that could be generated from organic growth opportunities.
Develop Plan, finance and build new mines in a timely and cost effective manner.	Serabi issued the results of a new Preliminary Economic Analysis for its Coringa project during September 2019, the highlights of which are summarised on page 16. The Group has successfully brought into production the Palito and São Chico deposits and established a technical team that has the capability in conjunction with selected third party consultants to undertake much of the planning and construction activities for mines of similar size and nature.
Operate Seek continuous operational improvement to maximise value and streamline the production process across our sites.	During 2019, the Group continued to seek ways to improve efficiency; • an ore-sorter, sited between the crushing and the milling sections, was installed and has been in successful commissioning during the first quarter of 2020 prior to entering full production from the second quarter. • permitting at Coringa continued to progress with the Public Hearing for the Coringa Gold Project taking place on 6 February 2020. • switching the São Chico orebody to a mechanised mining method better suited to the orebody and improving mining productivity. • completed the construction of a scrubber unit to process historic flotation tailings to enhance gold production. • upgraded tailings management facilities to comply with enhanced levels of regulation in Brazil.
Return Generate value for all stakeholders (investors, government and communities) to encourage the continuation of the cycle.	The Group has established a strong track record of production which is expected to grow in 2020 and, with the acquisition of Coringa and success from exploration, has now established, what management believes to be, a tangible pathway to growing production to 100,000 ounces in the relatively near term.

How do we prioritise See our **Key Performance Indicators** on pages 20 to 23	What are our plans See our **Management Discussion and Analysis** on pages 30 to 47
Pursue gold mining opportunities appropriate to the Group's size and capabilities.	Management continues to maintain its focus on projects, preferably in Brazil, where it can leverage its existing infrastructure, local knowledge, contact base, and specialist skills, in particular, successfully developing and operating mining operations.
The Board reviews all projects that management brings to its attention and only authorises the pursuit of opportunities including organic growth opportunities, that the Board considers to have synergies, strong growth prospects and good investment return potential or will, in other ways, have strong potential to add value for shareholders.	A significant focus of management during 2020 will be; • successful licensing permitting and financing for the Coringa project, • initial underground mine development of the Coringa project, • start-up of plant and site installations and development for Coringa subject to permitting, • continued evaluation through exploration of the organic growth opportunities around Palito and São Chico, • follow-up ground exploration on key areas of interest in the wider Jardim do Ouro tenement holding.
Development of new opportunities or expansion of existing operations are measured against development plans and costs. Performance is judged by considering adherence to time schedules. cost estimates and performance against plan.	Dependent on exploration success, the Group is looking to develop new satellite orebodies in close proximity to either or both of the São Chico or Palito deposits at the earliest possible opportunity to facilitate production growth. It has implemented solutions that permit the processing of increased ore volumes and higher grade ore at low additional cost and with negligible impact on existing operations. The Group will progress, as quickly as possible, the permitting process for the Coringa project, with the objective to commence development and construction, with first gold being produced before the end of 2021.
Operational performance is judged by considering annual and quarterly results achieved by comparison with forecasts, using a blend of measurements with a key objective of efficiency in the use of the Group's human, equipment and financial resources.	Management continues to review all aspects of operational performance to achieve improvements in total gold production while simultaneously seeking to improve safety, reduce costs, improve equipment utilisations rates, reduce machinery down-time and achieving better production rates per shift.
The Board seeks to add value for all of the Group's stakeholders and recognises that stakeholders may seek returns in varying ways. Returns are evaluated by the ability of the Group to generate cash and sustainable cash flow, to reduce the investment risk for stakeholders and increase, on a sustainable basis, the value of the Group.	The Group has and will continue to use existing cash flow to finance its exploration and development programmes and supplement its working capital with appropriate levels of debt and other financing instruments that in the opinion of management will provide the best value for shareholders. New equity will be used to accelerate investment plans where the Group considers that those investments will be accretive to existing shareholders and the nature of the investment does not readily lend itself to alternative financing structures.

Our Operations

The Palito Complex

The Palito Mining Complex comprises two orebodies, providing mined ore to a common plant. Extensions of the orebodies and additional satellite deposits are expected to provide future production growth and extended mine life.

For more information

Overview

The Palito orebody is a narrow-vein underground mining operation and reflects Serabi's desire to concentrate on high quality projects with low capital costs and early repayment of capital. It is a small-scale, high-grade operation using selective mining techniques, with a production target of around 20,000 to 25,000 ounces per annum.

- 28 veins comprising the current resource, of which eight are in the current mine plans.
- Fully permitted.
- Currently operating at 200 to 300 tonnes per day at 7.0 to 8.0 g/t gold.
- Mining is undertaken by on-lode development followed by selective open stoping between 30-40 metre vertically spaced levels.
- The mine is dry with excellent ground conditions.
- 448,000 ounces of NI 43-101 compliant mineral resources (2017).
- Experienced underground mining labour at site with proven experience in underground selective mining.
- Mains grid-power at site with back up from diesel powered generators.
- Fully functioning camp for ~300 employees, airstrip, assay laboratory, hospital, and workshops all in place with year-round road access.

The São Chico orebody is a satellite deposit providing supplementary high-grade gold ore to the Palito processing plant to increase Serabi's overall gold production. Whilst the current NI 43-101 compliant resource is small, management is confident of the potential for this to be expanded.

- High-grade satellite to Palito currently providing ore feed of between 200 and 300 tonnes per day at 8.0 to 9.0 g/t of gold.
- A trial licence for mining 100,000 tonnes per year is in place. A second licence has been granted for the adjacent tenement to the west of the São Chico mine tenement.
- 90,000 ounces of NI 43-101 compliant mineral resources (2017).
- With the greater ore widths at São Chico, mining is more mechanised than at Palito, with open stope retreat mining methods generally being deployed with levels spaced at approximately 15 metres.

Our Operations continued

Short-term Production Growth

The Group has established a stockpile of tailings from its flotation recovery plant. The installation of a scrubber, earlier in 2019, allowed the Group to accelerate the processing of this material which helped to generate a throughput improvement of 82 per cent in 2019 over 2018. 29,976 tons of tailings were processed in 2019 at an average grade of approximate 4.12 g/t with a gold recovery of approximately 78 per cent. As at the 31 December 2019, the Group estimates that it has sufficient stockpile of this material to process at similar rates throughout 2020.

The operation is currently restricted by plant capacity. The Group has completed the installation of an ore-sorter, sited between the crushing and milling sections, which will reduce the volume of crushed ore being processed in the milling circuit and uses both X-ray and colour sorting technology. The objective of the ore-sorter is to 'screen out' waste rock ahead of the milling section and liberate much needed capacity in the rest of the plant. This capacity can be taken up with additional ROM therefore allowing for increased levels of gold production in 2020 without the need to expand milling capacity.

Medium Term Growth

The Group has achieved excellent results from its recent exploration programmes. These indicate that there is strong resource growth potential at Palito whilst the São Chico area demonstrates significant potential to be a much larger opportunity than was originally considered when it was acquired in 2013.

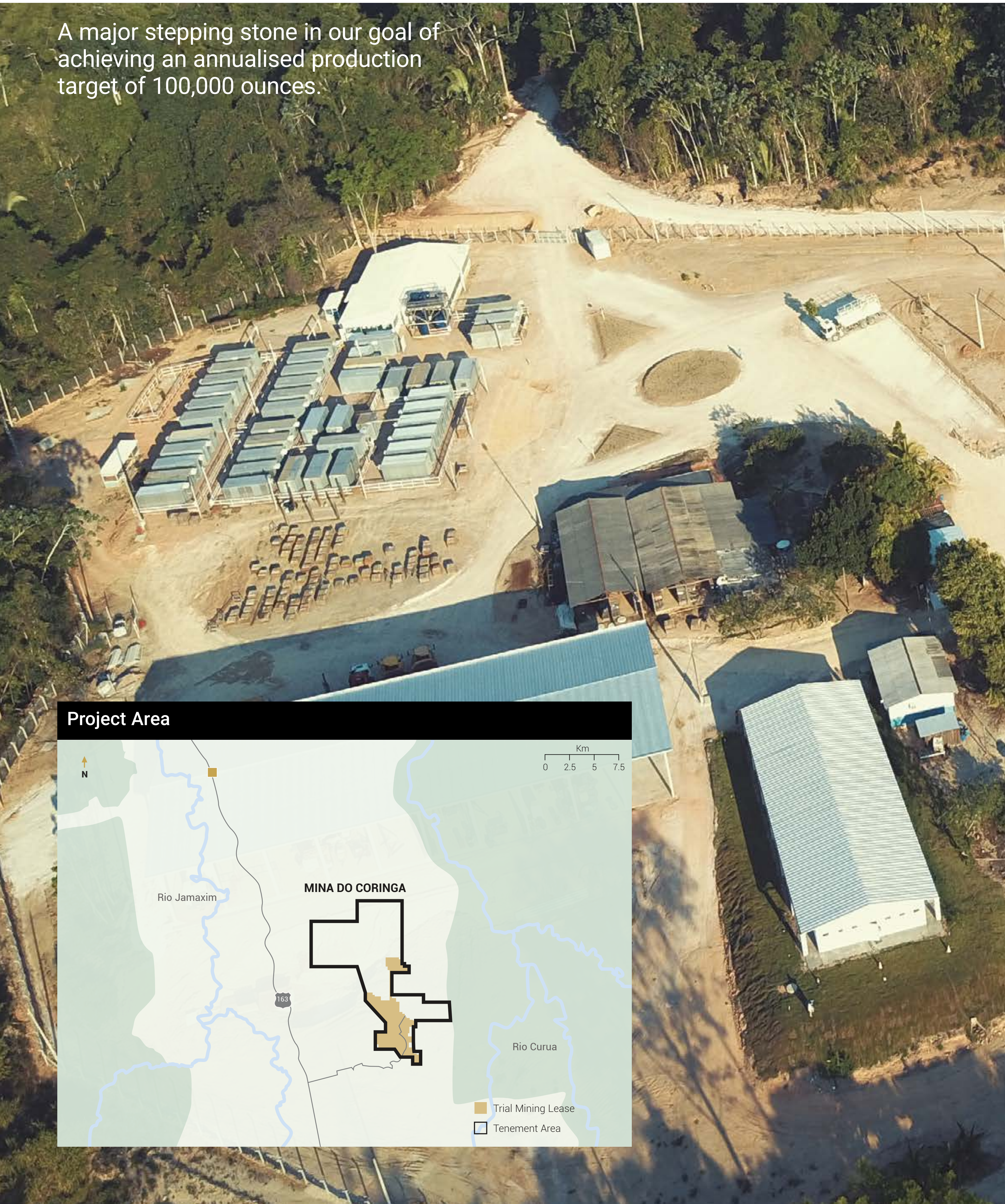
The São Chico main orebody is completely open along strike and before the current campaigns, the Group had very little geological information outside the immediate mine limits. Nonetheless, there were always strong indications that substantial strike extensions of the principal vein and adjacent veins were waiting to be defined. Initial results from the current campaign have already highlighted the potential for significant resource growth for 150 metres to the east and 300 metres to the west of the current São Chico deposit, and the plan is to continue step out drilling towards the Cicada anomaly to the north-west. A new resource estimate is planned for later in 2020.

Ground IP surveys have identified a number of significant geophysical anomalies within 10 kilometres of the current São Chico mining operation. These include the Abelha, Besouro and Cicada areas to the north-west and the Cinderella zone located to the south-east of the current deposit. The Group is currently undertaking exploration drilling on these north-west targets, and later in 2020 plans to conduct drilling of the Cinderella zone.

Our Operations continued

The Coringa Gold Project

A major stepping stone in our goal of achieving an annualised production target of 100,000 ounces.



Overview

Located only 200 kilometres from Serabi's Palito operation and linked by paved highway, Coringa hosts a total gold resource of 541,000 ounces.

Past gold discoveries at Coringa, including the Mae de Leite, Come Quieto, Demetrio and Valdette veins.

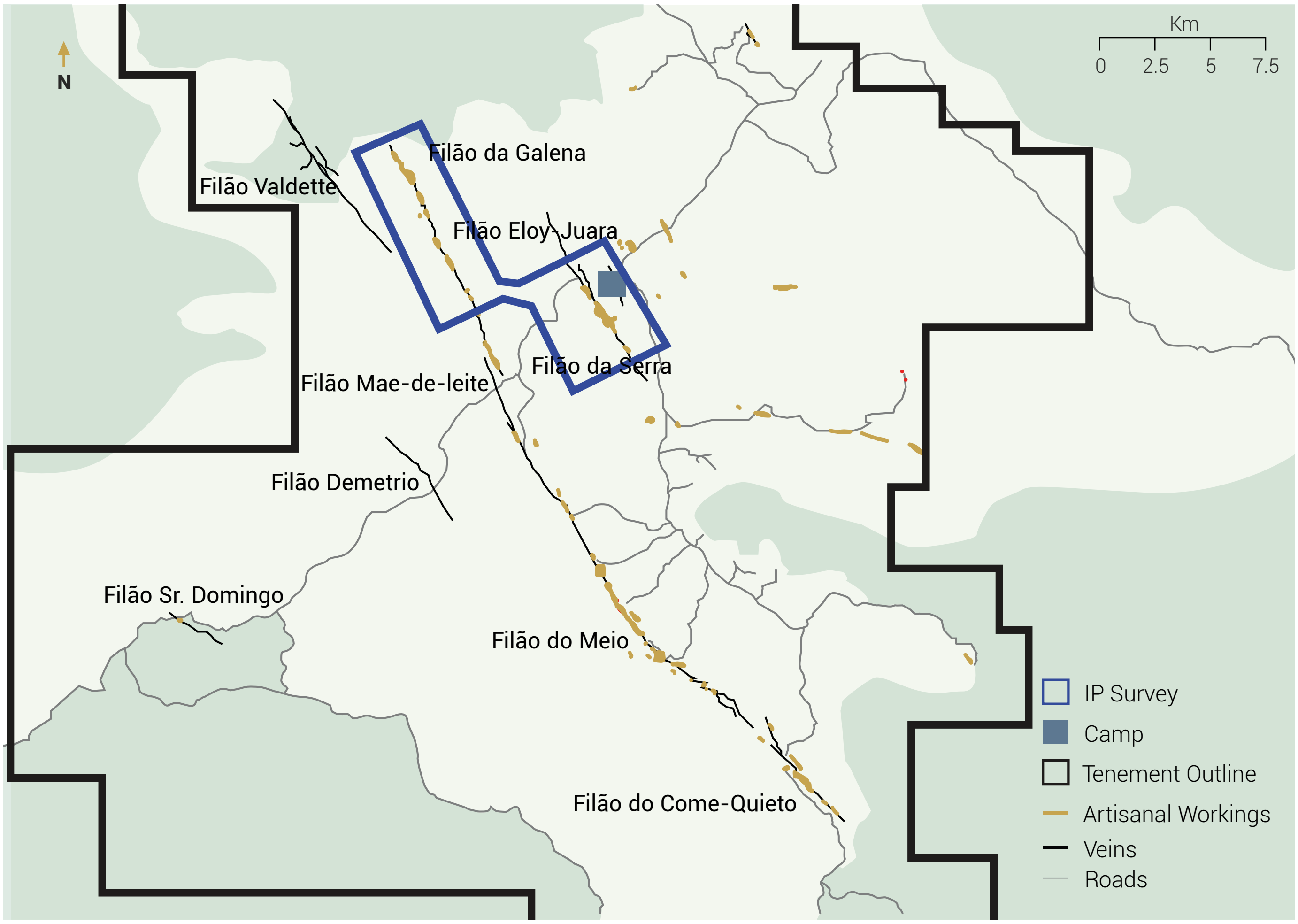
Serabi is well placed to develop the Coringa project.

- Management has many years of experience of operating in the region.
- Its location in reasonably close proximity to the existing Palito Complex provides opportunities to share resources and infrastructure.
- Local and regional government are familiar with the Group and supportive of its objectives and plans to develop mining operations in the region.

Coringa hosts a total geological resource of 195,000 indicated ounces of gold and 346,000 inferred ounces of gold. The PEA, issued in September 2019, projected a mine life of approximately 9 years and total Life of Mine ("LOM") gold production of 288,000 ounces at an average mined grade of 8.34 g/t to be produced by underground open stoping, similar to the mining undertaken at Palito. Typical annual production once the project is in full operation is expected to average 38,000 ounces per year. Coringa is located some 70 kilometres to the south-east of the town of Novo Progresso which is approximately 130 kilometres by road to the south of Serabi's current mining operations at Palito.

Our Operations continued

Summary of PEA results



The Base Case prepared by GRE was calculated using the three year trailing average gold price which approximates to US$1,275 per ounce.

Gold Price (per ounce)	Units	Base Case $1,275	$1,350	$1,450
Pre tax NPV (5%)	US$m	$55.7	$71.3	$92.2
Pre tax NPV (10%)	US$m	$37.2	$49.4	$65.8
Post tax NPV (5%)	US$m	$47.3	$61.3	$79.6
Post tax NPV (10%)	US$m	$30.7	$41.7	$56.1
Post tax IRR	%	31%	37%	46%
Project after tax cash flow	US$m	$71.6	$90.1	$114.0
Average annual free cash flow	US$m	$11.5	$13.7	$16.6
Average gross revenue	US$m	$43.4	$46.0	49.4

- The Base Case project payback is estimated to occur within 2.25 years of first gold production.
- Average Life of Mine ("LOM") All-In Sustaining Cost ("AISC") of US$852[1] per ounce, including royalties and refining costs using the Base Case gold price.
- Average gold grade of 8.34 g/t gold producing a total gold production of 288,000 ounces.
- Typical annual production once the project is in full operation averages 38,000 ounces per year[2].
- Initial capital requirement of US$24.7 million prior to sustained positive cash flow.
- Sustaining capital expenditures of US$9.2 million to be funded from project cash flow.
- Indicated mineral resource inventory of 125,000 ounces of gold, supported by a further Inferred Resources of 178,000 ounces of gold from a total geological resource of 195,000 indicated ounces of gold and 346,000 inferred ounces of gold, to be produced by underground open stoping using a cut-off grade of 6.00 g/t gold.
- Total Life of Mine of approximately 9 years.
- The Base Case includes a 20 per cent contingency on both operating and capital costs.
- Subject to permitting approvals and project financing, management expects that mine development start-up could occur before the end of 2020, with initial processing of ROM feed set to commence approximately nine to 12 months later.

1 Calculated when the Project has achieved sustained positive cash flow and excludes the initial capital requirements.
2 For the first five full years of production.

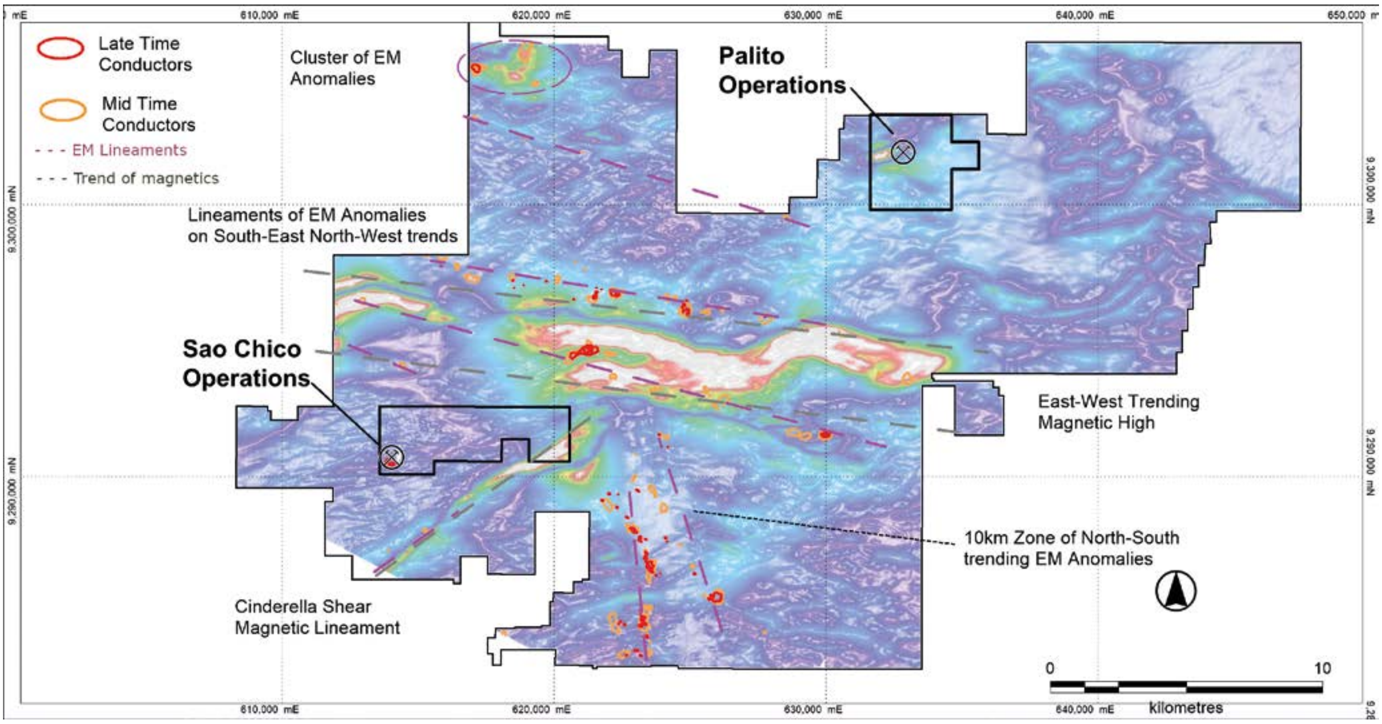
Key Objectives for 2020

- Complete public hearing and consultation process and secure the LP.
- Commence initial underground mine development to access and expose the orebody using trial mining and operating licences that have already been issued.
- Establish initial ore stockpiles required in advance of plant start-up in 2021.
- Undertake testing of bulk sample for amenability to ore sorting.
- Advance permitting to the stage of the Licença de Instalação ("LI"). This permit allows the construction of the mine, assuming compliance with any conditions imposed by the LP.
- Secure a finance package for plant erection and other site construction.
- Maintain dialogue and support of various other government agencies, including INCRA (National Institute for Colonisation and Agrarian reform), ITERPA (Pará Land Institute), FUNAI (National Indian Foundation), ICMBio (Chico Mendes Institute for the Conservation of Biodiversity), ANA (National Water Agency), and IPHAN (National Institute of Historic and Artistic Patrimony), among others.

Our Operations continued

Exploration strategy

With little past systematic exploration undertaken in the region, the Tapajos presents a unique and exciting opportunity. Reportedly up to 30 million ounces of gold have been recovered by artisanal operations, and with only 7 million ounces of hard rock resources identified to date, there is excellent scope for significant new gold discoveries to be made.



EM Survey of The Palito Complex

Serabi completed cumulative coverage over its entire Jardim do Ouro tenement holding with the airborne electro-magnetic surveys and magnetic surveys ("EM") in 2018. The EM survey identified an extremely pronounced magnetic high that runs east west across the tenements. This regional feature and many of the identified electromagnetic anomalies lie on the flanks of this magnetic high, these targets were the focus of surface exploration during 2019.

The Group uses the results of the EM surveys as a pathfinder for identifying areas of interest, allowing it to prioritise and plan surface exploration activities.

Eight areas were selected for priority surface geochemical sampling in 2019 based on the results of the EM survey completed in 2018. A number of EM anomalous areas remain to be tested in 2020, having lower priority based on access and other criteria. In 2020, Serabi will continue with the assessment and testing of the geophysical anomalies.

Results from geophysical programmes are reviewed and priorities established for further exploration and evaluation. This would normally comprise undertaking soil geochemistry using augur drilling, trenching and gathering of near surface samples.

A total of 6,800 surface geochemistry samples (soil, rock, stream sediment) were collected during 2019, predominantly targeting those anomalies derived from the EM survey. This systematic surface sampling of these targets resulted in 10 new anomalous multi-element geochemical areas. Each of these areas exhibits signatures associated with known gold deposits in the district.

The next step in the process is to improve the confidence in these geochemical anomalies through additional infill sampling or terrestrial geophysics to a stage where the Company will conduct drilling to test these targets in the third dimension, which it is hoped can be undertaken during the current year.

Further follow-up surface drilling programmes are then undertaken to establish mineral resources.

The key outcomes of the 2019 drilling programmes conducted are outlined as follows;

At Coringa, drilling in the early part of the year focused on infill and extension drilling for the subsequent resource estimation completed in second quarter. The key outcomes were;

(i) Strike of the Meio #2 vein extended for a further 480 metres to the south increasing the total drilled strike of the Meio #2 vein to almost 1,200 metres.

(ii) Depth extension of Meio #4 vein increased by approximately 200 metres along a 400 metre strike zone to the north.

(iii) Galena vein strike extension increased by 100 metres to the south.

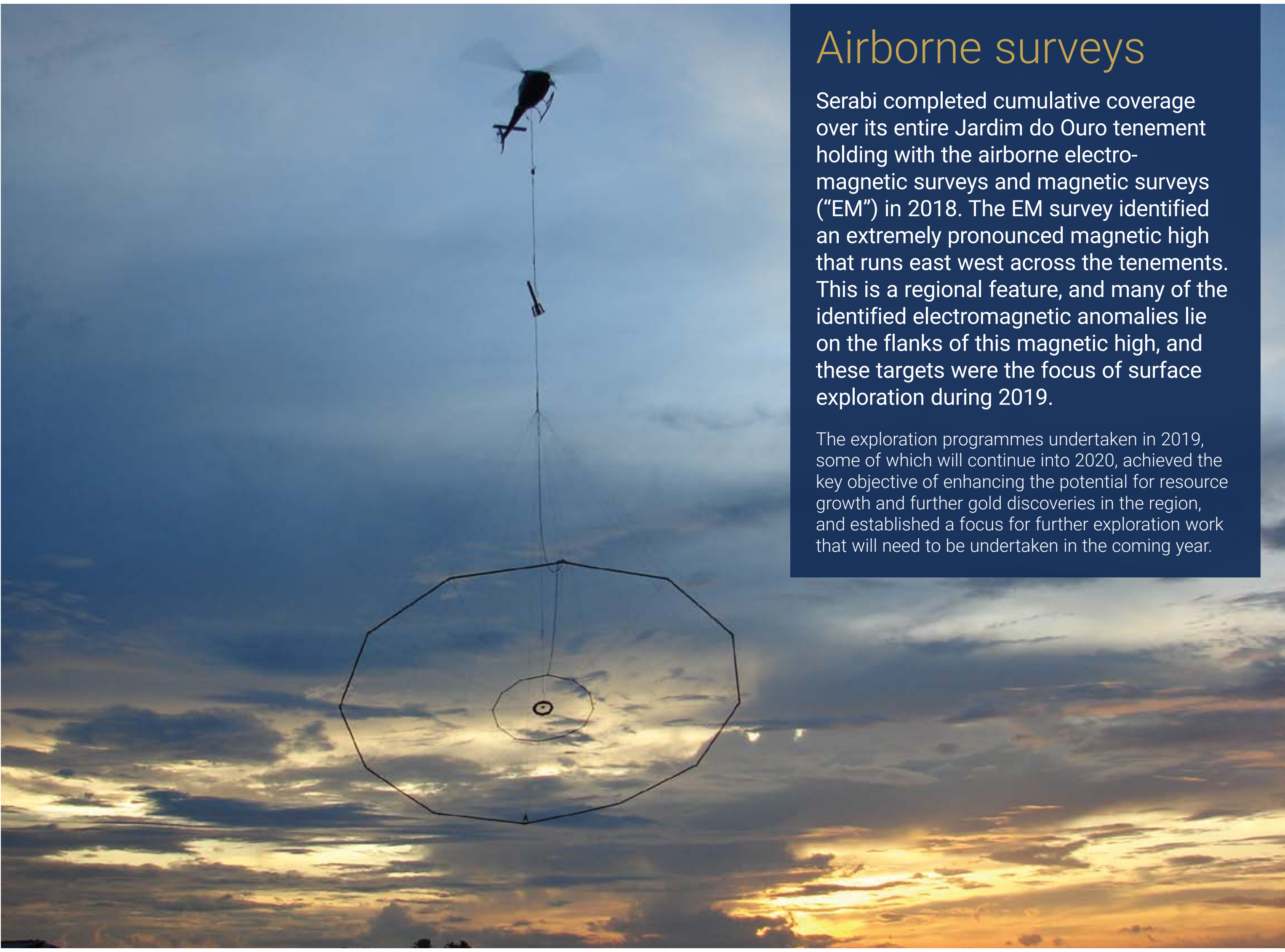
(iv) Mineralisation in the Serra vein for a further 150 metres down dip and 140 metres along strike to the north.

(v) Resource estimation, incorporating the new drilling, resulted in a 44 per cent increase to the contained gold for the deposit.

At Palito

(i) Step out drilling has traced the northerly extension of the Ipe and Mogno vein sets of the Chico da Santa area for approximately 500 metres beyond than the current mine limit, demonstrating a potential link between these veins and mineralisation at the Bill's Pipe prospect.

(ii) The same drilling has also increased the southerly extension of these same Ipe/ Mogno veins.



Airborne surveys

Serabi completed cumulative coverage over its entire Jardim do Ouro tenement holding with the airborne electro-magnetic surveys and magnetic surveys ("EM") in 2018. The EM survey identified an extremely pronounced magnetic high that runs east west across the tenements. This is a regional feature, and many of the identified electromagnetic anomalies lie on the flanks of this magnetic high, and these targets were the focus of surface exploration during 2019.

The exploration programmes undertaken in 2019, some of which will continue into 2020, achieved the key objective of enhancing the potential for resource growth and further gold discoveries in the region, and established a focus for further exploration work that will need to be undertaken in the coming year.

At São Chico

(i) Surface drilling focused on the eastern (Highway) and western extension of the São Chico mineralisation. Surface drilling during the fourth quarter recorded multiple intersections of mineable grades over mineable widths in the Highway zone, where mineralisation has been extended some 200 metres east of the current development with continuity over a 200 metre vertical depth.

(ii) Late in the year "first pass" reverse circulation drilling commenced at São Chico targeting, IP geophysical anomalies between 1-2km west of the São Chico operation. Preliminary results have determined that gold mineralisation continues to extend into this area and provides an indication that the broader São Chico district hosts significant gold endowment.

Subject to continuity of operations being secured in the wake of the impact of Coronavirus, drilling will continue at Palito and São Chico in 2020, specifically targeting resource extension and resource definition on existing targets. Regionally, first pass discovery drilling will be conducted on targets in the São Chico district. No further drilling is currently planned at Coringa.

São Chico mine

Performance Review and KPIs

Maintaining strong operational performance

The Board assesses the performance of the Group and its senior management by setting annual performance targets appropriate to the individual's areas of responsibilities. These targets focus on those areas that the Board considers are important for the short and long-term success of the Group and its operations, and will build value for the Group's stakeholders. In common with many similar companies in the industry, these KPI targets primarily focus on production, management of costs and safety which can be measured and the Board anticipates that, subject to global economic factors that may be outside of management's general control, attainment of the KPI targets should build returns for the Group's shareholders.

+8%

Increase in gold output

+38%

Increase in sales revenue

$11.02m

Increase in profit before tax

Operational Performance review

The Board established three key strategic objectives for 2019. A key priority was to maintain and seek to improve the operational performance compared with the preceding year. The second objective was to progress the licensing and permitting of the Coringa Gold Project acquired by the Group in December 2017, together with undertaking further exploration work to expand the resource base. Finally, management was charged with pursuing organic resource growth centred on defining and developing strike extensions of the Palito and São Chico deposits, and to progress a wider regional exploration programme over the Group's Jardim do Ouro exploration tenements.

Mine performance

Gold output for 2019 was eight per cent higher than 2018, with 40,101 ounces of gold produced in 2019, an increase of 2,993 ounces of gold compared with 2018. Gold sales realised in 2019 were 27 per cent higher than 2018, with 42,631 ounces of gold sold in 2019, being 9,080 ounces of gold more than in the previous year. This reflected both increased gold production and higher than normal levels of gold inventory at the end of 2018, which were realised in the first quarter of 2019. Quarterly levels of gold production were very consistent throughout the year and, as figure 1 on the next page illustrates, quarterly gold production has, with only two exceptions, been between 9,200 and 10,300 ounces per quarter for the last 4 years.

At the same time, and as is shown in figure 2 on the next page, the quarterly levels of mined tonnage and the average grades have also shown strong consistency over the last 4 years, with average gold grades generally being between 7.50 g/t up to 9.50 g/t.

Operational improvements

The Group seeks continuous operational performance to maximise value and streamline the production process across our sites.

Read more on **pages 30 to 37**

Gold production (koz)

Q4 – 19	10.2kt
Q3 – 19	10.2kt
Q2 – 19	9.5kt
Q1 – 19	10.2kt
Q4 – 18	10.3kt
Q3 – 18	8.1kt
Q2 – 18	9.6kt
Q1 – 18	9.2kt
Q4 – 17	9.3kt
Q3 – 17	9.7kt
Q2 – 17	8.1kt
Q1 – 17	9.9kt

Tonnes mined and grade (kt and g/t)

Q4 – 19	6.69g/t	44.1kt
Q3 – 19	7.14g/t	44.8kt
Q2 – 19	6.72g/t	44.8kt
Q1 – 19	7.47g/t	42.6kt
Q4 – 18	7.45g/t	44.3kt
Q3 – 18	6.23g/t	42.7kt
Q2 – 18	8.12g/t	36.1kt
Q1 – 18	7.49g/t	39.7kt
Q4 – 17	8.25g/t	49.0kt
Q3 – 17	9.80g/t	41.3kt
Q2 – 17	7.80g/t	41.7kt
Q1 – 17	10.12g/t	36.9kt

176,243tonnes

Mined ore

2019	176,243
2018	162,722
2017	168,876
2016	158,864

9,628metres

Annual mine development completed

2019	9,628
2018	10,371
2017	9,864
2016	11,209

177,335tonnes

Plant throughput

2019	177,335
2018	168,252
2017	172,565
2016	158,966

7.00g/t

Mined grade

2019	7.00
2018	7.29
2017	8.92
2016	9.74

40,101ounces

Annual gold production

2019	40,101
2018	37,108
2017	37,004
2016	39,390

90.40%

Plant recovery

2019	90.4
2018	92.6
2017	92.6
2016	91.3

The material improvement in overall gold production in 2019 compared with the preceding year reflected the strong operational performance throughout the year, with both tonnage mined and tonnage processed slightly higher than in 2018. Average plant performance in terms of average gold recovered was similar to 2018 levels at over 90.4 per cent. The increased rate of re-processing of the historic tailings material also made a significant contribution to the increase in gold production, with re-processed tailings accounting for almost nine per cent of total production in 2019 in comparison to approximately four per cent in 2018.

On a monthly basis. the Board reviews key production statistics to ensure that operations are being undertaken in a manner that is efficient and, more particularly, sustainable. In this respect, and in common with any underground mining operation, it is critical that, on a monthly basis, mine development rates are maintained ahead of production. Development rates were slightly lower during 2019 than the prior year, and the Board and management will closely monitor performance during 2020.

The average mined grade for 2019 was slightly above the level of 2018, which was primarily due to lower grades mined in the third quarter of 2018 when a series of lower grade areas were simultaneously being mined at São Chico. During the fourth quarter of 2018, procedures were put in place to minimise the future occurrence of such a mine sequencing event, and we can see the positive impact of these procedures with the improvement during 2019. At the Palito orebody, the Group has, in the last years, been focused on progressing with lateral development and opening up new veins for development and mining. The vein structures do vary in both width and mineralogy and, consequently, grades do fluctuate according the areas being mined at any point in time. During 2019, development and production from the Palito orebody continued to focus on the Chico da Santa sector, which hosts the narrow but very high-grade Jatoba, Mogno and Ipe veins.

Prior to 2018, the G3 vein was very much the ‘backbone’ of Palito production, and the vein exhibits exceptional copper and gold grades and is generally wider than many of the others within the Palito ore body. In the fourth quarter of 2019, the Company recommenced the development of this vein on the 130mRl, to access an area successfully drilled from surface during 2019. It is expected to make a strong contribution to production in 2020.

Performance Review and KPIs continued

Coringa Gold Project

Significant progress with Coringa has been made on a number of fronts.

On the exploration front, the Group has announced a 44 per cent increase in the total mineral resource attributable to the project, which is now in excess of 540,000 ounces of gold, and importantly the grade of the inferred resources which previously stood at 4.32g/t has been increased to 6.54g/t, representing a 51 per cent improvement. The highlights of the new mineral resource estimate are as follows:

- An Indicated Resource ("Indicated") for Coringa of 195,000 ounces of contained gold (735,000 tonnes at an average in-situ grade of 8.24 g/t).
- An additional Inferred Resource ("Inferred") of 346,000 ounces of contained gold (1,645,000 tonnes at an average in-situ grade of 6.54 g/t).
- This new mineral resource estimate represents a 44 per cent increase over the estimation (as of May 3, 2017) at the time the project was acquired, which comprised 195,000 ounces of Indicated and 181,000 ounces of Inferred.
- The average reported grade of the Indicated has decreased by one per cent from 8.36 g/t to 8.24 g/t.
- The average reported grade of the Inferred has increased by 51 per cent from 4.32 g/t to 6.54 g/t.
- The mineral resource estimate incorporates seven of the nine identified gold hosting zones at Coringa. There is insufficient geological data to include the Domingo and Pista zones as a mineral resource at this time.

The results of the PEA issued in September 2019 were positive, and management is extremely encouraged by the potential returns that the project might generate with the PEA forecasting average annual production of 38,000 ounces per annum following an initial ramp up and an AISC for the life of the project of US$852 per ounce. The initial capital investment was estimated at approximately US$25 million, and at a US$1,450 gold price, the project is estimated to have a net present value (10 per cent discount rate) of US$56.1 million and an IRR of 46 per cent.

On 6 February 2020, the Public Hearing for the Coringa Gold Project took place in Novo Progresso, Para, Brazil. The meeting had been convened by SEMAS, the state environmental authority for Para and was also attended by representatives from the ANM (the Brazilian national mining authority), SEASTER (State Secretary for Social Assistance, Employment and Income) and SEDEME (State Secretary for Economic Development of Mining and Energy). The meeting was attended by approximately 600 people and lasted for approximately five hours and passed off as expected. The Company believes that the various government bodies, having visited Serabi's current operations immediately prior to the Public Hearing, formed a positive view of the Company and its proposals for progressing the Coringa Project.

Preparations for developing an initial mine portal into the Serra vein and commencing an underground ramp have been advanced during 2019, the area having been cleared and hard rock exposed.

The results of the PEA issued in September 2019 were positive and management are extremely encouraged by the potential returns that the project might generate.

Exploration

Serabi completed cumulative coverage over its entire Jardim do Ouro tenement holding with the airborne electro-magnetic surveys and magnetic surveys ("EM") in 2018. The EM survey identified an extremely pronounced magnetic high that runs east west across the tenements. This is a regional feature, and many of the identified electromagnetic anomalies lie on the flanks of this magnetic high, and these targets were the focus of surface exploration during 2019.

The exploration programmes undertaken in 2019, some of which will continue into 2020, achieved the key objective of enhancing the potential for resource growth and further gold discoveries in the region and established a focus for further exploration work that will need to be undertaken in the coming year.

Key successes have been

São Chico

- Surface and underground drill programmes, which remain ongoing, have extended the potential mineral resource for 300 metres to the west, 220 metres to the east and a further 200 metres at depth.
- First pass reverse circulation drilling undertaken on the IP anomalies located one to two kilometres to the north-west of the São Chico operation have already determined that gold mineralisation continues to extend into this area and provides an indication that the broader São Chico district hosts significant gold endowment.

Palito

- The Ipe and Mogno vein sets of the Chico da Santa area have been traced beyond the current mine limits for a further 500 metres to the north, and a southerly extension has also been identified.

Coringa

- Mineral resource of the Coringa deposit has been increased by 44 per cent compared to at the time of acquisition.
- Grade of the inferred resource has been increased by 51 per cent to 6.54 g/t.
- Strike of the Meio #2 vein extended for a further 480 metres to the south, increasing the total drilled strike of the Meio #2 vein to almost 1,200 metres.
- Depth extension of Meio #4 vein increased by approximately 200 metres along a 400 metre strike zone to the north.
- Galena vein strike extension increased by 100 metres to the south.
- Mineralisation in the Serra vein for a further 150 metres down dip and 140 metres along strike to the north.

Regional

- Systematic surface sampling of an initial eight areas, prioritised from the 2018 EM survey results, has identified 10 new anomalous multi-element geochemical areas. These areas exhibiting signatures associated with known gold deposits in the district.

Further details regarding the operational performance during 2019 are set out in the Operational Review on pages 30 to 37.

Strategic Report
Management Discussion and Analysis
Corporate and Social Responsibility
Corporate Governance
Financial Statements

Financial Performance Review

This review should be read in conjunction with the audited financial statements on pages 75 to 121.

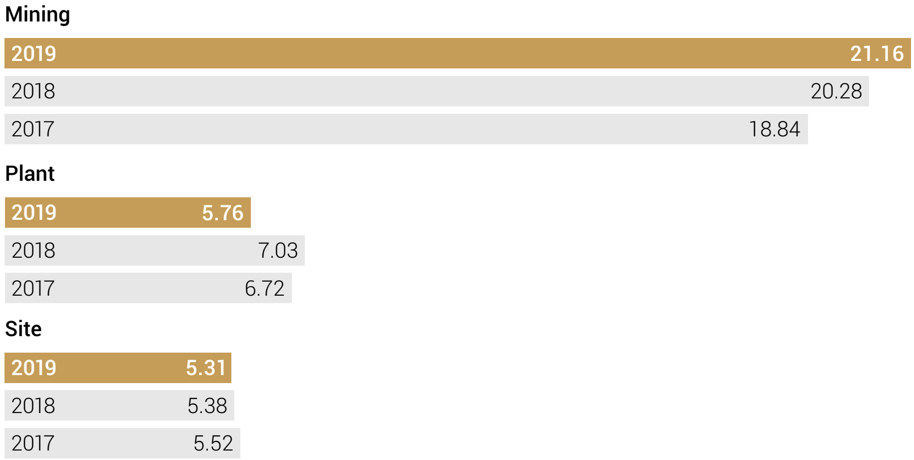
The Board adopts a variety of metrics to evaluate the financial performance of the Group and considers, on a regular basis, the level of cash holdings of the Group compared with monthly forecasts, management's control of capital expenditure programmes compared with an annually approved plan, the level of operational costs compared with annually approved plans and headcount and staffing levels. In assessing operational efficiency, the Group has adopted and reports industry standard metrics such as Cash Costs and All-In Sustaining Costs ("AISC") to review the performance of the operations on a monthly basis.

Much of the Group's expenditure is incurred in Brazilian Reais and accordingly the Group has significant exposure to the fluctuations in the exchange rate between the Brazilian Real and the US Dollar which is the reporting currency of the Group. In order for the Board to assess underlying performance and, in particular, operational performance and cost control, the Board reviews the financial performance of the Group by reference to results reported in both the US Dollar and the Brazilian Real. During 2019, the Brazilian Real has weakened slightly with the average rate for the year being BrR$3.945 to US$1.00 compared with BrR$3.654 to US$1.00 during 2018.

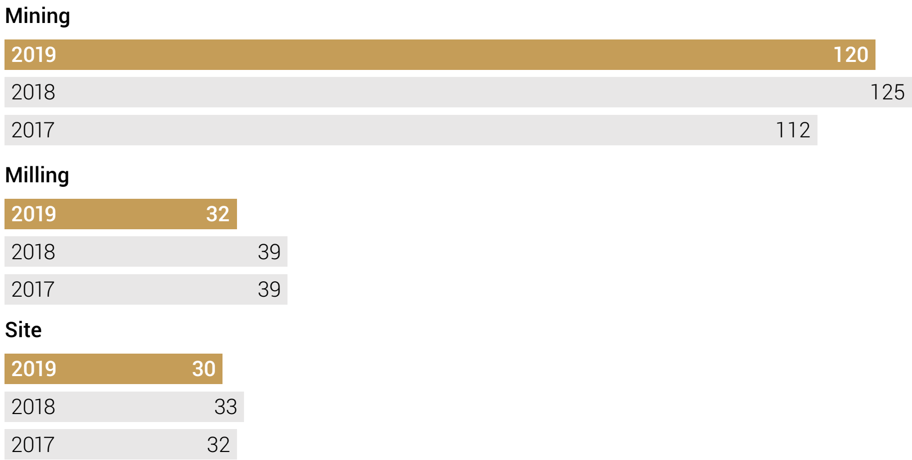
Bank borrowings remain modest at US$6.90 million for an operation of Serabi's size, and at the end of the year the Group enjoyed a healthy cash balance of US$14.23 which i s a US$5.02 million improvement on the previous year. In addition, the Company has an outstanding US$12.00 million liability as the final acquisition payment on the Coringa project.

Further details regarding the financial performance during 2019 are set out in the Financial Review on pages 40 to 47.

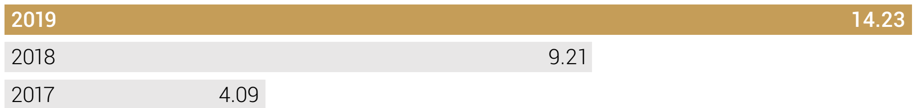
Annual Cost Breakdown US$m



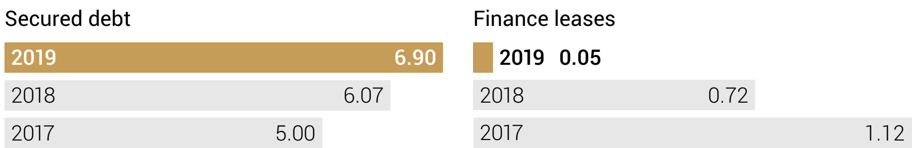
Annual Cost Breakdown – unit costs US$/tonne



Cash balances US$m



Borrowings US$m



Engagement with Stakeholders

Creating shared value

Statement by the Directors in performance of their statutory duties in accordance with s.172(1) Companies Act 2006.

"The Board of Directors of Serabi consider, that they have, individually and collectively, acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members and stakeholders in the decisions that it has taken during the year ended 31 December 2019."

Promoting the Success of the Company for Stakeholders

The Directors endeavour to balance the needs and requirements of all stakeholders which, in addition to the Company's shareholders, include the Group's employees, the communities in the areas where it operates, government agencies and the Group's suppliers and customers, all of whom have a vested interest in the long-term success of the Group. As all the activities of the Group are currently undertaken in Brazil and managed by a single management team, the Directors are not, at this time, required to give consideration to any potentially competing interests of different members of the Group.

Consequences of Decisions

The Board in making decisions regarding the activities of the Company will consider and balance the often-contradictory implications of any decisions and the varying expectations of its stakeholders.

As a publicly quoted company with its ownership in many hands, it has an obligation to these shareholders to grow and develop the Group in a manner that will provide value enhancement to their investment whilst at the same time minimising the risk of value deterioration. Different shareholders will have varying risk and reward profiles. The Directors rely on the feedback from management who have direct interaction with the shareholders on a regular basis to provide a balanced assessment of the likely views of shareholders to the strategic and business decisions that the Directors make.

The Directors delegate the day to day responsibility for engagement with most of its stakeholders to the Executive Committee, and they in turn will be reliant on individual managers to interact with employees, customers, suppliers and the various government agencies and bodies. From time to time, members of the Board will meet with shareholders in the forum of a meeting of shareholders and will engage with shareholders and stakeholders at industry events at which they or a member of the Group is involved.

The operational and investment plans approved by the Board in the year took into account the Board's assessment of the expectations of the Company's stakeholders and the Board and management, in developing the plan considered and sought to balance the risks of different strategies that could have been followed, considering the potential value improvements or loss mitigation that each option might have, and taking account of many factors, including:

Corporate and Social Responsibility

Serabi's social and environmental activities aim to establish strong long-term relationships with the local communities. Serabi tries to identify local social and environmental issues and, working closely with the communities, find sustainable and responsible solutions.

Read more on **pages 48 to 53**

- Availability and need for capital whether in the form of equity, debt or other sources of financing.
- Potential competition for capital with other investment programmes.
- Availability of human resources and opportunities for enhancement for the Group's employees.
- Supply chain issues and availability of resources to support the execution of the decision.
- Environmental, social and community implications.

The matters were considered in some of the key decisions taken during the year, including the following:

- **Exploration programmes undertaken at Palito, São Chico and Coringa** – these programmes could be funded from the cash flow generated from the current operations. Success from the programmes will be key to growth and generating new employment opportunities.

- **The preparation of a new Preliminary Economic Assessment for Coringa** – the development of Coringa will require additional funding to be raised, and the results assist the Directors in their assessment of the potential funding options that might be available to the Company. The successful development of Coringa will bring employment opportunities and economic benefits to the local communities through direct employment opportunities and development of support services, and at a Federal and State level through increased tax revenues. Similarities between Coringa and the Group's existing operations allow potential for the transfer of skills and personnel resources and allow the Group to utilise and expand its existing supply chain.

- **The decision to adopt a filtration and dry stack tailings solution for Coringa and eliminate the need for a conventional tailing's solution** – the decision was taken to address community and government concerns regarding the safety of conventional dams, and in light of concerns from potential financing partners regarding changing legislation and future licensing requirements associated with the construction of new conventional dams.

- **The purchase of an ore-sorter** – the acquisition could be funded from existing cash flow generated from the operations. By eliminating the need to expand other plant capacity with its associated capital cost and potential to interrupt current operations, it results in no increase in the production of mine tailings and minimal increase in energy consumption, so minimising the environmental impact of increased gold production.

Human Resources

The mining industry, whilst a global industry sector, requires specialist skills and knowledge and the necessary skills are not readily available in all jurisdiction. This creates competition for certain skills and may limit the ability of the Group to pursue certain strategies. The employees of the Company are fundamental to the delivery of the Group's operating plans. Serabi aims to be a responsible employer in our approach to pay and benefits whilst the health safety and well being of our employees is one of the primary considerations in the way in which we undertake our business.

The Group has actively sought to employ staff from communities in the reasonable vicinity of the Group's operations, and fostered opportunities for employees to relocate in order that they can enjoy more time with their families and improve their work life balance The decision to pursue the development of the Coringa Gold Project considered the positive benefits that could arise by

- providing existing staff with an opportunity to develop and enhance themselves
- increasing the opportunities for employment for people living in the local communities

Fostering the Group's business relationships with suppliers, customers and others

Given the nature of the Group's business, it has limited customers but nonetheless maintains a close working relationship with those customers to understand their specific needs and expectations, and appoints managers with responsibility to manage and nurture these relationships on a day to day basis. The Board endeavours to develop long-term relationships and partnerships with its customers, although it is always willing to engage and build relationships with new potential customers to diversify the risk of over-reliance on a single customer.

The specialist nature of its activities, and the location of the Group's operations, limits the diversity of the supplier base that the Group can access. The Board has been involved in decisions regarding the selection of suppliers and contractors for specific capital and operational expenditures during the year, and has sought to balance the following

- a desire to continue to support local businesses particularly in remote areas
- a need to avoid becoming overly reliant on any single customer or supplier
- the ability of preferred suppliers to provide goods and services in a reliable and timely manner
- the financial impact on suppliers to provide goods and services, including for each supplier any need for and the timing and level of capital investment required to fulfil supply requirements.

Environmental, social and community implications

The Group has developed strong support with both local communities and governmental agencies within the State of Para. The Directors place significant value on these relationships, and the Group's operating plan and current growth and development plans are specifically designed to build upon them. The short-term operational decisions and the longer term development decisions made during the year have therefore taken account of the potential implications, positive or otherwise, on this ongoing support for the Group's current operations and support for any future plans for other operations or developments in the region.

The Group endeavours to operate in a manner that accords with good practice and, where appropriate, exceeds the legislative requirements, whether this is in relation to its obligations to its employees, wage structures and working conditions, environmental obligations and sustainability and its interaction with neighbouring communities on which it is reliant for goods, services and personnel. Decision making, in particular the approval of annual operating plans, is undertaken with a view to ensuring that the Group does not compromise the ongoing support it enjoys.

The Group works very closely with a number of government bodies to ensure that it is

- providing a safe and responsible work environment for its employee
- operates in accordance with all environmental regulation
- the community support and assistance that it provides is properly targeted and complies with wider state or federal initiatives and objectives

Further details are set out in the CSR report on pages 48 to 53.

Maintenance of standards of business conduct

The Board places significant emphasis on operating to the highest ethical standards, whether this be in relations to government, suppliers, shareholders or employees. The Board in its decision-making process has, during the year, made all reasonable enquiry and maintained procedures to ensure compliance with the code of conduct that the Group is required to follow.

Further details are set out in the Report on Corporate Governance on pages 56 to 64.

Principal Risks and Uncertainties

An effective risk mitigation process

There are many risks inherent with mining operations which to a greater or lesser degree companies can anticipate, plan for and seek to mitigate. These risks may impact on a company only in the short term or may have longer term implications for the success and development of the enterprise and its mining projects.

Uncertainties Caused by Covid-19

The implications of the COVID-19 pandemic remain difficult to predict given the evolving nature of this issue and the varying reactions of governments around the world. The Board and management are reviewing the potential implications and the contingency planning that the Group can invoke to mitigate the effects:

- restrictions on the free movement of personnel both within country, as well as between countries, may impose restrictions on the availability of key personnel at certain times,
- supply chains may be affected by any restriction of the free movement of goods or the availability of goods,
- finance required for the development of projects may become scarce depending on the long-term global economic effects.

In response to the issues that COVID-19 places on the economy of Brazil, on 20 March 2020, the mining industry, through degree number 10.282/20, was designated by the Brazilian government as an essential business sector, and the Ministry of Mines and Energy has subsequently started action to try and guarantee the continuity of the supply chain, transport of materials required for processing and the sale and transportation of mineral products. However, there does remain significant uncertainty and the situation could change very quickly, placing risk on the Group and the levels of cash flow that can be generated over the coming months. Further details are discussed within the Directors Report and have been considered in the basis of preparation of the Financial Statements contained within this Annual Report.

The Group has an outstanding obligation to pay US$12 million ("the Coringa Acquisition Payment") to Equinox Gold Corp. ("Equinox") as a final installment for the purchase of the Coringa Gold Project. It has now been agreed that this debt will start to be paid in monthly installments until such time as certain travel restrictions imposed as a result of COVID-19 are lifted following which the full balance would become payable. On 21 January 2020, the Company signed a subscription deed (the "Subscription Deed") with Greenstone Resources II LP ("Greenstone"), one of its major shareholders, for the issue of US$12 million of Convertible Loan Notes (the "Loan Notes"). With the uncertainty surrounding COVID-19, the Company and Greenstone agreed to extend the period for the satisfaction of certain conditions required for the completion of the transaction. As of the date of the approval and signing of these financial statements, the Group is in advanced discussions with Greenstone to amend the Loan Note subscription deed (the "Subscription Deed") to allow for partial subscriptions in respect of the Loan Notes in individual amounts of US$500,000 (the "Amended Subscription Deed"). If the Amended Subscription Deed is entered into by the Company and Greenstone, the partial subscriptions would then provide funds to the Group that could be applied to pay the monthly instalments to Equinox, until such time as any remaining balance of the Coringa Acquisition Payment can be satisfied in full. However, at the date of signing of this report and whilst both Greenstone and the Board of Directors have provided assurances that it is their intention to execute the Amended Subscription Deed, there can be no guarantee that the Amended Subscription Deed will be entered into in the form that the Directors currently anticipate or at all. This will place additional stress on the cash flow that the Group can generate over the coming months, and may impact on the ability of the Group to retain the Coringa Gold Project which is pledged as security to Equinox until the full value of the consideration due for its acquisition is satisfied.

In addition to the immediate risk and uncertainty that the COVID-19 virus presents, the Board considers that the following risks are those which present the most significant uncertainty for the Company at the current time.

Reminder of our strategy:

Evaluate Develop Operate Return

Risk	Comment	Mitigation
Changes in gold prices. Link to strategy:	The profitability of the Group's operations is dependent upon the market price of gold. Gold prices fluctuate widely and are affected by numerous factors beyond the control of the Group. Reserve calculations and life-of-mine plans using significantly lower metal prices could result in material write-downs of the Group's investment in mining properties and increased amortisation, reclamation and closure charges.	Management closely monitors commodity prices and economic and other events that may influence commodity prices. The Board will use hedging instruments if and when it considers it appropriate.
Currency fluctuations may affect the costs of doing business and the results of operations. Link to strategy:	The Group's major products are traded in prices denominated in US Dollars. The Group incurs most of its expenditures in Brazilian Reals, although it has a reasonable level of expenses in US Dollars, UK Pounds and other currencies.	Management closely monitors fluctuations in currency rates and the Board may, from time to time, make use of currency hedging instruments.
Availability of working capital. Link to strategy:	The Company is reliant on generating regular revenue and cash flow from its operations on a monthly basis to meet its monthly operating costs, meet debt repayment requirements and to fund capital investment and exploration programmes. It has no overdraft or stand–by credit facilities in place in the event of any operational difficulties or other events that may reduce or delay revenue receipts in the short-term.	Management, in designing and planning the Group's operations, incorporates contingency planning. The Group has multiple mining faces to minimise geological and mining risk to operations, it has a modular plant to ensure gold processing can be maintained to the greatest extent possible at all times and deals with customers for its products who have good credit and standing in the industry. Management also manages the Group's commitments and obligations to maximise the level of cash holdings at any time and works closely with existing and potential lenders and other potential financing partners to ensure that, to the greatest extent possible, it can have access to additional cash resources or defer debt repayment obligations should any unexpected need arise.

Principal Risks and Uncertainties continued

Risk	Comment	Mitigation
No guarantee that the Group's applications for exploration licences and mining licences will be granted.	There is no guarantee that any application for mining licences, the renewal of existing exploration licences or the granting of new exploration licences will be approved by the Agencia Nacional do Mineracao ("ANM"). The ANM can refuse any application. Persons may object to the granting of any exploration licence and the ANM may take those objections into consideration when making any decision on whether or not to grant a licence.	Management maintains ongoing dialogue with the ANM and other relevant government bodies regarding its operations to ensure that such bodies are well informed, and also to help ensure that the Group is informed at an early stage of any issues of concern that such bodies may have.
Existing exploration licences may not be renewed or approved or converted into mining licences.	The exploration licence for the São Chico property expired in March 2014. The Group applied for a full mining licence, and the application and all supporting information and reports have been made in accordance with prescribed regulations. The Group has received no indications that the full mining licence will not be granted.	The Group employs staff and consultants who are experienced in Brazilian mining legislation to ensure that the Group is in compliance with legislation at all times.
Title to any of the Group's mineral properties may be challenged or disputed. Link to strategy:	At the current time, mining operations at the São Chico Mine are carried out under a trial mining licence which was renewed in February 2020 and expires in October 2022. If and when exploration licences are granted, they will be subject to various standard conditions including, but not limited to, prescribed licence conditions. Any failure to comply with the expenditure conditions or with any other conditions, on which the licences are held, can result in licence forfeiture. The Group is in the process of applying for a mining licence in respect of the Coringa Gold Project. There can be no certainty that a mining licence will be issued or as to the time frame in which it will be issued.	

Reminder of our strategy:

Evaluate Develop Operate Return

Risk	Comment	Mitigation
Other permits and licences required to conduct operations may not be renewed or may be revoked or suspended. Link to strategy:	The Group requires a number of permits and licences to be able to undertake its operations and these are issued by a variety of agencies and departments. The Group is required to provide regular reports and may be subject to inspections to ensure that it is in compliance with its obligations in respect of any licence or permit. Failure to comply with the obligations can result in fines, obligations to undertake remedial action and in cases where a breach is deemed significant can result in suspension until remedied. Permits and licences are issued for fixed periods and therefore subject to regular renewal. The renewal process may impose additional obligations on the Group that had not been imposed under previous licences and permits.	Management maintains ongoing dialogue with the government bodies involved with the granting and control of mining operations to ensure that such bodies are well informed of the Group's activities and plans, and also to help ensure that the Group is informed at an early stage of any issues of concern that such bodies may have. The Group employs personnel and consultants experienced in the various aspects of the licensing and permitting process to ensure that it maintains compliance with its obligations.
The Coringa Gold Project is an advanced stage development project requiring permitting and construction before production can commence. Link to strategy:	The Group acquired the Coringa Gold Project in December 2017. Whilst the Group has been awarded a trial mining licences and an initial operating licence, it is still in the early stages of obtaining all the necessary permits and licences required to allow full scale mine development and plant construction to commence, and there can be no certainty that it will be granted all the necessary licences and permits or as to the time frame in which these will be issued.	The Group has been operating in the region for a number of years and in general is dealing with the same government agencies and bodies that have oversight of the operations in the Palito Mining Complex. The Group considers that it has developed good relations and understanding with the government bodies and agencies who will grant these licences and these same bodies have been supportive of Serabi's acquisition of the project.

By order of the Board

Clive Line
Company Secretary
8 April 2020

Operational Review

Expanding production to 100,000 ounces per annum

The production increases that the development of Coringa will bring, together with being able to identify additional resources at São Chico and Palito to support increased levels of gold production from the Palito Complex in the future, will allow the Company to reach its 100,000 ounce per annum production target.

"Total gold production for 2019 of 40,101 ounces is an eight per cent increase in total production compared with 2018 when production was 37,108 ounces."

+8%

Increase in gold output

+38%

Increase in sales revenue

$11.02m

Increase in profit before tax

Outlook and Strategy

The Palito Complex comprises the Palito deposit and adjacent process plant together with the São Chico deposit located 25 kilometres to the south west. The Palito deposit is currently operating across four sectors with active development and mining of eight of the 26 veins that comprise the Measured, Indicated and Inferred resources of the Palito Mine. Underground drilling of the Palito orebody is helping to identify mineralisation at depth, making the rate and location of future mine development more efficient, and also identifying additional smaller parallel vein structures that could be accessed from existing mine development.

Within the Palito orebody the G3 vein is the most developed of the 26 veins, being developed to a depth of approaching 300 metres and over a strike length of more than 1.5 kilometres. Drill holes now extend that strike length beyond 1.5 kilometres and it remains open to the north and south. Management considers that there is strong potential for the Palito veins to continue both at depth and along strike to the south-east and the north-west, as far as the Currutela and Copper Hill discoveries respectively, opening up a potential four kilometre strike length of mineralisation.

At São Chico, the mine development has, to date, focused on the central ore shoot of the Main Vein. The Group is driving development galleries east and west towards additional ore shoots that have been identified by surface drilling and management is confident that these ore shoots will provide additional mineable ore at São Chico. Underground drilling is being undertaken at São Chico for short-term operational and mine planning purposes focussing on the deeper part of the mine, and the depth of the central ore zone. Surface drilling and a terrestrial induced polarisation ("IP") geophysics survey have highlighted excellent potential for future resource growth at São Chico whilst step out drilling, which is ongoing has intersected mineable widths and grades beyond the current mine limits to the east for 220 metres and west for over 300 metres. The IP survey has highlighted some significant and exciting anomalies to the west and south-east which will be drilled during 2020.

Business Model and Strategy

A blend of organic growth through the continued development of the Group's existing assets and targeting opportunities that have potential for long-term value improvement will be at the centre of the Group's plans for expanding the business.

Read more on **pages 04 and 05**

The Group has completed extensive test work to assess the benefits of ore-sorting to further enhance ore feed grade and to reduce waste entering the process plant. The ore-sorter was acquired and installed during 2019 and was fully commissioned during the first quarter of 2020. The ore-sorter will 'screen out' waste rock ahead of the milling section, allowing improved levels of gold production in 2020 without needing to expand the milling capacity. Management anticipates that the successful commissioning of the ore-sorter will bring feed grade increases, as well as liberating much needed process plant capacity, and is key to allowing some future organic growth to be realised without needing to expand milling capacity.

Summary of production results for 2019

Total gold production for 2019 of 40,101 ounces is an eight per cent increase in total production compared with 2018 when production was 37,108 ounces.

Total mining rates over the Palito Complex are, for 2019, approximately 8 per cent above those for 2018, whilst milling rates at 177,335 tonnes for the year are approximately 5.4 per cent higher than for 2018. The Company was, however, able to process approximately 30,000 tonnes of historic flotations tailings during the 12 month period, representing an 87 per cent increase compared to 2018.

Review of Mining Activity 2019

Mining of the Palito and São Chico orebodies has for the last couple of years been in a steady regime. Nevertheless, the Group realises the importance of maintaining development rates comfortably ahead of stoping, and in this way ensure a steady mining rate and ore-grades for the future. Short-term actions taken in reaction to the COVID-19 pandemic are not anticipated to affect the longer term plans and operational strategies for mine development and production.

Mined grades achieved for 2019 averaged 7.00 g/t, a four per cent reduction compared with the average grade achieved for the same period in 2018, and is slightly below the average reserve grade for the two orebodies of just over 8.0 g/t, estimated by SRK in the Palito Complex Technical Report issued in January 2018. Whilst the operation tries to maintain an even grade as much as possible, the various blocks of the different veins being mined at any time give rise to monthly and therefore quarterly variation. Management considers that this variation reflects slightly higher levels of mining dilution and is constantly looking at its mining methods to minimise dilution whilst maintaining planned production levels. Whilst mined grades are below the average levels for 2018, the mined tonnage has increased by 8.3 per cent, resulting in an overall increase in the contained gold being mined and therefore available for processing of four per cent.

Plant operations

Total gold production for 2019 was 40,101 ounces of gold, generated from the processing of ROM ore from the Palito and São Chico orebodies, combined with the surface coarse ore stockpiles, and includes 3,394 ounces produced from the stockpiled flotation tailings accumulated from the initial processing of Palito Mine production in 2014.

A total of 177,335 tonnes from the Palito and São Chico orebodies with an average grade of 7.02 g/t of gold (12 months to 31 December 2018: 168,253 tonnes at 7.06 g/t of gold) were processed. ROM ore processed in 2019, compared with the prior year, was higher by 5.4 per cent or approximately 9,100 tonnes, and during the same period a total of 29,976 tonnes of reprocessed tailings were passed through the plant, an increase of approximately 13,500 tonnes compared with 2018.

+8%

Total gold production

+5.4%

Increase in milling rate

+87%

Increase in historic flotation tailings processed

Plant performance has been excellent throughout the year, averaging approximately 570 tonnes per day (including reprocessed tailings), an improvement of 16 per cent compared with 2018. Mill feed is predominantly crushed ROM and is topped up with coarse ore stock and some stockpiled flotation tailings. The Company still has approximately 2,000 tonnes of coarse ore stockpiled on surface and sufficient stockpile of flotation tails to allow processing at current rates for 2020 (with an average grade of around 3.0 g/t of gold). Since the operations began, plant capacity has limited the ability to run down the surface ore stocks, a legacy of the fact that mine production began six months before the ore processing.

At the start of 2019, the Group successfully commissioned a 'scrubber', an item of equipment that allows easier processing of the stockpiled flotation tailings. During 2018, the Group had, with limited success, tried to feed these flotation tailings into the plant trialling a variety of feed mechanisms. The scrubbing plant is dedicated to classifying and cleaning this material, removing impurities and allowing it to be fed directly into the plant post, milling. This equipment was commissioned in the first quarter of 2019 and, after some minor adjustments, the throughput rates are now approximately 100 tonnes per day, in line with planned rates and with 9,422 tonnes processed in the fourth quarter of 2019, this represents a significant improvement compared with the first quarter of 2019, when the volume processed was only 3,136 tonnes.

An encouraging recent development has been the test work undertaken by the Group on ore sorting of the Palito ore. With the veins at Palito being typically 0.5 to 0.7 metres wide, the current mining operations employ the most selective methods possible but, even with a minimum mining width of 1.0 metre, they inevitably result in a significant amount of granite waste still entering the ore-stream. Having undertaken test work in Brazil and subsequently at the manufacturer's facilities in Poland, excellent results have been achieved using X-ray scanning on the Palito ore using relative atomic densities to physically separate crushed sulphide bearing ore and granite waste. The contrast and results have been quite remarkable. Following the completion of installation at the end of 2019, commissioning work has been ongoing during the first quarter of 2020 and, as a result, the production benefits are only expected to be seen from the second quarter onwards. Whilst the unit will initially be dedicated to the processing of Palito ore, a colour scanner unit has been be added. Management will use the unit to assess and test the amenability of both São Chico and Coringa ores to ore sorting and are hopeful of successful results.

The ore-sorter has been installed after the main crushing plant and will remove waste material that, despite best efforts to mine selectively, would otherwise, unavoidably, enter the plant feed. This waste will be removed post-crushing but ahead of milling and will reduce process costs per ounce recovered, as well as liberating capacity in a mill constrained operation. In this way it is hoped that, using this technology, the plant can be debottlenecked, mill feed grade elevated as a result, and plant capacity freed up for the future organic growth with the added benefit of potentially reducing the surface stockpiles of ore.

Palito Complex Licensing

The Palito operation is fully permitted and has a mining licence issued in October 2007 and with no fixed expiry date, covering 1,150 hectares.

In February 2014, the Final Exploration Report ("FER") for the São Chico gold project was completed and submitted to the Departamento Nacional de Produção Mineral ("DNPM"), who issued notification of their approval of this report in November 2014. This represented the first part of the process of transforming the São Chico exploration licence into a full mining licence. As the next major step in the conversion procedure, Serabi submitted, in September 2015, the Plano Approvimiento Economico, a form of economic assessment prepared in accordance with Brazilian legislation. Additionally, the Group engaged MDM from Belem, an Environmental Consultancy to complete a full socio-economic analysis and Environmental Impact Assessment ("EIA") for São Chico. This is now complete, however SEMAS, the state Environmental Agency informed Serabi in the latter half of 2018 that, in reference to the already submitted Coringa EIA, they could not process two EIA's from the same company simultaneously. With the public hearing for Coringa, which was convened by SEMAS, having now taken place in February 2020, the Company hopes that SEMAS will now be in a position to undertake their assessment of the São Chico EIA during 2020.

Operational Review continued

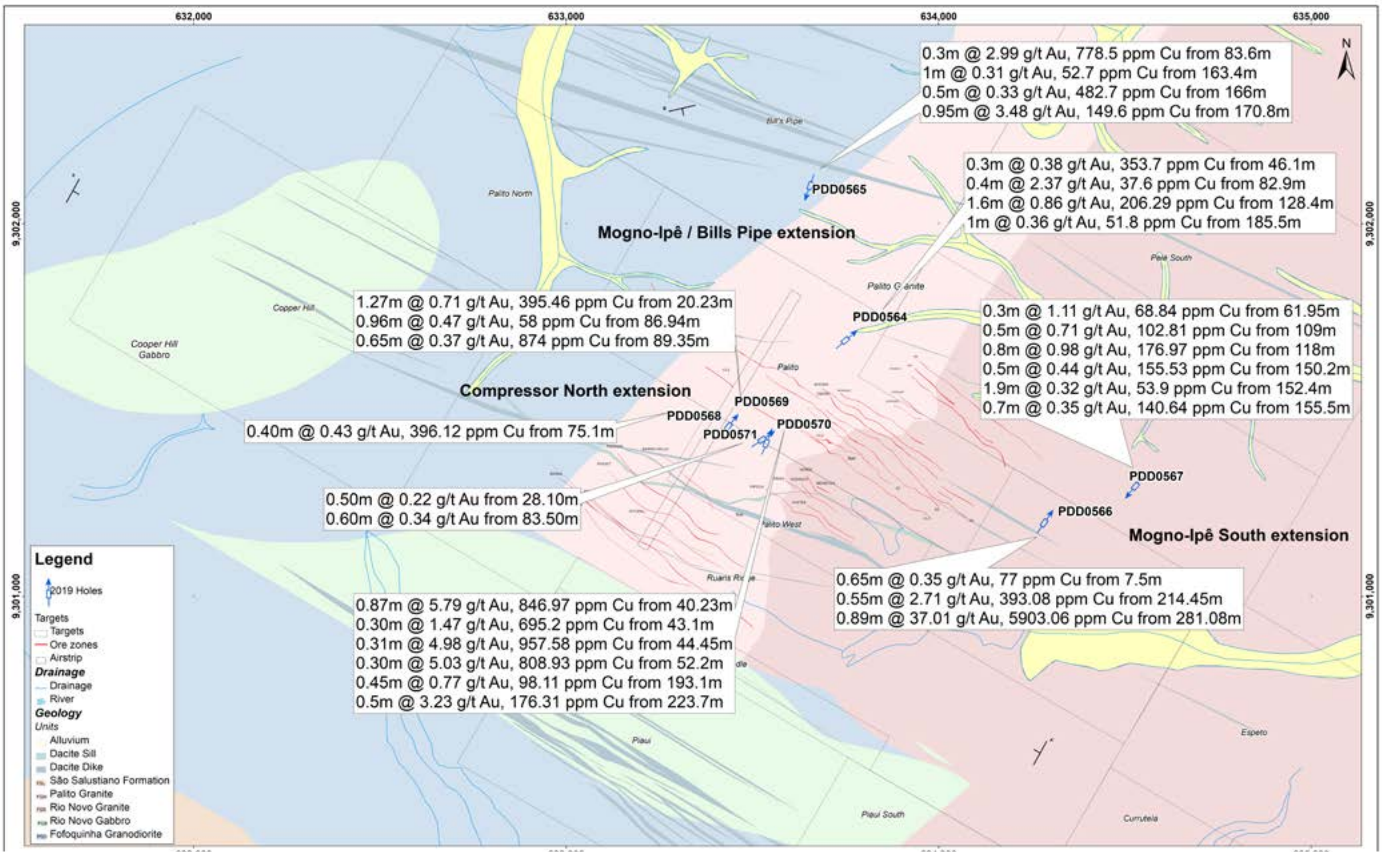


Image of the Palito Drilling completed during 2019

The Guia de Utilização (a trial mining licence) was renewed on 9 October 2019 and is valid until 9 October 2022. In addition, an application was submitted for a second trial mining licence, immediately to the west of the existing trial mining licence. This second licence was issued on 16 December 2019 and is valid until 13 December 2022. All mining operations can continue under the trial mining licences, whilst the full mining licence application is progressing. The issuing of the mining licence also requires the submission of a risk assessment and management plan, safety assessments, environmental and social impact studies, closure and remediation plans all of which have been submitted to the relevant government bodies. Any further reports requested or updates to existing reports will be submitted promptly upon request.

Exploration

In 2019, exploration continued to focus on 'headframe' exploration, but also importantly the regional exploration maintained the momentum of screening the geophysical anomalies developed from the 2018 regional surveys.

Through this combination of near-mine and regional exploration and evaluation, the Group expects to establish a strong pipeline of development opportunities that will allow the Group to grow its production base at a low capital cost, leverage off existing infrastructure and resources to minimise development and operational costs and, with high-grades and low volumes, have a low environmental impact.

Recent exploration activities fall into four categories;

- Diamond Drilling: surface diamond drilling programme of approximately 9,000 metres, focusing on extensions of known veins the Palito, São Chico and Coringa orebodies.
- RC Drilling: surface reverse circulation (RC) drilling of regional targets developed from the 2016 and 2018 induced polarization surveys in the São Chico region of approximately 500 metres.
- Geochemistry: Follow-up soil geochemical programmes over near mine-site anomalies adjacent to the Palito and São Chico orebodies.
- Regional: Approximately 6,700 stream sediment, rock and soil geochemistry samples were collected and field mapping of the electro-magnetic ("EM") geophysical targets generated in 2018, all of which covered parts of the JDO tenement holdings that had not received any previous exploration.

Drilling

A planned surface drill programme, which commenced in late August 2019, was divided between both the Palito and São Chico orebodies in the later part of the year.

At Palito, the programme initially focused on step out drilling on the known veins, with a view to justifying subsequent underground development.

The key outcomes of the 2019 Palito programme have been

(i) the extension of the Compressor vein to the north, where step out holes have traced the vein further to the north than the current mine limit,

(ii) the southerly extensions of the Ipe/Mogno veins of the Chico da Santa area, and

(iii) the northerly extensions of the Ipe/Mogno veins of the Chico da Santa area.

Drill intersections on the Compressor north area show the vein continuing north approximately 140 metres from the most northerly exposure underground. Diamond drilling on the Ipe/Mogno vein sets intersected economic mineable widths and grades located 250 metres to the south and over 500 metres to the north of the current underground workings.

At the São Chico orebody, the surface drilling initially focused on the São Chico mineralisation in the Highway Zone. This drilling targeted data gaps in the shallow portion of the deposit and the down-dip extensions of the Principal Vein. The drilling successfully intersected significant mineralised intercepts and extended the shallow Highway Zone to over 250 metres vertical depth, an extension of some 120 metres below the current limit of the mining in the Highway Zone.

The drilling successfully intersected significant mineralised intercepts and extended the shallow Highway Zone to over 250 metres vertical depth, an extension of some 120 metres below the current limit of the mining in the Highway Zone.

In addition, a single hole was completed on the West Vein area. Part of a larger drilling programme initiated at the end of the reporting year, this drill hole intersected mineralisation on both the Principal Vein and the Julia Vein.

Drilling is ongoing in 2020 and has continued to report positive results in step out drilling both to the east and west, intersecting the continuation of the São Chico orebody with both mineable grades and widths. To the west, drilling has been undertaken 300 metres beyond the current western limit of the mine, and the intersections are indicative of being able to extend this mine limit. Management anticipates that these results will contribute to a significant expansion of the current mineral resource. The Company will continue stepping-out 100 metres at a time, and management expects that continued success will expand the mineral resource further.

To the east, high-grade mineralisation has also been intersected with the most easterly hole returning an intersection of 11.7 g/t Au over 1.2 metres. This result is located 220 metres to the east of the current eastern limit of the mine and therefore the orebody remains open to the east and justifies additional step out drilling to test this eastern extension.

In addition, the Company has also drilled what is now the deepest intersection at São Chico, where hole 19-SCUD-333 has reported a gold grade of 25.37g/t over a width of 4.08 metres. This hole is approximately 200 metres below the current lowest development level in the mine and therefore nearly 500 metres from surface. An intersection of this quality provides strong encouragement of continuity of the São Chico orebody at depth and therefore potential further resource growth and extended life of the operation.

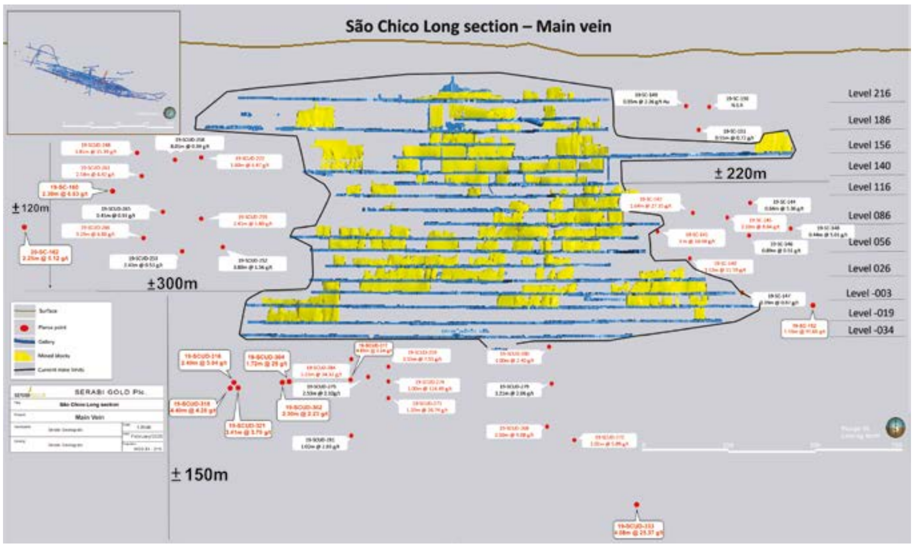


Image illustrating a long section of the São Chico orebody with location of drilling intercepts and key results

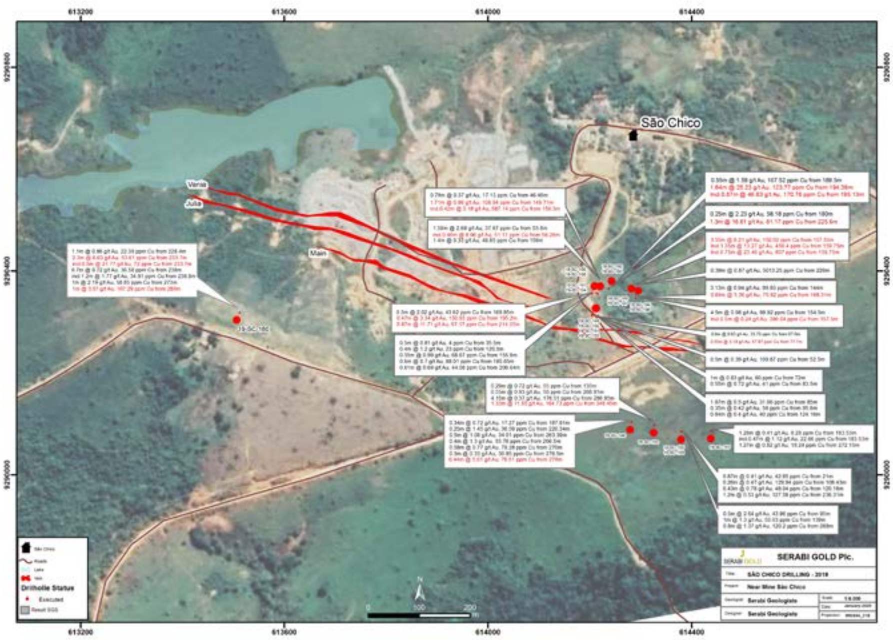
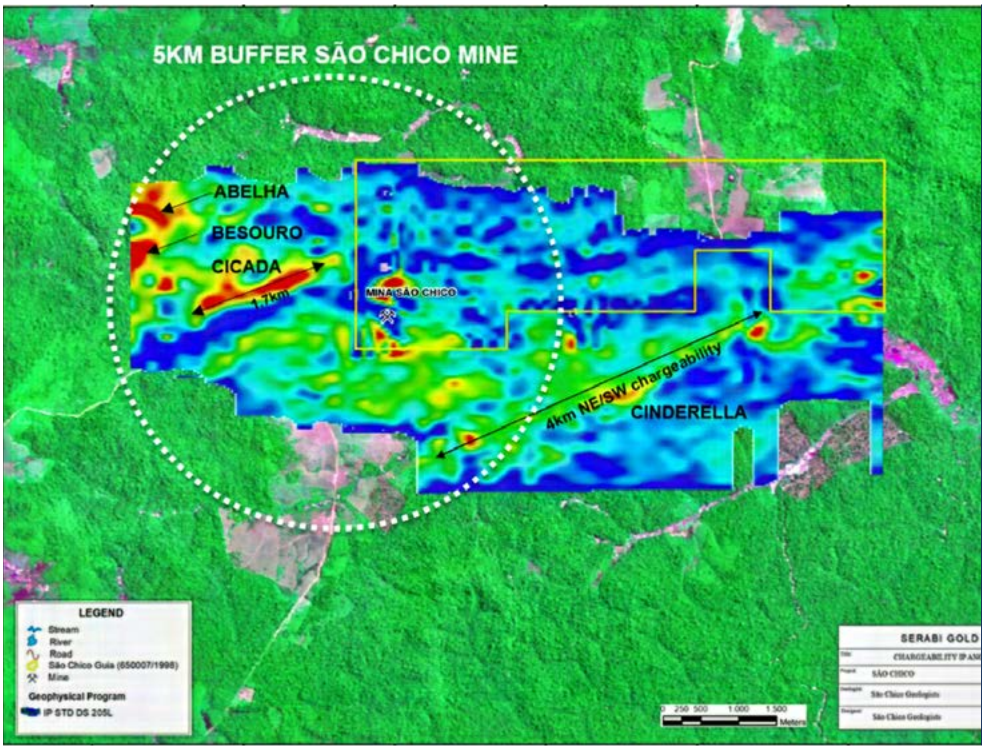


Image of São Chico mine-site showing location of drilling and key results for 2019

The drilling campaign was planned to continue until mid-2020, following which the Company intended to undertake a new mineral resource estimate during the second half of the year. Whilst the Company is assessing the impact of Coronavirus on its operations and cash flow, this campaign has been suspended but will be restarted as soon as circumstances allow. Results from the remainder of the drilling campaign will be issued as they become available and as the Group continues to build on the geological information outside the immediate mine limits.

In December, a Reverse Circulation drill rig commenced a 10,000m programme to follow-up on targets generated from the 2018 terrestrial Induced Polarisation ("IP") geophysical surveys. By year end, two drill holes had been completed on the West Ridge area, a cluster of IP anomalies lying approximately 2.5km north-west of the São Chico deposit. Additional RC drilling will target in Cinderella geophysical/geochemical anomalies in 2020, although at this time, this programme has also been suspended whilst the Company assesses the impact of the Coronavirus on its operations.

Operational Review continued



Key to zones marked on image

ABELHA anomaly - A two kilometre long, east-northeast to west-south-west trending, robust chargeability anomaly coincident with a subtle magnetic high, situated only two kilometres west of the São Chico mine and one kilometre west of the recently reported high-grade intersections from West Vein drilling (see news release of 20 September 2018). This anomalous area lies within the São Chico structural corridor at the intersection of several interpreted fault sets, similar to the setting of the current São Chico operations.

BESOURO anomaly - An elongate chargeability anomaly, parallel to Abelha and lying on the western edge of the survey area.

CICADA anomaly - A cluster of chargeability anomalies located in the north-west of the survey area and lying within the São Chico strike corridor.

Image showing current IP results at São Chico and location of the Cinderella zone

Ground Geophysics and Geochemistry

Ground geophysics surveys in the vicinity of the São Chico orebody were ongoing for much of 2018, with some very significant anomalies recorded. Approximately 107 line kilometres of IP geophysical survey was completed, testing extensions to the east, west and south. This complemented an earlier 20 line kilometre IP survey started in 2016, along the São Chico strike. With a total of 127 line kilometres now completed, a strike length totalling nine kilometres along the São Chico trend has now been covered with IP.

These surveys have highlighted the exploration potential within the area, defining a significant number of IP chargeable anomalies to the south, east and west of the São Chico deposit. The results suggest the potential to the west remains very good, and provides a comprehensive electrical resistivity and chargeability map of the São Chico district and, together with the detailed airborne electromagnetic and magnetic surveying also completed in 2018, provided the foundation for the Group's exploration activities in 2019.

The Cinderella Shear located to the south-east of São Chico is a very prominent IP anomaly, coincident with a magnetic high identified from an airborne survey, which now extends for seven kilometres. There has been historical artisanal mining activity around the areas that drain from the anomaly, make this feature extremely significant. A geochemical soil sampling programme has been completed over Cinderella to improve the targeting of the follow-up drilling campaign that is planned to be undertaken in 2020.

Regional Exploration

The JDO Project Area covers a total area of over 54,000 hectares, incorporating the Palito and São Chico mining licence areas and the Sucuba prospect area. In addition to the tenements that incorporate the Palito and São Chico ore-bodies, the remainder of the tenement area comprises exploration licences either granted or in application. The JDO Project is located in the Tapajós Mineral Province in the south-east part of the Itaituba Municipality in the west of Pará State in central north Brazil.

In 2018, the Company completed an airborne 4,300 line kilometre airborne electro-magnetic ("AEM") geophysical survey, covering approximately 25,000 hectares of the JDO tenement holdings. The survey supplemented the two AEM surveys completed in 2008 and 2010 providing ~90% coverage of the prospective geology. From these surveys, the Group identified several geophysical anomalies which it considers worthy of further investigation.

The EM survey identified an extremely pronounced magnetic high that runs east west across the tenements (see Figure overleaf). This is a regional feature, and many of the identified electromagnetic anomalies lie on the flanks of this magnetic high.

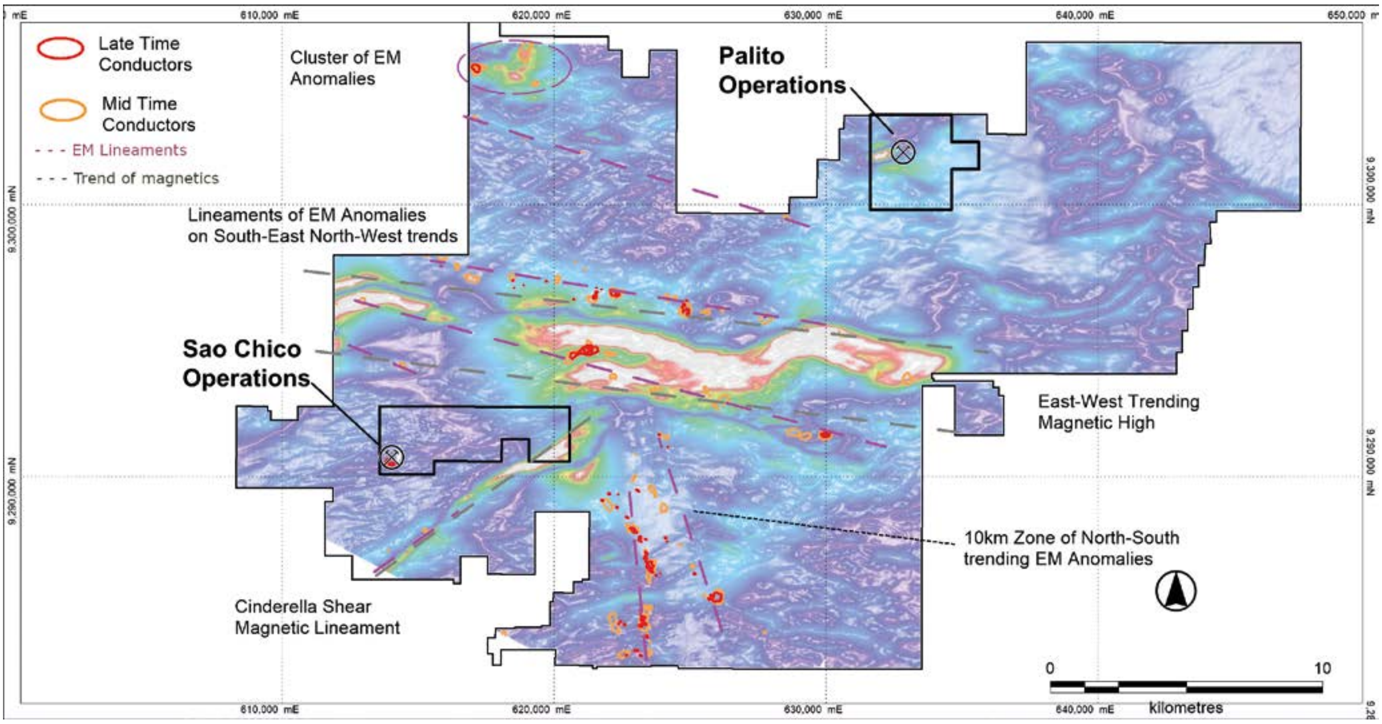
During the year, the Company commenced stream sediment and soil geochemistry surveys over a number of the high priority AEM anomalies identified from the recent survey. As a result, the Company has undertaken the collection of approximately 6,400 soil and 35 stream sediment geochemistry samples along with surface mapping and outcrop sampling programmes, including the collection of some 223 rock samples for geochemical analyses and petrographic studies.

Key results included the identification of a number a significant gold and supporting multi-element anomalies.

The AEM also identified an extremely interesting EM anomaly trending north-south and located to the south-east and east of the São Chico tenement. The Group's current ground geophysics and drill programmes have not extended out this far and this is therefore untested ground. As a completely new find, and considering that it extends for more than 10 kilometres, management considers that this represents a very exciting development.

Coringa Project Development and Licensing

Serabi has been continuing the work started by Anfield on the permitting and licensing process, and has continued to pursue the formal approval of the Environmental Impact Assessment ("EIA") submitted late in 2017 and undertake any supplementary work or reports that may be requested. Following the award of the trial mining licence for the project during the second quarter of 2018, management was advised late in 2018 that the state environmental agency ("SEMAS") had approved the content of the EIA and was ready for the Group to start convening the necessary public meetings.



VRMI magnetic image showing coincident mid (100-175m depth – orange colour) and late-time (175-250m depth –red) EM conductivity anomalies. The above figure includes magnetic images generated by previous surveys conducted by the Company in 2008 and 2011.

However, in light of concerns over conventional tailings dams in Brazil, following the failure of the Brumadinho dam in January 2019, the Group has now elected to install a filtration plant allowing for the dry stacking of tails and eliminate the need for a conventional tailings dam. The Group has been working with SEMAS on the amendment to the EIA, to reflect this change in the planned process flowsheet, and the amended EIA was submitted and protocoled with SEMAS in early September 2019.

SEMAS provided a provisional approval of the EIA shortly before the end of 2019 and authorised the holding of a public hearing which took place on 6 February 2020 and passed off as expected. In addition to SEMAS, the meeting was also attended by representatives from the ANM (the Brazilian national mining authority), SEASTER (State Secretary for Social Assistance, Employment and Income) and SEDEME (State Secretary for Economic Development of Mining and Energy). The Company believes that the various government bodies, having visited Serabi's current operations immediately prior to the Public Hearing, formed a positive view of the Company and its proposals for progressing the Coringa Project. The next step will be for SEMAS to present a recommendation to the State Environmental Council of Para ("COEMA"), which is the legislative body that will give final approval for the award of the Licençia Previa. The Company expects that the decision of COEMA will be made in the coming months, following which management will submit its application for the Installation Licence ("Licençia Instalacao"), and which it hopes can be approved in time to allow initial plant and site construction to commence prior to the end of 2020.

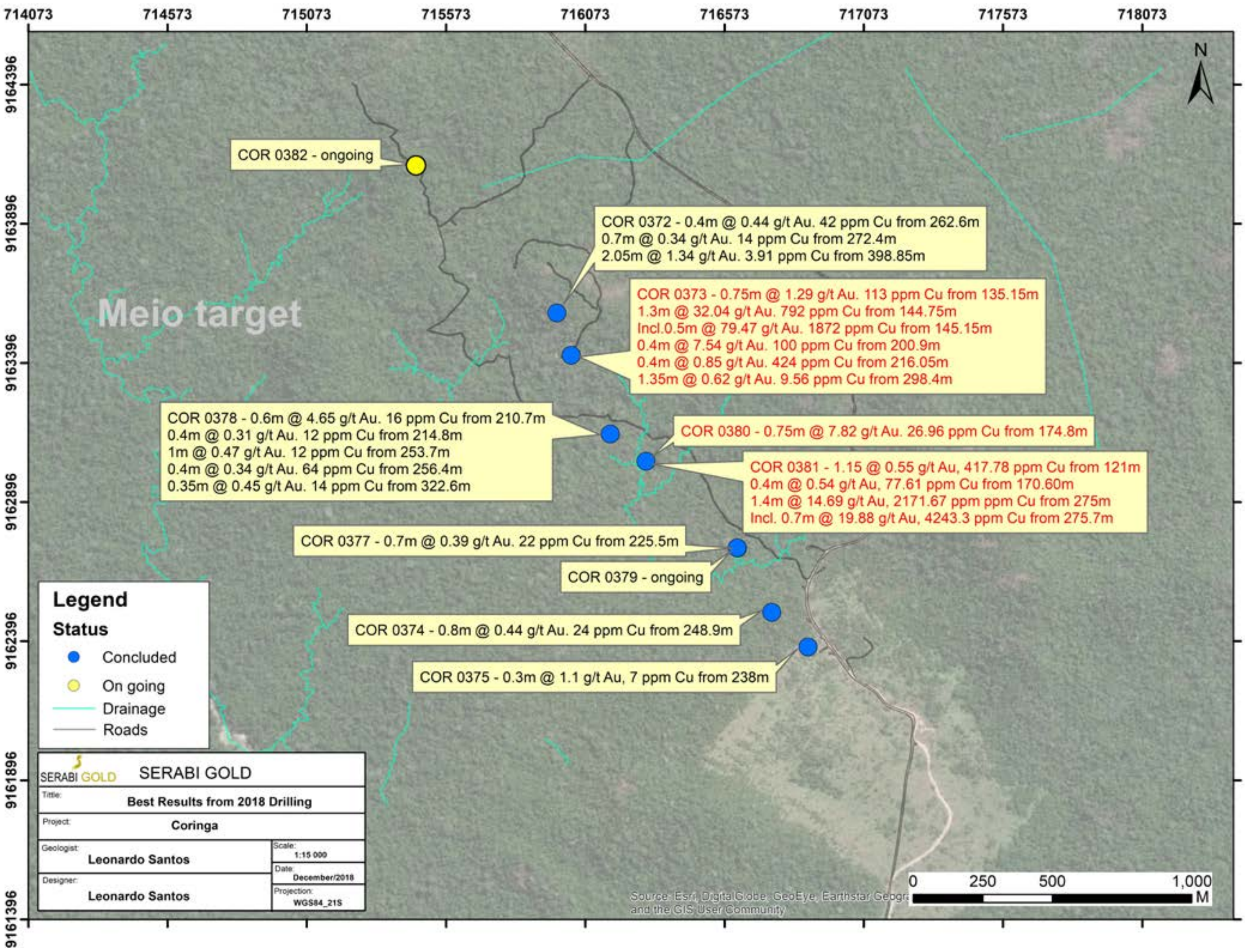
On 6 September 2019, Serabi released the results of the Coringa PEA prepared by GRE which also included an amended mineral resource estimate for the Coringa project, updating a previous estimation also undertaken by GRE that was issued on 4 March 2019. The new estimation recorded a NI 43-101 compliant Indicated Resource of 195,000 ounces of gold at an average grade of 8.24 grammes per tonne ("g/t") and an Inferred mineral resource of 346,000 ounces of gold at an average grade of 6.54 g/t. The Technical Report was issued on 21 October 2019, and is available to view on the Group's website at www.serabigold.com and on SEDAR at www.sedar.com.

The Coringa PEA was very positive and using a base case gold price of US$1,275 per ounce projected a post tax IRR of 31% and a post tax NPV at a five per cent discount rate of US$47.3 million.

- The Base Case project payback is estimated to occur within 2.25 years of first gold production;
- Average Life of Mine ("LOM") All-In Sustaining Cost ("AISC") of US$852 per ounce, including royalties and refining costs using the Base Case gold price;
- Average gold grade of 8.34 g/t gold, producing a total gold production of 288,000 ounces;
- Typical annual production once the project is in full operation averages 38,000 ounces per year;
- Initial capital requirement of US$24.7 million prior to sustained positive cash flow;
- Sustaining capital expenditures of US$9.2 million to be funded from project cash flow;
- Indicated mineral resource inventory of 125,000 ounces of gold, supported by a further Inferred Resources of 178,000 ounces of gold from a total geological resource of 195,000 indicated ounces of gold and 346,000 inferred ounces of gold, to be produced by underground open stoping using a cut-off grade of 6.00 g/t gold;
- Total Life of Mine of approximately 9 years;
- The Base Case includes a 20 per cent contingency on both operating and capital costs;
- Subject to permitting approvals and project financing, management hopes that, subject to adequate operational cash flow being generated, mine development start-up could occur before the end of 2020, with initial processing of ROM feed set to commence approximately nine to 12 months later.

Management considers that the PEA mine plan can be better optimised and the ramp-up to full production accelerated by starting up the development of the project earlier than envisaged in the PEA subject to funding being available. Whilst the Group is still seeking to obtain all the necessary permits for the construction of the plant and to allow processing of ore, it has already received

Operational Review continued



Coringa Drilling Results

a trial mining licence. It has been advised that within the limitations of the trial mining licence, initial development of the Coringa underground mine could be undertaken. Preparations for starting the mine portal and underground ramp at Coringa are well underway with the area having been cleared and hard rock exposed.

Beginning the ramp under the trial mining licence serves a number of purposes. Firstly, the Group will obtain invaluable information about the orebodies in terms of geometry, thickness and their general nature, which, with vein mining, is very difficult to obtain solely from drill hole data. This has a number of key operational benefits. It will allow the Group to de-risk the project for potential lenders by establishing the continuity of the orebody. It will also allow the Group to establish whether and to what extent, mechanised mining could be deployed, potentially reducing costs compared with the PEA. Finally, it will allow the Group to generate a bulk ROM ore sample and test the amenability of the ore for ore-sorting. The proximity of the ore-sorter at Palito, just 200 kilometres to the north, will allow the Group to undertake its own 'in-house' testing. Whilst the plant that was acquired as part of the acquisition has adequate capacity, the use of ore sorting could reduce operating costs by reducing the processing of unnecessary waste material. Management also considers that an early start-up of the project is a critical step to winning support in the permitting process as a demonstration to the community and other local stakeholders of the Group's intent to develop the project.

On 14 August 2017, Anfield announced that it had received key permits required to commence construction of the Coringa project, being (1) the licence of operation for exploration and trial mining, (2) the vegetation suppression permit and (3) fauna capture permit, all issued by the SEMAS. The SEMAS permits contain a list of conditions for the conservation and protection of fauna and flora.

In May 2018, trial mining licences for each of the concessions 850568/1990 and 850567/199, valid until 25 May 2020 and 25 November 2020 respectively, were issued by the DNPM permitting the Group to commence mine development and limited ore production from Coringa. The trial mining licences and the concurrent operating licence authorises mining of up to 50,000 tonnes of ore per year at Coringa. In the absence of the necessary processing permits, any ore recovered at this stage will be stockpiled for future processing. Under applicable regulations, once the mine is operational, Chapleau Brazil may apply to the DNPM and SEMAS to increase the mining and processing limits.

On 23 May 2018, Serabi was informed, following an action brought by the Brazilian Ministério Público Federal ("MPF"), on 27 September 2017, seeking to nullify the operating licence previously granted to Chapleau Brazil by SEMAS, that the court and judge who presided over the hearing on 26 April 2018, denied the MPF any action against SEMAS, the DNPM and Chapleau Brazil and also denied any right to appeal the decision, thus allowing Chapleau to proceed with advancing the project.

Strike and plunge extensions along the three main ore zones of Meio, Galena and Serra were targeted, with the results returning a series of high-grade intersections extending the previously modelled ore zones.

Progress has also been made in several other areas relating to the development of Coringa. Applications for required camp and start-up water were submitted prior to the date of the Acquisition and the tailings storage permit request was submitted on 11 December 2017. Discussions for long-term land access agreements with the Instituto Nacional de Colonização e Reforma Agrária ("INCRA"), a government agency which claims ownership of the surface rights where the project is situated are ongoing and being progressed.

Coringa Exploration

Drilling at the Coringa Gold Project commenced in 2018, with the programme completed in late February 2019. Strike and plunge extensions along the three main ore zones of Meio, Galena and Serra were targeted, with the results returning a series of high-grade intersections extending the previously modelled ore zones.

Significant intersections returned included;

- Galena - 2.0m @ 25.02 g/t Au from 141.50m (COR0367) including 1.0m @ 48.18g/t Au
- Serra – 4.0m @ 3.36 g/t Au from 354.0m (COR0370) including 1.28m @7.45g/t Au
- Meio #2 – 0.35m @15.57 g/t Au (COR0372) from 197.05m
- Meio #2 – 1.3m @ 32.04g/t Au (COR0373) from 144.75m including 0.5m @ 79.47g/t Au
- Meio # 4 – 0.60m @ 4.65 g/t Au (COR0378) from 210.70m
- Meio #4 – 0.75m @ 7.61 g/t Au (COR0380) from 174.8m
- Meio #4 - 1.40m @ 15.82 g/t Au (COR0381) from 275.0m
- Meio #4 - 1.15m @ 9.69 g/t Au (COR0383) from 134.2m including 0.60 m @ 17.74 g/t Au

All of the above results were included in the latest mineral resource estimation that was issued by the Group on 6 September 2019. In addition to new drilling undertaken, the Group also completed, during the first half of 2019, a re-logging and re-sampling programme on historic Coringa drill holes. A total of 179 early Coringa drill holes were reassessed. Re-sampling was completed on 43 of the 179 drill holes honouring geological contacts and quartz vein structures. A total of 92 core samples were analysed and significant grade increases reported in many mineralised intersections, as a consequence of the exclusion of the dilution effects of un-mineralised host wall rocks that the previous owners had included within the sampled intervals.

Together with the additional drilling results, these improved intercepts were used in the latest revision of the geological resource estimate.

The Galena vein was drilled targeting the strike and plunge extension of the vein at depth. The programme successfully intersected high-grade mineralisation over mineable widths and with hole COR0367 extending the known mineralisation for a further 100 metres to the south of the previously known limit.

Similarly, a series of four holes were completed on the Serra vein set. Drill hole COR0370 targeted the down dip and northern strike extension of the modelled ore zones. It successfully intersected a four metre drilled width of veining and alteration which has extended the mineralisation for a further 150 metres down dip and 140 metres along strike to the north from the previous drill intersections of the Serra mineralisation.

A series of nine drill holes were completed along the Meio vein set, targeting the Meio #2 (M2) and Meio #4 (M4) veins. The Meio #1 (M1) vein is the most strike extensive and drilled vein defined to date with numerous intersections along a total strike length of 1,500 metres. The M2 vein which lies parallel to M1 had previously, however, only been defined along a total strike length of 700 metres. The M4 vein is considered to be a southern extension of the M1 vein in a structurally offset position and past drilling had defined the mineralisation over a 900 metre strike length.

Drill holes COR0372 and COR0373 targeted the southern strike extension of the M2 vein, successfully intersecting the structure and significantly extending the strike of the M2 vein for a further 480 metres to the south, making the drilled strike of the M2 vein to almost 1,200 metres, and it remains open along the southern strike.

Drill holes COR0378, COR0380 & COR0381 targeted, over a strike extend of 400 metres, the northern dip extension of M4 vein at depth. This drilling has successfully extended the vein for approximately 200 metres deeper than previously known along this 400 metre strike.

Other Exploration Prospects

The Group has three other project areas, although activities on each of these projects have been limited in recent periods.

Sucuba Project

The Sucuba project is located some 10 kilometres to the north-west of Palito and the Company holds two exploration licences applications totalling 10,449 hectares. The Company has conducted exploration work in the past on this area where the main gold anomaly is centred on a small garimpeiro pit. Initial geochemistry highlighted anomalous gold values over an east-west area of 800 metres by 150 metres and a limited historic drill programme returned a number of gold values associated with structural controls, including 0.50metres at 20.42g/t Au. The area would appear to potentially host a polymetallic deposit with high lead, silver and zinc values having been returned.

Pizon and Modelo Projects

The Pison and Modelo Projects are isolated sites located approximately 250km and 300km to the west and north-west of the Palito Mine, with access being primarily by light aircraft. Serabi submitted final exploration reports and notices of relinquishment, and in 2019 the relinquishment of these tenements was approved.

It has always been the intention of the Group to use the cash flow generated from its production operations to advance its exploration opportunities.

Mike Hodgson
Chief Executive Officer
8 April 2020

Group Mineral Reserves and Resources

Table 1 - Mineral Resource Statement, Palito Mine, Para State, Brazil, as of June 30, 2017

	Vien Width	Quantity	Grade		Contained Metal	
Classification	m	000't	Gold g/t	Copper %	Gold 000'oz	Copper t
Underground						
Measured	0.52	274	15.21	0.77	134	2,110
Indicated	0.57	371	10.91	0.57	130	2,115
Surface Stockpiles						
Measured	–	12	3.15	–	1	–
Tailings						
Measured	–	60	2.70	–	5	–
Combined						
Measured	–	346	12.62	0.61	140	2,110
Indicated	–	371	10.91	0.57	130	2,115
Measured and Indicated	–	717	11.74	0.59	271	4,225
Underground						
Inferred	0.77	784	7.02	0.20	177	1,568

Notes to Table 1:

1 Mineral Resources have been rounded. Mineral Resources are not Mineral Reserves and have not demonstrated economic viability. Mineral Resources are reported inclusive of Mineral Reserves. All figures are rounded to reflect the relative accuracy of the estimates. Underground Mineral Resources are reported within classification domains inclusive of in-situ dilution at a cut-off grade of 3.10 g/t gold, assuming an underground extraction scenario, a gold price of US$1,500/oz, a 3.5:1 Brazilian Real to U.S. Dollar exchange rate, and metallurgical recovery of 91%. Polygonal techniques were used for mineral resource estimates. Surface stockpiles and tailings are reported at a cut-off grade of 1.65 g/t gold assuming a gold price of US$1,500/oz, a 3.5:1 Brazilian Real to U.S. Dollar exchange rate, and metallurgical recovery of 78%.

2 Serabi is the operator and owns 100% of the Palito Mine such that gross and net attributable mineral resources are the same. The mineral resource estimate was prepared by the Company in accordance with the standard of CIM and Canadian National Instrument 43-101, with an effective date of 30 June 2017, and audited and approved by Mr Glen Cole of SRK Consulting (Canada) Inc., who is a Qualified Person under the Canadian National Instrument 43-101.

3 Since 30 June 2017 the Group has extracted, from the Palito orebody, total contained gold of approximately 53,957 ounces, having mined a total of approximately 240,178 tonnes at an average grade of 6.99 g/t.

Table 2 - Mineral Reserves Statement, Palito Mine, Para State, Brazil, as of June 30, 2017

	Quantity	Grade		Contained Metal	
Classification	000't	Gold g/t	Copper %	Gold 000'oz	Copper t
Underground					
Proven	265	9.77	0.46	83	1,219
Probable	276	7.64	0.39	68	1,076
Surface Stockpiles					
Proven	12	3.15	–	1	–
Tailings					
Proven	60	2.70	–	5	–
Combined					
Proven	337	8.28	0.36	90	1,219
Probable	276	7.64	0.39	68	1,076
Proven and Probable	613	7.99	0.37	157	2,295

Notes to Table 2:

1 Mineral Reserves have been rounded to reflect the relative accuracy of the estimates. Proven Underground Mineral Reserves are reported within the Measured classification domain, and Probable Underground Mineral Reserves are reported within the Indicated classification domain. Proven and Probable Underground Mineral Reserves are inclusive of external mining dilution and mining loss and are reported at a cut-off grade of 3.70 g/t gold, assuming an underground extraction scenario, a gold price of US$1,250/oz, a 3.5:1 Brazilian Real to U.S. Dollar exchange rate, and metallurgical recovery of 91%. Proven Mineral Reserves surface stockpiles and tailings are reported at a cut-off grade of 1.95 g/t gold, assuming a gold price of US$1,250/oz, a 3.5:1 Brazilian Real to U.S. Dollar exchange rate, and metallurgical recovery of 78%.

2 Serabi is the operator and owns 100% of the Palito Mine such that gross and net attributable mineral reserves are the same. The mineral reserve estimate was prepared by the Company in accordance with the standard of CIM and Canadian National Instrument 43-101, with an effective date of 30 June 2017, and audited and approved by Mr Timothy Olson of SRK Consulting (US) Inc., who is a Qualified Person under the Canadian National Instrument 43-101.

Table 3 - Mineral Resource Statement, São Chico Mine, Para State, Brazil, as of June 30, 2017

	Thickness	Quantity	Grade	Contained Metal
			Gold	Gold
Classification	M	000't	g/t	000'oz
Measured	1.82	60	13.34	26
Indicated	1.79	22	14.70	10
Measured and Indicated	**1.81**	**82**	**13.70**	**36**
Inferred	1.80	123	13.77	54

Notes to Table 3:
1 Mineral Resources have been rounded. Mineral Resources are not Mineral Reserves and have not demonstrated economic viability. Mineral Resources are reported inclusive of Mineral Reserves. All figures are rounded to reflect the relative accuracy of the estimates. Underground Mineral Resources are reported within classification domains inclusive of in-situ dilution at a cut-off grade of 2.85 g/t gold, assuming an underground extraction scenario, a gold price of US$1,500/oz, a 3.5:1 Brazilian Real to U.S. Dollar exchange rate, and metallurgical recovery of 95%. Polygonal techniques were used for mineral resource estimates.
2 Serabi is the operator and owns 100% of the São Chico Mine such that gross and net attributable mineral resources are the same. The mineral resource estimate was prepared by the Company in accordance with the standard of CIM and Canadian National Instrument 43-101, with an effective date of 30 June 2017, and audited and approved by Mr Glen Cole of SRK Consulting (Canada) Inc., who is a Qualified Person under the Canadian National Instrument 43-101.
3 Since 30 June 2017 the Group has extracted, from the São Chico orebody, total contained gold of approximately 50,247 ounces, having mined a total of approximately 190,632 tonnes at an average grade of 8.20 g/t.

Table 4 - Mineral Reserves Statement, São Chico Mine, Para State, Brazil, as of June 30, 2017

	Quantity	Grade	Contained Metal
		Gold	Gold
Classification	000't	g/t	000'oz
Underground			
Proven	65	8.15	17
Probable	25	9.15	7
Proven and Probable	90	8.43	24

Notes to Table 4:
1 Mineral Reserves have been rounded to reflect the relative accuracy of the estimates. Proven Underground Mineral Reserves are reported within the Measured classification domain, and Probable Underground Mineral Reserves are reported within the Indicated classification domain. Proven and Probable Underground Mineral Reserves are inclusive of external mining dilution and mining loss and are reported at a cut-off grade of 3.45 g/t gold, assuming an underground extraction scenario, a gold price of US$1,250/oz, a 3.5:1 Brazilian Real to U.S. Dollar exchange rate, and metallurgical recovery of 95%
2 Serabi is the operator and owns 100% of the São Chico Mine such that gross and net attributable mineral reserves are the same. The mineral reserve estimate was prepared by the Company in accordance with the standard of CIM and Canadian National Instrument 43-101, with an effective date of 30 June 2017, and audited and approved by Mr Timothy Olson of SRK Consulting (US) Inc., who is a Qualified Person under the Canadian National Instrument 43-101.

Table 5 - Mineral Resources Statement, Coringa Gold Project, Para State, Brazil, as of September 6, 2019

	Quantity	Grade	Contained Metal
		Gold	Gold
Classification	000't	g/t	000'oz
Underground			
Indicated	735	8.24	195
Total Indicated			
Underground			
Inferred	1,645	6.54	346

Notes to Table 5:
1 Mineral Resources have been rounded. Mineral Resources are not Mineral Reserves and have not demonstrated economic viability. Mineral Resources are reported inclusive of Mineral Reserves. All figures are rounded to reflect the relative accuracy of the estimates. Mineral Resources are reported within classification domains inclusive of in-situ dilution at a cut-off grade of 2.0g/t gold, assuming an underground extraction scenario, a gold price of US$1,500/ troy oz, an operating cost of $100/t, metallurgical recovery of 95%.
2 Serabi is the operator and owns 100% of the Coringa Gold Project such that gross and net attributable mineral resources are the same. The mineral resource estimate was prepared by Global Resource Engineering in accordance with the standard of CIM and Canadian National Instrument 43-101, with an effective date of 31 August 2019 by Mr Kevin Gunesch and Dr Hamid Samari, who are both Qualified Persons under the Canadian National Instrument 43-101.
3 Serabi is the operator and owns 100% of the São Chico Mine such that gross and net attributable mineral reserves are the same. The mineral reserve estimate was prepared by the Company in accordance with the standard of CIM and Canadian National Instrument 43-101, with an effective date of 30 June 2017, and audited and approved by Mr Timothy Olson of SRK Consulting (US) Inc., who is a Qualified Person under the Canadian National Instrument 43-101.

Financial Review

Reducing production costs through growth

Planned production growth and a favourable exchange rate will help secure long-term sustainability and reduce the unit costs of production.

"The Group has generated net cash flow from its operations of US$18.51 million. Cash balances have increased by approximately US$5.02 million during the year."

Twelve month period ended 31 December 2019 compared to the twelve month period ended 31 December 2018

During the twelve month period ended 31 December 2019, the Group produced 40,101 ounces of gold (12 months to 31 December 2018: 37,108 ounces) and recognised sales for 42,631 ounces (12 months to 31 December 2018: 33,551 ounces).

The gross profit of US$13.72 million for the 12 months ended 31 December 2019 can be analysed and compared with the gross profit of US$2.88 million for the same period of 2018 as shown in Table A.

Revenue

For the twelve month period ended 31 December 2019 the Group generated US$11,974,425 (2018: US$9,469,336) in revenue by selling an estimated 8,841 ounces of gold from the sale of 1,140 tonnes of copper/gold concentrate (2018: 6,745 ounces from 1,040 tonnes) and also recognised revenue for 33,790 ounces of gold bullion, generating total revenue of US$47,973,667 during the 12 months of 2019, (2018: sale of 26,806 ounces for revenue of US$33,792,407).

During the 12 months to 31 December 2019, the Group produced 986 wet tonnes of copper/gold concentrate, containing an estimated 7,839 ounces; (12 months to 31 December 2018: 1,134 wet tonnes of copper/gold concentrate, containing 7,543 ounces of gold). The unsold material is held as inventory.

During the 12 months to 31 December 2019, the Group produced 32,262 ounces of gold in the form of bullion in comparison to 29,565 ounces during the same period of the previous year. The variation between sales and production of bullion reflects the relative levels of gold held in inventory at the respective period ends. The Group held 5,807 ounces of gold at 31 December 2018 compared with the holdings of 3,466 ounces at 31 December 2019. The Group sold the excess stock during the first quarter of 2019.

Risks and Uncertainties

Management continues to review all aspects of operational performance to achieve improvements in total gold production while simultaneously seeking to improve safety, reduce costs, improve utilisation rates, reduce machinery down-time and achieving better production per shift.

Read more on **pages 26 to 29**

Operating Costs

Operating costs for the 12 months ended 31 December 2019 of US$34.36 million (2018: US$29.49 million) comprise all mining costs at both the Palito and São Chico Mines, plant processing costs, as well as all general site costs incurred on both mine-sites during the twelve month period in the production of the final sales products as shown in the table below. During 2019, the average exchange rate was BrR$3.94 to US$1.00 compared with an average exchange rate of BrR$3.65 to US$1.00 during the same period of the previous year, a weakening of more than eight per cent.

Labour Costs

Labour costs have increased by US$2.28 million for the twelve month period ended 31 December 2019 in comparison to the same period of the previous year primarily due to the 27 per cent increase in sales recognised offset by the eight per cent weakening of the Brazilian Real. During May 2019, each Brazilian employee received a five per cent increase in salary as a result of the national collective agreement in Brazil. There was also an increased number of operational staff employed during 2019 in comparison to 2018.

Mining Costs

Mining consumables and maintenance for the twelve month period ended 31 December 2019 have increased by US$1.38 million, or 15 per cent, in comparison to the same twelve month period from 2018. This is primarily due to the 27 per cent increase in sales recognised offset by the eight per cent weakening of the Brazilian Real in comparison to the US Dollar. Maintenance costs have also increased during the 12 months of 2019 in comparison to the same period of the previous year, as the underground fleet increased in size and age profile of the mining fleet.

Plant Processing Costs

Plant costs have increased by US$0.66 million, 16 per cent, for the twelve month period ended 31 December 2019 compared with the same period in the previous year. Again, this is primarily due to the 27 per cent increase in ounces sold offset by the eight per cent weakening of the Brazilian Real.

General Site Costs

General site costs for the twelve month period ended 31 December 2019 increased by 18 per cent compared with the same period in the previous year due to the increase in ounces sold during 2019 in comparison to 2018 offset by the eight per cent weakening of the Brazilian Real.

Cost increases in local currency reflect general increases in inflation between the two periods, as well as more third-party contractors required to undertake works on the Group's tailings management facilities to maintain compliance with new regulations that had come into force.

Table A - Gross Profit	**Twelve months ended December 2019**	Twelve months ended December 2018	Variance
Concentrate sold (Ounces)	**8,841**	6,745	2,096
Bullion Sold (Ounces)	**33,790**	26,806	6,984
Total Ounces	**42,631**	**33,551**	**9,080**
Revenue from Ordinary Activity	**US$**	US$	US$
Gold (in concentrate)	**10,663,094**	8,214,400	2,448,694
Copper (in concentrate)	**1,237,073**	1,203,019	34,054
Silver (in concentrate)	**74,258**	51,917	22,341
Total concentrate sales	**11,974,425**	**9,469,336**	**2,505,089**
Gold bullion sales	**47,973,667**	33,792,407	14,181,260
Total Sales	**59,948,092**	**43,261,743**	**16,686,349**
Costs of sales			
Operational costs	**34,362,790**	29,491,414	4,871,376
Release of/provision for impairment of inventory	**(500,000)**	(400,000)	(100,000)
Provision for impairment of state taxes receivable	**716,522**	–	716,522
Shipping costs	**1,038,205**	898,005	140,200
Treatment charges	**487,983**	432,082	55,901
Royalties	**1,097,945**	679,515	418,430
Amortisation of mine property	**7,233,465**	6,180,735	1,052,730
Depreciation of plant & equipment	**1,790,379**	3,100,652	(1,310,273)
Total operating costs	**46,227,288**	**40,382,403**	**5,844,885**
Gross profit	**13,720,804**	**2,879,340**	**10,841,464**

Table B - Operational Costs	**Twelve months ended December 2019**	Twelve months ended December 2018	Variance	Variance %
Tonnes Mined	176,743	162,722	14,021	9%
Tonnes Milled	177,334	168,253	9,081	5%
Ounces Produced	40,101	37,108	2,993	8%
Ounces Sold	42,631	33,551	9,080	27%

	Twelve months ended December 2019	Twelve months ended December 2018	Variance	Variance
	US$'000	US$'000	US$'000	%
Operating Costs				
Labour	**15,291**	13,006	2,285	18%
Mining consumables & maintenance	**10,652**	9,269	1,383	15%
Plant processing and consumables	**4,811**	4,151	660	16%
General site expenses	**3,608**	3,064	543	18%
	34,363	29,491	4,872	17%

Financial Review continued

Provision for Impairment of Inventory

The Group calculates unit costs of mined production on a cost per tonne basis irrespective of grade and has established stockpiles of low grade run of mine ore which are available for processing in the future. The Group has assessed the likely future value of these stockpiles and determined, in light of the expected realisable value of the coarse ore stockpile, that US$0.50 million of the amount previously provided as a potential impairment was no longer required, and in the first quarter of 2018 this provision was released back to the income statement. The total stock impairment provision against the carrying value of the coarse ore stockpiles is currently US$0.05 million.

Provision for Impairment of State Taxes Receivable

The Group has established a provision of US$0.72 million (BrR$2.83 million) as an estimate of the value of ICMS tax that might not be recoverable by the Group, representing approximately 20 per cent of the balance due.

US$8.36m

Operating profit before interest.
An improvement of US$11.07m year on year

US$832

Cash cost per ounce

US$1,081

All-in sustaining cost per ounce

ICMS is a sales related tax, levied and collected by the State in which the enterprise carries out its activities. ICMS is charged on consumable items used in production, packaging, transports costs for production consumables, electric power, and plant and equipment purchased for use in production. Enterprises will add ICMS tax to the selling price of the goods and services that they sell. At the end of each reporting period, the enterprise will account for and pay-over to the State the net amount of the ICMS that it has collected on sales after deducting the ICMS that it has paid out on its inputs. Exporters, however, are not required to levy ICMS on the sale of their goods and as a result generally find themselves being a net recipient of refunds of ICMS.

Whilst the laws governing ICMS are generally the same across Brazil, the manner in which they are implemented and adhered to varies by State. The State of Para, unlike many richer states located in the south of Brazil, is not inclined to make regular refunds of ICMS to businesses, although it will allow businesses to offset ICMS that is due to be paid over, against other ICMS liabilities that an enterprise may have. The Company currently projects that it will continue in the near term to accumulate further balances of ICMS that are legally recoverable, although may not be repaid promptly. Current legal advice in Brazil is that the amount owed is recoverable but without a clear timeline on when recoverability can be realised.

Schemes have been established and used whereby a party can sell (with the approval of the State tax authorities), their ICMS credits to other companies. The provision that the Company has established reflects the market discount rates at which such transactions have been executed in the past.

Shipping Costs

Shipping costs of US$1.04 million (2018: US$0.90 million) include all domestic road and river freight in Brazil from the Palito Mine to the international port at Belem and also international sea freight to the end purchaser, as well as air transport and insurance for the bullion sold from the Palito Mine to its final destination in Sao Paulo. The increase by comparison to the same period in 2018 reflects the increase in the volume of concentrate shipped, being 1,140 tonnes in the 12 months of 2019 in comparison to 1,040 tonnes for the same period of the previous year.

Treatment Charges

Treatment charges have increased by 13 per cent between 2018 and 2019 as the Group sold 100 tonnes more, (10 per cent) of copper concentrate in the twelve month period ended 31 December 2019 in comparison to the same period in 2018. In addition, the increased levels of gold bullion sold have resulted in an increased level of refining charges.

Royalties

Royalty payments of US$1.10 million (2018: US$0.68 million) comprise statutory levies payable in Brazil and royalties payable to prior owners of the São Chico deposit. Government royalty rates are uniform across all mining operations, with a rate of 1.5 per cent being applied to gold production and the royalty on copper production being 2.0 per cent. The increase in royalty payments for the twelve month period ended 31 December 2019 compared with the same period in 2018 reflects the increased levels of gold production and gold sales in the period.

Amortisation

Charges for the amortisation of mine property are calculated by reference to the depletion, during the period, of the total estimated mineable resource at each of the Palito and São 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. At 31 December 2019, the balance of the provision for future mine development costs was estimated to be BR$51.0 million in comparison to the previous estimate of BR$15.0 million as at 31 December 2018. The increase of BR$36.0 million was made to accurately reflect the life of mine of the Palito ore body. The total amortisation charge relating to the Palito and São Chico ore bodies for the twelve month period ended 31 December 2019 is approximately US$7.23 million in comparison to BR$6.18 million during the same period of the previous year. The increase is due to the increased provision for future mine development costs.

Depreciation

A depreciation charge of US$1.79 million was recorded during the twelve month period ended 31 December 2019 on plant and equipment used in the mining and processing, (12 months to 31 December 2018: US$3.10 million). The decrease of 42 per cent is primarily due to an accelerated charge of approximately US$500,000 during the fourth quarter of 2018 in respect of items that had reached the end of their useful lives, as well as a reduction of approximately US$250,000 during the fourth quarter of 2019 of the annual depreciation charge as a result of over depreciation on certain items of plant and machinery during 2019 and previous years.

Operating Profit

The Group has recognised an operating profit before interest and other income of US$8.36 million, (2018: operating loss of US$2.71 million) reflective of the higher level of gross profit from operations and after incurring US$5.26 million (2018: US$5.54 million) in administrative expenses, as well as US$0.26 (2018: US$0.33 million) on share-based payments. 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 12 months to 31 December 2019 is in respect of options granted between January 2016 and 31 December 2018. The Group also reported a profit of US$0.17 million from the disposal of assets (2018: US$0.27 million).

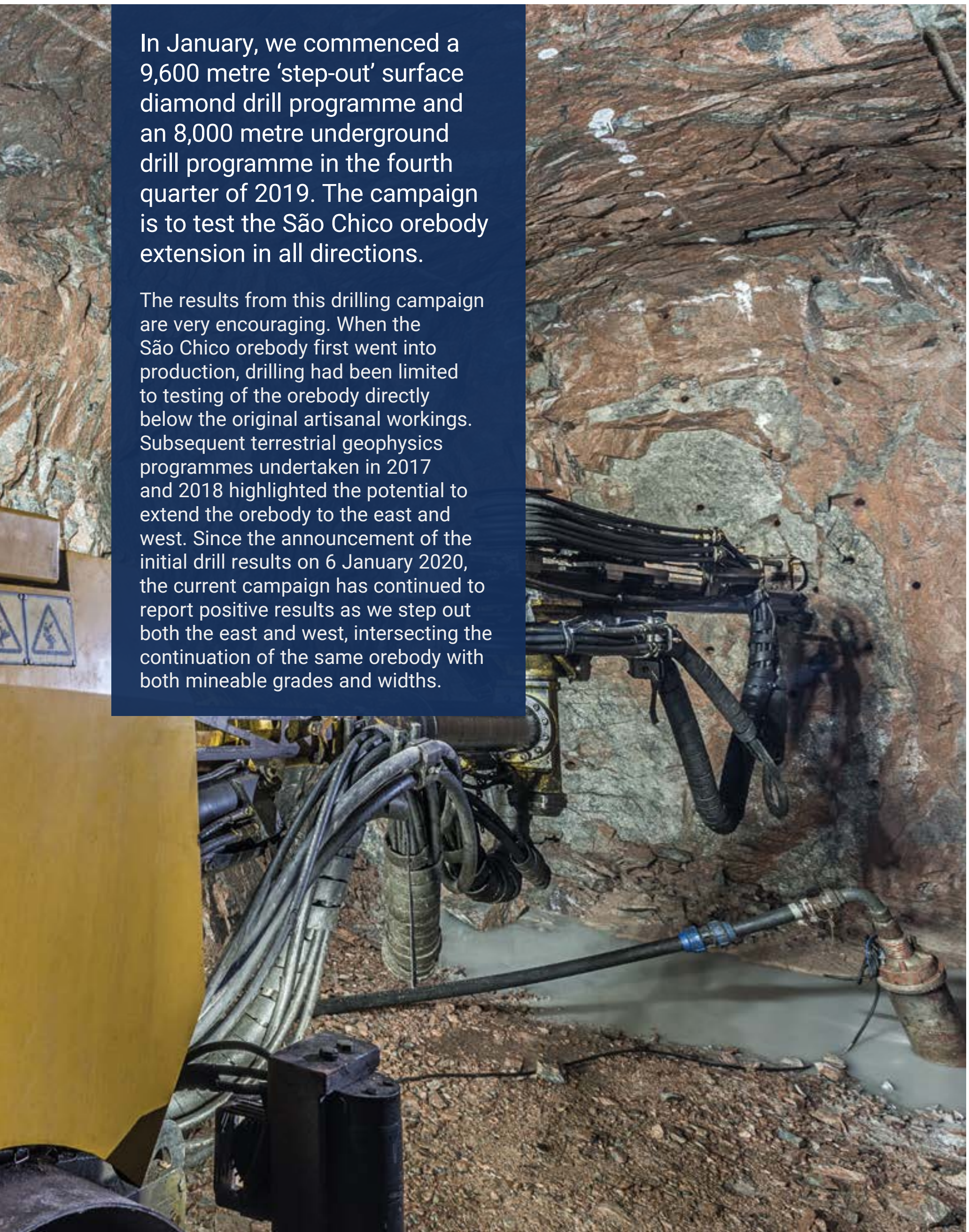
Administration costs of US$5.26 million for the twelve month period ended 31 December 2019 are at a consistent level to the expense of US$5.54 million incurred during the twelve month period ended 31 December 2018, with the small reduction in administrative costs a result of the eight per cent weakening of the Brazilian Real from an average of BrR$3.94 to US$1.00 for the twelve month period ended 31 December 2019 in comparison to BrR$3.65 to US$1.00 for the same twelve month period of the previous year.

The Company recorded a foreign exchange gain of US$0.21 million for the 12 months ended 31 December 2019, which compares with a foreign exchange loss of US$0.59 million recorded for the 12 months ended 31 December 2018. These foreign exchange gains and losses are primarily incurred in respect of the cash holdings of the Company in currencies other than US Dollars as at the period end, and do not necessarily reflect actual realised profits or losses.

Table C - Net interest	Twelve months ended December 2019	Twelve months ended December 2018
Interest on secured loan	**(646,516)**	(685,517)
Unwinding of discount on outstanding acquisition payment	**(1,002,243)**	(999,796)
Unwinding of discount on rehabilitation provision	**(284,652)**	–
Loss upon revaluation of derivative	**(531,910)**	–
Amortisation of fair value of derivatives	**–**	(520,000)
Arrangement fee for secured loan	**–**	(180,000)
	(2,465,321)	(2,385,313)
Gain on non-substantial modification	**79,800**	–
Gain on revaluation of derivatives	**–**	318,279
Unwinding of discount on rehabilitation provision	**–**	538,371
Interest income	**2,325**	4,780
Net finance expense	**(2,383,196)**	**(1,523,883)**

In January, we commenced a 9,600 metre 'step-out' surface diamond drill programme and an 8,000 metre underground drill programme in the fourth quarter of 2019. The campaign is to test the São Chico orebody extension in all directions.

The results from this drilling campaign are very encouraging. When the São Chico orebody first went into production, drilling had been limited to testing of the orebody directly below the original artisanal workings. Subsequent terrestrial geophysics programmes undertaken in 2017 and 2018 highlighted the potential to extend the orebody to the east and west. Since the announcement of the initial drill results on 6 January 2020, the current campaign has continued to report positive results as we step out both the east and west, intersecting the continuation of the same orebody with both mineable grades and widths.



The Company holds funds in certain currencies in anticipation of future expenditures that are anticipated to be settled in those currencies.

Net interest charges for the twelve month period to 31 December 2019 were US$2.38 million compared with US$1.52 million for the same twelve month period of 2018. An analysis of the composition of these charges is set out in the Table C.

The interest on the secured loan of US$0.65 million (2018: US$0.68 million) is the cost of 12 months of interest paid in relation to funds advanced under the credit agreement with Sprott Resource Lending Partnership, with the reduction reflecting the lower average levels of loan principal outstanding during the period. On 23 January 2018, the Group increased the existing secured loan of US$5 million to US$8 million. The loan balance at the end of December 2019 was US$6.9 million, including the value of the cash settlement due on the gold call options exercised by Sprott in July 2019.

The expense on the unwinding of the discount on the rehabilitation provision is as a result of the change in the net present value of the rehabilitation provision.

The expense on the unwinding of the discount on acquisition is as a result of change in the net present value of the final payment due in December 2019 for the acquisition of Chapleau Resources Ltd.

The loss on the valuation of derivatives of US$531,910 (12 months to 31 December 2018: gain of US$318,279) represents the loss arising on the derivative value of the gold call options which had been granted to and were exercised by Sprott in July 2019. The initial value of the provision as at 30 June 2017 was US$650,000, which having been revalued to US$709,255 at 31 December 2017, was revalued to US$390,976 as at 31 December 2018, resulting in the gain of US$318,279 for the twelve month period ended 31 December 2018. On 18 July 2019, Sprott exercised all of the 6,109 gold call options, resulting in a settlement being due of US$922,886, giving rise to a loss of US$531,910 for the 12 months to 31 December 2019.

In May 2019, the Group agreed revised repayment terms for its secured loan whereby the loan would be repaid in six equal monthly instalments commencing 31 January 2020. In accordance with IFRS 9, whilst the variation in the loan terms was not sufficient to give rise to a derecognition of the existing loan, the Group was required to recognise the effect of a non-substantial modification to the existing loan. Accordingly, the Group has recognised a benefit arising from the modification totalling $172,912 which is being amortised over the remaining life of the loan as a variation in the effective interest rate of the loan. The amount of US$100,112 has been amortised in the period, resulting in net income for the period of US$79,800.

Financial Review continued

For the 12 months ended 31 December 2018, the amortisation of the fair value of derivatives of US$520,000 represents the amortisation charge of the fair value ascribed to a gold call option granted to Sprott on 30 June 2017. As part of the US$5 million loan arrangement the Group granted call options to Sprott over 6,109 ounces of gold exercisable at a price of US$1,320 which expired on 31 December 2019. On 30 June 2017, the date these call options were granted, their value was assessed as being US$650,000 and a provision for a derivative financial liability of US$650,000 was recognised in the accounts. On 19 January 2018, and at the same time as taking out an additional US$3 million loan with Sprott, a six month extension to the repayment terms for this US$5 million loan was agreed. Under IFRS9, this variation being more than 10 per cent of the future cash flows was considered a substantial modification to the original US$5 million loan. Accordingly, the original loan under the terms of IFRS 9 was considered to be repaid and a new loan for US$5 million taken out but with no derivative instrument attached to it. As a result, the outstanding fair value of the derivative, totalling US$520,000, attaching to the original US$5 million loan was required to be amortised in full upon the deemed repayment of the original loan. As the fair value of the derivative was amortised in full in 2018, there is no equivalent charge in 2019.

For the 12 months ended 31 December 2018, the arrangement fee of US$180,000 comprises of US$90,000 as a fee paid to Sprott during the first quarter of 2018 for the new US$3 million loan and the revision to the terms of the existing US$5 million loan and a further fee of US$90,000 paid during the third quarter of 2018 for the extension of the new US$3 million loan from its original maturity date of 30 September 2018 to 30 June 2020.

Liquidity and Capital Resources

Non-Current Assets

On 31 December 2019, the Group's net assets amounted to US$69.73 million, which compares to US$69.11 million as reported at 31 December 2018. The Group has also reported a profit after taxation of US$3.83 million in the twelve month period to 31 December 2019, (2018: loss after taxation US$5.75 million).

Non-current assets totalling US$72.45 million at 31 December 2019 (31 December 2018: US$73.77 million), are primarily comprised of property, plant and equipment, which as at 31 December 2019 totalled US$39.59 million, (31 December 2018: US$42.34 million), including assets acquired as part of the Chapleau acquisition, as well as development and deferred exploration costs with a value of US$30.69 million, (31 December 2018: US$27.71 million), including assets acquired as part of the Chapleau acquisition. The Group has also a provision for a deferred tax asset of US$1.32 million (31 December 2018: US$2.16 million) and a long-term receivable in respect of state taxes due in Brazil of US$0.85 million (31 December 2018: US$1.55 million). The decrease in the long-term receivable is as a result of the write-off of approximately US$0.72 million of prepaid state ICMS taxes which the Group considers that may no longer be recoverable. The weakening of the Brazilian Real from 31 December 2018 when the exchange rate was BrR$3.8742 to US$1.00 to the rate of BrR$4.0301 to US$1.00 at 31 December 2019 has had a negative impact on the net asset position but the main movements are discussed in more detail below.

The Group's property, plant and equipment includes the value of its mine assets relating to the Palito Mining Complex at 31 December 2019 of US$19.58million (2018: US$22.65 million). This includes US$4.48 million of additions in relation to the capital development of the Palito and São Chico ore bodies incurred during the year. Assets in construction as at 31 December 2019 and relating to the Palito Mining Complex had a book value of US$11.29 million (2018: US$10.38 million) and includes the provision for mine rehabilitation.

The Group owns land, buildings, plant and equipment with a value of US$8.72 million (31 December 2018: US$9.31 million). During the 12 months of 2019, the Group has acquired additional plant and machinery to the value of US$3.07 million in relation to its ongoing operations at the Palito Mining Complex.

The gross value ascribed to the Palito Mining Complex is now being amortised over the expected recoverable ounces of each orebody. An amortisation charge totalling US$7.10 million has been recorded for the twelve month period to 31 December 2019 (twelve month period to 31 December 2018: US$6.10 million).

Deferred exploration costs as at 31 December 2019 totalled US$30.69 million (31 December 2018: US$27.71 million), which includes to US$17.94 million attributable to the value of the projects acquired as part of the Chapleau acquisition, as well as capitalised costs of US$2.25 million (2018: US$4.61 million) on exploration and evaluation expenditure.

Working Capital

The weakening of the Brazilian Real from 31 December 2018 when the exchange rate was BrR$3.874 to US$1.00 to the rate of BrR$4.030 to US$1.00 at 31 December 2019, a weakening of 4 per cent, has had a negative impact on the key components which make up the working capital position, however the main movements are discussed in more detail below.

Inventories

The level of inventory held by the Group at 31 December 2019 has decreased by US$1.93 million since 31 December 2018. A breakdown of the Group's inventories at the 31 December 2019 and at 31 December 2018 is set out in Table D.

Inventories of consumables (fuel, spare parts, chemicals, explosives etc.) at 31 December 2019 of US$3.48 million (31 December 2018: US$2.93 million) have increased by approximately US$0.55 million. The Group acquires stocks of certain materials, including reagents, explosives and other consumables in quantities that are sufficient for up to three to four months' consumption requirements to minimise freight and other logistics costs and improve pricing. The levels of inventory have increased reflecting a requirement to keep on hand higher levels of items related to equipment and plant maintenance.

At 31 December 2018, the Group held a provision against the carrying value of coarse ore stockpiles amounting to US$550,000. Following a reappraisal of the value of these stockpiles at the end of the period, the provision has been reduced to US$50,000 and the movement recognised in the Income Statement.

The Group invested US$2.25 million on exploration activity in the year, US$3.07 million on new plant and equipment and US$1.63 million on the development of Coringa.

Notwithstanding the release of US$500,000 of the inventory impairment provision resulting in a positive increase in the stockpile valuation, the value of the stock of surface ore has decreased by 45 per cent from US$0.60 million (net of the impairment provision) to US$0.33 million. The total coarse ore stockpile tonnage that is subject to valuation has decreased from approximately 8,000 tonnes at 31 December 2018 to approximately 2,200 tonnes at 31 December 2019, a decrease of 72 per cent. The significantly reduced volume together with the changing unit production costs has more than offset the increase in value resulting from the reduction in the impairment provision.

The value of finished goods awaiting sale at 31 December 2019 of US$1.37 million compares with the value at 31 December 2018 of US$3.82 million an overall decrease in value of 64 per cent. The total value of finished goods held in stock at 31 December 2019 comprises 122 bags of copper/gold concentrate with a value of US$0.76 million (31 December 2018: 236 bags with a value of US$1.45 million) and bullion on hand for smelting which, at 31 December 2019, was estimated at 23,023 grammes valued at US$0.61 million compared to 86,744 grammes at 31 December 2018 valued at US$2.37 million. Whilst there are small variances between the two periods in the unit costs for each of these items, the variance in period end values is largely explained by the variances in volume.

Table D - Working Capital	31 December 2019 US$	31 December 2018 US$	Variance US$
Current assets			
Inventories	**6,577,968**	8,511,474	(1,933,506)
Trade and other receivables	**802,275**	758,209	44,066
Prepayments	**3,473,288**	4,166,916	(693,628)
Cash and cash equivalents	**14,234,612**	9,216,048	5,018,564
Total current assets	**25,088,143**	**22,652,647**	**2,435,496**
Current liabilities			
Trade and other payables	**6,113,789**	6,273,321	(159,532)
Acquisition payment due	**12,000,000**	10,997,757	1,002,243
Secured loan	**6,903,692**	3,636,360	3,267,332
Leases and unsecured loan	**48,850**	666,438	(617,588)
Derivative financial liabilities	**–**	390,976	(390,976)
Accruals	**319,670**	372,327	(52,657)
Total current liabilities	**25,386,001**	**22,337,179**	**3,048,822**
Working capital	**(297,858)**	**315,468**	**(613,326)**
Non-current liabilities			
Trade and other payables	**183,043**	955,521	(772,478)
Provisions	**2,237,266**	1,543,811	693,455
Secured loan	**–**	2,424,246	(2,424,246)
Leases	**–**	48,850	(48,850)
Total non-current liabilities	**2,420,309**	**4,972,428**	**(2,552,119)**

Table E - Inventory	31 December 2019 US$	31 December 2018 2018 US$	Variance US$
Stockpile of mined ore	**331,775**	600,335	(268,560)
Finished goods awaiting sale	**1,376,005**	3,819,685	(2,443,680)
Other material in process	**1,391,302**	1,162,157	229,145
	3,099,082	5,582,177	(2,438,095)
Consumables	**3,478,886**	2,929,297	549,589
Total Inventory	**6,577,968**	8,511,474	(1,933,506)

The valuation attributable to gold locked up within the processing plant has increased to US$1.39 million with 84,793 grammes of gold locked up within the processing plant as at 31 December 2019 (31 December 2018: US$1.16 million; 93,861 grammes), reflecting normal operational variances.

Trade Receivables
Trade and other receivables at 31 December 2019 of US$0.80 million have increased by US$0.04 million from US$0.76 million at 31 December 2018.

Prepayments
Prepayments have decreased by US$0.69 million from US$4.17 million at 31 December 2018 to US$3.47 million at 31 December 2019. At 31 December 2018, the Group had US$0.41 million more in prepaid deposits relating to the importation of underground machinery and plant equipment and no equivalent prepayments as at 31 December 2019. All other prepayments relate to prepaid taxes, including taxes of ICMS, PIS, COFINS and other federal taxes, that remain to be recovered at the period end.

Cash at Bank
Between 31 December 2018 and 31 December 2019, cash balances have increased by approximately US$5.02 million.

During the 12 months ended 31 December 2019, the Group has generated net cash flow from its operations of US$18.51 million, and during the same twelve month period has spent US$2.25 million on exploration activities around the Palito Mining Complex and the Coringa project, US4.48 million on mine development, US$3.07 million on plant and equipment and US$1.63 million on other pre-operating costs for the Coringa project. The group also paid US$1.54 million for the acquisition of an outstanding interest of a third party in the São Chico project area.

Current Liabilities
Current liabilities have increased by US$3.05 million from US$22.34 million at 31 December 2018 to US$25.39 million at 31 December 2019. As at 31 December 2019, the total amount of a secured loan of US$6.90 million is now all due within one year, whereas at 31 December 2018 US$2.43 million of this loan was due in more than one year so was registered as a long-term liability.

There is also no longer any discount factor applied to the US$12.0 million acquisition payment as this is now due. This has increased the book value of this liability by US$1.0 million.

Trade Creditors
Trade and other payables amounting to US$6.11 million at 31 December 2019 compared with an amount owed by the Group of US$6.27 million at 31 December 2018, a decrease of US$0.16 million.

Financial Review continued

At 31 December 2018, the Group reported a provisional liability of US$2.17 million, (current liability: US$1.34 million; non-current liability: US$0.83 million) relating to the acquisition of a historic third party net profits interest in the São Chico project. During the twelve month period ended 31 December 2019, the Group made payments of US$1.54 million against this historical acquisition liability comprising of an initial repayment of US$0.99 million during April 2019, as well as eight equal monthly instalments of approximately US$0.07 million beginning in May 2019 totalling US$0.55 million. At 31 December 2019, the Group owed a total of US$0.87 million relating to this acquisition liability.

Interest-Bearing Secured Loan

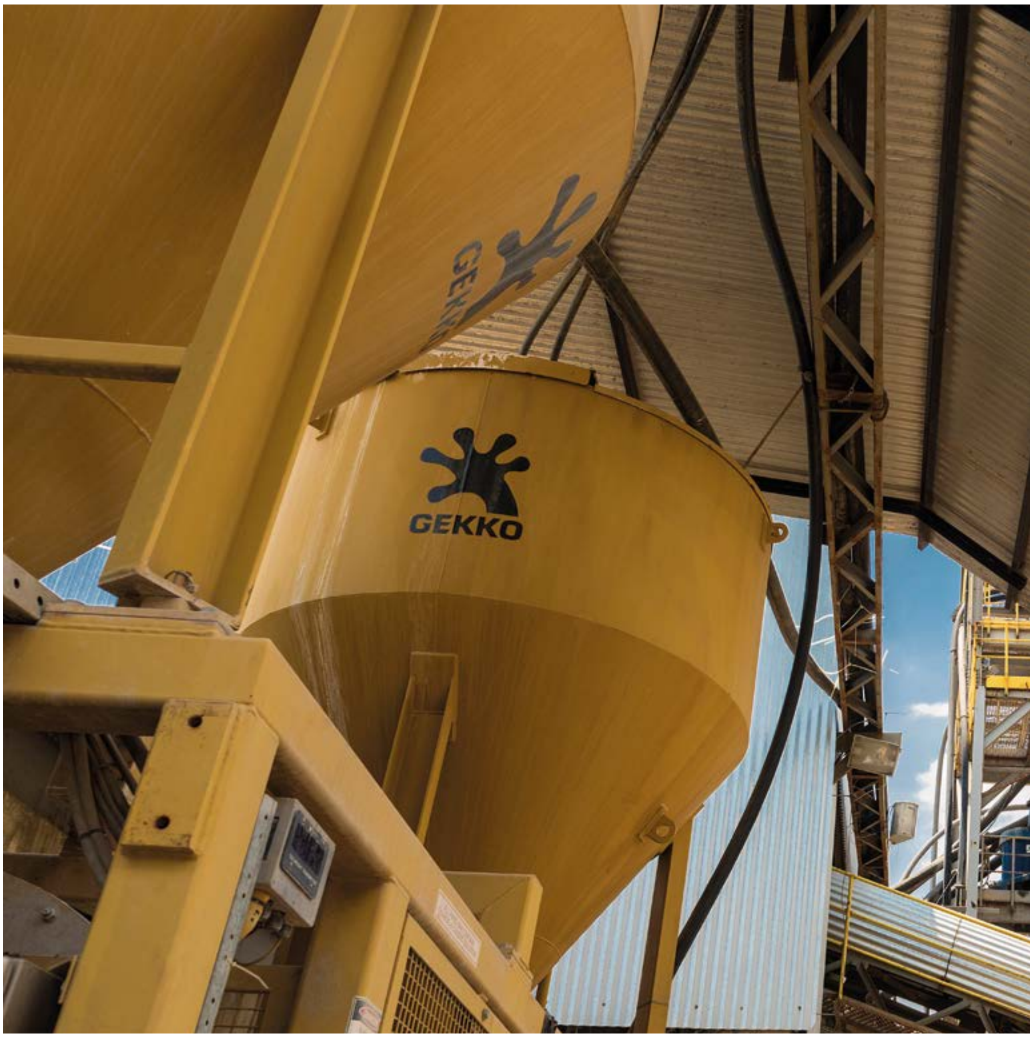
On 22 January 2018, the Group increased its existing secured loan with Sprott by US$3 million ("The New Loan") and at the same time extended the final repayment period on its existing US$5 million loan ("The Existing Loan") with Sprott by six months from 31 December 2019 to 30 June 2020. On 14 September 2018, the Company exercised its option to extend the term of the New Loan to 30 June 2020. In May 2019, the Group agreed revised repayment terms for its secured loan whereby the loan would be repaid in six equal monthly instalments commencing 31 January 2020. On 18 July 2019, Sprott Resource Lending Corp. ("Sprott") exercised their call options over 6,109 ounces of gold, representing all the call options granted by the Group. This has given rise to a liability of US$922,886. It has been agreed that this cash liability of US$922,886 will be paid in six equal monthly instalments commencing on 31 January 2020 and will be subject to the same terms and conditions as the Existing Loan liability due to Sprott. The total liability on the Sprott loan at 31 December 2019 is US$6.90 million.

Obligations Under Leases

Lease obligations due in less than one year have decreased by US$0.61 million from US$0.67 million at 31 December 2018 to US$0.05 million at 31 December 2019. During the 12 months ended 31 December 2019, the Group has not entered into any new equipment lease arrangements and has made capital repayments totalling approximately US$0.34 million on equipment leases. The Group has also repaid approximately US$0.28 million of an unsecured equipment loan. All leases are held by Serabi Mineracao SA ("SMSA") in Brazil but are denominated in Euro or US Dollar before being converted to Brazilian Reals, the functional currency for SMSA.

Derivative Financial Liabilities

As a fee for the Group's secured loan arrangements, the Group granted call options to Sprott over 6,109 ounces of gold exercisable at a price of US$1,295 with an expiry date of 31 December 2019. On 30 June 2017, the date these call options were initially granted, their value was assessed as being US$650,000 and a provision for a derivative financial liability of US$$650,000 recognised



in the accounts which was amortised in full during 2018. At 31 December 2018, the value ascribed to these outstanding call options was US$0.39 million. Sprott exercised these gold call options on 18 July 2019, resulting in a liability of US$0.92 million. This liability has been added to the secured loan and will be repaid in six monthly instalments commencing 31 January 2020.

Derivatives are valued by reference to available market data. Any change in the value of the derivative is recognised in the statement of comprehensive income in the period in which it occurs. The fair value of the derivative has historically been measured using level 1 inputs.

Acquisition Liability

On 21 December 2017 ("Closing"), the Group finalised the acquisition of Chapleau Resources for a total value of US$22 million, with US$5 million being paid in cash on 21 December 2017. A further US$5 million in cash was paid on 16 April 2018 and a final payment of US$12 million in cash was due on the earlier of either the first gold being produced or 24 months from the date of Closing.

The Group has now reached an agreement with the vendor, Equinox Gold Corp., whereby the date for the completion of the final US$12 million payment owed to Equinox for the acquisition of the Coringa Gold project (the "Final Coringa Acquisition Payment") has been extended (the "Deferral Period") until such time as there are no international travel restrictions imposed by the Brazilian authorities and also no travel restrictions within or into the State of Para, Brazil, (the "Travel Restriction Condition") where the Group's Palito Complex gold production operations and the Coringa Gold Project are located. Under the terms of the extension, the Group will start to make instalment payments in respect the Final Coringa Acquisition Payment of US$500,000 per month payable on each of 1 May 2020, 1 June 2020 and 1 July 2020, which will increase to US$1 million per month thereafter until such time as the Travel Restriction Condition is satisfied. The balance outstanding of the Coringa Acquisition Payment is expected to be settled within six weeks of the Travel Restriction Condition being satisfied. Interest is payable on the outstanding sum at the rate of 10% per annum and will be settled at the same time as the Final Coringa Acquisition payment is made.

Table F - Cash Cost and All-In Sustaining Cost of Production	12 Months ended 31 December 2019 US$	12 Months ended 31 December 2018 US$
Total operating costs (calculated on a sales basis)	**36,986,923**	31,501,016
Add/(subtract)		
Finished goods and WIP inventory stock adjustment	**(2,515,806)**	(106,436)
Grossing up of revenue for metal deductions	**202,323**	346,468
By-product credits	**(1,311,331)**	(1,268,161)
Total cash cost of production	**33,362,108**	30,472,886
Corporate G&A	**5,262,380**	5,359,000
Share-based remuneration	**261,940**	329,620
Capitalised cost for mine development	**4,478,420**	4,386,397
All-In Sustaining Cost of production	**43,364,848**	40,547,903
Gold ounces produced (ounces)	**40,101 ozs**	37,108 ozs
Total Cash Cost of production (per ounce)	**832**	821
Total All-In Sustaining Cost of production (per ounce)	**1,081**	1,093

Non-Current Liabilities

The Group makes provision for the future estimated rehabilitation costs for its mine-sites at Palito and São Chico. The value of the rehabilitation provision carried by the Group at 31 December 2019 was US$2.24 million. The value at 31 December 2018 was US$1.52 million. The variation is as a result of changes in estimates, as well as exchange rate variations between the two periods. The underlying costs and other assumptions are unchanged between the periods. The Group also has a small provision of US$0.02 million (2018: US$0.02 million) for potential employment claims.

The Group does not have any asset backed commercial paper investments.

Non-IFRS Financial Measures

The gold mining industry has sought to establish a common voluntary standard to enable investors to assess and compare the performance of companies engaged in gold mining activities. The Group has elected to provide calculations of Cash Costs and All-In Sustaining Costs and has conformed its calculation of these performance measurements with the guidance notes released by the World Gold Council. The measures seek to capture all the important components of the Group's production and related costs. In addition, management utilises these and similar metrics as a valuable management tool to monitor cost performance of the Group's operations. These measures and similar measures, have no standardised meaning under IFRS and may not be comparable to similar measures presented by other companies. This measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Total cash cost and all-in sustaining cost

Table F provides a reconciliation between non-IFRS cash cost and non-IFRS all-in sustaining cost to production costs included in cost of sales as disclosed in the consolidated statement of comprehensive income.

Clive Line
Finance Director
8 April 2020

Modern Slavery and Human Trafficking Statement

Committed to upholding basic human rights

Serabi Gold plc ("Serabi" or the "Company" or, together with its subsidiaries, the "Group") publishes this statement in compliance with section 54 of the Modern Slavery Act 2015. This statement describes the steps Serabi has taken to prevent modern slavery in its business and supply chains. Where the context so requires, references in this statement to the Company include references to the Company and all of its subsidiaries from time to time. The Company is committed to the prevention of the use of forced labour and has a zero tolerance policy for human trafficking and slavery.

The Modern Slavery Act 2015 (Act) requires any commercial organisation in any sector, which supplies goods or services, and carries on a business or part of a business in the United Kingdom, and is above a specified total turnover, to produce and publish an annual slavery and human trafficking statement.

1. Organisational structure

Serabi Gold plc is an established gold production and development company, with its shares listed on the stock exchanges operated by AIM in the United Kingdom and the TSX in Canada. Current gold production of 40,000 ounce per annum is derived from the Company's Palito Complex mining operations located in the Tapajos region, in the south-west of the state of Para in northern Brazil. The Company is developing the Coringa Gold Project also located in the Tapajos region and currently anticipates that this will be in production before the end of 2021. The Company directly employs approximately 550 personnel in its operations in Brazil and has a small head office staff based in London, England.

2. Our policies on slavery and human trafficking

2.1 The Company will not use or allow the use of forced, compulsory labour, slavery, servitude or human trafficking in the course of its business. This includes sexual exploitation, securing services by force, threats or deception and securing services from children and vulnerable persons.

2.2 The Company operates the following policies which are relevant to the prevention of slavery and human trafficking in its operations:

2.2.1 Anti-slavery and human trafficking policy – this policy sets out the steps that the Company has taken, and will take, to prevent human trafficking and slavery within its business and its supply chain.

2.2.2 Serabi Social Plans – Serabi is a significant employer in the region and provides a number of initiatives each year to support and improve the conditions of local communities, through inter-alia, supporting education, provision of medical and dental facilities, power and water, and general improvement of roads.

2.2.3 Procurement Policy - Serabi's operations are supported by a supply chain which predominantly comprises goods and services required for the mining, processing and recovery of gold. Where practical, Serabi sources goods and services necessary to maintain its operations via supply chains. The Company tries to use local suppliers if possible and appropriate in order to enhance its contribution to socioeconomic welfare in the Tapajos region and the state of Para.

The Group currently conducts business with numerous suppliers, with the significant majority of them based in Brazil and cumulatively covering over 90% of the Group's requirements. The majority of the other suppliers are based in North America and Europe.

The Group maintains open channels of communication with its suppliers and encourages them to raise any issues or concerns that arise in the conduct of their business.

2.2.4 Employment Policy - Employment terms and conditions for the Company's employees based at its UK office and at its Brazilian mining operations are regulated by and are operated in compliance with all relevant prevailing national and local legislation. Employment terms and conditions provided to staff meet or exceed the national norms. The Group's mining and processing operations are labour intensive and unionised.

2.2.5 Whistleblowing – The Company encourages all of its employees to report any concerns related to the activities of the firm. The Company will ensure that any matter raised under this procedure will be investigated thoroughly, promptly and confidentially, and the outcome of the investigation reported back to the individual who raised the issue. Additionally, the Company will ensure that no one will be victimised for raising a matter under this procedure.

2.3 In addition, internal policies are reviewed regularly to ensure continued compliance with the Modern Slavery Act 2015.

3. Due diligence processes for slavery and human trafficking

The Company believes that in order to prevent human trafficking and slavery within its business and its supply chain it is necessary to first understand the areas where the Company is most at risk. Although the work conducted at the Company's mining operations is labour intensive, the Company feels that the unionised workforce and the Company's adherence to strict employment policies and regular inspection by the Ministry of Labour negates the risk of modern slavery in this operation. As a consequence, the Company feels its supply chain is the area that presents the most risk. As a result of the due diligence process, the Company has conducted, systems have been put in place to:

3.1 continue to identify and assess potential risk areas in the Company's business and supply chains;

3.2 continue to adhere to, and enforce the Company's procurement policy and the Company's employment policies;

3.3 seek to continue the good relationship built with unions and the Ministry of Labour in Brazil; and

3.4 protect whistle-blowers.

4. Supplier adherence to our values and ethics

4.1 To ensure contractors and those in the Company's supply chain comply with its values and ethics, the Company incorporates into its procurement procedures a requirement for suppliers to positively confirm their own commitments to prevent human trafficking and slavery.

4.2 In addition, efforts are made to confirm that the Company's suppliers are as committed to the prevention of human trafficking and slavery as the Company, and each supplier's conduct is carefully considered when awarding or renewing business.

4.3 Reviews of the Company's suppliers and its supply chain profile are conducted annually.

5. Training

To ensure a high level of understanding of the risks of modern slavery and human trafficking in its supply chains and business, the Company will provide the necessary training to all relevant employees.

6. Performance indicators

The Company will use the following key performance indicators to measure how effective it is in ensuring that slavery and human trafficking is not taking place in any part of its business or supply chain:

6.1 completion of necessary training of the policy by all relevant staff;

6.2 communication of the policy to suppliers; and

6.3 continued progress of the social and labour plan of the Group in Brazil.

7. Further steps

This statement is reviewed annually by the Company's Chief Executive Officer Michael Hodgson and approved by Serabi's Board of Directors.

This statement is made pursuant to section 54(1) of the Act and constitutes the Company's antislavery and human trafficking statement for the calendar year ended 31 December 2019.

"To ensure a high level of understanding of the risks of modern slavery and human trafficking in its supply chains and business, the Company will provide the necessary training to all relevant employees."

Social and Environmental Activities

Supporting communities and the environment

Serabi has been active for over 13 years in the state of Para in the region of Tapajos and is dependent on close co-operation with the communities of Jardim do Ouro, Moraes d'Almeida, Novo Progress and Itaituba in particular for its continued growth and success.

The presence of Serabi's operations in the Tapajos region has created many employment opportunities to local communities, as well as other improvements. The towns provide support services particularly engineering, construction and fabrication, as well as staff for the Group's mining and exploration activities. As with any similar relationship, the support, employment and service and equipment contracts that Serabi provides to individuals and businesses, stimulates growth and investment to these local communities which in the long-term improves the quality and levels of support that these communities can provide. It is a strong objective of the Group to, wherever practical, increase the local content in its operations, in order to maximise the economic benefits to local businesses and individuals and to the State of Para.

All of Serabi's social and environmental activities are carried out in an ethical manner, in accordance with local laws and regulations, and aim to establish strong long-term relationships with the local communities. Serabi tries to identify local social and environmental issues and, by working closely with local communities, finds ways to resolve these issues through sustainable and responsible methods.

Our stakeholder groups:

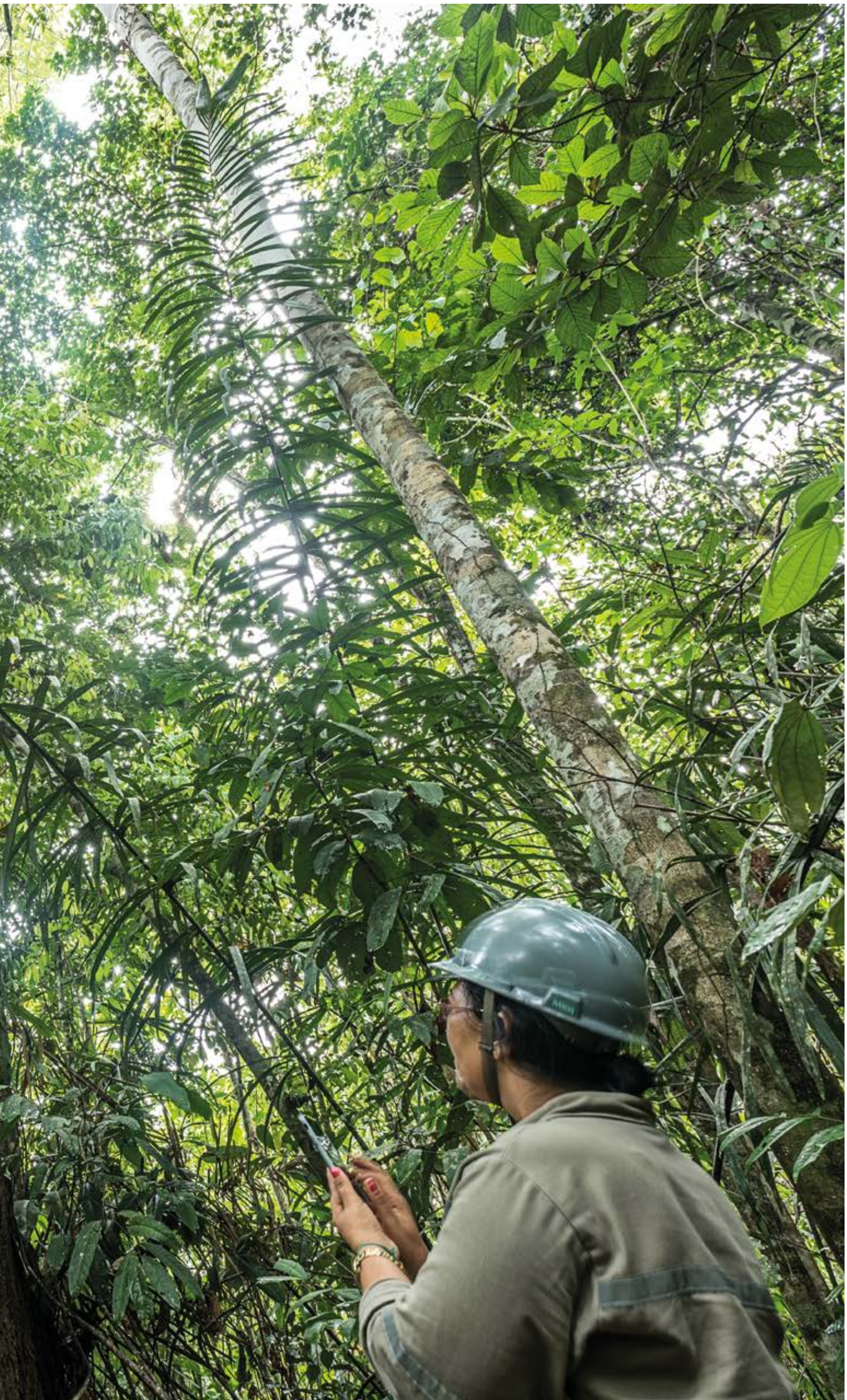
- Shareholders
- Host Government and Government Agencies
- Local Communities
- Employees

Environmental Monitoring

During the year, the Company has continued with its environmental monitoring programmes that are agreed annually with the Para State environmental authorities. These programmes cover a number of areas to ensure that the operations around its Palito Complex and Coringa project are undertaken and managed in accordance with approved practice. On a day to day basis, key areas are the monitoring of water quality ensuring that water courses are unaffected by the Company's activities, air quality for potential pollutants and dust control and sound levels, primarily for health and safety purposes. Longer term programmes monitor and report on the fauna and flora around the Company's operations ensuring that mining and exploration activities do not have a lasting effect on the bio-diversity of the area.

In addition, the Company actively undertakes remediation programmes around the mine-sites. As both the Palito and São Chico ore-bodies are areas of historic artisanal mining activity these programmes, as well as remediating areas that have been directly affected by the Company's operations, also incorporate the remediation of areas that have been affected by this historic artisanal activity. During 2019, the Company has been remediating a large area within the Palito mine-site that had been used as a dam by the artisanal miners and could become a source of future contamination. Using inert waste material, the Company has encapsulated a significant portion of this old dam area and, once the work is completed, will vegetate the area with native plants, tress and grasses. It is anticipated that the programme will be completed during 2020.

“The safety training programme aims to train and enable all employees to observe and report any potential problem or failing in the programme.”



Health and Safety

The safety training programme is very important to make sure that all the operations run with the minimum risk possible to the environment. The company has daily monitoring programmes in place to minimise the risks. The safety training programme aims to train and enable all employees to observe and report any potential problem or failing in the programme. Daily inspections are undertaken by the Group’s health and safety teams and the health and safety team provides staff with daily briefings and training before the start of each shift, as part of the preventive actions and contingency planning for the Group’s mining and exploration activities.

Tailings Dams

The subject of tailings dams has become an area of significant concern in Brazil, but also worldwide, in the wake of two recent significant tailings dam failures from iron ore mining operations conducted by Vale in the state of Minas Gerais in Brazil. This has resulted in new and more stringent legislation, with which Serabi’s current operations comply. However, in the wake of concerns from the public and the financial community, Serabi’s management took the decision, in early 2019, that the Coringa project would be re-designed and incorporate a filtration and dry stacking tailings management facility, eliminating the need for a conventional tailings dam facility. Whilst this delayed the licensing process, it was felt that taking this step would eliminate concerns and risks that the project development could otherwise be significantly delayed or licence awards subsequently subject to legal challenges.

Social and Environmental Activities continued

Coringa Licensing Approvals

As part of the legislative process for the permitting and licensing of the Coringa Gold Project, the Company has prepared detailed environmental impact assessments in accordance with prevailing legalisation which have been subject to review and approved by the environmental authorities. The process for the award of an initial Licençia Previa, involved a public hearing which took place on 6 February 2020 in Novo Progresso and was attended by over 500 people. The meeting had been convened by SEMAS, the state environmental authority for Para, and in addition to the mayor of Novo Progresso and representatives of the Public Prosecutor's Office was also attended by representatives from the ANM (the Brazilian national mining authority), SEASTER (State Secretary for Social Assistance, Employment and Income) and SEDEME (State Secretary for Economic Development of Mining and Energy. The meeting provided a forum for democratic debate in the presence of several community groups interested in knowing more about the project, providing a forum to ask questions, raise concerns and making suggestions. The Company was able to draw on its experiences of operating in the region, and the current support of local communities to assist in educating the parties present on its plans to develop the Coringa project and its aspirations for the benefits that it will bring to local stakeholders.

Community Programmes

During 2019, the Group continued to strengthen ties with the local communities through the implementation of socio-environmental programmes. Serabi has created a number of programmes targeting different areas, such as education, health, dental, environmental, cultural, social and safety programmes, in order to assist and positively impact communities in the areas around Serabi's operations.

Serabi has continued to promote a programme which is focused on improved social communication to promote the idea of clear and participative communications, between the company and the communities. The programme involves monthly meetings with the local leaders for the purpose of providing progress on agreed programmes or concerns.

Education

The main focus of the educational programmes centres around the schools at both Jardim do Ouro and São Chico, both of which were originally paid for and built by Serabi and for which Serabi continues to provide assistance. The schools support children from the neighbouring communities and regions around, and with Serabi's help provides these children access to books and other teaching materials to assist them during classes. Serabi also provides assistance in the form of school uniforms and computers with internet access.

In addition to Serabi's active environmental programmes, undertaken as part of its day to day operations, the Company also engages with the local communities with educational environment programmes that look to make improvements within the communities, with the objective of making changes that can be implemented both individually and collectively. During 2019, Serabi continued a number of strategies aimed at leaving a legacy of sustainability where the Group has influence. One of Serabi's most important inclusion programmes is undertaken in partnership with local teachers regarding the impact of everyday decisions made by members of those communities on the environment. The intention is to encourage students to be more aware of the environment and has resulted in more people involved in environmental programmes conducted by the schools.

Health

The health programme established by Serabi includes a medical facility that was created to provide health care services and support to local communities giving children, newborns and pregnant women priority when needed. The weekly clinics, which use Serabi's own medical clinic and doctor, dispense general healthcare, allow for the diagnosis and treatment of illness and disease, in particular tropical diseases such as malaria and dengue, and provide pre-natal and post-natal care.

In addition, the clinic also provides community access to dental health programmes and campaigns focusing on oral health. All the appointments are made in the dental clinic developed by Serabi. With each appointment, the children and their parents learn how to develop healthy habits to care for their teeth while they are young. These habits can set the stage for good oral health care throughout their entire life, and help to avoid many of the problems that result from poor oral health, including gum disease, cavities, and tooth decay.

Security

Serabi has also provided donations to build the 103 PPD station for the Military Police in the District of Moraes Almeida, with the main purpose of increasing the local safety in the communities.

Indigenous populations

Interaction with indigenous communities is strictly controlled by legislation, but Serabi has worked with the government agencies to bring improvements to the levels and quality of the water supply for the Kayapo community, work that was undertaken through interviews with the community and site visits. The Company will continue to evaluate ways to bring positive benefits to indigenous communities whilst respecting their wishes to maintain traditional values and culture.

Other community engagements

Serabi has also created a programme to incentivise participation in art, music and local and national culture in their communities. The programme was created with the intention to improve culture understanding and awareness and it was supported by the Ministry of Culture. Serabi donated funding for the purchase of musical instruments at the Jardim do Ouro community band to encourage the local community to pursue new experiences through art and music and as a result bring the community closer. The programme offers the opportunity for the local children to learn theatre skills to help them in their self-development.

Serabi has in 2019 also continued its Christmas campaign which aims to create a memorable day for local communities by providing a Christmas party and a donation of toys to local children.

Planned Initiatives for 2020

Development of the local economy

- Continue the prioritization of hiring suppliers and local services from Jardim do Ouro, Moraes Almeida, Itaituba and Novo Progresso.

Continuing improvement to infrastructure – health, education and sanitation for the communities around Palito and São Chico

- Continue actions of medical and dental care at Jardim do Ouro and São Chico communities.
- Continue promotion of educational programmes in partnership with local educational professionals which leads to lasting effects in the local communities.
- Continue and look to expand the provision of a public power and lighting network for the São Chico community.
- Initiation of the process of water abstraction to serve the community of São Chico.
- Refurbishment of Health Support Office in Jardim do Ouro community, in partnership with the Health Department of Itaituba.
- Continued maintenance of the Transgarimpeiro Highway which links Jardim do Ouro and São Chico to the main BR163 Highway.
- Donations of diesel for the police vehicles of the communities of São Chico and Jardim do Ouro in order to help to improve security/safety in the region.

Programmes focusing on Coringa communities

- Maintenance programmes for the access roads from the BR163 Highway which support the local "Terra Nossa" community.
- Continuing to support local indigenous populations to assist them to maintain their traditions and keep their community intact.
- Assistance for an ophthalmologist in a project that will provide free glasses and consultation for the local children.

"The health programme established by Serabi includes a medical facility that was created to provide health care services and support to local communities giving children, newborns and pregnant women priority when needed."

Board of Directors and Senior Management

Effective leadership

Melvyn Williams

A R

Non-executive Chairman

Appointed: March 2011
Experience: Mel was, until June 2011, the Chief Financial Officer and Senior Vice President of Finance and Corporate Development of Brigus Gold. Mel has over 40 years of financial experience, much of that time spent within the mining industry. From November 2003 through January 2004, Mel served as Chief Financial Officer of Atlantico Gold, a private Brazilian mining company which held the Amapari gold project, and was sold to Wheaton River Minerals Ltd. in January 2004. From 2000 to November 2003, he served as Chief Financial Officer of TVX Gold Inc., a gold mining company with five operating mines and an advanced development project in Greece. His background also includes services with Star Mining Corporation, LAC North America, Riominas LSDA and Rossing Uranium, (both of which are Rio Tinto subsidiaries).

Qualifications: He is a Chartered Certified Accountant and received an MBA from Cranfield in the United Kingdom. Mel is also a director of Western Troy Capital Resources.

Mike Hodgson

Chief Executive

Appointed: February 2007
Experience: Mike has worked in the mining industry for over 30 years and has extensive international experience. Most recently, he worked as chief operating officer and vice president technical services for Canadian-based Orvana Minerals Corporation. Prior to that, he provided consulting services to a number of mining companies in Europe and South America. Previous appointments include manager of technical services and operations for TVX Gold Inc., mining technical consultant at ACA Howe International Ltd and similar roles at Rio Tinto plc and Zambia Consolidated Copper Mines Ltd. He has, during his career, acquired extensive experience in narrow vein underground mining operations.

Qualifications: Originally qualified in mining geology, Mike is a Fellow of the Institute of Materials, Minerals and Mining, a Chartered Engineer of the Engineering Council of UK and a "Qualified Person" in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects.

Clive Line

Finance Director and Company Secretary

Appointed: March 2005
Experience: Clive is a Chartered Accountant and has been involved in mining and natural resources companies since 1987, overseeing financial and legal affairs of exploration and development projects and producing operations in Africa, Europe and the former Soviet Union. Having worked with Price Waterhouse in both the UK and Australia, he joined Cluff Resources plc in 1987, where he was finance director prior to joining the privately owned Quest Petroleum Group in a similar position in 1993. Following the successful sale of this group, he became involved with both Eurasia Mining plc and Northern Petroleum plc, both of which were admitted to AIM in 1996. Between 1999 and 2005, he worked as a divisional finance director within the Interpublic Group, one of the world's largest marketing services groups, prior to joining Serabi in 2005.

Qualifications: He has an Honours degree in Accounting and Finance and is a member of the Institute of Chartered Accountants of England and Wales.

Aquiles Alegria

Non-executive

Appointed: July 2014
Experience: Aquiles has more than 20 years of experience in the mining industry and has acted as exploration manager in a number of mining companies, most recently as Deputy Manager at Antofagasta Minerals.

Qualifications: He graduated with a degree in geology from the Universidad de Chile.

Nicolas Bañados

R

Non-executive

Appointed: May 2013
Experience: Nicolas is Managing Director of Private Equity and attorney-in-fact at Megeve Investments, a non-discretionary portfolio manager of Fratelli Investments. Formerly, he held the position of VP and Portfolio Manager at Megeve Investments, and research analyst at Consorcio Life Insurance in Chile. He has more than 14 years of experience investing in Latin America and serves as Director for several companies, including two private mining companies in Chile, Haldeman Mining Company and Minera Las Cenizas, and Colgener, a power company in Colombia.

Qualifications: Nicolas has an MBA from The Wharton School at the University of Pennsylvania and also received a Master's degree in Financial Economics from Universidad Católica de Chile.

T Sean Harvey

A R

Non-executive

Appointed: March 2011
Experience: Sean spent 10 years working in investment and merchant banking, primarily focused on the basic industry (mining) sector and for the last 17 years has held senior executive and board positions with various mining companies. Sean was President and CEO of Orvana Minerals Corp. from 2005 to 2006. Previously, he was President and CEO of TVX Gold at the time of its sale to Kinross Gold in 2003 and, subsequent to that, was President and CEO of Atlantico Gold, a private company involved in the development of the Amapari Project in Brazil that was sold to Wheaton River Minerals Ltd. (presently Goldcorp Inc.). Sean also currently sits on the board of directors of several other mining companies.

Qualifications: Sean has an Honours B.A. in economics and geography and an M.A. in economics, both from Carleton University. He also has an L.L.B. from the University of Western Ontario and an M.B.A. from the University of Toronto. He is a member of the Law Society of Upper Canada.

COMMITTEE MEMBERSHIP

A Audit Committee
R Remuneration Committee
Chairman
Member

Eduardo Rosselot

Non-executive

Appointed: October 2012
Experience: Eduardo is a mining engineer with over 25 years' experience in the mining industry, having worked extensively in the Americas and Europe. Currently he works as an independent consultant for various mining companies and mining funds mainly in South America, and is a partner of the privately owned mining company HMC Gold SCM, with development projects in Chile. Eduardo is also a director of Haldeman Mining Company, a Chilean private copper and gold producer. Prior to that, he worked as VP business development and special projects for Orvana Minerals Corp. Previous appointments include senior positions with European Goldfields Ltd. and TVX Gold Inc. Prior to that he was a partner of the South American based mining consultancy firm NCL Ingeniería y Construcción Ltd.

Qualifications: Eduardo has a Mining Engineer degree from Universidad de Chile, and is a member of the Institute of Materials, Minerals and Mining, a Chartered Engineer of the Engineering Council of UK and a "Qualified Person" in accordance with the Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects.

Felipe Swett

A

Non-executive

Appointed: September 2014
Experience: Felipe is a Partner and heads the asset management team at Asset Chile, a Chilean-based investment bank. Felipe joined Asset Chile in 2003 as an Analyst and as part of the corporate finance team and has led the Asset Management division since 2010.

Qualifications: Felipe holds a degree in Civil Engineering with a Diploma in Environmental Engineering from the Pontificia Universidad Católica de Chile and an MBA from the Kellogg School of Management, North-western University.

Mark Sawyer

Non-executive

Appointed: March 2018
Experience: Mark co-founded Greenstone Resources in 2013 after a 16 year career in the mining sector. Prior to establishing Greenstone, Mark was GM and Co-Head Group Business Development at Xstrata plc, where he was responsible for originating, evaluating and negotiating new business development opportunities for Xstrata. Prior to Xstrata Mark held senior roles at Cutfield Freeman & Co (a boutique corporate advisory firm in the mining industry) and at Rio Tinto plc.

Qualifications: Mark qualified as a lawyer and has a law degree from the University of Southampton.

Senior Management in Brazil

Roney Almeida

Chief Operating Officer

Experience: Roney has worked in a variety of mining operations both open-pit and underground and, as well as gold, also has experience with other ore types, including nickel, iron-ore and limestone, having worked with companies such as Anglo American, Vale, Votorantim (including a two year period as a mine manager in Ontario, Canada) and most recently with Compania Siderurgia Nacional in the position of Corporate and Operations Mine Manager.

Qualifications: Roney has degrees in Geology and Mine Engineering from the School of Mines of the Federal University of Ouro Preto, in Minas Gerais, Brazil, and an MBA From the Getulio Vargas Foundation in Sao Paulo.

Ulisses Melo

General Manager

Experience: Ulisses, who was previously the Chief Financial Officer of Serabi Mineração Limitada in Brazil, took over the role of General Manager in April 2009. He has overall responsibility for the day to day affairs of Serabi in Brazil. Prior to joining Serabi, he spent five years working with the international accounting firm Arthur Andersen and a further ten years working with Samarco Mineração, Companhia de Fomento Mineral and Rio Capim Caulim S/A as controller and finance director.

Qualifications: Ulisses is a graduate in Economics and Business Administration from the University of PUC Minas Gerais and holds a MBA from the University of Fundação Dom Cabral.

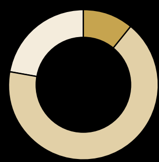
Our Diverse Board

Nationalities

Background experience

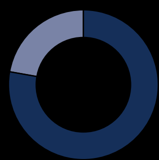
- Geology
- Mine Engineering
- Investment Banking
- Corporate Finance
- Accounting
- Asset and Investment Management

Tenure



- 1–3 Years 11% (1 Director)
- 4–9 Years **67%** (6 Directors)
- 10+ Years **22%** (2 Directors)

Composition



- Non-Executive **78%** (7 Directors)
- Executive **22%** (2 Directors)

Board of Directors

The Board of Directors is responsible for the management of the Group on behalf of its shareholders. The objective of the Group is to create long-term value for shareholders, and the Board is responsible for delivering that objective by governing the Company and its subsidiaries. The Board is responsible for approving the Group strategy and policies, for safeguarding the assets of the Group, and is the ultimate decision-making body of the Group in all matters except those that are reserved for specific shareholder approval. Matters that are specifically reserved for the Board's decision include business acquisitions or disposals, authorisation of major capital expenditure and material contractual arrangements, changes to the Group's capital structure, setting policies for the conduct of business, approval of budgets, remuneration policy of Directors and senior management, and taking on debt and approval of financial statements. Other matters are delegated to the Committees of the Board and Executive Directors, supported by policies for reporting to the Board.

The Board consists of two Executive Directors who hold the key operational positions in the Group and seven Non-executive Directors (including a Non-executive Chairman), who bring a breadth of experience and knowledge.

The Board, as a matter of practice, meets at least every two to three months and is supplied with appropriate and timely information. Other meetings will be, and are, called by executive management or by any Board member when there is any matter which, according to the terms of reference of the Board and the powers delegated to the Executive Directors, is required to be discussed with, and considered by, the Board. In 2019, the Board met 12 times, excluding the Annual General Meeting and Special Meetings of shareholders. Where appropriate, the Board invites external advisers and/or senior management to attend meetings to discuss matters where their expertise may be beneficial.

The responsibilities of Mel Williams as Chairman include providing leadership to the Board, ensuring its effectiveness in all aspects of its role and setting its agenda; ensuring that adequate time is available for discussion of all agenda items; ensuring that the Directors receive accurate, timely and clear information; ensuring effective communication with shareholders; promoting a culture of openness and debate by facilitating the effective contribution to the Board of Non-executive Directors in particular; and ensuring constructive relationships between the Executive and Non-executive Directors.

The Company provides independent professional and legal advice to all Directors where necessary, to ensure they are able to discharge their duties. In addition, all Board members have access to the services of the Company Secretary, who is responsible for ensuring all Board procedures are complied with.

The articles of association provide that any Director who was not appointed or re-appointed at one of the preceding two Annual General Meetings retire and stand for re-election. Any new Directors appointed during the period following the last Annual General Meeting, are required to stand for election at the next Annual General Meeting.

Corporate Governance Code

The Board of Directors of Serabi monitors the business affairs of the Company on behalf of shareholders. The Board currently consists of the Non-executive Chairman, Managing Director, Finance Director and five further Non-executive Directors. None of the Non-executive Directors has held an executive position with the Company in the past. The Directors have responsibility for the overall corporate governance of the Company and recognise the need for the highest standards of behaviour and accountability.

The Board of Directors is responsible for the stewardship of the Company through consultation with management of the Company. Any responsibility that is not delegated to management or to the committees of the Board of Directors remains with the Board of Directors, subject to the powers of the shareholders' meetings. The frequency of Board of Directors' meetings, as well as the nature of agenda items, varies depending on the state of the Company's affairs and in light of opportunities or risks which the Company faces. Members of the Board of Directors are in frequent contact with one another and meetings of the Board of Directors are held as deemed necessary.

Until September 2018, companies whose shares were listed on AIM had not been obliged to formally adopt or follow a specific corporate governance code but Serabi's Board always sought, where practical and reasonable, to follow the best practice guidelines set out in the recommendations of the UK Corporate Governance Code. With effect from September 2018, it became mandatory for UK companies whose shares were listed on AIM to adopt and follow a corporate governance code, and therefore since 1 September 2018, the Directors, being committed to the principles underlying best practice in corporate governance, adopted the Corporate Governance Code ("the QCA Code") prepared by the Quoted Companies Alliance ("QCA"). In addition, the Company as a result of the listing of its shares on the TSX is obliged to comply with Canadian National Policy 58-201 – Corporate Governance Guidelines which establishes corporate governance guidelines that apply to all public companies. The Company has instituted corporate governance practices that also, where practical, take consideration of these guidelines.

The Company is also subject to the UK City Code of Takeovers and Mergers.

The QCA Code sets out 10 principles of Corporate Governance that the Company should adopt. These are listed below together with a short explanation of how the Company applies each of the principles (with further information on http://www.serabigold.com/corporate/corporate-governance/).

Principle One

Business Model and Strategy

Serabi's objective is to become a pre-eminent junior gold mining company, securing future growth through expansion of its existing projects and, taking advantage of its position as a gold producer, to become involved with and successfully develop other carefully selected opportunities.

With this in mind, the Company:

1. is focused on pursuing gold mining opportunities appropriate to the Group's size and capabilities,
2. will identify and evaluate high quality opportunities through exploration or acquisition,
3. expects to plan, finance and build new mines in a timely and cost-effective manner, and
4. will seek continuous operational improvements to maximise value.

In this way it anticipates that this will lead to value creation for all stakeholders.

SHAREHOLDERS	HOST GOVERNMENT AND GOVERNMENT AGENCIES	LOCAL COMMUNITIES	EMPLOYEES
Generation of short term capital appreciation through investment of cash in accretive growth to grow longer term cash generation to sustain distributions to shareholders.	Generation of tax and royalty receipts to sustain a high-quality oversight and regulatory regime.	Provide improvements to infrastructure, education and healthcare to improve the living standards and opportunities for local populations.	Generate a stable and secure work environment in which employees learn, are mentored and can progress and develop their careers.

In seeking to execute its strategy it faces a number of key challenges, including:

1. the availability of commercially viable projects within the jurisdictions that the Group seeks to operate and of a size that is appropriate for the Group,
2. the availability of personnel with the skills necessary to develop and operate new projects,
3. the availability of finance to acquire, develop and build new projects.

Principle Two

Understanding Shareholder Needs and Expectations

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company has close ongoing relationships with its private shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company and management undertake roadshows to help facilitate meeting opportunities. All shareholders are encouraged to attend and participate in all shareholder meetings called by the Company and especially its Annual General Meeting. Investors also have access to current information on the Company though its website, www.serabigold.com, and via Mike Hodgson, CEO and Clive Line, CFO who are available to answer investor enquiries.

The Group's two major shareholders are represented on the Board and involved with committees established by the Board. The Executive Directors, through its advisers, have invited key shareholders to meet with them either by phone or in face to face meetings on three occasions during 2019 outside of the Annual General Meeting.

The Executive Directors during 2019 have provided detailed quarterly operational updates and financial reports that are available to all shareholders and in addition have prepared interviews and videos throughout the year that allow other investors to better familiarise themselves with operational performance and key events.

Principle Three

Considering Wider Stakeholder and Social Responsibilities

The Board recognises that the long-term success of the Company is reliant upon the efforts of the employees of the Company and its contractors, suppliers, regulators and other stakeholders. The Board and management have put in place a range of processes and systems to ensure that there is close oversight and contact with its key resources and relationships.

The Company has staff dedicated to ensuring that it has active relationships with local communities who are within the vicinity of its operations to understand their concerns and expectations, thereby seeking to ensure mutually beneficial co-operation for both sides. The Company is subject to oversight by a number of different governmental and other bodies who directly or indirectly are involved with the licensing and approval process of mining operations in Brazil. Additionally, given the nature of the Company's business, there are other parties who, whilst not having regulatory power, nonetheless have interest in seeing that the Company conducts its operations in a safe, responsible, ethical and conscientious manner. The Company makes all reasonable efforts, directly or through its advisers, to engage in and maintain active dialogue with each of these governmental and non-governmental bodies, to ensure that any issues faced by the Company, including but not limited to regulations or proposed changes to regulations, are well understood and ensuring to the fullest extent possible that the Company is in compliance with all appropriate regulation, standards and specific licensing obligations, including environmental, social and safety, at all times.

Principle Three continued

Since 1 January 2019, the Group's management has held regular meetings, in particular, with representatives of the National Mining Agency ("ANM"), the State Environmental Agency ("SEMAS"), the Federal Environmental Agency ("IBAMA"), the Federal Land Agency ("INCRA"), and the Federal Agency for Indigenous People ("FUNAI") and representatives from some of these bodies have visited the Group's current operational development projects. In the wake of public concerns following the Brumadinho dam disaster in January 2019, the Group organised a visit for local dignitaries and journalists to the Group's operations to provide reassurance regarding the Group's operating practices and confirmation that an incident of a similar nature to Brumadinho was not possible with Serabi's operation.

Regular dialogue has been held with local community leaders and on 6 February 2020, the Group hosted a public hearing attended by over 500 people as part of the approval process for its Coringa Gold Project.

Principle Four

Risk Management

In addition to its other roles and responsibilities, the Company's senior management, its Audit and Compliance Committee and the Board are responsible for ensuring that procedures are in place and are being implemented effectively to identify, evaluate and manage the significant risks faced by the Company.

The Company is subject to a number of risks and includes in its quarterly Management Discussion and Analysis (a copy of which is available on the Company's website at www.serabigold.com) a detailed analysis of the various areas of risk for the Company its activities and ultimately its stakeholders. A condensed version of these risks is set out in this Annual Report on pages 26 to 29 which summarises the principal risks and the manner in which the Company and its management seek to mitigate these. This risk matrix is updated as changes arise in the nature of risks or the controls that are implemented to mitigate them. The Audit and Compliance Committee reviews the risk matrix and the effectiveness of scenario testing on a regular basis.

The Board considers that an internal audit function is not necessary or practical due to the size of the Company and the close day to day control exercised by the Executive Directors. However, the Board will continue to monitor the need for an internal audit function. The Executive Directors have established appropriate reporting and control mechanisms to ensure the effectiveness of the Company's control systems.

Principle Five

A Well-Functioning Board of Directors

The Board is currently comprised of the Chief Executive, Mike Hodgson, the Financial Director, Mr Clive Line and seven Non-executive Directors. Of the Non-executive Directors, Mr Mel Williams, the Chairman, Mr Sean Harvey, Mr Felipe Swett and Mr Aquiles Alegria are considered to be independent, whilst Mr Nicolas Bañados, Mr Eduardo Rosselot and Mr Mark Sawyer, under the QCA Code, by virtue of being appointed representatives of significant shareholders, are not considered to be independent. Biographical details of the current Directors are set out on the Company's website and on page 54 and 55 of this report. Executive and Non-executive Directors are subject to re-election usually at the Company's Annual General Meeting, at intervals of no more than three years. Summary terms and conditions of each of the Directors are disclosed annually in the Company's Annual Reports and also in the Management Information Circular which accompanies the Notice of Annual General Meeting. Copies of both these documents are available on the Company's website at www.serabigold.com.

The Board meets on a regular basis and during 2019 met a total of 12 times. It has established an Audit and Compliance Committee, a Remuneration Committee and a Project Steering Committee, particulars of which are set out in this report. The Board has not at this time felt it necessary to establish a separate Nominations Committee and considers that this responsibility can be currently discharged by the Remuneration Committee or, if the circumstances so dictate, the Board as a whole, The Board is responsible for the stewardship of the Company through consultation with management of the Company. Any responsibility that is not delegated to management or to the committees of the Board remains with the Board, subject to the rights of the shareholders. The frequency of Board meetings, as well as the nature of agenda items, varies depending on the state of the Company's affairs and in light of opportunities or risks which the Company faces. Members of the Board are in frequent contact with one another and meetings of the Board are held as deemed necessary.

Additionally, the Board has appointed an Executive Committee to oversee and co-ordinate the day to day running of the Group. It is empowered to make decisions over a number of areas without reference to the full Board and specifically to deal with all matters relating to the daily operation of the Group.

The Executive Committee comprises the Chief Executive and the Finance Director. The Executive Committee is responsible for the daily operation of the Group and for making recommendations to the Board regarding short and medium-term budgets, targets and overall objectives and strategies for the Group.

The Chief Executive and the Finance Director are full time employees of the Company whilst each of the Non-executive Directors are considered to be part time but are expected to provide as much time to the Company as is required.

The Board is satisfied that, as a whole, it is able to exercise independent judgement. The Articles of Association of the Company have already been specifically amended to restrict the role of the Directors in any situation where there is considered to be a conflict of interest and requiring such conflicted Director(s) to abstain from voting and participation in any meeting or voting where the matter giving rise to the conflict is to be considered. The Company has also entered into Relationship Agreements with each of Fratelli Investments Limited ("Fratelli") and Greenstone Resources II LP ("Greenstone"), its two principal shareholders, details of which are set out in the Annual Information Form filed by the Company on SEDAR on 9 April 2020 and available on the Company's website. The Relationship Agreements inter alia require that (i) the Company is capable of carrying on its business independently of each of Fratelli and Greenstone; (ii) transactions between any member of the Group and any member of either Fratelli or Greenstone are made at arm's length on a normal commercial basis and approved by Directors independent of Fratelli or Greenstone as appropriate; (iii) any disputes between Fratelli and /or Greenstone and any member of the Group shall be dealt with by a committee of the independent Directors; (iv) the selection, approval and removal of senior management and Executive Directors shall be subject to the approval of a majority of the Non-executive Directors of the Company; and (v) neither Fratelli nor Greenstone shall take any action as a result of which there would be fewer than two Directors independent of Fratelli and Greenstone.

The Board of the Company may meet without management when any Board meetings are held and at any other time if so requested by the Chairman. The Audit and Compliance Committee and the Remuneration Committee are both comprised solely of Non-executive Directors, and the Remuneration Committee will as a matter of its normal business meet without management during the course of the year. Other Non-executive Directors are generally invited to attend meetings of the Remuneration and Audit and Compliance Committees to permit joint consideration of matters without the presence of management, and whilst subject matter will generally be confined to the areas of audit, controls and remuneration the Chairman invites participation on other topics at these meetings. Accordingly, forums do occur every three to four months that comprise meetings of the Non-executive Directors.

Attendance at Board and Committee Meetings

During 2019, the Board held 12 Board meetings. Attendance by each of the Directors at these meetings and meetings of its committees are as set out in the table below. There is no fixed time commitment imposed on each of the Non-executive Directors, however it is expected that each individual will and is in a position to commit to whatever time requirement is necessary at any time during the year as well as throughout the year.

Director	Board Meetings (Attended/Held)	Audit Committee Meetings (Attended/Held)	Remuneration Committee Meetings (Attended/Held)
Mel Williams	11/12	3/4	1/1
Michael Hodgson	12/12	n/a	n/a
Clive Line	12/12	n/a	n/a
Aquiles Alegria	12/12	n/a	n/a
Nicolas Bañados	12/12	n/a	1/1
Sean Harvey	12/12	4/4	1/1
Eduardo Rosselot	12/12	n/a	n/a
Mark Sawyer	8/12	n/a	n/a
Felipe Swett	12/12	4/4	n/a

Principle Six

Appropriate Skills and Experience of the Directors

The Company believes that the current balance of skills in the Board as a whole reflects a very broad range of commercial and professional skills across geographies and industries and each of the Directors has previous experience in public markets.

The Company has an established and stable Board which it considers to be well suited to its fundamental objective of enhancing and preserving long-term shareholder value and ensuring that the Company conducts its business in an ethical and safe manner. The Board is considered to be of sufficient number to provide more than adequate experience and perspective to its decision-making process and given the size and nature of the Company, the Board does not consider at this time that it is appropriate to increase the size of the Board or amend its composition. The Board is however conscious of the different perspectives that individuals from different cultural backgrounds and with different work and life experiences can bring. For this reason, when considering any change to its composition it will actively seek to further increase its current diversity to become more inclusive, taking into account considerations such as gender, age and ethnicity to ensure that the Board benefits from a broad range of perspectives and experiences appropriate to its activities and needs.

As the Board is not currently anticipating any change to its size or composition, it has not yet implemented a written policy regarding the identification and nomination of women directors. In the event that one of the existing members of the Board stands down from their current position, the Company will, at that time, give further consideration to the specific selection of a female member of the Board and the adoption of a formal policy relating to the positive appointment of additional female members of the Board for future opportunities.

The Board does consider that its current composition already encompasses significant diversity. Of its nine members, its membership covers three nationalities, and includes three directors with strong technical mining and geological expertise, two Directors with financial backgrounds and four Directors bringing investment banking and corporate finance experience. All of the Board members have spent significant time, and in some cases, all of their careers, working within the natural resources industries. With the exception of Mr Sawyer, who was appointed in March 2018 concurrent with the announcement of the subscription by Greenstone Resources for new ordinary shares, all of the current Non-executive Directors have served for periods of between five to nine years which the Board considers is an indicator of an appropriate level of turnover and renewal while maintaining continuity and knowledge.

The Board has not adopted a target regarding the number of women on the Board of Directors. The Board of Directors does expect more diversity on the Board of Directors over time and each future appointment will be made on the basis of ensuring that its Board is able to provide the widest possible experience and perspective that is consistent with achieving the highest level of professionalism and continues to enhance and preserve long-term shareholder value and ensure that the Company conducts its business in an ethical and safe manner. Today, none (zero per cent) of the Company's Directors are women.

The Board is responsible for: (a) ensuring that all new Directors receive a comprehensive orientation, that they fully understand the role of the Board and its committees, as well as the contribution individual Directors are expected to make (including the commitment of time and resources that the Company expects from its Directors) and that they understand the nature and operation of the Company's business; and (b) providing continuing education opportunities for all Directors, so that individuals may maintain or enhance their skills and abilities as Directors, as well as to ensure that their knowledge and understanding of the Company's business remains current.

Principle Six continued

Given the size of the Company and the in-depth experience of its Directors, the Company has not deemed it necessary to develop a formal process of orientation for new Directors but encourages all its Directors to visit the Company's operations to ensure familiarity and proper understanding. The Directors conduct a discussion of the business of the Company at Board meetings to ensure that new Directors are provided with an overview of the Company's operations.

From time to time, corporate officers, and legal, financial and other experts, whose presence and knowledge can, in the opinion of management and/or the Board, assist the Board in making a more informed decision, are invited to attend Board meetings to describe matters in their areas of expertise. The Board ensures that any new Board member receives a written memorandum (the "Memorandum") prepared by the Company's lawyers setting out their responsibilities as a Director and ensures that each Director is conversant with the regulations of any stock exchange on which the Company's shares are traded.

Directors are entitled to attend seminars that they determine necessary to keep themselves up to date with current issues relevant to their services as Directors of the Company.

Principle Seven

Evaluation of Board Performance

The Board has determined that it shall itself be responsible for assessing the effectiveness and contributions of the Board as a whole, its committees (which currently comprise the Audit Committee, the Remuneration Committee and the Project Steering Committee) and individual directors. The size of the Board allows for open discussion. The Chairman has regular dialogue with the Chief Executive whereby the Board's role and effectiveness can be considered. The Finance Director also has regular dialogue with the Head of the Audit Committee whereby that Committee's effectiveness can be considered.

No formal assessments have been prepared, however the Board will keep this matter under review and especially if either the size of the Board or the number of committees increases which in turn may require a more formalised assessment and evaluation process to be established to ensure continued effectiveness.

Principle Eight

Corporate Culture

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long-term value to its shareholders and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

A large part of the Company's activities is centred upon what needs to be an open and respectful dialogue with employees, clients and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great import on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The Directors consider that at present the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge.

The Board has implemented processes and instructions to its employees intended to ensure that they properly communicate the values and ethics of the Company in their conduct and their relationships with the Company's stakeholders.

The Company has adopted, with effect from the date on which its shares were admitted to AIM, a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016.

Principle Nine

Maintenance of Governance Structures and Processes

Ultimate authority for all aspects of the Company's activities rests with the Board, with the responsibilities of the Executive Directors arising as a consequence of delegation by the Board.

The Board has adopted appropriate delegations of authority which set out matters which are reserved to the Board. The Chairman is responsible for the effectiveness of the Board, while management of the Company's business and primary contact with shareholders has been delegated by the Board to the Chief Executive Officer and the Finance Director.

Audit and Compliance Committee

The Audit and Compliance Committee ("the AC Committee") reviews the principles, policies and practices adopted in the preparation of the financial statements of Serabi Gold plc and its subsidiaries, as well as ensuring any other formal announcements relating to the financial performance of the Group comply with relevant statutory and regulatory requirements. As part of this review, it focuses in particular on areas of judgement, appropriateness of policies, going concern matters, and any other areas it identifies as risks (e.g. on the grounds of materiality or uncertainty). The AC Committee also has responsibility for any internal audit function, but at this time has determined that in view of the size of the organisation, a separate internal audit team is not required.

The AC Committee is also responsible for assisting the Board in discharging its responsibilities with respect to the integrity of the Group's financial statements, the effectiveness of the systems of governance, risk management and internal control, and monitoring the effectiveness and independence of the external auditors. It receives reports from the executive management and auditors relating to the quarterly and annual accounts and the accounting and internal control systems in use throughout the Company.

The AC Committee shall meet not less than four times in each financial year and it has unrestricted access to the Company's auditors. The AC Committee is required to consist of not less than three Non-executive Directors.

During 2019, the AC Committee considered the key areas of risk and judgement relevant to the Group. These included:

- the liquidity and going concern of the Group;
- the valuation and impairment of the Group's assets;
- the valuation of stocks of material comprising work in progress;
- the policy for capitalisation of development costs and policies for amortisation;
- determination of the potential recoverability of past tax losses.
- approving the estimation and accounting treatment for derivative transactions.

In addition to matters raised at the AC Committee meetings, Serabi's management submits working papers and notes outlining the key issues, which are circulated to the AC Committee for consideration ahead of the meetings.

The AC Committee is comprised of Messrs. Swett (Chair), Harvey and Williams. Each member of the AC Committee is considered to be independent within the meaning of NI 52-110. All members of the AC Committee are financially literate in that they have the ability to read and understand a set of financial statements that are of the same breadth and level of complexity of accounting issues as can be reasonably expected to be raised by the Company's financial statements.

Mr Swett has worked for over 10 years in investment management initially working as analyst appraising the performance of a wide range of companies and businesses and now heads the Asset Management team at Asset Chile, a Chilean-based investment bank. He also holds an MBA from the Kellogg School of Management, Northwestern University.

Mr Williams is a Chartered Certified Accountant and holds an MBA from Cranfield School of Management. Mr Williams has over 40 years of financial experience, much of which has been spent in the mining industry. Until June 2011, he served as the Chief Financial Officer and Senior Vice President of Finance and Corporate Development of Brigus Gold and he has also served as Chief Financial Officer of TVX Gold Inc.

Mr Harvey has qualifications in economics and law and had a 10 year career in investment and merchant banking primarily focused in the mining area, prior to taking up executive positions within the mining industry. He has served as the Chief Executive Officer for TVX Gold Inc and Orvana Minerals, was the Chairman of Andina Minerals Inc. and served on its audit committee and currently serves on the audit committee of Perseus Mining Limited.

Remuneration Committee

Purpose

The Remuneration Committee is responsible for determining and agreeing with the Board the framework for the remuneration of the Chief Executive, all other Executive Directors, the Chairman of the Company (if an Executive Director), the Company Secretary and such other members of the Executive Management as it feels appropriate to consider. Furthermore, it is responsible for setting the structure and determining the total individual remuneration packages of each Director including, where appropriate, bonuses, incentive payments and share options with due regard to the interests of the shareholders and the overall performance of the Group and the Company's overall philosophy and policy with respect to executive compensation.

The Remuneration Committee determines the level of compensation the Chief Executive Officer and the Chief Financial Officer are to receive on an annual basis and relies on the Company's economic performance and the responsibilities and risks involved in being an effective Chief Executive Officer and Chief Financial Officer of a gold production and development company. The Remuneration Committee considers current compensation of both the Chief Executive Officer and the Chief Financial Officer to adequately cover such responsibilities and risks.

It also considers recommendations from the Executive Directors in respect of proposals for bonuses, incentive payments and share options to be awarded to senior managers within the Group and makes recommendations on the overall remuneration plans adopted by the Company. The remuneration of the Non-executive Directors is a matter that is dealt with by the Board as a whole.

The Remuneration Committee has expertise in, among other things, evaluating overall compensation policies, plans and practices, as well as setting compensation for executive officers; overseeing and administering equity compensation plans; and establishing employment, retention and severance arrangements for executive officers.

Composition

The Remuneration Committee comprises Messrs. Williams (Chair), Bañados and Harvey. Mr Williams and Mr Harvey are both independent Directors and Mr Bañados, whilst not independent by virtue of his executive position with an affiliated entity of the Company, has no executive position within the Company and is thus considered independent and objective for the purposes of the Remuneration Committee.

Operations

The Remuneration Committee expects to meet at least twice a year, or more frequently as required. In 2019, the Remuneration Committee met two times. The Committee evaluated and made recommendations to the Board in respect of bonuses for key executives relating to both their individual and the Group's performance during the preceding year against pre-determined targets. It also established and recommended targets in respect of the 2019 calendar year for Executive Directors and senior management and evaluated and made recommendations for the award of share options for senior management and Directors.

Full disclosure of the policies can be found in the Remuneration Report on pages 65 to 69.

Principle Nine continued

Remuneration Committee continued

Responsibilities

The Remuneration Committee is responsible for the following matters:

- to review the performance objectives and determine and agree the appropriate levels of remuneration for the Executive Directors, and the senior management of the Group;
- to determine the remuneration of the Chairman of the Board, Non-executive Directors, as well as Chairmen and members of all Board Committees, subject to the condition that no person shall participate in discussions relating to his or her own remuneration;
- to review the design and management of Group salary structures and incentive schemes, and to ensure proper authorisation for any awards made under such schemes;
- to review the recommendations of the Chief Executive of the Group as to the grant of share awards and other bonuses, and to approve such awards as appropriate; and
- to review and approve the Remuneration Report in the Serabi Gold plc Annual Report.

Nominations Committee

The Company does not currently have a Nomination Committee. The Board as a whole is responsible for identifying and recommending candidates for the Board of the Company. The Board reviews and makes determination with respect to:

(i) the size and composition of the Board;

(ii) the organisation and responsibilities of the appropriate committees of the Board;

(iii) the evaluation process for the Board and committees of the Board and the Chairpersons of the Board and such committees; and

(iv) creating a desirable balance of expertise and qualifications among Board members.

In the nomination process, the Board assesses its current composition and requirements going forward in light of the stage of the Company and the skills required to ensure proper oversight of the Company and its operations.

The Board has not at this time considered that the size and complexity of the Company warrants a requirement for a separate Nomination Committee. It is currently envisaged that should any appointment be undertaken the Remuneration Committee would fulfil the role of the Nomination Committee.

Project Steering Committee

Purpose

The Group has established a Project Steering Committee, the role of which is to recommend a governance and reporting framework for the Group's portfolio of producing assets, its existing exploration portfolio, including the Coringa Gold Project, and assess and review any proposed mergers and acquisitions.

Composition

The Project Steering Committee is chaired by the Chief Executive Officer and certain of the Group's substantial shareholders are entitled to appoint nominees to the Project Steering Committee with the Board appointing other qualified representatives.

Responsibilities

The Project Steering Committee makes recommendations to the Board on matters including, but not limited to:

- the overall development strategy that might enhance value for shareholders whilst ensuring the Group's mineral projects are developed in accordance with a credible financing plan;
- the monitoring through formal monthly reviews of i) performance against target costs and schedules, ii) health, safety and environmental performance and, iii) project controls;
- matters which may or will require further approvals from the Board such as capital overruns and major contract awards;
- material changes to the approved scopes, cost and/or schedule when risk or opportunity events occur;
- the permitting plan and progress in respect of material permits, including any material communication received from government or permitting agencies in respect of key permits and approvals;
- overall HSE performance including system implementation and review of material incidents (high potential risk incidents, lost time injuries and reportable environmental incidents);
- stakeholder management and progress against key elements of the stakeholder plan;
- the execution plan, including contracting strategy, detailed permitting register, controls/reporting, critical path, control budget and use of contingency;
- the staffing plan; and
- the financing plan and strategy including equity, debt, royalty or off-take financing.

Operations
The Project Steering Committee has convened twice during the year and meets as frequently as it considered necessary and in particular if there is a need to consider and discuss investment opportunities and project developments in advance of presenting these to the Board as a whole.

In addition to reports from the Project Steering Committee, Mr Eduardo Rosselot, a mining engineer and Non-executive Director and Mr Aquiles Alegria, a geologist and Non-executive Director, undertake visits to the Group's operations and also assist, as required, with evaluations of new investment opportunities and report to the Board and the Project Steering Committee on their findings.

Non-executive Directors
The Board has not adopted term limits for Directors or other mechanisms of Board renewal. The Board evaluates its performance and composition on a regular basis and will make adjustments as and when indicated. When assessing the independence of each Non-executive Director, length of service is one of the considerations. The Board will when assessing new appointments in the future consider the need to balance the experience and knowledge that each independent Director has of the Company and its operations, with the need to ensure that independent Directors can also bring new perspectives to the business.

In accordance with the Companies Act 2006, the Board complies with: a duty to act within its powers; a duty to promote the success of the Company; a duty to exercise independent judgement; a duty to exercise reasonable care, skill and diligence; a duty to avoid conflicts of interest; a duty not to accept benefits from third parties; and a duty to declare any interest in a proposed transaction or arrangement.

Principle Ten

Shareholder Communication
The Board is accountable to the Company's shareholders and as such it is important for the Board to appreciate the aspirations of the shareholders and equally that the shareholders understand how the actions of the Board and short term financial performance relate to the achievement of the Group's longer term goals.

The Board reports to the shareholders on its stewardship of the Company through the publication of quarterly operational updates and the quarterly and full year financial results. News releases are issued throughout the year and the Company maintains a website (www.serabigold.com) on which press releases, corporate presentations and the Report and Financial Statements are available to view. Additionally, this Report and Financial Statements contains extensive information about the Group's activities. Enquiries from individual shareholders on matters relating to the business of the Company are welcomed. Shareholders and other interested parties can subscribe to receive notification of news updates and other documents from the Company via email. In addition, the Executive Directors meet with major shareholders to discuss the progress of the Company and provide periodic feedback to the Board following meetings with shareholders.

The Annual General Meeting, and other meetings of shareholders that may be called by the Company from time to time, provide an opportunity for communication with all shareholders and the Board encourages the shareholders to attend and welcomes their participation. The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company has close ongoing relationships with its private shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition to its Annual Report, the Company provides detailed quarterly reports outlining operational and financial performance in each quarter.

The outcome and detailed results of shareholder votes are reported following each meeting of shareholders. There has been no instance in any recent shareholder meeting whereby the votes cast have not been substantially in favour of the resolutions proposed by the Board. In the event that a significant number of the independent votes cast (greater than 20%) were not cast in favour of a resolution, the Board and management would seek to better understand that vote and consider taking actions as a result of that vote.

Board Independence

	Position	Appointed	Status	Audit Committee	Remuneration Committee
Melvyn Williams	Non-executive Chairman	30 March 2011	Independent	Member	Chair
Sean Harvey	Non-executive Director	30 March 2011	Independent	Member	Member
Nicolas Bañados	Non-executive Director	13 May 2013	Not independent(1)	–	Member
Felipe Swett	Non-executive Director	30 September 2014	Independent	Chair	–
Eduardo Rosselot	Non-executive Director	20 October 2012	Not independent(2)	–	–
Aquiles Alegria	Non-executive Director	7 July 2014	Independent	–	–
Mark Sawyer	Non-executive Director	23 March 2018	Not independent(3)	–	–
Michael Hodgson	Chief Executive	1 February 2007	Executive	–	–
Clive Line	Financial Director	14 March 2005	Executive	–	–

(1) Mr Bañados is appointed as a representative of Fratelli Investments and holds the position of Managing Director of Private Equity. He is therefore not considered to be fully independent by virtue of his relationship with one of the Company's major shareholders. He has never held an executive position with the Group.

(2) Mr Rosselot is appointed as a representative of Fratelli Investments and acts for Fratelli as a consultant on mining matters and investments. He is therefore not considered to be fully independent by virtue of his relationship with one of the Company's major shareholders. He has never held an executive position with the Group.

(3) Mr Sawyer is appointed as a representative of Greenstone Resources II LP and is an officer and shareholder of Greenstone Management Ltd and Greenstone Capital LLP which provide management and advisory service to Greenstone Resources II LP. He is therefore not considered to be fully independent by virtue of his relationship with one of the Company's major shareholders. He has never held an executive position with the Group.

Service Contracts

No Director has any service contracts, consultancy agreements or other such arrangements with a notice period in excess of one year.

Non-Audit Services

The Board regularly reviews the provision of non-audit services from its auditors, at least annually through discussion at Committee meetings. The Board is satisfied that the provision of non-audit services by BDO LLP is compatible with the general standard of independence for auditors and does not give rise to any conflict of interest.

Directors' Remuneration Report
For the year ended 31 December 2019

Compensation plays an important role in achieving short and long-term business objectives that ultimately drive business success. The Group's compensation philosophy is to foster entrepreneurship at all levels of the organisation by making long-term equity-based incentives, through the granting of stock options, a significant component of executive compensation. This approach is based on the assumption that the performance of the Group's share price over the long-term is an important indicator of long-term performance.

The Group's compensation philosophy and objectives are based on the following fundamental principles:

1. Compensation programmes align with shareholder interests – the Group aligns the goals of executives with maximising long-term shareholder value;
2. Performance sensitive – compensation for executive officers should be linked to operating and market performance of the Group and fluctuate with the performance; and
3. Offer market competitive compensation to attract and retain talent – the compensation programme should provide market competitive pay in terms of value and structure in order to retain existing employees who are performing according to their objectives and to attract new individuals of the highest calibre.

The Group's principal goal is to create value for its shareholders. The Group's compensation philosophy is based on the objectives of linking the interests of the executive officers with both the short and long-term interests of the Group's shareholders, of linking executive compensation to the performance of the Group and the individual and of compensating executive officers at a level and in a manner that ensures the Group is capable of attracting, motivating and retaining individuals with exceptional executive skills. The executive compensation programme is designed to encourage, compensate and reward employees on the basis of individual and corporate performance, both in the short and the long-term. Base salaries are aligned with and judged against corporations of a comparable size and stage of development within the mining industry, thereby enabling the Group to compete for and retain executives critical to the Group's long-term success. Incentive compensation is directly tied to corporate performance. Share ownership opportunities are provided to align the interests of executive officers with the longer term interests of shareholders.

Elements of Executive Compensation

The elements of compensation earned by the executives of the Group for the financial year ended 31 December 2019 consist of a base salary, along with annual discretionary incentive compensation in the form of a performance based bonus, and a longer term incentive in the form of stock options.

This reflects a package consisting of a mix of compensation elements designed to provide executives with an "at risk" component of total compensation that reflects their ability to influence business outcomes and performance, and fixed elements that provide security and enable the Group to attract and retain key employees.

The following table outlines how each element of compensation aligns with the Group's compensation philosophy. Details regarding the operation of each of the compensation elements are set out below the table.

ELEMENT OF COMPENSATION PACKAGE	PURPOSE AND LINK TO STRATEGY	NATURE OF REVIEW
Base salary	To recognise the market value of the role, reflecting the individual's skills, experience, authority and responsibilities, to ensure that the business can attract and retain appropriate individuals for executive and non-executive roles.	The element is reviewed annually. The Group compiles comparator data from published accounts and industry surveys of peer companies to determine the base salary for each of the Executive Directors. The Group uses remuneration consultants to assist in benchmarking and to ensure that the remuneration policies follow current trends and best practice initiatives. Peer group data is also used to assess the level of fees for the Non-executive Directors.
Performance related bonus	To incentivise and reward, on an annual basis, the performance of individuals, and of the Group, using a range of financial and non-financial metrics.	Objectives and measurable targets ("KPIs") are set, prior to the year under review, to align near term goals with the longer term sustainable future of the Group. The short term incentive component is structured to reward not only increased value for shareholders but also performance with respect to key operational factors and non-financial goals important to long-term success. At the end of each year, the Committee considers if and to what extent the KPIs have been achieved and in this way establishes a transparent and non-discretionary assessment of an individual's performance and contribution to the Group. Non-executive Directors do not participate in the bonus scheme.

Directors' Remuneration Report continued

For the year ended 31 December 2019

ELEMENT OF COMPENSATION PACKAGE	PURPOSE AND LINK TO STRATEGY	NATURE OF REVIEW
Share options	To reward delivery of sustained long-term improvements in shareholder returns by aligning performance directly with an increase in the fundamental measure of the generation of shareholder value.	The Board seeks to award options on an annual basis and the Group's LTIP scheme is equity settled. Options vest in three annual equal instalments with the initial vesting on the date of the award. Any option which is unexercised after a period of three years from the date of grant expires. Options are also forfeited if a holder leaves the Group before the options vest or are exercised although the Committee may exercise discretionary powers in certain circumstances. Options issued to date have not been subject to attainment of performance criteria prior to vesting or exercise. The Committee has the right to impose such criteria in respect of new awards. The Group's scheme is limited to no more than 10 per cent of the issued capital and whilst there is no maximum value to which options that may be granted in one year, nor any cap on the level that an individual may hold, the Committee exercises discretion to ensure that annual awards can be made and considers the level and value of existing awards in determining the level of new awards.
Pension provision	The provision of pension benefits is a relatively normal constituent of compensation offered by peer companies. The Group will contribute to defined contribution schemes on behalf of its executives as part of the overall remuneration package provided to an employee.	The Group does not operate any pension plans for its Executive Directors except to the minimum extent required under UK law. The level of pension contribution made to an individual's defined contribution scheme will generally be linked to an employee's base salary, though the Committee may, at its election, approve single lump sum payments which can increase the overall level of retirement benefit provided for any individual.
Other benefits	To provide cost effective and competitive remuneration benefits.	The Group provides private medical and life assurance benefits for employees and Executive Directors which may be linked to base salary.

Compensation Risk Management

The Group believes that its executive compensation programme does not create risk outside the Group's risk appetite. Some of the risk-management initiatives currently employed by the Group are as follows:

- Appointing a Remuneration Committee comprised of independent Directors to oversee the executive compensation programme;
- The use of deferred equity compensation to encourage a focus on long-term corporate performance as opposed to short term results;
- Disclosure of executive compensation to stakeholders;
- Use of discretion in adjusting bonus payments up or down as the Remuneration Committee deems appropriate and recommends to the Board; and
- Ultimately complete Board accountability.

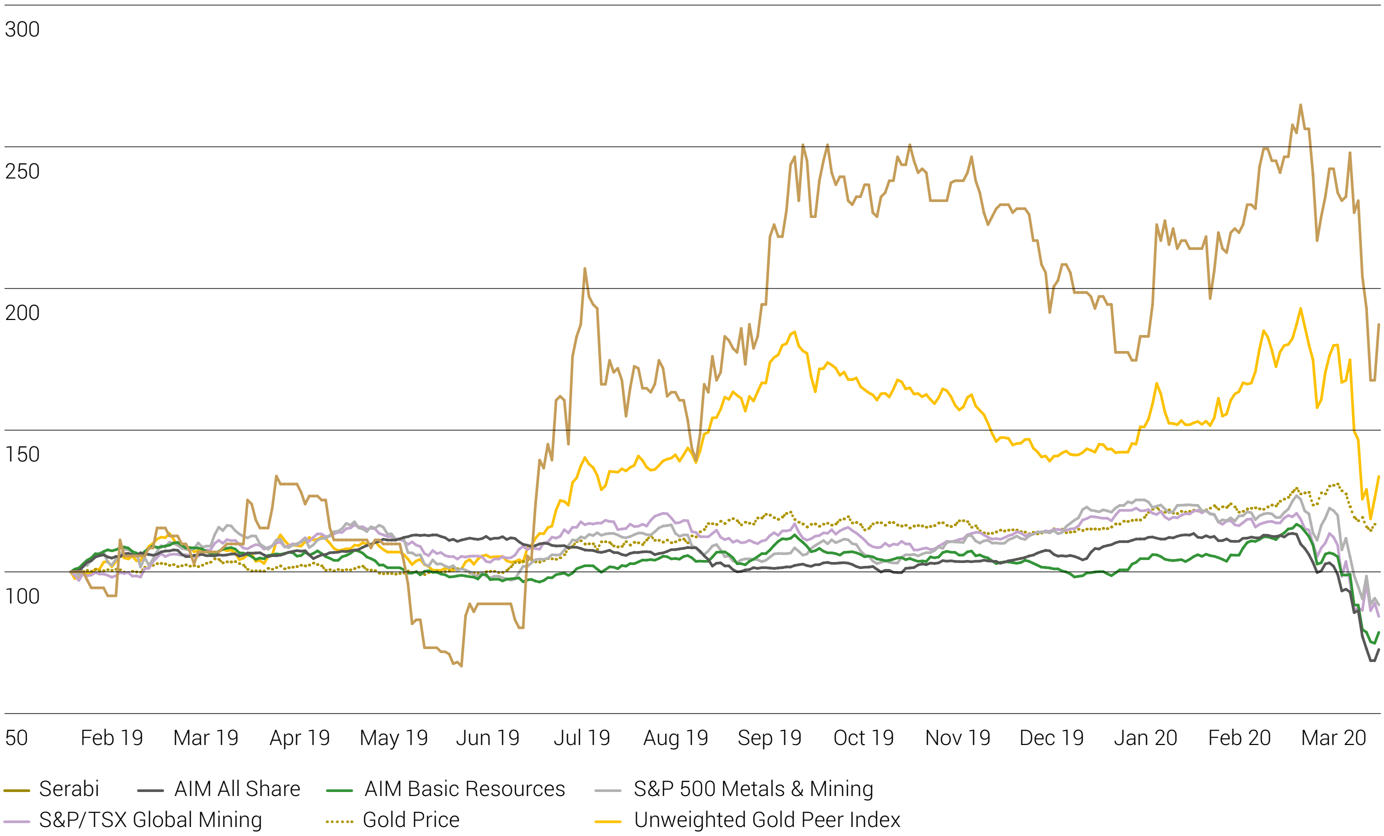
Non-Executive Remuneration

The remuneration package for Non-executive Directors is established by the Board as a whole but Non-executive Directors do not vote on any changes to their own fees.

Remuneration consists of a fixed fee which is set to reflect prescribed time commitments and the relative responsibilities of each Non-executive Director on the affairs of the Group, fees payable in respect of attendance at meetings and fees payable for service on any formal committees of the Board. Additional consultancy fees are paid if the input required exceeds the anticipated levels. Some of the Non-executive Directors currently hold share options. Whilst the award of share options by the Group to Non-executive Directors is contrary to the recommendations of the QCA Code, the Board believes that, given the nature and size of the Group and the need to conserve cash resources, it is appropriate that the remuneration of the Non-executive Directors be aligned with the success and growth of the Group. The Board notes also that it is normal practice for natural resources companies listed on the Toronto Stock Exchange to award Non-executive Directors share options as part of their remuneration. The Company has therefore concluded that, in order to attract Non-executive Directors of an appropriate stature and experience, it is obliged and necessary to continue to permit the participation of its Non-executive Directors in its equity participation plans.

Share price performance

2019 share performance against gold price and industry indices



Directors' Remuneration Report continued

For the year ended 31 December 2019

Directors and their interests

Ordinary Shares and Options

The Directors of the Company, who held office during the year and as of 31 December 2019, had the following interests in the ordinary shares of the Company according to the register of Directors' interests:

	Shares held at 31 December 2019	Shares held at 31 December 2018	**Share options held at 31 December 2019**	Share options held at 31 December 2018	Option price	Exercise period
Michael Hodgson	22,066	22,066	**–**	25,000	UK£3.00	21 Dec 09 to 20 Dec 19
			30,000	30,000	UK£8.20	28 Jan 11 to 27 Jan 21
			–	200,000	UK£1.10	16 May 16 to 15 May 19
			200,000	200,000	UK£1.00	07 Apr 17 to 06 Apr 20
			400,000	400,000	UK£0.75	02 July 18 to 1 July 21
Clive Line	38,332	38,332	**–**	25,000	UK£3.00	21 Dec 09 to 20 Dec 19
			30,000	30,000	UK£8.20	28 Jan 11 to 27 Jan 21
			–	150,000	UK£1.00	16 May 16 to 15 May 19
			150,000	150,000	UK£1.00	07 Apr 17 to 06 Apr 20
			300,000	300,000	UK£0.75	02 July 18 to 1 July 21
T Sean Harvey	60,000	60,000	**–**	80,000	UK£1.10	16 May 16 to 15 May 19
			80,000	80,000	UK£1.00	07 Apr 17 to 06 Apr 20
			100,000	100,000	UK£0.75	02 July 18 to 1 July 21
Melvyn Williams	14,750	14,750	**–**	65,000	UK£1.10	16 May 16 to 15 May 19
			65,000	65,000	UK£1.00	07 Apr 17 to 06 Apr 20
			125,000	125,000	UK£0.75	02 July 18 to 1 July 21
Aquiles Alegria	5,000	5,000	**–**	50,000	UK£1.10	16 May 16 to 15 May 19
			50,000	50,000	UK£1.00	07 Apr 17 to 06 Apr 20
			100,000	100,000	UK£0.75	02 July 18 to 1 July 21
Felipe Swett	–	–	**–**	50,000	UK£1.10	16 May 16 to 15 May 19
			50,000	50,000	UK£1.00	07 Apr 17 to 06 Apr 20
			100,000	100,000	UK£0.75	02 July 18 to 1 July 21
Eduardo Rosselot	–	–	**–**	50,000	UK£1.10	16 May 16 to 15 May 19
			50,000	50,000	UK£1.00	07 Apr 17 to 06 Apr 20
			100,000	100,000	UK£0.75	02 July 18 to 1 July 21
Nicolas Bañados(1)	1,122,197	1,122,197	**–**	50,000	UK£1.00	16 May 16 to 15 May 19
			50,000	50,000	UK£1.00	07 Apr 17 to 06 Apr 20
			100,000	100,000	UK£0.75	02 July 18 to 1 July 21
Mark Sawyer(2)	–	–	**100,000**	100,000	UK£0.75	02 July 18 to 1 July 21

(1) Mr. Bañados has a direct interest in 7,214 ordinary shares. Mr Bañados is the beneficial owner of 50 per cent of the share capital of Asesorias e Inversiones Asturias Limitada which beneficially owns: (1) directly 7,983 ordinary shares; and (2) 25 per cent of the units in Inversionnes Villarrica Limitada, a private financial investment fund, which is interested in 1,107,000 ordinary shares.

(2) Mr Sawyer is a partner of Greenstone Resource LP which is interested in 14,887,970 ordinary shares.

During the year ended 31 December 2019, the Company's shares have traded between 92 pence and 24 pence.

Remuneration

Director	Salary US$	Fees as Director US$	Other Fees US$	Bonus US$	Pension US$	IFRS 2 charge for options granted US$	Other US$	**For the year to 31 December 2019 Total US$**	For the year to 31 December 2018 Total US$
Michael Hodgson	234,618	–	–	93,589	10,206	63,050	5,423	**406,886**	466,813
Clive Line	209,869	–	–	59,585	–	47,288	4,520	**321,262**	387,817
Aquiles Alegria	–	27,134	–	–	–	15,762	–	**42,896**	46,079
Nicolas Bañados	–	29,395	–	–	–	15,762	–	**45,157**	49,164
T Sean Harvey	–	33,164	–	–	–	18,439	–	**51,603**	60.523
Eduardo Rosselot	–	27,134	60,000	–	–	15,762	–	**102,896**	106,850
Mark Sawyer	–	25,250	–	–	–	11,301	–	**36,551**	26,055
Felipe Swett	–	32,787	–	–	–	15,762	–	**48,549**	51,863
Melvyn Williams	–	41,832	–	–	–	19,926	–	**61,758**	67,960
Total	444,487	216,696	60,000	153,174	10,206	223,052	9,943	**1,117,558**	1,263,123

Directors' Report

For the year ended 31 December 2019

The Directors present their report together with the audited financial statements for the year ended 31 December 2019.

Results and dividends

The Group profit for the year after taxation amounts to US$3,832,984 (2018: loss of US$5,754,541). The Directors do not recommend the payment of a dividend.

The results for the year are set out on page 82 in the Statement of Comprehensive Income.

Principal activities and business review

The principal activity of the Company is that of a holding and gold sales company and a provider of support and management services to its operating subsidiaries. Together with its subsidiaries (see note 11), it is involved in the development of gold and other metals mining projects in Brazil and the operation of the Palito gold mine in the Tapajos region of Brazil.

A detailed review of activities, future developments and the Group's projects is included in the Chairman's Statement, the Strategic Review and the Management Discussion and Analysis – Operational Review and Financial Review.

Substantial shareholdings

As at 8 April 2020, the Company was aware of the following holdings of three per cent or more in the Company's issued share capital:

Name	Number of shares held	Percentage
Fratelli Investments Limited	19,318,786	32.79%
Greenstone Resources II LP	14,887,970	25.27%
River and Mercantile	6,186,111	10.50%
Drake PIPE Fund	2,298,984	3.90%

Share capital

Details of the share capital and movements in share capital during the period are disclosed in note 21 to the financial statements.

During the period, there were no issues of share options under the Serabi Mining 2011 Share Option Plan made to Directors and other employees.

Company's listings

The Company's ordinary shares have been traded on AIM since 10 May 2005 and on the TSX since 30 March 2011.

Going concern and availability of finance

As at 31 December 2019, the Group had cash in hand of $14.2 million and net assets of $69.7 million.

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

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

The Company announced on 22 January 2020 that it had entered into an agreement with Greenstone Resources II LP ("Greenstone") for the issue of and subscription by Greenstone of US$12 million of Convertible Loan Notes, the proceeds of which would be used to satisfy the Coringa Deferred Consideration. However, due to the uncertainties created by the impact of the Coronavirus, the Company and Greenstone agreed to extend the period for the satisfaction of the conditions required for completion of the subscription by Greenstone. As of the date of the approval and signing of these financial statements, the Company is in advanced discussions with Greenstone to amend the Loan Note subscription deed (the "Subscription Deed") to allow for partial subscriptions of Loan Notes in individual amounts of US$500,000 (the "Amended Subscription Deed"). If the Amended Subscription Deed is entered into by the Company and Greenstone, the partial subscriptions would then provide funds to the Group that could be applied to pay the monthly instalments to Equinox, during the Deferral Period, until such time as any remaining balance of the Coringa Deferred Consideration can be satisfied in full. In addition, Greenstone and the Company then anticipate that shortly after the Travel Restriction Conditions have been satisfied, they would be able to satisfy all the other conditions required to close the issue and subscription for the remaining portion of the Loan Notes and allow the Group to settle any remaining balance of the Coringa Deferred Consideration in accordance with the terms of the revised arrangements with Equinox. The Amended Subscription Deed is expected to include certain covenants and undertakings that are in accordance with normal market practice for these types of arrangements. These are expected to include an undertaking that at each month end (i) the cash position of the Group should be at least US$3 million and (ii) the Group should have positive working capital (excluding the value of the Loan Notes) of at least US$2.5 million. During the Deferral Period, the minimum cash requirement is expected to be reduced to the higher of US$1 million or 25% of the amount drawn down. Based on the management accounts of the Group, the Group would have been in compliance with these covenants at the end of each calendar month during 2019 and, notwithstanding the potential impact of COVID-19, based on the cash flow forecast the Group would be compliant at each required draw-down.

The Directors have prepared an operational plan and cash flow forecast based on their best judgement of the likely impact of the Coronavirus on the Group's activities and on the assumption that the Amended Subscription Deed is entered into prior to 31 May 2020. Based on this forecast, which anticipated, for a period of up to three months, reduced levels of gold production, compared to the Group's 2019 budget, of 50 per cent, and assuming that the Group continues to be able, with the assistance of the proceeds of the Loan Notes subscribed for by Greenstone in accordance with the Amended Subscription Deed, to meet its obligations to Equinox, the Directors consider that the Group will have sufficient cash flows to settle, in full, the Coringa Deferred Consideration, all other trade and other liabilities as they fall due and will also be able to settle its existing secured loan with Sprott.

At the date of signing of this report, and whilst both Greenstone and the Board of Directors have provided assurances that it is their intention to execute the Amended Subscription Deed, there can be no guarantee that the Amended Subscription Deed will be entered into in the form that the Directors currently anticipate or at all. In the event that the Amended Subscription Deed were substantially amended or not completed, whilst the date on which the Travel Restriction Conditions will be satisfied is uncertain, it is possible that in the event this date falls prior to 31 December 2020, the Group may not have generated sufficient cash from its operation to be able to satisfy any remaining balance of the Coringa Deferred Consideration at that time. The Group may be able to renegotiate the timing of any remaining balance of the Coringa Deferred Consideration or may be able to raise funds from other sources at that time in order to be able to satisfy any remaining balance of the Coringa Deferred Consideration. However, in the event that this is not possible, Equinox would be entitled, subject to certain conditions, to exercise security rights that it holds over the shares of Chapleau Resources Limited, the parent company of Chapleau Exploração Mineral Ltda, which holds the Coringa Gold Project, and as a result the Group may forfeit its title and ownership of the Coringa Gold Project. In such event, the Group would be required to write down the carrying value of the Coringa Gold Project which as at 31 December 2019 was approximately US$25 million. At the time of any forfeiture, the carrying value will have been adjusted to reflect any additional capitalised cost that the Group may have incurred on the project after 31 December 2019, including normal monthly running, security and maintenance costs which, for the fourth quarter of 2019 were approximately US$360,000, any exploration or development costs incurred after 1 January 2020, which at the current time the Directors consider will be negligible, and any further payments that the Group makes to Equinox in settlement of the Coringa Deferred Consideration.

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

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

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

As at the date of this report, both the impact of COVID-19 on the underlying operations, and the outcome of raising any further funds that may be required, remains uncertain and this represents a material uncertainty surrounding going concern. If the Group fails to achieve the operational plan or to raise any additional necessary funds, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The matters explained indicate that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern. These financial statements do not show the adjustments to the assets and liabilities of the Group or the Company if this was to occur.

Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and in accordance with the rules of the Toronto Stock Exchange.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Report continued

For the year ended 31 December 2019

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Engagement with stakeholders

Details of the approach taken by the Directors to engage with its various stakeholders including its suppliers and customers are outlined in the Strategic Report on pages 24 to 25.

Principal risks and uncertainties

The principal risks and uncertainties are outlined in the Strategic Report on pages 26 to 29.

Management of financial risks

Capital management and financial risk disclosures are provided within notes 23 and 26 of the financial statements.

Corporate governance

The Directors have responsibility for the overall corporate governance of the Company and recognise the need for the highest standards of behaviour and accountability. The Directors are committed to the principles underlying best practice in corporate governance and have adopted the Corporate Governance Code ("the QCA Code") prepared by the Quoted Companies Alliance ("QCA"). In addition, the Company as a result of the listing of its shares on the TSX is obliged to comply with Canadian National Policy 58-201 – Corporate Governance Guidelines which establishes corporate governance guidelines that apply to all public companies. The Company has instituted corporate governance practices that also, where practical, take consideration of these guidelines. Further details are set out in the Report on Corporate Governance on pages 56 to 64.

Board composition

The Directors who served during the year are shown on page 54 and 55.

The Board has a wide range of experience directly relevant to the Group and its activities and its structure ensures that no one individual or group of individuals dominate the decision making process.

Further details relating to the Board, independence and meetings undertaken during the year are set out in the Report on Corporate Governance on pages 56 to 64.

Committees

The Company has established an Audit Committee, a Remuneration Committee, a Project Steering Committee and an Executive Committee. Details of these committees are set out in the Report on Corporate Governance on pages 56 to 64.

Employees

The Group has a policy of equal opportunities throughout the organisation, and is proud of its culture of diversity and tolerance. Employees benefit from regular communication both informally and formally with regard to Company issues (external and internal developments, updates, etc.), including regular news updates distributed at the mine-site and in the corporate offices. Employees are made aware of the Company's share ownership policy, both to ensure compliance with listing rules but also to make them aware of the opportunity to participate in the Company's share performance.

Share dealing

The Company has adopted a share dealing code for Directors and employees in accordance with the AIM Rules and Market Abuse Regulations and takes proper steps to ensure compliance by the Directors and its employees.

Internal controls

The Directors acknowledge their responsibility for the Group's system of internal controls and procedures and for reviewing the effectiveness of these and ensuring that management of its subsidiaries review the internal controls and procedures operating in the subsidiaries. Such controls and procedures are designed to safeguard the Company's and the Group's assets and ensure reliability of reporting information, financial and otherwise, for both internal use and external publication. The Group's management has designed internal controls over financial reporting, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Throughout the year the design and operating effectiveness of the Group's internal controls over financial reporting are reviewed. Based on these evaluations the Board has concluded that the internal controls over financial reporting were effective as at 31 December 2019, using the criteria, having taken account of the size and nature of the Group, put forward by the Financial Reporting Council in their revised guidance for directors on internal controls for UK listed companies (issued September 2014).

The Group's management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that its disclosure controls and internal controls over financial reporting will prevent or detect all errors and fraud. A cost effective system of internal controls, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the internal controls over financial reporting are achieved.

Key contracts

The Group has contractual arrangements with key suppliers for its operations notably for fuel, power, reagents and equipment spare parts. It also has an existing commitment to sell its production of copper/gold concentrate to a single customer which was renewed at the start of 2018 for a two year period. However, management considers that alternative suppliers and purchasers could be arranged if necessary and do not therefore consider that the Group is unduly reliant on any single contract or supplier.

The Group is reliant on retaining its exploration and mining licences and its operating licences which are subject to compliance with various federal and state regulations and obligations. The Group considers such compliance a high priority in view of this reliance.

Post balance sheet events

On 21 January 2020, the Group entered into a subscription deed for the issue of US$12 million of Convertible Loan Notes ("the Loan Notes") by Greenstone Resources II LP ("Greenstone") the proceeds of which were to be applied inter-alia to settle a payment of US$12 million due to Equinox Gold Corp ("Equinox") representing a final payment for the acquisition of the Coringa Gold Project (the "Coringa Acquisition Payment"). The subscription deed was subject to shareholder approval and certain other conditions being fulfilled at the time of initial draw-down. However, as a consequence of the uncertainties caused by Coronavirus, the Group subsequently agreed with Greenstone to extend the period for the satisfaction of all the conditions necessary for the completion of the subscription for and issue to Greenstone of the Loan Notes.

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

As of the date of the approval and signing of these financial statements, the Group is in advanced discussions with Greenstone to amend the Loan Note subscription deed (the "Subscription Deed") to allow for partial subscriptions in respect of the Loan Notes in individual amounts of US$500,000 (the "Amended Subscription Deed"). If the Amended Subscription Deed is entered into by the Company and Greenstone, the partial subscriptions would then provide funds to the Group that could be applied to pay the monthly instalments to Equinox, during the Deferral Period, until such time as any remaining balance of the Coringa Acquisition Payment can be satisfied in full. In addition, Greenstone and the Company anticipate that shortly after the Travel Restriction Conditions have been satisfied, they would be able to satisfy all the other conditions required to close the issue and subscription for the remaining portion of the Loan Notes and allow the Group to settle any remaining balance of the Coringa Acquisition Payment in accordance with the terms of the revised arrangements with Equinox. The Amended Subscription Deed is expected to include certain covenants and undertakings that are in accordance with normal market practice for these types of arrangement. These are expected to include an undertaking that at each month end (i) the cash position of the Group should be at least US$3 million and (ii) the Group should have positive working capital (excluding the value of the Loan Notes) of at least US$2.5 million. During the Deferral Period the minimum cash requirement is expected to be reduced to the higher of US$1 million or 25% of the amount drawn down. Based on the management accounts of the Group, the Group would have been in compliance with these covenants at the end of each calendar month during 2019.

At the date of signing of this report and whilst both Greenstone and the Board of Directors have provided assurances that it is their intention to execute the Amended Subscription Deed, there can be no guarantee that the Amended Subscription Deed will be entered into in the form that the Directors currently anticipate or at all.

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

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.

Directors' Report continued

For the year ended 31 December 2019

Indemnification of Directors and officers

During the financial year, the Group paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and all executive officers of the Group against liability incurred as such a Director, Company Secretary or executive officer to the extent permitted under legislation.

Auditor

The auditor, BDO LLP, has confirmed its willingness to remain as auditor to the Company. A resolution to appoint BDO LLP will be put to the Annual General Meeting.

Disclosure of audit information

As far as each of the Directors is aware, at the time this report was approved:

(a) There is no relevant available information of which the auditor is unaware; and

(b) They have taken all steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the Board

Clive Line
Company Secretary
8 April 2020

Independent Auditor's Report

To the members of Serabi Gold Plc

Opinion

We have audited the financial statements of Serabi Gold plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the Group statement of comprehensive income, the Group and Parent Company balance sheets, the Group and Parent Company statements of changes in shareholders equity, the Group and Parent Company cash flow statements and notes to the financial statements including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 (a) to the Group financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidate cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 of the financial statements, which indicates the uncertainty surrounding available funding required for the Group's settlement of a final acquisition payment in respect of the purchase of Chapleau Resources Limited and its Coringa Gold Project (the "Coringa Deferred Consideration"). In addition the occurrence of the Coronavirus (COVID-19) pandemic has created significant uncertainty for all business sectors including Serabi Gold Plc and in particular the short term effects and actions that may need to be implemented by the Group or that may be imposed on the Group by new regulations implemented by government, and the impact that this pandemic may have on the availability of funding. The Directors have prepared an operational plan and cash flow forecast based on their best judgement of the likely impact of the Coronavirus on the Group's activities. Based on this forecast, and assuming that the Group continues to be able, with the assistance of the proceeds of the proposed issue of Loan Notes to be subscribed for by Greenstone, to meet its obligations to Equinox, the Directors consider that the Company will have sufficient cash flows to settle, in full, the Coringa Deferred Consideration, all other trade and other liabilities as they fall due and will also be able to settle its existing secured loan with Sprott.

As stated in note 1, these events or conditions, along with other matters as set out in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We considered going concern and working capital requirements to be a Key Audit Matter based on our assessment of the risk and the effect on the audit. We performed the following work in response to this key audit matter.

- Reviewed the Directors' cash flow forecasts for the Group, which covered a period in excess of 12 months from the date of approval of these financial statements and corroborated the forecast cash inflows and outflows to supporting documentation and historic data. In particular we corroborated the cash flow forecasts to the life of mine models for Palito and São Chico to check forecast cash inflows from production were reasonable and in line with current performance;
- Challenged and corroborated the Directors' key assumptions included in the base case cash flow forecasts and discussed with the Director's their future plans for the Group and checked that all contractually committed amounts and liabilities are included within the projections;
- Reviewed stress tested cash flow forecast for the 3 and 6 months periods from the date of this report which includes the Directors' assessment of the impact of COVID-19 for these periods taking into consideration expected minimum levels of production;
- Reviewed the terms of the Group's current debt facility including historical compliance and expected future compliance with covenants;
- Verified the current COVID-19 legislation announced by the Brazilian government which confirms that mining is a key industry whereby mining operations are not expected to be shut down through actions of the federal government;
- Reviewed the updated settlement agreement with Equinox for the remaining $12m instalment relating to the acquisition of Chapleau Resources Limited and checked the settlement had been delayed from settlement on 31 March 2020 to instalments over a period until such time as certain travel restrictions are lifted and that the revised repayment schedule was correctly reflected in the future cash flow forecasts for the business;

Independent Auditor's Report continued

To the members of Serabi Gold Plc

Material uncertainty related to going concern continued

- Reviewed the draft agreement with Greenstone Resources II LLP for the issue of a $12m convertible loan note and considered the mechanism by which the Group could draw-down on the notes in order to repay the aforementioned outstanding liability with Equinox. We have reviewed the key terms regarding covenants and conditions of draw-down and corroborated these to the disclosure in the financial statements;
- Verified the share pledge security agreement held by Equinox, which could be enacted if the Group defaulted on the settlement agreement and corroborated these to the disclosure in the financial statements;
- Evaluated the adequacy of disclosures made in the financial statements in respect of going concern.

Key audit matters

In addition to the matter described in the material uncertainty related to going concern section, key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of mining properties

Key Audit Matter	As at 31 December 2019, the Group's mining properties and assets under construction totalled $40.4m and details of these assets and the related critical judgements and estimates are disclosed in notes 1(d) and 9. Each year the Directors are required to assess whether there has been any indication that the mining assets may be impaired and consider whether the carrying value exceeds the recoverable amount by considering the future discounted cash flows. The recoverable amount of the assets is dependent on the life of mine plan and various significant judgements and estimates, including the gold price and discount rates applied. The subjectivity of the judgements and estimates and the significant carrying value of the assets make this a key area of focus for the financial statements and the audit.
How our audit addressed the key audit matter	Our audit work included: The Directors carried out their impairment review and concluded there were no indicators of impairment in line with the provisions of IAS 36. We have assessed the mining and exploration operations at Palito, São Chico and Coringa with reference to the impairment indicators as documented in IAS 36. Our work regarding this has been described below: • We visited the mine-sites at Palito and São Chico to understand both the historic performance and future developments and assess whether there were any clear indicators of impairment. • We reviewed operational data from each mine in the year and compared this to the prior year's mine model and the historic performance in 2018. We have noted that tonnes milled and ounces of gold produced in 2019 are in line with the previous year's model indicating the mines are operating as intended. • We challenged the significant judgements and estimates used in the mine model when considering if operations' economic performance will be as expected. We checked the mineral resources used were in line with verified technical reports released in previous years less amounts mined to date using operational and historic data. We ensured that the gold price used was in line with market forecasts and we recalculated the discount rate with reference to market and company data and noted the rate used was reasonable. • We reviewed the Agencia Nacional de Mineral (ANM) website and noted those exploration licences held by the Group that had expired or were expiring in the next 12 months. We obtained copies of the current trial mining licence for the São Chico mine and checked the applications for expired exploration licences have been submitted where necessary. We verified legal documentation to support that legal title remains in the period under renewal. • We made enquiries of solicitors in Brazil to verify that there were no material litigations or disputes that would impact on the mining and exploration operations. • We enquired of any known breaches of laws and regulations in the year and none were noted.
Key Observation	Based on our procedures, we consider that the Directors' conclusion that no impairment charge was required as at 31 December 2019 is supported by the underlying models. We found the judgements and estimates applied by the Directors in preparing the forecasts to be reasonable.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Our basis for the determination of materiality has remained consistent with the prior year. We consider Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) to be the most significant determinant of the Group's financial performance used by the users of the financial statements and it approximates to operating cash generation. The benchmark percentage used for calculating materiality was 5% of EBITDA which is consistent with the prior year.

Whilst materiality for the financial statements as a whole was $520,000 (2018: $500,000), each significant component of the Group was audited to a lower level of materiality. The Parent Company materiality was $310,000 (2018: $300,000), being 60% of Group materiality, with the other components varying from $100,000 to $310,000. These materiality levels were used to determine the financial statement areas that are included within the scope of our audit work and the extent of sample sizes during the audit.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. Performance materiality was set at 75% (2018: 75%) of the above materiality levels given there has been limited experience of past misstatements.

We agreed with the Audit Committee that we would report to those charged with governance all individual audit differences identified during the course of our audit in excess of $10,000 (2018: $10,000). We also agreed to report differences below these thresholds that, in our view warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our Group audit scope focused on the Group's principal operating locations and legal structure. As a result of our audit approach, we achieved coverage of 100% of the Group's revenue and 100% of the Group's EBITDA.

The Group has operating entities based in the UK and Brazil. The Parent Company, Serabi Mineração SA, containing the Palito and São Chico gold mines, Gold Aura do Brasil Mineração Ltda and Chapleau Resources Limited were the entities that were deemed to be significant components by virtue of size and risk.

The Parent Company was subject to a full scope audit by the Group auditor.

For Serabi Mineração SA, Gold Aura do Brasil Mineração Ltda and Chapleau Resources Limited, the BDO network firm in the Brazil completed full scope audits reporting to the Group auditor.

As part of our audit strategy, as Group auditors we undertook the following:

- Detailed Group reporting instructions were sent to the component auditor, which included the significant areas to be covered by the audit (including areas that were to be considered to be key audit matters), and set out the information required to be reported to the Group audit team.
- We determined our level of involvement in the components to require a visit from the Group audit team, at both the planning and completion stages, to review the audit work papers and attend the component clearance meeting along with the component auditor, local and Group management.
- The Group audit team was actively involved in the direction of the audits performed by the component auditors along with the consideration of findings and determination of conclusions drawn. We performed additional procedures in respect of certain of the significant risk areas in addition to the procedures performed by the component auditor.

The remaining non-significant subsidiaries of the Group were principally subject to analytical review procedures.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report continued

To the members of Serabi Gold Plc

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 71, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matt Crane
(Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
8 April 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Independent Auditor's Report

In respect of Canadian National Instrument 52-107 (Acceptable accounting principles and auditing standards)

Opinion

We have audited the financial statements of Serabi Gold plc (the 'Parent Company') and its subsidiaries (the 'Group') for the years ended 31 December 2019 and 31 December 2018 which comprise the Group statement of comprehensive income, the Group balance sheet, the Group statements of changes in shareholders' equity, the Group cash flow statement and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as issued by the IAASB. Our audit opinion does not cover the Parent Company financial statements.

In our opinion:

- the Group financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019 and 31 December 2018 and its financial performance and its cash flows for the years then ended; and
- the Group financial statements have been properly prepared in accordance with IFRSs as issued by the IAASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as issued by IAASB and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the Group financial statements in the UK, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 of the financial statements, which indicates the uncertainty surrounding available funding required for the Group's settlement of a final acquisition payment in respect of the purchase of Chapleau Resources Limited and its Coringa Gold Project (the "Coringa Deferred Consideration"). In addition, the occurrence of the Coronavirus (COVID-19) pandemic has created significant uncertainty for all business sectors including Serabi Gold Plc and in particular the short term effects and actions that may need to be implemented by the Group or that may be imposed on the Group by new regulations implemented by government, and the impact that this pandemic may have on the availability of funding. The Directors have prepared an operational plan and cash flow forecast based on their best judgement of the likely impact of the Coronavirus on the Group's activities. Based on this forecast, and assuming that the Group continues to be able, with the assistance of the proceeds of the proposed issue of Loan Notes to be subscribed for by Greenstone, to meet its obligations to Equinox, the Directors consider that the Company will have sufficient cash flows to settle, in full, the Coringa Deferred Consideration, all other trade and other liabilities as they fall due and will also be able to settle its existing secured loan with Sprott.

As stated in note 1, these events or conditions, along with other matters as set out in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We considered going concern and working capital requirements to be a Key Audit Matter based on our assessment of the risk and the effect on the audit. We performed the following work in response to this key audit matter.

- Reviewed the Directors' cash flow forecasts for the Group, which covered a period in excess of 12 months from the date of approval of these financial statements and corroborated the forecast cash inflows and outflows to supporting documentation and historic data. In particular we corroborated the forecast cash flow forecasts to the life of mine models for Palito and São Chico to check forecast cash inflows from production were reasonable and in line with current performance.
- Challenged and corroborated the Directors' key assumptions included in the base case cash flow forecasts and discussed with the Director's their future plans for the Group and checked that all contractually committed amounts and liabilities are included within the projections;
- Reviewed stress tested cash flow forecast for 3 and 6 months periods from the date of this report which includes the Directors' assessment of the impact of COVID-19 for these periods taking into consideration expected minimum levels of production;
- Reviewed the terms of the Group's current debt facility including historical compliance and expected future compliance with covenants;
- Verified the current COVID-19 legislation announced by the Brazilian government which confirms that mining is a key industry whereby mining operations are not expected to be shut down through actions of the federal government;
- Reviewed the updated settlement agreement with Equinox for the remaining $12m instalment relating to the acquisition of Chapleau Resources Limited and checked the settlement had been delayed from settlement on 31 March 2020 to instalments over a period until such a time as certain travel restrictions are lifted and that the revised repayment schedule was correctly reflected in the future cash flow forecasts for the business;
- Reviewed the draft agreement with Greenstone Resources II LLP for the issue of a $12m convertible loan note and considered the mechanism by which the Group could draw-down on the notes in order to repay the aforementioned outstanding liability with Equinox. We have reviewed the key terms regarding covenants and conditions of draw-down and corroborate these to the disclosure in the financial statements;
- Verified the share pledge security agreement held by Equinox, which could be enacted, if the Group defaulted on the settlement agreement and corroborated these to the disclosure in the financial statements; and
- Evaluated the adequacy of disclosures made in the financial statements in respect of going concern.

Independent Auditor's Report continued

In respect of Canadian National Instrument 52-107
(Acceptable accounting principles and auditing standards)

Key audit matters

In addition to the matter described in the material uncertainty related to going concern section, key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of mining properties

Key Audit Matter	As at 31 December 2019, the Group's mining properties and assets under construction totalled $40.4m and details of these assets and the related critical judgements and estimates are disclosed in notes 1(d) and 9. Each year the Directors are required to assess whether there has been any indication that the mining assets may be impaired and consider whether the carrying value exceeds the recoverable amount by considering the future discounted cash flows. The recoverable amount of the assets is dependent on the life of mine plan and various significant judgements and estimates, including the gold price and discount rates applied. The subjectivity of the judgements and estimates and the significant carrying value of the assets make this a key area of focus for the financial statements and the audit.
How our audit addressed the key audit matter	Our audit work included: The Directors carried out their impairment review and concluded there were no indicators of impairment in line with the provisions of IAS 36. We have assessed the mining and exploration operations at Palito, São Chico and Coringa with reference to the impairment indicators as documented in IAS 36. Our work regarding this has been described below: • We visited the mine-sites at Palito and São Chico to understand both the historic performance and future developments and assess whether there were any clear indicators of impairment. • We reviewed operational data from each mine in the year and compared this to the prior year's mine model and the historic performance in 2018. We have noted that tonnes milled and ounces of gold produced in 2019 are in line with the previous year's model indicating the mines are operating as intended. • We challenged the significant judgements and estimates used in the mine model when considering if operations' economic performance will be as expected. We checked the mineral resources used are in line with verified technical reports released in previous years less amounts mined to date using operational and historic data. We ensured that the gold price used is in line with market forecasts and we recalculated the discount rate with reference to market and company data and noted the rate used was reasonable. • We have reviewed the Agencia Nacional de Mineral (ANM) website and noted those exploration licences held by the Group that had expired or were expiring in the next 12 months. We obtained copies of the current trial mining licence for the São Chico mine and checked the applications for expired exploration licences have been submitted where necessary. We verified legal documentation to support that legal title remains in the period under renewal. • We made enquiries of solicitors in Brazil to verify that there were no material litigation or dispute that would impact on the mining and exploration operations. • We enquired of any known breaches of laws and regulations in the year and none were noted.
Key Observation	Based on our procedures, we consider that the Directors' conclusion that no impairment charge was required as at 31 December 2019 is supported by the underlying models. We found the judgements and estimates applied by the Directors in preparing the forecasts to be reasonable.

Other information

The other information comprises the information included in the annual report and the management discussion and analysis, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of management

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Group's financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (i.e gives a true and fair view).
- Are required to report on consolidated financial statements, obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Matt Crane.

BDO LLP
London, United Kingdom
8 April 2020

Statement of Comprehensive Income/(Loss)
For the year ended 31 December 2019

	Notes	Group For the year ended 31 December 2019 US$	Group For the year ended 31 December 2018 US$
CONTINUING OPERATIONS			
Revenue		**59,948,092**	43,261,743
Cost of sales		**(36,986,923)**	(31,501,016)
Release of provision for impairment of inventory	12	**500,000**	400,000
Provision for impairment of state taxes receivable		**(716,522)**	–
Depreciation and amortisation charges		**(9,023,843)**	(9,281,387)
Total cost of sales		**(46,227,288)**	(40,382,403)
Gross profit		**13,720,804**	2,879,340
Administration expenses		**(5,262,380)**	(5,538,298)
Share-based payments		**(261,940)**	(329,620)
Gain on disposal of fixed asset		**166,640**	276,976
Operating profit/(loss)	3	**8,363,124**	(2,711,602)
Foreign exchange gain/(loss)		**210,988**	(594,596)
Finance expense	4	**(2,465,321)**	(2,385,313)
Finance income	4	**82,125**	861,430
Profit/(loss) before taxation		**6,190,916**	(4,830,081)
Income tax expense	5	**(2,357,932)**	(924,460)
Profit/(loss) for the period(1)		**3,832,984**	(5,754,541)
Other comprehensive income (net of tax)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**(3,471,823)**	(9,607,555)
Total comprehensive profit/(loss) for the period(1)		**361,161**	(15,362,096)
Profit/(loss) per ordinary share (basic)(1)	7	**6.51c**	(11.20c)
Profit/(loss) per ordinary share (diluted)(1)	7	**6.28c**	(11.20c)

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

Group Balance Sheet
For the year ended 31 December 2019

	Notes	Group 2019 US$	2018 US$
Non-current assets			
Deferred exploration costs	8	**30,686,652**	27,707,795
Property, plant and equipment	9	**37,597,100**	42,342,102
Right of use assets	10	**1,997,176**	–
Taxes receivable	13	**848,845**	1,555,170
Deferred taxation	5	**1,321,782**	2,162,180
Total non-current assets		**72,451,555**	73,767,247
Current assets			
Inventories	12	**6,577,968**	8,511,474
Trade and other receivables	13	**802,275**	758,209
Prepayments	14	**3,473,288**	4,166,916
Cash and cash equivalents	15	**14,234,612**	9,216,048
Total current assets		**25,088,143**	22,652,647
Current liabilities			
Trade and other payables	16	**6,113,789**	6,273,321
Interest-bearing liabilities	18	**6,952,542**	4,302,798
Acquisition payment outstanding	23	**12,000,000**	10,997,757
Derivative financial liabilities	19	**–**	390,976
Accruals		**319,670**	372,327
Total current liabilities		**25,386,001**	22,337,179
Net current assets		**(297,858)**	315,468
Total assets less current liabilities		**72,153,697**	74,082,715
Non-current liabilities			
Trade and other payables	16	**183,043**	955,521
Provisions	17	**2,237,266**	1,543,811
Interest-bearing liabilities	18	**–**	2,473,096
Total non-current liabilities		**2,420,309**	4,972,428
Net assets		**69,733,388**	69,110,287
Equity			
Share capital	21	**8,882,803**	8,882,803
Share premium reserve		**21,752,430**	21,752,430
Option reserve		**1,019,589**	1,363,367
Other reserves		**7,149,274**	4,763,819
Translation reserve		**(44,278,946)**	(40,807,123)
Retained surplus		**75,208,238**	73,154,991
Equity shareholders' funds attributable to owners of the parent		**69,733,388**	69,110,287

The financial statements were approved and authorised for issue by the Board of Directors on 8 April 2020 and signed on its behalf by:

Clive Line
Finance Director
8 April 2020

Company Balance Sheet
For the year ended 31 December 2019

	Notes	Company 2019 US$	Company 2018 US$
Non-current assets			
Deferred exploration costs	8	**1,891,346**	1,568,365
Property, plant and equipment	9	**8,213,079**	6,949,139
Investments in subsidiaries	11	**86,511,566**	86,511,566
Other receivables	13	**9,474,214**	8,269,265
Total non-current assets		**106,090,205**	103,298,335
Current assets			
Trade and other receivables	13	**797,936**	633,853
Prepayments and prepaid taxes	14	**148,194**	118,371
Cash and cash equivalents	15	**9,447,822**	7,382,530
Total current assets		**10,393,952**	8,134,754
Current liabilities			
Trade and other payables	16	**13,655,228**	4,065,481
Interest-bearing liabilities	18	**6,903,692**	3,636,360
Derivative financial liabilities	19	**–**	390,976
Acquisition payment outstanding	22	**12,000,000**	10,997,757
Accruals		**649,508**	655,318
Total current liabilities		**33,208,428**	19,745,892
Net current liabilities		**(22,814,476)**	(11,611,138)
Total assets less current liabilities		**83,275,729**	91,687,197
Non-current liabilities			
Interest-bearing liabilities	18	**–**	2,424,246
Total non-current liabilities		**–**	2,424,246
Net assets		**83,275,729**	89,262,951
Equity			
Share capital	21	**8,882,803**	8,882,803
Share premium reserve		**21,752,430**	21,752,430
Merger reserve		**361,461**	361,461
Option reserve		**1,019,589**	1,363,367
Retained surplus		**51,259,446**	56,902,890
Equity shareholders' funds attributable to owners of the parent		**83,275,729**	89,262,951

A separate statement of comprehensive income for Serabi Gold plc has not been prepared as permitted by Section 408 of the Companies Act 2006. The loss of the Company for the year ended 31 December 2019 was US$6,249,162 (2018: loss of US$8,819,851).

The financial statements were approved and authorised for issue by the Board of Directors on 8 April 2020 and signed on its behalf by:

Clive Line
Finance Director
8 April 2020

Statements of Changes in Shareholders' Equity

For the year ended 31 December 2019

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 2017	5,540,960	1,722,222	1,425,024	4,015,369	(31,199,568)	79,266,705	60,770,712
Foreign currency adjustments	–	–	–	–	(9,607,555)	–	(9,607,555)
Loss for year	–	–	–	–	–	(5,754,541)	(5,754,541)
Total comprehensive income for the year	–	–	–	–	(9,607,555)	(5,754,541)	(15,362,096)
Transfer to taxation reserve	–	–	–	748,450	–	(748,450)	–
Shares issued in period	3,341,843	20,030,208	–	–	–	–	23,372,051
Share options lapsed in period	–	–	(391,277)	–	–	391,277	–
Share option expense	–	–	329,620	–	–	–	329,620
Equity shareholders' funds at 31 December 2018	8,882,803	21,752,430	1,363,367	4,763,819	(40,807,123)	73,154,991	69,110,287
Foreign currency adjustments	–	–	–	–	(3,471,823)	–	(3,471,823)
Profit for year	–	–	–	–	–	3,832,984	3,832,984
Total comprehensive income for the year	–	–	–	–	(3,471,823)	3,832,984	361,161
Transfer to taxation reserve	–	–	–	2,385,455	–	(2,385,455)	–
Share options lapsed in period	–	–	(605,718)	–	–	605,718	–
Share option expense	–	–	261,940	–	–	–	261,940
Equity shareholders' funds at 31 December 2019	**8,882,803**	**21,752,430**	**1,019,589**	**7,149,274**	**(44,278,946)**	**75,208,238**	**69,733,388**

Other reserves comprise a merger reserve of US$361,461 and a taxation reserve of US$6,787,813 (2018: merger reserve of US$361,461 and taxation reserve of US$4,402,358).

The following is a description of each of the reserve accounts that comprise equity shareholders' funds

Share capital The share capital comprises the issued ordinary shares of the Company at par.

Share premium The share premium comprises the excess value recognised from the issue of ordinary shares at par.

Share option reserve Cumulative fair value of options charged to the statement of comprehensive income net of transfers to the profit and loss reserve on exercised and cancelled/lapsed options.

Other reserves Other reserves is comprised of a merger reserve arising on the acquisition of Kenai Resources Limited, representing the difference between the nominal value of the shares issued and their fair value, and a warrant reserve being the cumulative fair value of warrants issued associated with equity shares issued.

The Group has also established a taxation reserve. The reserve is used to accumulate taxation savings received by the Group as a result of a lower taxation rate being applied in Brazil through its eligibility for a tax incentive programme ("SUDAM"). SUDAM reduces the Group's effective tax rate from approximately 34 per cent to approximately 15.25 per cent. The regulations of the incentive programme require the Group to accumulate incentives received through tax savings in a taxation reserve.

Translation reserve Cumulative gains and losses on translating the net assets of overseas operations to the presentation currency.

Retained surplus Retained surplus/(accumulated losses) comprise the Group's cumulative accounting profits and losses since inception.

Statement of Changes in Shareholders' Equity continued

For the year ended 31 December 2019

Company	Share capital US$	Share premium US$	Merger reserve US$	Share option reserve US$	Retained surplus US$	Total equity US$
Equity shareholders' funds at 31 December 2017	5,540,960	1,722,222	361,461	1,425,024	65,331,464	74,381,131
Loss for the year	–	–	–	–	(8,819,851)	(8,819,851)
Comprehensive loss for year	–	–	–	–	(8,819,851)	(8,819,851)
Shares issued in period	3,341,843	20,030,208	–	–		23,372,051
Share options lapsed in period	–	–	–	(391,277)	391,277	–
Share option expense	–	–	–	329,620	–	329,620
Equity shareholders' funds at 31 December 2018	8,882,803	21,752,430	361,461	1,363,367	56,902,890	89,262,951
Loss for the year	–	–	–	–	(6,249,162)	(6,249,162)
Comprehensive loss for year	–	–	–	–	(6,249,162)	(6,249,162)
Share options lapsed in period	–	–	–	(605,718)	605,718	–
Share option expense	–	–	–	261,940	–	261,940
Equity shareholders' funds at 31 December 2019	**8,882,803**	**21,752,430**	**361,461**	**1,019,589**	**51,259,446**	**83,275,729**

Cash Flow Statements

For the year ended 31 December 2019

		Group		Company	
	Notes	For the year ended 31 December 2019 US$	For the year ended 31 December 2018 US$	For the year ended 31 December 2019 US$	For the year ended 31 December 2018 US$
Cash outflows from operating activities					
Profit/(loss) for the period		**3,832,984**	(5,754,541)	**(6,249,142)**	(8,819,851)
Net financial expense		**2,172,208**	1,938,479	**2,081,759**	2,562,765
Depreciation – plant, equipment and mining properties		**9,023,843**	9,281,387	**99,875**	532,046
Inventory impairment expense		**(500,000)**	(400,000)	**–**	–
Taxation expense	5	**2,357,932**	924,460	**–**	–
Share-based payments		**261,940**	509,620	**261,940**	509,620
Interest paid		**(596,286)**	(770,100)	**(587,204)**	(727,983)
Foreign exchange		**(431,127)**	(155,484)	**(49,370)**	(379,383)
Changes in working capital					
Decrease/(increase) in inventories		**2,143,212**	(2,520,338)	**–**	–
(Increase)/decrease in receivables, prepayments and accrued income		**(228,496)**	(1,425,384)	**(193,906)**	600,536
Increase/(decrease) in payables, accruals and provisions		**470,787**	(20,870)	**266,224**	(181,761)
Increase/(decrease) in short term intercompany payables		**–**	–	**9,317,694**	(57,037)
Net cash inflow/(outflow) from operations		**18,506,997**	1,607,229	**4,947,870**	(5,961,048)
Investing activities					
Acquisition payment for subsidiary net of cash acquired		**–**	(4,740,928)	**–**	(4,740,928)
Acquisition of other property rights	9	**(1,541,457)**	–	**–**	–
Purchase of property, plant, equipment and projects in construction	9	**(3,073,334)**	(4,048,391)	**–**	–
Mine development expenditure	9	**(4,478,420)**	(4,090,860)	**(1,363,815)**	(577,791)
Geological exploration expenditure	8	**(2,249,338)**	(4,610,450)	**–**	–
Pre-operational project costs	8	**(1,634,647)**	(2,274,133)	**(322,981)**	–
Proceeds from sale of assets		**240,524**	301,480	**–**	–
Loans to subsidiaries		**–**	–	**(1,204,949)**	(8,269,265)
Interest received and other finance income		**2,325**	4,780	**2,324**	4,780
Net cash outflow on investing activities		**(12,734,347)**	(19,458,502)	**(2,889,421)**	(13,583,204)
Financing activities					
Issue of ordinary share capital		**–**	23,807,346	**–**	23,807,346
Costs associated with issue of ordinary shares		**–**	(615,295)	**–**	(615,295)
Draw-down of short term loan facility		**–**	3,000,000	**–**	3,000,000
Repayment of short term secured loan		**(285,135)**	(1,939,394)	**–**	(1,939,394)
Payment of finance lease liabilities		**(340,196)**	(797,945)	**–**	–
Net cash (outflow)/inflow from financing activities		**(625,331)**	23,454,712	**–**	24,252,657
Net increase in cash and cash equivalents		**5,147,319**	5,603,439	**2,058,449**	4,708,405
Cash and cash equivalents at beginning of period		**9,216,048**	4,093,866	**7,382,530**	2,936,579
Exchange difference on cash		**(128,755)**	(481,257)	**6,843**	(262,454)
Cash and cash equivalents at end of period		**14,234,612**	9,216,048	**9,447,822**	7,382,530

Notes to the Financial Statements

For the year ended 31 December 2019

1 Significant accounting policies

(a) Basis of preparation

Serabi Gold plc (the "Company") is a public limited company incorporated and domiciled in England, the shares of which are listed on AIM, part of the London Stock Exchange, and the Toronto Stock Exchange. The public registered office and principal place of business are disclosed in the shareholder information section of the Annual Report.

The principal activities of the Group are described in the Directors' Report on page 70.

The consolidated financial statements are presented in US Dollars. They are prepared on the historical cost basis or the fair value basis where the fair valuing of relevant assets and liabilities has been applied.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") in force at the reporting date and their interpretations issued by the International Accounting Standards Board ("IASB") as adopted for use within the European Union and with IFRS and their interpretations issued by the IASB. The Parent Company financial statements have also been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Accounting standards, amendments and interpretations effective in 2019

As of 1 January 2019, IFRS 16 Leases became effective and has been adopted. The effect of implementation has not had a material impact on the financial results of the Group. The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application would be recognised in retained earnings at January 1, 2019. However, the nature of the leases held by the Group was such that there has been no effect on the Group's retained earnings at initial recognition. The comparative information presented for 2018 has not required to be restated and is presented, as previously reported, under IAS 17 and related interpretations.

Other accounting standards that have come into effect as of 1 January 2019 have been:

IAS 19: Employee Benefits on plan amendment, curtailment or settlement

IFRS 9: Financial Instruments on prepayment features with negative compensation and modification of financial liabilities

IFRIC 23: Uncertainty over Income Tax Treatments

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

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

IAS 1 Presentation of Financial Statements

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

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

Going concern and availability of finance

As at 31 December 2019, the Group had cash in hand of $14.2 million and net assets of $69.7 million.

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

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

The Company announced on 22 January 2020 that it had entered into an agreement with Greenstone Resources II LP ("Greenstone") for the issue of and subscription by Greenstone of US$12 million of Convertible Loan Notes, the proceeds of which would be used to satisfy the Coringa Deferred Consideration. However, due to the uncertainties created by the impact of the Coronavirus, the Company and Greenstone agreed to extend the period for the satisfaction of the conditions required for completion of the subscription by Greenstone. As of the date of the approval and signing of these financial statements, the Company is in advanced discussions with Greenstone to amend the Loan Note subscription deed (the "Subscription Deed") to allow for partial subscriptions of Loan Notes in individual amounts of US$500,000 (the "Amended Subscription Deed"). If the Amended Subscription Deed is entered into by the Company and Greenstone, the partial subscriptions would then provide funds to the Group that could be applied to pay the monthly instalments to Equinox, during the Deferral Period, until such time as any remaining balance of the Coringa Deferred Consideration can be satisfied in full. In addition, Greenstone and the Company then anticipate that shortly after the Travel Restriction Conditions have been satisfied, they would be able to satisfy all the other conditions required to close the issue and subscription for the remaining portion of the Loan Notes and allow the Group to settle any remaining balance of the Coringa Deferred Consideration in accordance with the terms of the revised arrangements with Equinox. The Amended Subscription Deed is expected to include certain covenants and undertakings that are in accordance with normal market practice for these types of arrangements. These are expected to include an undertaking that at each month end (i) the cash position of the Group should be at least US$3 million and (ii) the Group should have positive working capital (excluding the value of the Loan Notes) of at least US$2.5 million. During the Deferral Period, the minimum cash requirement is expected to be reduced to the higher of US$1 million or 25% of the amount drawn down. Based on the management accounts of the Group, the Group would have been in compliance with these covenants at the end of each calendar month during 2019 and, notwithstanding the potential impact of COVID-19, based on the cash flow forecast the Group would be compliant at each required draw-down.

1 Significant accounting policies continued

(a) Basis of preparation continued

Going concern and availability of finance continued

The Directors have prepared an operational plan and cash flow forecast based on their best judgement of the likely impact of the Coronavirus on the Group's activities and on the assumption that the Amended Subscription Deed is entered into prior to 31 May 2020. Based on this forecast, which anticipated, for a period of up to three months, reduced levels of gold production, compared to the Group's 2019 budget, of 50 per cent, and assuming that the Group continues to be able, with the assistance of the proceeds of the Loan Notes subscribed for by Greenstone in accordance with the Amended Subscription Deed, to meet its obligations to Equinox, the Directors consider that the Group will have sufficient cash flows to settle, in full, the Coringa Deferred Consideration, all other trade and other liabilities as they fall due and will also be able to settle its existing secured loan with Sprott.

At the date of signing of this report and whilst both Greenstone and the Board of Directors have provided assurances that it is their intention to execute the Amended Subscription Deed, there can be no guarantee that the amended Subscription Deed will be entered into in the form that the Directors currently anticipate or at all. In the event that the Amended Subscription Deed were substantially amended or not completed, whilst the date on which the Travel Restriction Conditions will be satisfied is uncertain, it is possible that in the event this date falls prior to 31 December 2020, the Group may not have generated sufficient cash from its operation to be able to satisfy any remaining balance of the Coringa Deferred Consideration at that time. The Group may be able to renegotiate the timing of any remaining balance of the Coringa Deferred Consideration or may be able to raise funds from other sources at that time in order to be able to satisfy any remaining balance of the Coringa Deferred Consideration. However, in the event that this is not possible, Equinox would be entitled subject to certain conditions, to exercise security rights that it holds over the shares of Chapleau Resources Limited, the parent company of Chapleau Exploração Mineral Ltda, which holds the Coringa Gold Project, and as a result the Group may forfeit its title and ownership of the Coringa Gold Project. In such event the Group would be required to write down the carrying value of the Coringa Gold Project which as at 31 December 2019 was approximately US$25 million. At the time of any forfeiture the carrying value will have been adjusted to reflect any additional capitalised cost that the Group may have incurred on the project after 31 December 2019, including normal monthly running, security and maintenance costs which, for the fourth quarter of 2019, were approximately US$360,000, any exploration or development costs incurred after 1 January 2020, which at the current time the Directors consider will be negligible, and any further payments that the Group makes to Equinox in settlement of the Coringa Deferred Consideration.

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

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

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

As at the date of this report both the impact of COVID-19 on the underlying operations, and the outcome of raising any further funds that may be required, remains uncertain and this represents a material uncertainty surrounding going concern. If the Group fails to achieve the operational plan or to raise any additional necessary funds, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The matters explained indicate that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern. These financial statements do not show the adjustments to the assets and liabilities of the Group or the Company if this was to occur.

(b) Basis of consolidation

(i) Subsidiaries and acquisitions

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is recognised where an investor is expected, or has rights, to variable returns from its investment with the investee, and has the ability to affect these returns through its power over the investee. Based on the circumstances of the acquisition an assessment will be made as to whether the acquisition represents an acquisition of a business or the acquisition of assets. In the event of a business acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as a "fair value" adjustment. If the cost of the acquisition is less than the fair value of net assets of the subsidiary acquired, the difference is recognised directly in profit or loss. In the event of an asset acquisition, assets and liabilities are assigned a carrying amount based on relative fair value.

The results of subsidiaries acquired or disposed of during the year are included in the statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

In the Company's balance sheet, investments in subsidiaries includes the investment in Kenai Resources Limited ("Kenai"), the investment in which was calculated at fair value and the difference between the value of the shares issued and their fair value has been credited directly to a merger reserve.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group.

Notes to the Financial Statements continued
For the year ended 31 December 2019

1 Significant accounting policies continued

((b) Basis of consolidation continued

ii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(c) Foreign currencies

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.

The US Dollar/Sterling exchange rate at 31 December 2019 was 1.3210 (2018: 1.3328). The Brazilian Real/US Dollar exchange rate at 31 December 2019 was 4.0301 (2018: 3.8742).

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation (note 1(d) (iv)) and impairment losses (note 1(h)).

Upon demonstration of the feasibility of commercial production, any past deferred exploration, evaluation and development costs related to that operation are reclassified as Projects in Construction. When commercial production commences these expenditures are then subsequently transferred at cost to Mining Properties. They are stated at cost less amortisation charges and any provision for impairment. Amortisation is calculated over the estimated life of the mineable inventory on a unit of production basis. Future forecasted capital expenditure is included in the unit of production amortisation calculation.

(ii) Subsequent costs

Costs relating to maintenance and upkeep of the Group's assets, once such assets have been commissioned and entered into commercial operations, will generally be expensed as incurred. In the event, however, that the costs demonstrably result in extending the original estimated life of such asset or enhance its value, then such expenditure is added to the carrying value of that asset and amortised over its remaining estimated useful life.

(iii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Mining assets	
Processing plant	three–seven years
Other plant and assay equipment	two-10 years
Heavy vehicles	eight years
Light vehicles	three years
Land and buildings	ten-twenty years
Mining properties	unit of production
Other assets	
Furniture and fittings	five years
Office equipment	four years
Communication installations	five years
Computers	three years

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. Costs incurred include appropriate technical and administrative overheads but not general overheads. Deferred exploration costs are carried at cost, less any impairment losses recognised.

At such time as commercial feasibility is established and a development decision is reached, the costs associated with that property will be transferred to and re-categorised as Projects in Construction and upon commercial production being achieved, re-categorised as Mining Property.

Property, plant and equipment used in the Group's exploration activities are separately reported.

1 Significant accounting policies continued

(f) Trade and other receivables

Trade receivables are not interest-bearing and are stated at amortised cost at the balance sheet date.

Other receivables are not interest-bearing and are stated at amortised cost at the balance sheet date.

Receivables in respect of sale of gold/copper concentrate are revalued using the best estimate of the forecast metal prices for the expected date of settlement (see Revenue policy - note 1(p)).

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.

(g) 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.

(h) 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 , 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.

(i) Share capital and share premium

The Company's ordinary shares are classified as equity.

Called up share capital is recorded at par value of 10 pence per ordinary share.

Monies raised from the issue of shares in excess of par value are recorded as share premium. Costs associated with the raising of capital are netted off this amount.

Notes to the Financial Statements continued

For the year ended 31 December 2019

1 Significant accounting policies continued

(j) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in profit or loss over the period of the borrowings using the effective interest rate method.

If there is an adjustment to the repayment terms of any borrowings which generates a variation of more than 10 per cent of the future cash flows, under IFRS 9 this constitutes a substantial modification to the original valuation of the loan. Accordingly, the original loan under the terms of IFRS 9 would be considered to be repaid and a new loan is considered to have been taken out. If the variation is less than 10 per cent of the future cash flows, this variation would be considered a non-substantial modification. For a non-substantial modification, the difference between the revised measurement of the liability (calculated as the present value of the revised cash flows discounted at the original effective interest rate) and the carrying amount at the point of the modification should be recognised through profit or loss.

Interest on borrowings used specifically to fund the acquisition of non-current assets is capitalised as part of the acquisition cost of the asset otherwise borrowing costs are expensed as incurred. Borrowing costs comprise interest and other costs that the Group incurs in connection with the borrowing of finance.

(k) Employee benefits

(i) Share-based payment transactions and share options

The Group issues share-based payments, including share options to certain employees, which are measured at fair value at date of grant. The fair value determined at the grant date is expensed on a graded vesting basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The Black-Scholes method is used to calculate fair value. The expected life of the instrument used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The entity measures the fair value of the services received by reference to the fair value of the equity instruments granted, because typically it is not possible to estimate reliably the fair value of the services received. The fair value is measured at the date of grant. Where the equity instruments granted do not vest immediately but after a specified number of years, the fair value is accounted for over the vesting period.

(ii) Pension costs

The Group does not operate any pension plan for its employees although it does make contributions to employee pension plans in accordance with instructions from those employees. The Company has no contractual commitment as to the ability of those funds to provide any minimum level of future benefit to the individual and is contracted only to make the contributions. Company contributions to such schemes are charged against profit as they fall due.

(l) Provisions, contingent liabilities and contingent assets

Provisions are recognised when:

(i) the Group has a present legal or constructive obligation as a result of past events;

(ii) it is more likely than not that an outflow of resources will be required to settle the obligation; and

(iii) the amount can be reliably estimated.

- Restoration, rehabilitation and environmental costs
  Provision for environmental remediation and decommissioning of the Group's mining and exploration facilities has been estimated using current prices which are inflated and then discounted for the time value of money. While the provision has been based on the best estimates of future costs and economic life, there is uncertainty regarding the amount and timing of these costs.
- Employment provision
  Provision for employment claims is made where sums are claimed by employees or employees by third parties contracted by the Group, based on management's best estimate of the potential value of any settlement that could arise based on legal opinion.
- Derivative provisions
  Provisions for liabilities in respect of derivative instruments are calculated at the same time as the instrument is granted. Fair value is determined by reference to quoted mid-market prices at each balance sheet date for such derivative instruments. The fair value of the derivatives currently issued by the Group have been measured using level 2 inputs under the fair value hierarchy. The instruments have been valued using forward gold prices.

(m) Trade and other payables

Trade and other payables that are not interest-bearing are stated at amortised cost. Any interest charges or late payment penalties are recognised only when agreed with the supplying party or it is considered probable that they will be levied.

(n) 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.

1 Significant accounting policies continued

(p) Revenue

Revenue represents amounts receivable in respect of sales of gold and by-products. Revenue represents only sales for which contracts have been agreed and for which the product has been delivered to the purchaser in the manner set out in the contract. Revenue is stated net of any applicable sales taxes. All revenue is derived from the sales of copper/gold concentrates produced by the Palito Mine and gold bullion produced from both the Palito Mine and the 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 and copper/gold concentrate meeting agreed criteria.

The Company recognises 100% of the revenue on transfer of title where it is considered highly probable there will be no reversals, having consideration of quality tests performed upon delivery of shipment.

The performance obligation and associated revenue from customers is recorded when the title for a shipment is transferred to the customer in accordance with the contract terms. On transfer of title, control is considered to have passed to the customer with the Company having right to payment, but no ongoing physical possession or involvement with the concentrate, legal title and insurance risk having transferred.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

All sales revenue from incidental production arising during the exploration, evaluation, development and commissioning of a mineral resource prior to commercial production, is 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.

(q) Financing expenses

Financing expenses comprise interest payable on borrowings calculated using the effective interest rate method and interest receivable on funds invested. It also includes charges arising on the unwinding of discount factors relating to the provisions for future charges.

(r) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the year end and any adjustments in respect of prior years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet method. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(s) Segmental reporting

An operating segment is a component of the Group engaged in exploration or production activity that is regularly reviewed by the Chief Operating Decision Maker ("CODM") for the purposes of allocating resources and assessing financial performance. The CODM is considered to be the Board of Directors. The Group has only one primary business activity, namely the conduct of gold mining and exploration in Brazil. For management purposes, however, the Group recognises two separate segments, Brazil and UK. Copper/gold concentrate is produced in Brazil and sales routed through the UK, whilst sales of gold bullion are conducted directly from Brazil. The operating segments are reported in a manner consistent with the internal reporting provided to the CODM.

The Group does not report geographic segments by location of customer as its business is the production of gold which is traded as a commodity on a worldwide basis. Sales are ultimately made into the bullion market, where the location of the ultimate customer is unknown.

(t) Investments in subsidiaries

Investments in subsidiaries are recognised at cost, less any provision for impairment.

(u) Financial instruments

Financial assets and financial liabilities are recognised in the Group statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position and statement of comprehensive income when there is a currently enforceable legal right to offset the recognised amounts and the Group intends to settle on a net basis or realise the asset and liability simultaneously.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Notes to the Financial Statements continued
For the year ended 31 December 2019

1 Significant accounting policies continued

(u) Financial instruments continued

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.

a) 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 does not 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").

b) 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 expect 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. Further details of the reviews undertaking during the year are set out in note 13.

c) 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

a) 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.

b) 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.

(v) Leases

IFRS 16 was adopted on 1 January 2019 without restatement of comparative figures. The following policy applies subsequent to the date of initial application, 1 January 2019.

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- There is an identified asset;
- The Group obtains substantially all the economic benefits from use of the asset; and
- The Group has the right to direct use of the asset.

1 Significant accounting policies continued

(v) Leases continued

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease. In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise from use of the asset. In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- Any penalties payable for terminating the lease, if the term of the lease has been estimated based on termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease.

The Group has elected not to recognise right of use assets and lease liabilities for leases of low-value assets and short term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(w) Derivatives

Derivatives are valued by reference to available market data. Any change in the value of the derivative is recognised in the statement of comprehensive income in the period in which it occurs.

(x) Payments for business acquisition

The acquisition of Chapleau Resources Ltd in December 2017 was accounted for as an Asset Purchase and the assets and liabilities of Chapleau were consolidated within the Group financial statements from 21 December 2017, being the effective date of the acquisition. The cash payments due were to be paid over a period of time and each of the stage payments were discounted at a 10 per cent cost of capital.

(y) Payments for mineral property acquisition

Under existing agreements in place at the time that the Group acquired Kenai Resources Limited in 2013, the Group, subject to certain conditions, had rights to acquire or could be obliged to acquire a net profits interest held by a third party in the property which includes the São Chico orebody. The Group had initially accounted for the future acquisition of this net profits interest and the concurrent potential liability based on the fair value of the potential future obligations under the agreement. In February 2019, the conditions of the existing agreement having not been satisfied, the Group entered into a separate agreement to acquire the rights of the third party with the consideration being paid over 24 months. The variation in the fair value of the amended consideration was treated as an amendment to the original recognised value of the investment included within Mining Property. The unwinding of the fair value as the staged payments are made is being treated as a further amendment to the value of the investment in Mining Property.

(z) Taxes receivable

Taxes receivable are assessed for potential recoverability and classified as long-term or short term receivables based on the expected time frame over which they are expected to be recovered. Assessments are made in respect of any taxes that are considered likely to be recovered over a period of more than 12 months and provision made for any potential loss that may be incurred on the realisation of the amount receivable based upon the Company's past experience of recovering such taxes or market conditions governing situations where the benefits of such taxes might be transferable to other tax payers.

(aa) Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements and assumptions about the future for the purpose of accounting estimates. These are based on management's best knowledge of the relevant facts and circumstances. However, these judgements and estimates regarding the future are a source of uncertainty and actual results may differ from the amounts included in the financial statements and adjustment will consequently be necessary. Estimates are continually evaluated, based on experience and reasonable expectations of future events.

Accounting estimates are applied in assessing and determining the carrying values of significant assets and liabilities.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical estimates that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Notes to the Financial Statements continued

For the year ended 31 December 2019

1 Significant accounting policies continued

(aa) Critical accounting estimates and judgements continued

Mineral resources

Quantification of mineral resources requires a judgement on the reasonable prospects for eventual economic extraction. These judgements are based on assessments made in accordance with the provisions of Canadian National instrument 43-101. These factors are a source of uncertainty and changes could result in an increase or decrease in mineral resources and changes to the categorisation or mineral resources between Mineral Reserves, Measured and Indicated Mineral Resources and Inferred Mineral Resources. Only Mineral Reserves have been established to have economic viability and only at the time that such estimation is undertaken, and any change in the underlying factors under which the economic assessment was made may give rise to management making a judgement as to the continuing economic viability of such Mineral Reserves and how they should be used for the purpose of forecasts. This would, in turn, affect certain amounts in the financial statements such as depreciation, which is calculated on projected life of mine figures, and carrying values of mining property and plant which are tested for impairment by reference to future cash flows based on projected life of mine figures (see note 22).

Mineral Resources have not been established to have economic viability and to the extent that management includes Mineral Resources to calculate projected life of mine figures or in calculations of amortisation or depreciation, management will make judgements based on historical reports, future economic factors and other empirical measures to make estimates of the level of Mineral Resources that it incorporates into its assessments.

Inventory valuation (note 12)

Valuations of gold in stockpiles and in circuit, require estimations of the amount of gold contained in, and recovery rates from, the various stages of work in progress. These estimations are based on analysis of samples and prior experience. A judgement is also required about when stockpiles will be used and what gold price should be applied in calculating net realisable value; these are both sources of uncertainty. The balance that is most sensitive to changes in estimates is the stockpile of mined ore, a prior impairment of which has been partially reversed during the year.

The amounts recognised in the consolidated financial statements are derived from the Group's best estimation and judgement as set out in note 5.

Impairment of mining assets and other property, plant and equipment

An initial judgement is made as to whether the mining assets are impaired based on the matters identified for mining assets in the impairment policy at 1h) relating to IAS 36 impairment.

In considering the impairment of its mining assets in accordance with IAS 36, management will use gold prices and exchange rates applicable at the balance sheet date. The mine life will be based on the judgement of management of that portion of measured, indicated and inferred resources that can be recovered on the basis that, given the nature of the Group's orebodies, the mineral reserves (that portion of the mineral resource that has been proven by independent study to have economic viability) comprises a small part of the total mineral resource of the Group's orebodies and does not reflect management's view of the true life of the orebody. Production costs, estimated capital costs and plant performance are based on current operating performance and costs. The value in use calculation will also be determined by the judgements made by management regarding any future changes in legislation or economic circumstances that might impact the operations.

In the event that there is an indication of impairment, mining assets are assessed for impairment through an estimation of the value in use of the cash generating units ("CGUs"). The value in use calculation requires the entity to estimate the future cash flows expected to arise from a CGU and a suitable discount rate in order to calculate present value. A CGU is a group of assets that generates cash inflows from continuing use. Given their interdependences and physical proximity, the Palito and São Chico Mines are considered to be one single CGU. Management considers that there was no indicator of impairment identified in the year.

As described in note 1(d) (iv), the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

Recoverability of debts including recoverable taxes

In making its judgements over the recoverability of any amounts owed to the Group, management will assess the creditworthiness of the debtor, the legal enforceability of the Group's rights and the practicalities and costs of obtaining and enforcing judgements relative to the debt outstanding. Based on these assessments, it will estimate the likely recoverability of sums that are due to the Group, the likely time period over when such debts might be received and any provision that needs to be established against the future recoverability. Recoverable taxes comprise any federal or state levied input taxes incurred by the Group including taxes levied on the purchase of goods and services that are designated in law as being recoverable either in cash, kind or by way of set-off against other tax liabilities at either a federal or state level. IFRS 9 requires the Parent Company to make assumptions when implementing the forward-looking expected credit loss model.

Recoverability of investments in subsidiaries and inter-company debts

In making its judgements over the recoverability of any amounts invested into subsidiary companies by way of share capital or loans advanced to subsidiaries the Company considers the expected future cash flows that can be generated by the underlying projects owned and operated by these subsidiaries, and the potential value of exploration and development projects owned and managed by these subsidiaries. As each of the subsidiaries in 100% owned (directly or indirectly) by the Company the creditworthiness of the subsidiary is the same as the creditworthiness of the Company subject only to any restrictions that may be imposed on the repatriation of capital and loans by the host government of the subsidiary. Further details are set out in note (u) above.

Restoration, rehabilitation and environmental provisions (note 17)

Management uses its judgement and experience to provide for and amortise the estimated mine closure and site rehabilitation over the life of the mine. Provisions are discounted at a risk-free rate and cost base inflated at an appropriate rate. The ultimate closure and site rehabilitation costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements or the emergence of new restoration techniques. The expected timing and extent of expenditure can also change, for example in response to changes in ore reserves or processing levels. As a result, there could be significant adjustments to the provisions established which could affect future financial results.

The following are the critical judgements that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

1 Significant accounting policies continued

(aa) Critical accounting estimates and judgements continued

Recoverability of deferred exploration expenditure (note 8)
The recoverability of exploration expenditure capitalised within intangible assets is assessed based on a judgement about the potential of the project to become commercially viable and if there are any facts or circumstances that would suggest the costs should be impaired. In making this judgement management will consider the items noted in the impairment policy in respect of exploration assets as noted in accounting policy 1h). Should an indicator of impairment be identified the value in use is estimated on a similar basis as the mining asset as detailed above. Management determined that there were no indicators of impairment in the year.

Utilisation of historic tax losses and recognition of deferred tax assets
The recognition of deferred tax assets is based upon whether sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. Recognition of deferred tax assets therefore involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

2 Segmental analysis

The following information is given about the Group's reportable segments, further details of which are set out in note 1(s).

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.

An analysis of the results for the year by management segment is as follows:

	2019			2018		
	Brazil US$	**UK US$**	**Total US$**	Brazil US$	UK US$	Total US$
Revenue	**47,294,693**	**12,653,399**	**59,948,092**	33,792,406	9,469,337	43,261,743
Intra-group sales	**10,113,481**	**(10,113,481)**	**–**	7,406,175	(7,406,175)	–
Operating expenses	**(33,128,378)**	**(3,858,545)**	**(36,986,923)**	(26,330,700)	(5,170,316)	(31,501,016)
Release of provision for impairment of inventory	**500,000**	**–**	**500,000**	400,000	–	400,000
Provision for impairment of taxes receivable	**(716,522)**	**–**	**(716,522)**	–	–	–
Depreciation and amortisation	**(8,837,634)**	**(186,209)**	**(9,023,843)**	(8,749,340)	(532,047)	(9,281,387)
Gross profit/(loss)	**15,225,640**	**(1,504,836)**	**13,720,804**	6,518,541	(3,639,201)	2,879,340
Administration expenses	**(2,847,114)**	**(2,415,266)**	**(5,262,380)**	(2,844,011)	(2,694,287)	(5,538,298)
Share-based payments	**–**	**(261,940)**	**(261,940)**	–	(329,620)	(329,620)
Proceeds from sale of assets	**166,640**	**–**	**166,640**	276,976	–	276,976
Operating profit/(loss)	**12,545,166**	**(4,182,042)**	**8,363,124**	3,951,506	(6,663,108)	(2,711,602)
Foreign exchange gain/(loss)	**189,263**	**21,725**	**210,988**	77,680	(672,276)	(594,596)
Finance expense	**(284,652)**	**(2,280,781)**	**(2,565,433)**	–	(2,385,313)	(2,385,313)
Finance income	**–**	**182,237**	**182,237**	–	861,430	861,430
Profit/(loss) before taxation	**12,449,777**	**(6,258,861)**	**6,190,916**	4,029,186	(8,859,267)	(4,830,081)
Income tax expense	**(2,357,932)**	**–**	**(2,357,932)**	(924,460)	–	(924,460)
Profit/(loss) for the period	**10,091,845**	**(6,258,861)**	**3,832,984**	3,104,726	(8,859,267)	(5,754,541)

Transactions between segments are accounted for in accordance with the Group's accounting policy for a transaction of that nature. In particular, intra-group sales which comprise sales of copper/gold concentrate are recognised at the same time as the Group makes the sale to the end purchaser, with the sale value made in accordance with the contractual terms between the separate entities of the Group. Intra-group sales are transacted at prices intended to conform with accepted norms of international transfer pricing practice.

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

	Total non-current assets	
	31 December 2019 US$	31 December 2018 US$
Brazil – operations	**39,594,276**	42,342,102
Brazil – exploration	**30,686,652**	27,707,795
Brazil – taxes receivable	**848,845**	1,555,170
Brazil – deferred tax	**1,321,782**	2,162,180
Brazil – total	**72,451,555**	73,767,247
UK	**–**	–
	72,451,555	73,767,247

Notes to the Financial Statements continued
For the year ended 31 December 2019

2 Segmental analysis continued

An analysis of total assets by location is as follows:

	Total assets	
	31 December 2019 US$	31 December 2018 US$
Brazil	**87,212,205**	88,285,140
UK	**10,327,493**	8,134,754
	97,539,698	96,419,894

During the year, the following amounts incurred by project location were capitalised as deferred exploration costs:

	Group	
	For the year ended 31 December 2019 US$	For the year ended 31 December 2018 US$
Brazil	**3,883,985**	7,020,859

During the year, the following amounts were capitalised as land and buildings, mine assets, property, plant, equipment and projects in construction (see note 9):

	Group	
	For the year ended 31 December 2019 US$	For the year ended 31 December 2018 US$
Brazil	**7,855,362**	8,965,674

Revenue

All of the Group's revenue arises from its activities in Brazil.

An analysis of the revenue by reference to the domicile of the entity within the Group that concludes the sale is as follows:

	31 December 2019 US$	31 December 2018 US$
Brazil	**47,294,693**	33,792,406
UK	**12,653,399**	9,469,337
Total	**59,948,092**	43,261,743

An analysis of major customers (accounting for more than 10 per cent of the Group's revenues) is as follows:

	31 December 2019		31 December 2018	
	US$	**%**	US$	%
Customer 1 – sale concluded from Brazil	**47,294,693**	**78.9%**	33,792,406	78.1%
Customer 2 – sale concluded from UK	**12,653,399**	**21.1%**	9,469,337	21.9%
Total	**59,948,092**	**100.0%**	43,261,743	100.0%

3 Operating profit

(a) Group operating (loss)/profit for the year is stated after charging the following:

	Group	
	For the year ended 31 December 2019 US$	For the year ended 31 December 2018 US$
Staff costs	**13,945,458**	12,553,426
Depreciation (property, plant and equipment)	**1,790,378**	3,100,652
Amortisation of the mine asset	**7,233,465**	6,180,735

(b) Auditor's remuneration

	Group	
	For the year ended 31 December 2019 US$	For the year ended 31 December 2018 US$
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	**120,010**	133,280
Fees payable to the Group's auditor and its associates for other services:		
audit of the Group's subsidiaries pursuant to legislation	**48,922**	38,539
tax compliance services	**9,713**	8,197
audit-related assurance services	**28,926**	39,984

4 Finance expense and income

	Group	
	For the year ended 31 December 2019 US$	For the year ended 31 December 2018 US$
Finance cost on secured loan facility	**–**	(180,000)
Interest payable on secured loan facility	**(646,516)**	(685,517)
Unwinding of discount on rehabilitation provision	**(284,652)**	–
Loss upon revaluation of derivative	**(531,910)**	–
Unwinding of discount on acquisition payment	**(1,002,243)**	(999,796)
Amortisation of fair value of derivative	**–**	(520,000)
Interest payable	**(2,465,321)**	(2,385,313)
Release of fair value for call options granted	**–**	318,279
Gain on non-substantial modification	**79,800**	–
Unwinding of discount on rehabilitation provision	**–**	538,371
Finance income on short term deposits	**2,325**	4,780
Finance income	**82,125**	861,430
Net finance expense	**(2,383,196)**	(1,523,883)

Notes to the Financial Statements continued
For the year ended 31 December 2019

5 Taxation

	Group	
	For the year ended 31 December 2019 US$	For the year ended 31 December 2018 US$
Current tax		
UK tax	**–**	–
Foreign tax – Tax on current year profits	**1,358,375**	556,164
Foreign tax – Adjustment to prior years tax charges	**226,574**	–
Total current tax	**1,584,949**	556,164
Deferred tax		
Release of deferred tax asset	**772,983**	368,296
Total deferred tax	**772,983**	368,296
Income tax charge/(benefit)	**2,357,932**	924,460

The tax provision for the current period varies from the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are explained as follows:

	Group	
	For the year ended 31 December 2019 US$	For the year ended 31 December 2018 US$
Profit/(loss) on ordinary activities before tax	**6,907,436**	(4,830,081)
Tax thereon at UK corporate tax rate of 19.00% (2018: 19.00%)	**1,312,413**	(917,715)
Factors affecting the tax charge:		
expenses not deductible for tax purposes	**766,086**	624,590
temporary differences (not recognised)	**241,807**	951,402
income not taxable	**(106,905)**	(237,934)
lower rate tax overseas	**(807,557)**	(603,499)
unrecognised tax losses carried forward	**996,802**	1,109,212
recognition of tax losses previously not recognised	**(44,714)**	–
recognised tax losses used in the period	**–**	(1,596)
Tax charge	**2,357,932**	924,460

	Group	
	For the year ended 31 December 2019 US$	For the year ended 31 December 2018 US$
Unrecognised gross deferred tax position		
Tax losses brought forward	**51,720,059**	45,014,328
Temporary differences brought forward	**(411,702)**	876,207
Total unrecognised gross deferred tax position at start of period	**51,308,357**	45,890,535
Tax losses not recognised in the period	**6,714,713**	6,705,731
Movement in timing differences	**(16,030)**	(1,287,909)
Tax losses carried forward	**58,434,772**	51,720,059
Temporary differences carried forward	**(427,731)**	(411,702)
Total unrecognised gross deferred tax position at end of period	**58,007,041**	51,308,357

5 Taxation continued

Unrecognised deferred tax asset	Group **For the year ended 31 December 2019 US$**	For the year ended 31 December 2018 US$
Tax losses	**11,778,583**	10,765,024
Temporary differences	**(65,229)**	(62,784)
Total unrecognised deferred tax asset	**11,713,354**	10,712,239

Recognised deferred tax asset	**US$**	US$
Tax losses brought forward	**2,162,180**	2,939,634
Tax losses (utilised)/recognised in the period	**(772,983)**	(368,296)
Exchange	**(14,226)**	(409,158)
Net recognised deferred tax asset	**1,374,971**	2,162,180

The deferred tax asset has been recognised in the financial statements only to the extent that the Group has reasonable certainty as the level and timing of future profits that might be generated and against which this asset may be recovered.

6 Employee information

The average number of persons, including Executive Directors, employed by the Group during the year was:

	Group		Company	
	For the year ended 31 December 2019 Number	For the year ended 31 December 2018 Number	**For the year ended 31 December 2019 Number**	For the year ended 31 December 2018 Number
Management and corporate administration	**22**	20	**3**	3
Exploration	**18**	18	**–**	–
Mine operations and maintenance	**434**	284	**11**	10
Mine management and administration	**18**	15	**1**	1
Plant and processing	**70**	60	**–**	–
Total	**562**	397	**15**	14

During 2019, the Group completed a process of the direct employment of 70 employees who were previously employed by a third party mining contractor.

	Group		Company	
	For the year ended 31 December 2019 US$	For the year ended 31 December 2018 US$	**For the year ended 31 December 2019 US$**	For the year ended 31 December 2018 US$
Staff costs				
Wages and salaries	**10,634,200**	9,163,096	**2,751,797**	2,642,660
Cost of incentive scheme shares	**261,940**	329,620	**261,940**	329,620
Social security costs	**2,848,155**	2,645,612	**81,418**	98,565
Termination costs	**167,889**	348,640	**–**	–
Plant and processing	**33,274**	66,458	**33,274**	66,458
Total	**13,945,458**	12,553,426	**3,128,429**	3,137,303

No company within the Group operates a pension plan for the Directors or the employees. For those Executive Directors and UK based employees who have an entitlement to pension provision, the premiums are paid directly to the personal pension plans selected by or agreed with the individuals. The Company's obligation is limited to making fixed payments to these individual plans.

Serabi Mineração SA, Chapleau Exploração Mineral Ltda and Gold Aura do Brasil Mineração Ltda all contribute via social security payments to the state pension scheme which operates in Brazil and to which all its employees are entitled.

Notes to the Financial Statements continued

For the year ended 31 December 2019

6 Employee information continued

Directors' remuneration

The compensation of the Directors is:

	Group	
	For the year ended 31 December 2019 US$	For the year ended 31 December 2018 US$
Salary and other benefits	**884,300**	968,376
Post-employment benefits	**10,206**	10,662
Total	**894,506**	979,038

The remuneration of the highest paid Director during the year was US$406,886 (2018: US$466,813). The Company made cash contributions to his money purchase pension scheme of US$10,206 (2018: US$10,662).

During the year ended 31 December 2019, two of the Directors (2018: two) were entitled to accrue retirement benefits under money purchase schemes.

7 Earnings per share

	For the year ended 31 December 2019	For the year ended 31 December 2018
Profit/(loss) attributable to ordinary shareholders (US$)	**3,832,984**	(5,754,541)
Weighted average ordinary shares in issue	**58,909,551**	51,396,253
Basic profit/(loss) per share (US cents)	**6.51**	(11.20)
Diluted ordinary shares in issue	**60,997,138**(1)	51,396,253(2)
Diluted profit/(loss) per share (US cents)	**6.28**	(11.20)

(1) Based on 2,087,587 options vested and exercisable as at 31 December 2019.
(2) As the effect of dilution is to reduce the loss per share, the diluted loss per share is considered to be the same as the basic loss per share.

8 Intangible assets

Deferred exploration costs

	Group		Company	
	31 December 2019 US$	31 December 2018 US$	**31 December 2019 US$**	31 December 2018 US$
Cost				
Opening balance	**27,707,795**	23,898,819	**1,568,365**	1,568,365
Exploration and evaluation expenditure	**2,249,338**	4,610,450	**–**	–
Pre-operational project costs	**1,634,647**	2,274,133	**322,981**	–
Re-allocation from tangible assets	**–**	136,276	**–**	–
Foreign exchange movements	**(905,128)**	(3,211,883)	**–**	–
Total as at end of period	**30,686,652**	27,707,795	**1,891,346**	1,568,365

The value of these assets is dependent on the development of mineral deposits.

Past exploration and evaluation expenditures for a project are transferred to mining property and projects in construction at the commencement of the mine and process plant construction activities for that project.

9 Tangible assets

Property, plant and equipment – Group

2019	Land and buildings – at cost US$	Mining property – at cost US$	Projects in construction – at cost US$	Plant and equipment – at cost US$	Total US$
Cost					
Balance at 31 December 2018	2,881,624	46,607,914	10,380,872	21,367,619	81,238,029
Additions	–	4,782,028	1,880,588	1,192,746	7,855,362
Reallocation	–	–	(728,563)	728,563	–
Reclassified on adoption of IFRS 16	–	–		(2,904,085)	(2,904,085)
Disposals	–	–	(59,963)	(198,201)	(258,164)
Foreign exchange movements	(111,472)	(1,755,790)	(178,136)	(725,051)	(2,770,449)
At 31 December 2019	**2,770,152**	**49,634,152**	**11,294,798**	**19,461,591**	**83,160,693**
Depreciation					
Balance at 31 December 2018	(1,309,395)	(23,953,399)	–	(13,633,133)	(38,895,927)
Charge for period	(84,022)	(7,104,743)	–	(1,962,256)	(9,151,021)
Reclassified on adoption of IFRS 16	–	–	–	906,909	906,909
Released on asset disposals	–	–	–	90,504	90,504
Foreign exchange movements	76,625	999,362	–	409,955	1,485,942
At 31 December 2019	**(1,316,792)**	**(30,058,780)**	**–**	**(14,188,021)**	**(45,563,593)**
Net book value at 31 December 2019	**1,453,360**	**19,575,372**	**11,294,798**	**5,273,570**	**37,597,100**
Net book value at 31 December 2018	1,572,229	22,654,515	10,380,872	7,734,486	42,342,102

The value of Mining Property at 31 December 2017 and 31 December 2018 included an estimated cost to acquire a historic residual interest in the São Chico mining property held by a former owner of the property and granted under the terms of an agreement with Gold Aura do Brasil Mineração in October 2012. The fair value of this provision had been revalued annually. During 2019, the Group concluded an arrangement to acquire this interest and the fair value of the consideration resulted in US$303,068 being reported as an addition to Mining Property. During 2019, the Group has made payments under the terms of the acquisition agreement totalling US$1,541,457. The balance of the consideration will be paid in monthly instalments continuing until the end of February 2021. The remaining liability as shown in note 16 is a total of US$982,101.

During the year ended 31 December 2019, the Group acquired assets under right of use assets totalling US$Nil (2018: US$426,541). The net book value of right of use assets at 31 December 2019 was US$1,997,176 (2018: US$2,349,363). Depreciation charged on right of use assets for the period was US$352,186 (2018: US$447,281).

The Group only leases underground mining equipment. As at 31 December 2019, the future minimum lease payments due in respect of outstanding lease contracts for mining equipment was US$48,850. The net present value of these lease contracts is US$48,850.

No costs of borrowing have been capitalised during the period (2018: nil).

2018	Land and buildings – at cost US$	Mining property – at cost US$	Projects in construction – at cost US$	Plant and equipment – at cost US$	Total US$
Cost					
Balance at 31 December 2017	3,375,457	49,919,201	9,376,581	21,309,961	83,981,200
Additions	–	3,811,215	2,340,088	2,814,371	8,965,674
Reallocation to deferred assets	–	–	(136,276)	–	(136,276)
Disposals	–	(478,023)	(44,613)	–	(522,636)
Foreign exchange movements	(493,833)	(6,644,479)	(1,154,908)	(2,756,713)	(11,049,933)
At 31 December 2018	2,881,624	46,607,914	10,380,872	21,367,619	81,238,029
Depreciation					
Balance at 31 December 2017	(1,641,036)	(21,504,984)	–	(11,854,799)	(35,000,819)
Charge for period	–	(6,098,269)	–	(3,243,332)	(9,341,601)
Released on asset disposals	–	454,785	–	–	454,785
Foreign exchange movements	331,641	3,195,069	–	1,464,998	4,991,708
At 31 December 2018	(1,309,395)	(23,953,399)	–	(13,633,133)	(38,895,927)
Net book value at 31 December 2018	1,572,229	22,654,515	10,380,872	7,734,486	42,342,102
Net book value at 31 December 2017	1,734,421	28,414,217	9,376,581	9,455,162	48,980,381

Notes to the Financial Statements continued

For the year ended 31 December 2019

9 Tangible assets continued

Property, plant and equipment – Company

2019	Mining property – at cost US$	Projects in construction – at cost US$	Plant and equipment – at cost US$	Total US$
Cost				
Balance at 31 December 2018	8,632,276	43,610	2,919,482	11,595,368
Additions	1,363,815	–	–	1,363,815
At 31 December 2019	**9,996,091**	**43,610**	**2,919,482**	**12,959,183**
Depreciation				
Balance at 31 December 2018	(1,813,128)	–	(2,833,101)	(4,646,229)
Charge for period	(99,875)	–	–	(99,875)
At 31 December 2019		**–**	**(2,833,101)**	**(4,746,104)**
Net book value at 31 December 2019	**8,083,088**	**43,610**	**86,381**	**8,213,079**
Net book value at 31 December 2018	6,819,148	43,610	86,381	6,949,139

2018	Mining property – at cost US$	Projects in construction – at cost US$	Plant and equipment – at cost US$	Total US$
Cost				
Balance at 31 December 2017	8,054,485	43,610	2,919,482	11,017,577
Additions	577,791	–	–	577,791
At 31 December 2018	8,632,276	43,610	2,919,482	11,595,3683
Depreciation				
Balance at 31 December 2017	(1,700,411)	–	(2,413,772)	(4,114,183)
Charge for period	(112,717)	–	(419,329)	(532,046)
At 31 December 2018	(1,813,128)	–	(2,833,101)	(4,646,229)
Net book value at 31 December 2018	6,819,148	43,610	86,381	6,949,139
Net book value at 31 December 2017	6,354,074	43,610	505,710	6,903,394

The net book value of assets acquired under right of use asset leases as at 31 December 2019 was US$ nil (2018: US$ nil). Depreciation charged on leased assets for the period was US$ nil (2018: US$419,329).

10 Leases

	Plant and equipment – at cost US$
Right of use assets	
Balance at 31 December 2018	–
Reclassified on adoption of IFRS 16 (note 9)	2,349,362
Amortisation	(352,186)
At 31 December 2019	**1,997,176**

	31 December 2019 – at cost US$	31 December 2018 – at cost US$
Current lease liabilities		
Plant and equipment	**48,850**	375,604
	48,850	375,604
Non-current lease liabilities		
Plant and equipment	**–**	48,850
	–	48,850
Total lease liabilities	**48,850**	424,454

In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as ‘finance leases’ under IAS 17, ‘Leases’. The assets were presented in property, plant and equipment in note 9 and the liabilities were presented within interest-bearing liabilities in note 28. The Group also has short term leases which are presented in note 24. During 2019, the Group incurred expenses of US$161,000 on these short term leases.

Notes to the Financial Statements continued
For the year ended 31 December 2019

11 Investments held as fixed assets

The Group consists of the following subsidiary undertakings:

Name	Incorporated	Registered office address	Activity	% holding
Serabi Mineração SA	Brazil	Rodovia Transgarimpeira, km 22, Bairro Jardim do Ouro – Itaituba/PA CEP 68181-000 Brazil	Gold mining and exploration	100%(1)
Kenai Resources Ltd	British Columbia, Canada	Royal Centre, P.O Box 11125, Suite 1750-1055 W Georgia Street, Vancouver, Canada	Investment	100%
Gold Origin Limited	British Virgin Islands	Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	Dormant	96.1%(1)
Gold Aura do Brasil Mineração Ltda	Brazil	Rodovia Transgarimpeira, KM 54 Comunidade São Chico – Itaituba/PA CEP 68181-000 Brazil	Gold mining and exploration	99.9%(1)
Gold Origin Mexico SA de CV	Mexico	Paseo de la Reforma, 450 Col. Lomas de Chapultepec C.P. 11000 Mexico	Dormant	100%(1)
Serabi Mining Ltd	British Virgin Islands	Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	Investment	100%
Chapleau Resources Ltd	British Colombia, Canada	Royal Centre, P.O Box 11125, Suite 1750-1055 W Georgia Street, Vancouver, Canada	Investment	100%
Chapleau Resources (USA) Inc	Alaska, USA	1029 West 3rd Avenue Suite 400 Anchorage, Alaska USA	Gold exploration	100%(1)
Chapleau Exploração Mineral Ltda	Brazil	Avenida Jornalista Ricardo Marinho no 360, loja 113 Barra da Tijuca Rio de Janeiro RJ Brazil CEP 22.361-350	Gold mining and exploration	100%(1)
Serabi Gold Nominee Limited	England	66 Lincoln's Inn Fields London WC2A 3LH England	Dormant	100%

(1) Indirectly held.

11 Investments held as fixed assets continued

	Company	
	31 December 2019 US$	31 December 2018 US$
Cost at start of period	**96,296,488**	96,555,294
Adjustment of acquisition price[(1)]	**–**	(259,072)
Cost at end of period	**96,296,488**	96,296,488
Impairment provision at start of period	**(9,784,922)**	(9,595,266)
Reallocation of impairment provision in period	**–**	(189,656)
Impairment provision at end of period	**(9,784,922)**	(9,784,922)
Net book value at end of period	**86,511,566**	86,511,566

(1) As a result of a shortfall in the working capital position of Chapleau Resources Ltd as at the date of acquisition, the initial acquisition price was adjusted, and the total purchase price reduced by the working capital shortfall.

The value of these investments is dependent on the development of the Group's mineral deposits in Brazil. The Company established an initial impairment provision against the carrying value of its investments in subsidiary entities in 2008. Subsequent to that date, the Company has made further acquisitions and invested new capital into certain of its subsidiaries. At the end of 2019, the Company has made an assessment as to whether there exist any indicators that could give rise to a potential impairment of or restriction on the future recoverability of the value of the investments that it holds in subsidiary entities and, in particular, the investments made since 2008. The Board has determined that, based on its assessment, it is not aware of any indicators of further impairment.

12 Inventories

	Group		Company	
	31 December 2019 US$	31 December 2018 US$	**31 December 2019 US$**	31 December 2018 US$
Consumables	**3,478,886**	2,929,297	**–**	–
Stockpile of mined ore	**331,775**	600,335	**–**	–
Other material in process	**1,391,302**	1,162,157	**–**	–
Finished goods awaiting sale	**1,376,005**	3,819,685	**–**	–
	6,577,968	8,511,474	**–**	–

The Group has recorded, during 2019, a release of an impairment provision of US$500,000 (2018: US$400,000) in respect of stockpiled run of mine ore. Further details regarding the nature of the inventories and valuations are provided in the Financial Review on pages 40 to 47.

Notes to the Financial Statements continued

For the year ended 31 December 2019

13 Trade and other receivables

	Group		Company	
	31 December 2019 US$	31 December 2018 US$	**31 December 2019 US$**	31 December 2018 US$
Current				
Trade receivables	**747,267**	620,818	**787,545**	623,115
Other receivables	**55,008**	137,391	**10,391**	10,738
Trade and other receivables	**802,275**	758,209	**797,936**	633,853
Non-current				
Taxes receivable	**848,845**	1,555,170	**–**	–
Amounts owed by subsidiaries	**–**	–	**17,865,936**	16,660,987
Impairment provision at start of period	**–**	–	**(8,391,722)**	(8,581,378)
Reallocation of impairment provision in period	**–**	–	**–**	189,656
Impairment provision at end of period	**–**	–	**(8,391,722)**	(8,391,722)
Other receivables	**848,845**	1,555,170	**9,474,214**	8,269,265

The Group, in common with all businesses in Brazil, is subject to a number of State and Federal taxes on goods that it purchases. As an exporter of goods, it is exempt from any sales taxes on its products. As a result, it is due tax rebates by both Federal and State tax bodies. In general, the Company is able to utilise its tax debts by way of offset against other taxes that it owes. The Group has however determined, based on the actions of the State tax authorities and the expected future operational expenditures over the next 12 months, that certain State taxes that it is able to recover and is owed at 31 December 2019, are not expected to be recovered through such an offset arrangement during the next 12 months and has therefore categorised the balance owed in respect of these State taxes as being due in more than 12 months. The Group has received legal advice confirming that these taxes owed to the Group by the State of Para are fully recoverable.

At 31 December 2019, Serabi Gold plc (SG plc) has two loans outstanding to subsidiaries that are not fully impaired.

These loans are owed by Chapleau Exploração Mineral Ltda.("CEML") and Kenai Resources ("Kenai"). Both advances were made on an interest free loan basis, and at the time of the initial and each subsequent advance the Company has determined that there was no significant credit risk attaching to each of the loan advances being made.

In determining the credit risk attached to the CEML loan, management has considered different scenarios through which the loan will be recovered.

a) Scenario 1 – the loan is repaid within the next five years from the successful start-up of the Coringa project.

b) Scenario 2 – the loan is repaid in less than 12 months from the sale of equipment and machinery.

The loan to Kenai is for a total amount of US$4,949 - the credit risk is considered to be immaterial.

14 Prepayments and prepaid taxes

	Group		Company	
	31 December 2019 US$	31 December 2018 US$	**31 December 2019 US$**	31 December 2018 US$
Recoverable state and federal taxes	**2,078,228**	2,530,816	**–**	–
Supplier down payments	**991,983**	1,133,018	**–**	–
Other prepayments and employee advances	**403,077**	503,082	**148,194**	118,371
Prepayments	**3,473,288**	4,166,916	**148,194**	118,371

15 Cash and cash equivalents

	Group		Company	
	31 December 2019 US$	31 December 2018 US$	**31 December 2019 US$**	31 December 2018 US$
Cash and cash equivalents	**14,234,612**	9,216,048	**9,447,822**	7,382,530

16 Trade and other payables

	Group		Company	
	31 December 2019 US$	31 December 2018 US$	**31 December 2019 US$**	31 December 2018 US$
Current				
Trade payables	**2,706,225**	2,453,299	**777,725**	520,995
Property acquisition	**812,071**	1,337,520		–
Other payables	**810,872**	963,827		–
Employee benefits	**1,022,019**	848,989	**70,535**	55,230
Other taxes and social security	**762,601**	669,686		–
Amounts due to subsidiaries	**–**	–	**12,806,968**	3,489,256
Trade and other payables	**6,113,789**	6,273,321	**13,655,228**	4,065,481
Non-current (between one and five years)				
Property acquisition[(1)]	**170,030**	930,771	**–**	–
Other taxes and social security	**13,013**	24,750	**–**	–
Other payables	**183,043**	955,521	**–**	–

(1) During 2019, the Group concluded an arrangement to acquire a historic residual interest in the São Chico mining property held by a former owner of the property and granted under the terms of an agreement with Gold Aura do Brasil Mineração in October 2012. The consideration is being settled in a series of monthly payments which will be completed by the end of February 2021.

17 Non-current provisions

Employment and claims provision

	Group		Company	
	31 December 2019 US$	31 December 2018 US$	**31 December 2019 US$**	31 December 2018 US$
Opening balance	**25,037**	29,330	**–**	–
As a result of changes in estimates	**(25,037)**	–	**–**	–
As a result of exchange variations	**–**	(4,293)	**–**	–
Closing balance	**–**	25,037	**–**	–

Environmental rehabilitation provision

	Group		Company	
	31 December 2019 US$	31 December 2018 US$	**31 December 2019 US$**	31 December 2018 US$
Opening balance	**1,518,774**	2,017,801	**–**	–
Provided for in year				
as a result of changes in estimates	**503,605**	255,787	**–**	–
as a result of unwinding of the discount	**284,652**	(538,371)	**–**	–
as a result of exchange variations	**(69,765)**	(216,443)	**–**	–
Total provided for in year	**718,491**	(499,027)	**–**	–
Closing balance	**2,237,266**	1,518,774	**–**	–
Total non-current provisions	**2,237,266**	1,543,811	**–**	–

The environmental rehabilitation provision has been established to cover any asset decommissioning and rehabilitation obligations for the Palito and São Chico Mines. Such obligations include the dismantling of infrastructure, removal of residual materials and remediation of disturbed areas. The provision does not allow for any additional obligations expected from future developments. The timing and scope of the rehabilitation is uncertain and is dependent on mine life and quantities extracted from the mine.

Cost estimates are formally reviewed at regular intervals and the provisions are adjusted accordingly.

Notes to the Financial Statements continued
For the year ended 31 December 2019

18 Interest-bearing liabilities

	Group		Company	
	31 December 2019 US$	31 December 2018 US$	**31 December 2019 US$**	31 December 2018 US$
Current				
Secured loan facility	**6,903,692**	3,636,360	**6,903,692**	3,636,360
Unsecured loan facility	**–**	290,834	**–**	–
Obligations under right of use asset leases	**48,850**	375,604	**–**	–
Due in less than one year	**6,952,542**	4,302,798	**6,903,692**	**3,636,360**
Non-current (between one and five years)				
Secured loan facility	**–**	2,424,246	**–**	2,424,246
Obligations under right of use asset leases	**–**	48,850	**–**	–
Due in more than one year	**–**	2,473,096	**–**	2,424,246

Each right of use lease is secured against the underlying assets that are the subject of that lease.

Secured loan facility
On 19 January 2018, and at the same time as taking out an additional US$3 million loan with Sprott, a six month extension to the repayment terms for this US$5 million loan was agreed. Under IFRS 9, this variation being more than 10 per cent of the future cash flows was considered a substantial modification to the original US$5 million loan. Accordingly, the original loan under the terms of IFRS 9 was considered to be repaid and a new loan for US$5 million taken out but with no derivative instrument attached to it. As a result, the outstanding fair value of the derivative attaching to the original US$5 million loan was required to be amortised in full upon the deemed repayment of the original loan.

On 19 May 2019, the Group agreed with Sprott a variation in the repayment terms such that the outstanding loan would be repaid in six equal monthly instalments commencing on 31 January 2020. Under IFRS 9, this variation is considered to be a non-substantial modification but nonetheless gave rise to a change in the fair value of the cash flows which has been recognized in the period.

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

	Group		Company	
	31 December 2019 US$	31 December 2018 US$	**31 December 2019 US$**	31 December 2018 US$
Secured loan facility				
Amount outstanding at beginning of period	**6,060,606**	4,480,000	**6,060,606**	4,480,000
Derecognition of substantial modified loan				
– Repayment of principal	**–**	(4,480,000)	**–**	(4,480,000)
Recognition of new loan	**–**	5,000,000	**–**	5,000,000
Additional draw-down of short term loan	**–**	3,000,000	**–**	3,000,000
Exercise of gold call options	**922,886**	–	**922,886**	–
Gain on non-substantial modification	**(79,800)**	–	**(79,800)**	–
Amounts repaid during the year	**–**	(1,939,394)	**–**	(1,939,394)
Value of secured loan facility at period end	**6,903,692**	6,060,606	**6,903,692**	6,060,606

During 2019, the Group paid interest of US$587,204 on the secured loan facility although the total interest expense was US$646,516.
The difference of US$59,312 relates to the interest due in December 2019 and this amount is included within accruals at the end of the year.

19 Provision for derivatives

Gold call options

	Group		Company	
	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
Fair value at start of period	**390,976**	709,225	**390,976**	709,255
Increase/(decrease) in fair value during period	**531,910**	(318,279)	**531,910**	(318,279)
Exercise of gold call options	**(922,886)**		**(922,886)**	
Fair value at end of period	**–**	390,976	**–**	390,976

On 18 July 2019, Sprott Resource Lending Corp. ("Sprott") exercised their call options over 6,109 ounces of gold, representing all the call options granted by the Group. This gave rise to a liability of US$922,886. On 1 January 2019, the fair value of the Sprott loan derivative was US$390,706, resulting in an increase of US$531,940 in the fair value of the derivative during the period. It has been agreed that this cash liability of US$922,886 will be paid in six equal monthly instalments, commencing on 31 January 2020, and will be subject to the same terms and conditions as the existing loan liability due to Sprott.

Fair value is determined by reference to quoted mid-market prices at each balance sheet date for gold call options with the same expiry date. The fair value of the derivative has been measured using level 1 inputs.

20 Analysis of changes in liabilities arising from financial activities

	Non-current loans and borrowings	Current loans and borrowings	Non-current obligations under right of use leases	Current obligations under right of use leases	Unsecured loan facility	Total
At 1 January 2019	**2,424,246**	**3,636,360**	**48,850**	**375,604**	**290,834**	**6,775,894**
Cash flows	–	(587,204)	(48,850)	(291,346)	(285,135)	(1,212,535)
Non-cash flows	–	–	–	(35,408)	(5,699)	(41,107)
Loans and borrowings classified as non-current at 31 December 2018 becoming current during 2019	(2,424,246)	2,424,246	–	–	–	–
Interest expense	–	646,516	–	–	–	646,516
Interest held in accruals	–	(59,312)	–	–	–	(59,312)
Re-classification of derivative financial liability	–	922,886	–	–	–	922,886
Gain on non-substantial modification	–	(79,800)	–	–	–	(172,912)
At 31 December 2019	**–**	**6,903,692**	**–**	**48,850**	**–**	**6,952,542**

During 2019, the Group paid interest of US$587,204 on the secured loan facility although the total interest expense was US$646,516. The difference of US$59,312 relates to the interest due in December 2019 and this amount is included within accruals at the end of the year.

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21 Share capital

The Companies Act 2006 (as amended) abolishes the requirement for a company to have an authorised share capital, and on 3 March 2014, the Company adopted new articles of association to reflect this. Each of the ordinary shares carries equal rights and entitles the holder to voting and dividend rights and rights to participate in the profits of the Company and in the event of a return of capital equal rights to participate in any sum being returned to the holders of the ordinary shares. There is no restriction, imposed by the Company, on the ability of the holder of any ordinary share to transfer the ownership, or any of the benefits of ownership, to any other party.

	2019		2018	
	Number	**$**	Number	$
Allotted, called up and fully paid				
Ordinary shares in issue at start of period	**58,909,551**	8,882,803	**698,701,772**	5,540,960
Shares issued in period before 19 June 2018	**–**	–	**476,579,668**	3,322,795
Share consolidation(1)	**–**	–	**(1,116,517,368)**	–
Shares in issue post consolidation	**58,909,551**	8,882,803	**58,764,072**	8,863,755
Shares issued in period after 19 June 2018	**–**	–	**145,479**	19,048
Ordinary shares in issue at end of period	**58,909,551**	8,882,803	**58,909,551**	8,882,803

(1) On 19 June 2018, the Group completed a capital reorganisation with every 20 existing shares, with a par value of 0.5 pence being consolidated into one new share with a 10 pence par value (the "Share Consolidation"). The total number of existing ordinary shares in issue immediately prior to the capital reorganisation was 1,175,281,440. The total number of ordinary shares in issue following the capital reorganisation was 58,764,072.

Options to subscribe for ordinary shares

In 2011, the Company established a share option scheme (the "Serabi 2011 Share Option Plan") the terms of which were re-approved by shareholders at the Annual General Meeting of the Company held on 15 June 2017. With the exception of replacement options issued by the Company pursuant to the acquisition of Kenai Resources Ltd in July 2013, all of which have now expired, all options granted by the Company since that time have been issued under the Serabi 2011 Share Option Plan. Certain options granted pursuant to other plans operated by the Company prior to the establishment of the Serabi 2011 Share Option Plan remain in issue as at 31 December 2019.

Details of the number of share options and the weighted average exercise price ("WAEP") outstanding under the Serabi 2011 Share Option Plan are as follows:

	31 December 2019 Number	**31 December 2019 WAEP UK£**	31 December 2018 Number	31 December 2018 US$
Outstanding at the beginning of the period(1)	**3,351,750**	**1.050**	2,401,750	1.284
Granted during the period(1)	**–**		1,700,000	0.750
Expired during the period(1)	**(782,500)**	**(1.000)**	(750,000)	(1.100)
Outstanding at the end of the period(1)	**2,569,250**	**1.071**	3,351,750	1.050
Exercisable at end of the period(1)	**2,002,587**	**1.161**	1,957,587	1.240

(1) For comparative purpose, the details of the options in issue prior to 19 June 2018 have been adjusted to reflect the Share Consolidation.

No options were granted during 2019.

Details of the number of share options and the weighted average exercise price ("WAEP") outstanding issued under other option arrangements prior to 2011 are as follows:

	31 December 2019 Number	**31 December 2019 WAEP UK£**	31 December 2018 Number	31 December 2018 US$
Outstanding at the beginning of the period(1)	**85,000**	**3.000**	85,000	3.000
Expired during the period(1)	**(85,000)**	**(3.000)**	–	–
Outstanding at the end of the period(1)	**–**	**–**	85,000	3.000
Exercisable at end of the period(1)	**–**	**–**	85,000	3.000

(1) For comparative purpose, the details of the options in issue prior to 19 June 2018 have been adjusted to reflect the Share Consolidation.

21 Share capital continued

Options granted have no market performance criteria and have been valued using the Black-Scholes model. The fair value of options is charged to the profit and loss account or capitalised as an intangible asset as appropriate over the vesting period. The assumptions inherent in the use of these models are as follows:

Grant date	Vesting period (years)	First vesting date	Expected life (years)	Risk free rate	Exercise price	Volatility of share price	fair value	Options vested	Options granted	Expiry
02/07/18	2	02/07/18	3	0.75%	UK£0.75	66%	UK£0.192	1,133,337	1,700,000	01/07/21
07/04/17	2	07/04/17	3	0.75%	UK£1.00	66%	UK£0.358	782,500	782,500	08/04/20
28/01/11	2	28/01/11	3-5	1%	UK£8.20	50%	UK£1.700	64,250	64,250	27/01/21
28/01/11	2	28/01/11	3-5	1%	UK£7.40	50%	UK£1.880	22,500	22,500	27/01/21
								2,002,587	2,569,250	

During the year, a charge of US$261,940 (2018: US$329,620) has been recorded in these financial statements in respect of these options.

22 Acquisition of Chapleau Resources Limited

On 21 December 2017, Serabi completed the acquisition ("Closing") of all the issued and outstanding common shares of Chapleau Resources Limited ("Chapleau") a wholly owned subsidiary of Anfield Gold Corp. ("Anfield") (the "Transaction"). Chapleau, through its wholly owned subsidiary Chapleau Exploração Mineral Ltda, holds the Coringa Gold Project located in the Tapajos gold province in Para, Brazil.

Serabi made an initial payment to Anfield on Closing of US$5 million in cash ("Initial Consideration") and a further US$5 million in cash was paid in April 2018 in accordance with the contractual terms of the Transaction. A final payment of US$12 million in cash was due 24 months from the date of Closing representing the remaining "Deferred Consideration". The total proposed consideration for the acquisition amounts to US$22 million in aggregate. On 20 December 2019, Anfield (via its parent company Equinox Gold Corp.) and Serabi agreed to extend the final payment date for a further three months to 31 March 2020. The Company agreed that it would pay interest on the amount of the Deferred Consideration outstanding at the rate of 10 per cent per annum.

On 31 March 2020, Serabi and Anfield (via its parent company Equinox Gold Corp) entered onto a further agreement whereby the date for the completion of the payment of the Deferred Consideration was extended (the "Deferral Period") until such time as there are no international travel restrictions imposed by the Brazilian authorities and also no travel restrictions within or into the State of Para, Brazil, (the "Travel Restriction Condition") where the Group's Palito Complex gold production operations and the Coringa Gold Project are located. Under the terms of the extension, the Group will start to make instalment payments in respect of the Deferred Consideration of US$500,000 per month payable on each of 1 May 2020, 1 June 2020 and 1 July 2020, which will increase to US$1 million per month thereafter until such time as the Travel Restriction Condition is satisfied. The balance outstanding of the Deferred Consideration is expected to be settled within six weeks of the Travel Restriction Condition being satisfied.

The acquisition of Chapleau has been accounted for as an Asset Purchase and the assets and liabilities of Chapleau were consolidated within the Group financial statements from 21 December 2017, being the effective date of the acquisition.

The Deferred Consideration was discounted at a 10 per cent cost of capital upon initial recognition in December 2017.

23 Capital management

The Group has historically sourced equity capital through share issues on the London Stock Exchange and the Toronto Stock Exchange, and the Board had managed the capital structure of the Group and aligned this with the risk profiles of its underlying assets.

The Group's objectives, when managing its capital are to maintain financial flexibility to achieve its development plans, safeguard its ability to continue to operate as a going concern through management of its costs whilst optimising its access to capital markets by endeavouring to deliver increases in value of the Group for the benefit of shareholders. In establishing its capital requirements, the Group will take account of the risks inherent in its plans and proposed activities and prevailing market conditions.

The Group anticipates that, whilst it may seek to raise further finance in the future, it now has access to sufficient funding for its immediate needs. With current market conditions and prices, the Group expects to have sufficient cash flow to finance its ongoing operational requirements, repay its secured loan facility and to, at least in part, fund exploration and development activity on its other gold properties. It will seek to raise debt finance where possible to finance further capital development of its projects taking due consideration of the ability of the Group to satisfy the obligations and undertakings that would be imposed in connection with such borrowings.

The Company's shares are listed on both AIM and the TSX which management considers increases the potential of the Group to raise finance through further issues of shares in the future. Management considers that with cash flow being generated from its operations in the near term this also enhances the ability of the Group to raise debt finance in the future.

Notes to the Financial Statements continued

For the year ended 31 December 2019

24 Commitments and contingencies

Capital commitments

The Group holds certain exploration prospects which require the Group to make certain payments under rental or purchase arrangements allowing the Group to retain the right to access and undertake exploration on these properties. Failure to meet these obligations could result in forfeiture of any affected prospects.

Management estimates that the cost over the next 12 months of fulfilling the current contracted commitments on these exploration properties in which the Group has an interest is US$0.59 million (2018: US$0.59 million).

Lease commitments

The Group has elected not to recognise right of use assets and lease liabilities for leases of low-value assets and short term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. The Group has commitments under non-cancellable leases in respect of office premises and equipment as follows:

	Group		Company	
	31 December 2019 US$	31 December 2018 US$	**31 December 2019 US$**	31 December 2018 US$
Commitments falling due:				
Within one year	**227,995**	130,063	**112,946**	67,973
Between one year and five years	**2,837**	51,219	**–**	11,329
Total	**230,832**	181,282	**112,946**	79,302

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 historically claims have been 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 although further claims may arise at any time.

25 Related party transactions

During the period, the Company has made loans to subsidiaries of US$1.20 million (2018: US$8.27). There were no loans converted into new shares issued by subsidiaries during 2019 (2018: US$Nil).

The Company has loans receivable from subsidiaries totalling US$17,865,936 (2018: US$16,660,987) before any provision for the impairment of these loans (see note 13).

The Company has purchased, during the year from its subsidiary SMSA, 1,020 tonnes of copper/gold concentrate for a consideration of US$10,189,338 (2018: 1,040 tonnes; US$7,406,175).

Key management remuneration

Key management comprises the Executive, Non-executive Directors, the COO and the Country Manager only. Their compensation is:

	For the year ended 31 December 2019 US$	For the year ended 31 December 2018 US$
Short term employee benefits	**1,332,108**	1,239,806
Post-employment benefits	**10,206**	10,662
Share-based payments	**240,956**	304,180
Total	**1,583,270**	1,554,648

26 Financial risk management

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risk nor its objectives, policies and processes for managing those risks or the method used to measure them from the previous period unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group up until 31 December 2019 from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Loans and borrowings
- Leases and asset loans

The principal financial instruments by category are as follows:

Group financial assets

	Fair value through profit or loss		Amortised costs	
	2019 US$	2018 US$	**2019 US$**	2018 US$
Cash and cash equivalents	**–**	–	**14,234,612**	9,216,048
Trade and other receivables	**–**	–	**848,845**	1,555,170
Total financial assets	**–**	–	**15,083,457**	10,771,218

Group financial liabilities

	Fair value through profit or loss		Amortised costs	
	2019 US$	2018 US$	**2019 US$**	2018 US$
Trade and other payables	**–**	–	**6,413,704**	7,387,504
Loans and borrowings	**–**	–	**18,952,542**	17,724,801
Derivatives	**1,534,153**	1,318,075	**–**	–
Total financial liabilities	**1,534,153**	1,318,075	**25,366,246**	25,112,305

Company financial assets

	Fair value through profit or loss		Amortised costs	
	2019 US$	2018 US$	**2019 US$**	2018 US$
Cash and cash equivalents	**–**	–	**9,447,822**	7,382,530
Trade and other receivables	**–**	–	**797,936**	633,853
Total financial assets	**–**	–	**10,245,758**	8,016,383

Company financial liabilities

	Fair value through profit or loss		Amortised costs	
	2019 US$	2018 US$	**2019 US$**	2018 US$
Trade and other payables	**–**	–	**13,755,387**	4,095,301
Loans and borrowings	**–**	–	**18,903,692**	17,058,363
Derivatives	**1,534,153**	1,318,075	**–**	–
Total financial liabilities	**1,534,153**	1,318,075	**32,659,079**	21,153,664

Notes to the Financial Statements continued
For the year ended 31 December 2019

26 Financial risk management continued

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The Board receives regular information from the Group's management through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

The Group is exposed to commodity price volatility, interest rate risks, credit risks, liquidity risks and currency risks arising from the financial instruments it holds.

The main financial risks arising from the Group's activities remain unchanged from the previous financial year, namely, commodity prices, currency, liquidity, credit and interest rates. The Board reviews and agrees policies for managing each of these risks and these are summarised below:

Commodity price risk

By the nature of its activities, the Group and the Company are exposed to fluctuations in commodity prices and, in particular, the price of gold and copper, as these could affect its ability to raise further finance in the future, its future revenue levels and the viability of its projects. The Group has not, to date, entered into any long-term arrangements designed to protect itself from changes in the prices of these commodities. The Group does, however, closely monitor the prices of these commodities and the Board does regularly review the Group's strategy towards hedging and the nature and cost of the hedging products available to the Company.

Whilst not representing a financial instrument all inventory as at 31 December 2019, which is unsold, is subject to future variation in commodity prices, and accordingly the results for the period and the equity position of the Group may be affected by any change in commodity prices subsequent to the end of the period.

Interest rate risk

Prior to 2019, the Group and the Company have taken out fixed rate finance leases for the acquisition of some equipment and have utilised floating rate short term trade finance in respect of sales of copper/gold concentrate production. No new right of use asset lease arrangements were entered into during 2019.

The Group entered into a US$8 million loan with Sprott at a fixed interest rate and further details of which are set out in note 18 (Interest-bearing liabilities). As at 31 December 2019, the amount of US$6.90 million (2017: US$6.01 million) was outstanding in respect of the Sprott loan.

As all liabilities are on a fixed rate basis, there is no exposure to market rate movements.

Group

2019	Weighted average effective interest rate %	Non-interest bearing US$	Floating US$	Fixed interest maturity One year or less US$	Fixed interest maturity Over one to five years US$	Total US$
Financial assets						
Cash	0.1%	–	14,234,612	–	–	14,234,612
Receivables	–	802,275	–	–	–	802,275
Total		**802,275**	**14,234,612**	**–**	**–**	**15,036,887**
Financial liabilities						
Payables	–	18,616,502	–	–	–	18,616,502
Derivatives	–	–	–	–	–	
Interest-bearing liabilities	9.99%	–	–	6,952,542	–	6,952,542
Total		**18,616,502**	**–**	**6,952,542**	**–**	**25,569,044**

26 Financial risk management continued

Group

2018	Weighted average effective interest rate %	Non-interest bearing US$	Floating US$	Fixed interest maturity One year or less US$	Fixed interest maturity Over one to five years US$	Total US$
Financial assets						
Cash	0.1%	–	9,216,048	–	–	9,216,048
Receivables	–	758,209	–	–	–	758,209
Total		758,209	9,216,048	–	–	9,974,257
Financial liabilities						
Payables	–	18,598,926	–	–	–	18,598,926
Derivatives	–	390,976	–	–	–	390,976
Interest-bearing liabilities	9.62%	–	–	4,302,798	2,213,096	6,515,894
Total		18,989,902	–	4,302,798	2,213,096	25,505,796

Company

2019	Weighted average effective interest rate %	Non-interest bearing US$	Floating US$	Fixed interest maturity One year or less US$	Fixed interest maturity Over one to five years US$	Total US$
Financial assets						
Cash	0.1%	–	9,447,822	–	–	9,447,822
Receivables	–	10,420,344	–	–	–	10,420,344
Total		**10,420,344**	**9,447,822**	**–**	**–**	**19,868,166**
Financial liabilities						
Payables	–	26,304,736	–	–	–	26,304,736
Derivatives	–	–	–	–	–	–
Interest-bearing liabilities	10%		–	6,903,692	–	6,903,692
Total		**26,304,736**	**–**	**6,903,692**	**–**	**33,208,428**

Company

2018	Weighted average effective interest rate %	Non-interest bearing US$	Floating US$	Fixed interest maturity One year or less US$	Fixed interest maturity Over one to five years US$	Total US$
Financial assets						
Cash	0.1%	–	7,382,530	–	–	7,382,530
Receivables	–	13,240,886	–	–	–	13,240,886
Total		13,240,886	7,382,530	–	–	20,623,416
Financial liabilities						
Payables	–	23,906,221	–	–	–	23,906,221
Derivatives	–	390,976	–	–	–	390,976
Interest-bearing liabilities	10%	–	–	3,636,360	2,164,246	5,800,606
Total		24,297,197	–	3,636,360	2,164,246	30,097,803

Notes to the Financial Statements continued

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26 Financial risk management continued

Liquidity risk

Historically the Group has relied primarily on funding raised from the issue of new shares to shareholders but has also received short term loans from its shareholders and other recognised lenders. It also uses floating rate short term trade finance and fixed rate finance leases to finance its activities.

The Group has entered into a US$8 million loan with Sprott, further details of which are set out in note 18 (Interest-bearing liabilities). As at 31 December 2019, the amount of US$6.90 million (2018: US$6.06 million) was outstanding in respect of the Sprott loan.

As at 31 December 2019, in addition to the Sprott loan, the Company had obligations under fixed rate right of use asset leases amounting to US$0.05 million (2018: US$0.72 million) (see note 18).

The following table sets out the maturity profile of the financial liabilities as at 31 December 2019:

	Group		Company	
	31 December 2019 US$	31 December 2018 US$	**31 December 2019 US$**	31 December 2018 US$
Due in less than one month				
Trade payables and accruals	**675,313**	1,287,610	**1,768,529**	1,551,276
Interest bearing liabilities	**1,158,757**	303,030	**1,150,615**	303,030
Total due in less than one month	**1,834,070**	1,590,640	**2,919,144**	1,854,306
Due in less than three months				
Trade payables and accruals	**1,746,624**	2,206,674	**3,608,659**	2,364,021
Interest bearing liabilities	**15,476,271**	909,090	**15,451,846**	909,090
Total due in less than three months	**17,222,895**	3,115,764	**19,060,505**	3,273,111
Due between three months and one year				
Trade payables and accruals	**4,011,522**	4,208,778	**8,927,548**	7,194,235
Interest bearing liabilities	**2,317,514**	13,421,997	**2,301,231**	7,424,240
Total due between three months and one year	**6,329,036**	17,630,775	**11,228,779**	14,618,475
Total due within one year	**25,386,001**	22,337,179	**33,208,428**	19,745,892
Due more than one year				
Trade payables and accruals	**183,043**	1,004,371	**–**	–
Interest bearing liabilities	**–**	2,424,246	**–**	2,424,246
Total due more than one year	**183,043**	3,428,617	**–**	2,424,246
Total	**25,569,044**	25,765,796	**33,208,428**	22,170,138

26 Financial risk management continued

Currency risk

Although the Company is incorporated in the United Kingdom, its financial statements and those of the Group are presented in US Dollars, which is also considered to be the functional currency of the Company as funding of activities of its subsidiaries is generally made in US Dollars, all sales for the Group are denominated in US Dollars and future remittances of dividends, loans or repayment of capital from the subsidiaries are expected to be received in US Dollars.

Share issues have historically been priced solely in Sterling but an issue of Special Warrants undertaken in December 2010 and an issue of new Ordinary Shares and Warrants on 30 March 2011 were priced in Canadian Dollars. The Company expects that future issues of Ordinary Shares may be priced in Sterling or Canadian Dollars. Expenditure is primarily in Brazilian Real and also in US Dollars, Sterling, Euros and Australian Dollars.

The functional currency of the Company's operations is US Dollars, which is also the reporting currency for the Group. The Group's cash holdings at the balance sheet date were held in the following currencies:

	Group	
	31 December 2019 US$	31 December 2018 US$
US Dollar	**9,193,766**	3,798,585
Canadian Dollar	**26,188**	57,953
Sterling	**162,585**	3,460,533
Australian Dollar	**38,947**	11,199
Euro	**25,576**	57,070
Brazilian Real	**4,787,550**	1,830,708
Total	**14,234,612**	9,216,048

The Group is exposed to foreign currency risk on monetary assets and liabilities, including cash held in currencies other than the functional currency of operations.

The Group seeks to manage its exposure to this risk by ensuring that the majority of expenditure and cash holdings of individual subsidiaries within the Group are denominated in the same currency as the functional currency of that subsidiary. Income is generated in US Dollars. However, this exposure to currency risk is managed where the income is generated by subsidiary entities whose functional currency is not US Dollars, by either being settled within the Group or by ensuring settlement in the same month that the sale is transacted where settlement is with a third party. The following table shows a currency analysis of net monetary assets and liabilities by functional currency of the underlying companies:

	Functional currency			
Currency of net monetary asset/(liability)	Brazilian Real 31 December 2019 US$	Canadian $ 31 December 2019 US$	United States $ 31 December 2019 US$	Total 31 December 2019 US$
US Dollar	–	689	(14,442,486)	(14,441,797)
Canadian Dollar	–	12,966	57,953	70,919
Sterling	–	–	1,963,521	1,963,521
Australian Dollar	–	–	11,199	11,199
Euro	(1,176,961)	–	57,257	(1,119,704)
Brazilian Real	6,370,603	–	–	6,370,603
Total	**5,193,642**	**13,655**	**(12,352,557)**	**(7,145,260)**

The above indicates that the Group's and the Company's primary exposure is to exchange rate movements between UK Pounds Sterling and the US Dollar and the Euro and the Brazilian Real.

Notes to the Financial Statements continued

For the year ended 31 December 2019

26 Financial risk management continued

The table below shows the impact of changes in exchange rates on the result and financial position of the Group and the Company.

	Against US Dollar US$
10% weakening of Brazilian Real	(38,274)
10% strengthening of Brazilian Real	40,222

	Against Sterling US$
10% weakening of US Dollar	121,735
10% strengthening of US Dollar	(104,601)

	Against Euro US$
10% weakening of Brazilian Real	(117,696)
10% strengthening of Brazilian Real	117,696

The Group's main subsidiaries operate in Brazil with their expenditure being principally in Brazilian Real and their financial statements are maintained in that currency. The Group's policy for dealing with exchange differences is outlined in the statement of Significant Accounting Policies under the heading "Foreign currencies".

The Group does not presently utilise swaps or forward contracts to manage its currency exposures, although such facilities are considered and may be used where appropriate in the future.

The Group seeks to minimise its exposure to currency risk by closely monitoring exchange rates and holding surplus funds in currencies considered most appropriate to their expected future utilisation.

Credit risk

The Group's exposure to credit risk is limited to its cash and cash equivalents and trade and other receivables amounting to US$19,359,020 (2018: US$15,696,343). It is the Group's policy to only deposit surplus cash with financial institutions that hold acceptable credit ratings.

The Group currently sells all of its gold bullion to a single customer. The Group seeks to receive full settlement by bank transfer on delivery of its product to the purchaser to minimise its exposure to any credit risk on that customer.

The Group currently sells all of its copper/gold concentrate production to a single customer, a publicly quoted trading group located in Japan. Settlement terms are in accordance with industry norms. The customer has a strong reputation within the industry and has a good credit risk history. As at the balance sheet date, there were no amounts owed to the Group that were overdue (2018: amount overdue: US$Nil).

The Company's exposure to credit risk amounted to US$19,868,166 (2018: US$16,404,019). Of this amount, US$9,474,822 (2018: US$7,382,530) is due from subsidiary companies, US$9,447,822 represents cash holdings (2018: US$7,382,530) and a significant portion of the remainder is represented by trade debtors for the sale of copper/gold concentrate.

Since the inception of its operations, the Group has incurred no credit losses nor at any time has the Group been required to consider any impairment of any financial asset. The Group makes its selection of its preferred customers and other credit risk counterparties having given appropriate consideration to their creditworthiness and reputation. On this basis, it considers that the credit risk associated with its cash and cash equivalents and in respect of its trade and other receivables to be low. At no time has any customer or credit counterparty been in default of contractual payment terms or sought to vary such terms. The Group would consider a customer to be in default of their obligations in the event that they failed to make payment on the due date without prior notification and agreement or having sought a variation of payment terms failed to make settlement by the revised date. The Group would consider any other credit risk counterparty to be in default of their obligations in the event that they failed to make payment promptly in accordance with contractual arrangements.

In the event that the Group considered that an event had occurred which might indicate that there was no reasonable expectation of recovery, the Group would recognise an impairment at that time. At this time and given publicly available knowledge of its counterparties and their affairs, the Group does not consider that it will incur any credit losses in the next 12 month period nor does it consider that any of its credit risk as at 31 December 2019 has been impaired subsequent to the end of the year.

The Company is exposed to credit risk through amounts due from its subsidiary undertakings. Refer to note 1 and note 13 for details on the credit loss allowance made.

27 Ultimate controlling party

Fratelli Investments Ltd owns 19,318,786 ordinary shares, representing 32.8 per cent of the voting shares in issue and Greenstone Resources II LP owns 14,887,970 ordinary shares, representing 25.3 per cent of the voting shares. Both shareholders are completely independent and neither is therefore considered to be a controlling party.

28 Post balance sheet events

On 21 January 2020, the Group entered into a subscription deed for the issue of US$12 million of Convertible Loan Notes ("the Loan Notes") by Greenstone Resources II LP ("Greenstone"), the proceeds of which were to be applied inter-alia to settle a payment of US$12 million due to Equinox Gold Corp ("Equinox") representing a final payment for the acquisition of the Coringa Gold Project (the "Coringa Acquisition Payment"). The subscription deed was subject to shareholder approval and certain other conditions being fulfilled at the time of initial draw-down. However, as a consequence of the uncertainties caused by Coronavirus, the Group subsequently agreed with Greenstone to extend the period for the satisfaction of all the conditions necessary for the completion of the subscription for and issue to Greenstone of the Loan Notes.

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

As of the date of the approval and signing of these financial statements, the Group is in advanced discussions with Greenstone to amend the Loan Note subscription deed (the "Subscription Deed") to allow for partial subscriptions in respect of the Loan Notes in individual amounts of US$500,000 (the "Amended Subscription Deed"). If the Amended Subscription Deed is entered into by the Company and Greenstone, the partial subscriptions would then provide funds to the Group that could be applied to pay the monthly instalments to Equinox, during the Deferral Period, until such time as any remaining balance of the Coringa Acquisition Payment can be satisfied in full. In addition, Greenstone and the Company anticipate that shortly after the Travel Restriction Conditions have been satisfied, they would be able to satisfy all the other conditions required to close the issue and subscription for the remaining portion of the Loan Notes and allow the Group to settle any remaining balance of the Coringa Acquisition Payment in accordance with the terms of the revised arrangements with Equinox. The Amended Subscription Deed is expected to include certain covenants and undertakings that are in accordance with normal market practice for these types of arrangement. These are expected to include an undertaking that at each month end (i) the cash position of the Group should be at least US$3 million and (ii) the Group should have positive working capital (excluding the value of the Loan Notes) of at least US$2.5 million. During the Deferral Period, the minimum cash requirement is expected to be reduced to the higher of US$1 million or 25% of the amount drawn down. Based on the management accounts of the Group, the Group would have been in compliance with these covenants at the end of each calendar month during 2019.

At the date of signing of this report, and whilst both Greenstone and the Board of Directors have provided assurances that it is their intention to execute the Amended Subscription Deed, there can be no guarantee that the Amended Subscription Deed will be entered into in the form that the Directors currently anticipate or at all.

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

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.

Glossary

"Ag"	means silver.
"AISC"	means All-In Sustaining Cost – a non IFRS performance measurement established by the World Gold Council.
"ANM"	means the Agencia Nacional de Mineral.
"Au"	means gold.
"assay"	in economic geology, means to analyse the proportions of metal in a rock or overburden sample; to test an ore or mineral for composition, purity, weight or other properties of commercial interest.
"CIM"	means the Canadian Institute of Mining, Metallurgy and Petroleum.
"CIP" or "Carbon in Pulp"	means a process used in gold extraction by addition of cyanide.
"chalcopyrite"	is a sulphide of copper and iron.
"Cu"	means copper.
"cut-off grade"	the lowest grade of mineralised material that qualifies as ore in a given deposit; rock of the lowest assay included in an ore estimate.
"deposit"	is a mineralised body which has been physically delineated by sufficient drilling, trenching, and/or underground work, and found to contain a sufficient average grade of metal or metals to warrant further exploration and/or development expenditures; such a deposit does not qualify as a commercially mineable ore body or as containing ore reserves, until final legal, technical, and economic factors have been resolved.
"electromagnetics"	is a geophysical technique tool measuring the magnetic field generated by subjecting the sub-surface to electrical currents.
"garimpeiro"	is a local artisanal miner.
"geochemical"	refers to geological information using measurements derived from chemical analysis.
"geophysical"	refers to geological information using measurements derived from the use of magnetic and electrical readings.
"geophysical techniques"	include the exploration of an area by exploiting differences in physical properties of different rock types. Geophysical methods include seismic, magnetic, gravity, induced polarisation and other techniques; geophysical surveys can be undertaken from the ground or from the air.
"gold equivalent"	refers to quantities of materials other than gold stated in units of gold by reference to relative product values at prevailing market prices.
"gossan"	is an iron-bearing weathered product that overlies a sulphide deposit.
"grade"	is the concentration of mineral within the host rock typically quoted as grams per tonne (g/t), parts per million (ppm) or parts per billion (ppb).
"g/t"	means grams per tonne.
"hectare" or a "ha"	is a unit of measurement equal to 10,000 square metres.
"indicated mineral resource"	is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.
"inferred mineral resource"	is that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.
"IP"	refers to induced polarisation, a geophysical technique whereby an electric current is induced into the sub-surface and the conductivity of the sub-surface is recorded.
"measured mineral resource"	is that part of a mineral resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

"mineralisation"	the concentration of metals and their chemical compounds within a body of rock.
"mineralised"	refers to rock which contains minerals, e.g. iron, copper, gold.
"mineral reserve"	is the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined.
"mineral resource"	is a concentration or occurrence of diamonds, natural solid inorganic material or natural fossilised organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.
"mt"	means million tonnes.
"NI 43-101"	means Canadian Securities Administrators' National Instrument 43-101 – Standards of Disclosure for Mineral Projects.
"ore"	means a metal or mineral or a combination of these of sufficient value as to quality and quantity to enable it to be mined at a profit.
"oxides"	are near surface bed-rock which has been weathered and oxidised by long-term exposure to the effects of water and air.
"ppm"	means parts per million.
"saprolite"	is a weathered or decomposed clay-rich rock.
"sulphide"	refers to minerals consisting of a chemical combination of sulphur with a metal.
"tailings"	are the residual waste material that is produced by the processing of mineralised rock.
"tpd"	means tonnes per day.
"vein"	is a generic term to describe an occurrence of mineralised rock within an area of non-mineralised rock.
"VTEM"	refers to versa time domain electromagnetic, a particular variant of time-domain electromagnetic geophysical survey to prospect for conductive bodies below surface.

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Clive Line – Finance Director
Aquiles Alegria – Non-executive Director
Nicolas Bañados – Non-executive Director
Sean Harvey – Non-executive Director
Eduardo Rosselot – Non-executive Director
Mark Sawyer – Non-executive Director
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