

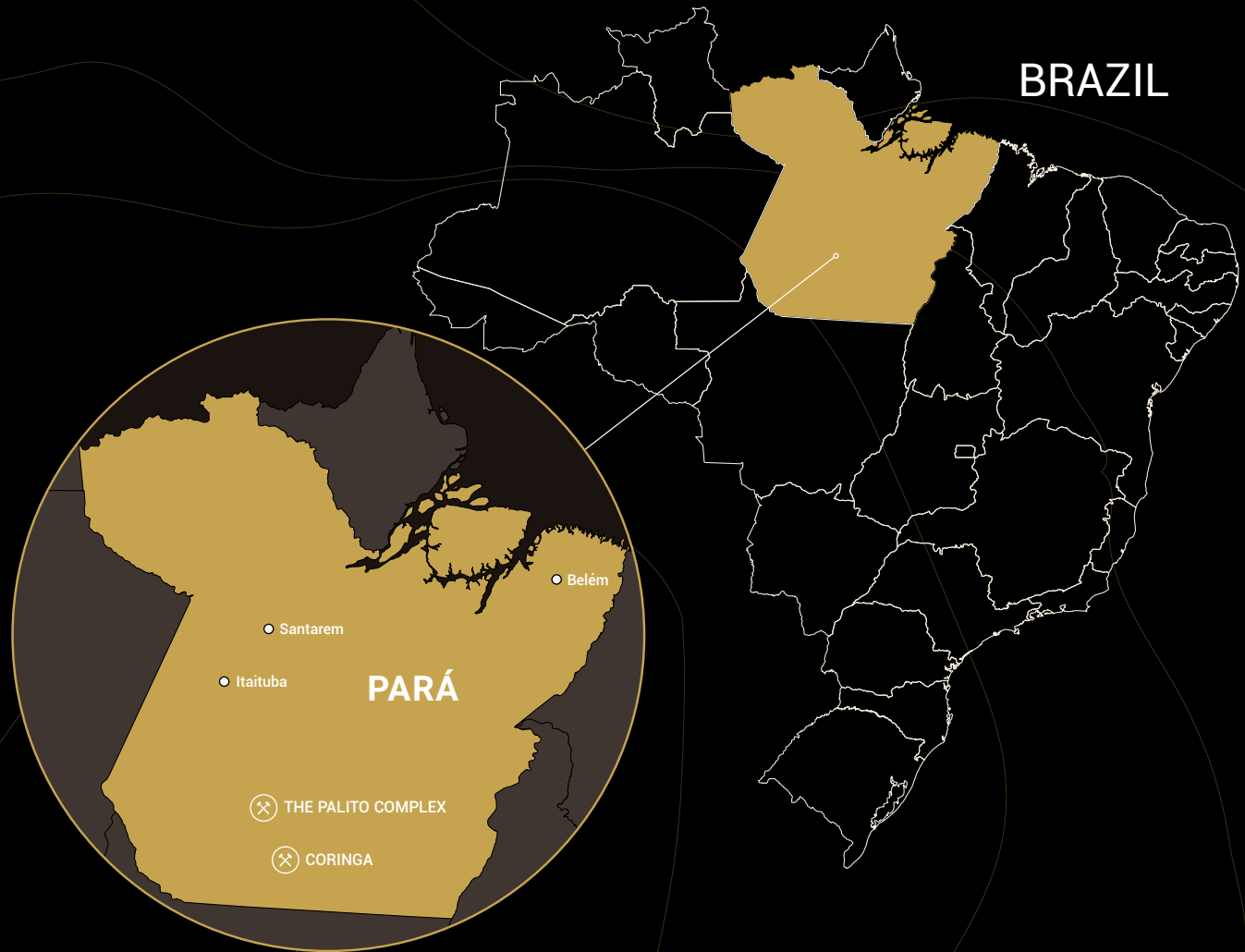


SERABI GOLD

Annual Report and Accounts 2020

Welcome to Serabi Gold 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 plans to start development of during 2021. Both interests are located in the Tapajos region of northern Brazil.



Looking after our people

Serabi's primary focus is the safety, welfare and development of its staff. The Group's future success will be dependent on a number of factors but most important will be its employees. For this reason high priority is given to providing a safe and healthy working environment, providing access to good medical care and welfare and ensuring opportunities and training to progress careers.

[Read more on page 25](#)



Ensuring safe operations

The Group employs an experienced health and safety team, with a priority on establishing safe working and operating practices that exceed regulatory requirements. Daily briefings and inspections are held across all areas of the operations. Induction training and regular updates are held and suggestions for improved practices welcomed and rewarded.

[Read more on page 59](#)

COVID-19 response in numbers

The impact of COVID-19 has been felt in all aspects of business and life around the world. Our immediate priority, when the pandemic first struck, was the safety and protection of our staff and taking all reasonable steps to help stop the spread of the virus.

1,200

Number of virus tests administered for staff

~45%

Reductions in on-site personnel numbers during Q2 and Q3

BrR\$1.4m **3**

Additional costs resulting from COVID-19

Personnel hospitalised due to COVID-19

55

Reported infections amongst personnel



Planning for recovery

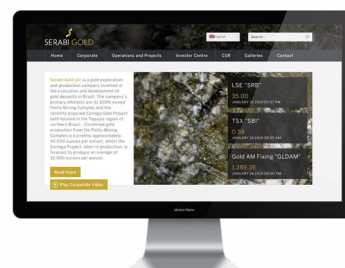
1. Four underground drilling crews started during Q4 2020 dedicated to resource drilling for mine planning
2. Two surface exploration rigs undertaking near mine resource drilling
3. Four additional underground crews recruited in Q1 2021, to accelerate mine development activity

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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

"As we look forward, Serabi is now well positioned and financed to deliver on its growth plans. Following a successful placing of new shares completed in March 2021, generating gross proceeds of approximately £12.5 million, the Company now has a strong and debt free balance sheet."

During 2020 Serabi was able to navigate successfully through one of the most challenging periods for mining and many other sectors of the economy. When we look back at 2020, in the years to come, I am sure we will realise that overcoming these challenges made us stronger and better prepared to achieve our future goals and take advantage of the opportunities that lie in front of us.

The mining sector has in general been quite resilient and unlike many business sectors we can be grateful that a market for our products has continued to be available and certainly the gold market, as is often the case in times of uncertainty, reacted strongly over the past year, posting a new record high of US\$2,061 per ounce in August 2020 and ending the year at US\$1,891 per ounce, a 24 per cent increase compared with 31 December 2019 (US\$1,523 per ounce).

As we look forward, Serabi is now well positioned and financed to deliver on its growth plans. Following a successful placing of new shares completed in March 2021, raising gross proceeds of approximately £12.5 million, the Company now has a strong and debt free balance sheet. At the same time, we have attracted a number of new institutional investors to the share register, reflecting the Group's ability to deliver its current plans and attracted by its opportunities for further growth. The initial development of the Coringa project is now underway in anticipation of first gold being produced during 2023, whilst simultaneously, the Company also now has the funding available to continue its exploration programmes and develop some of the very exciting resource growth opportunities that exist within its Palito Complex land tenement.

As was reported during 2020, Serabi's own operations were quite significantly impacted by the pandemic and I am grateful to the efforts of our staff and management who ensured the Palito Complex continued to operate uninterrupted throughout. Rapid action to lockdown the mine site allowed the creation of a working environment for our personnel who essentially lived and worked in a safe bubble whilst longer-term solutions were developed and implemented. This approach was not without its hardships and my thanks go out to all the staff who volunteered to remain at site, continued working and did not return to their homes for many weeks. Without their sacrifice and commitment, management would, in all likelihood, have had to place the operation onto care and maintenance with all the costs and logistical implications that this might have entailed.

Having had such an excellent year in 2019, Serabi's management were rightly optimistic about the prospects for 2020. A planned public hearing for the Coringa project had been set to take place in February 2020, potentially opening up the opportunity to progress the licensing of that project, and the ore sorter had been installed and initial commissioning tests completed, putting the Company in a strong position to improve gold production. Whilst a mill breakdown early in the first quarter was a minor setback, March 2020 was a record month for production. However, it was clear during the latter part of March that action was needed to protect the operations and our staff from the continued spread of COVID-19 across the globe. Now, more than ever, was the time to prioritise the safety and preservation of the welfare and lives of our employees. Personnel numbers at site were reduced, and contractors released to maximise the ability to establish social distancing in the workplace and minimise the possibility of any infection entering the camp. At the same time capital investment, exploration programmes and all other non-essential expenditures were temporarily suspended to conserve cash resources whilst management assessed the longer-term options.

Whilst Brazil was, for a long time, a centre of attention for COVID-19, it is now expected that all adults will have received at least one vaccine dose very soon, and we have noted only a very few cases of infection within our own staff. Whilst there remains caution, we now seem to have a path forward and we expect the lessons learned will help us become a stronger and more efficient company in the future. The need to simplify the mining operations in light of the reduced staffing and the lack of contractors to undertake drilling required for mine planning for over six months now necessitates a period of catch up with mine development and opening up additional working faces. This should re-establish the optionality that has been enjoyed over the past years, which has been the backbone of our success and which should allow the deposits to continue to prosper for many years to come. Both underground and surface drilling contractors returned to site during the fourth quarter of 2020, and we now have two underground rigs operating at each of Palito and São Chico with two surface drilling rigs also involved in a drill programme for near mine planning purposes. We also have taken on additional mine crews to increase the rate of development mining and, in so doing, make up for the activity lost during 2020.

Whilst the pandemic has limited the opportunities to interact with the local communities we have continued to try and provide support through this difficult time. Our ability to continue to foster and build on our good relations with the neighbouring communities is important to us and we have continued to support projects to enhance

The impact of COVID-19

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 2020.

Read more on pages 26 to 29

the lives of the local populations from drilling new wells for water, providing street lighting and helping with new sports facilities for the school. During this third quarter of 2021, we have also been working in partnership with the City of Itaituba and the public health department to organise and facilitate vaccination programmes for the local communities and for our own personnel.

We had harboured high hopes of exploration success during 2020 and building on the exciting work that had been completed in the preceding 18 months. Organic growth from the development of our very promising land holding in the Tapajos is a key element of our growth aspirations. The Tapajos region remains one of the great unexplored gold fields of the world and, having been present in the region for many years, we have a significant first mover advantage as the only hard-rock gold mining operation in the area. While the exploration programme was curtailed in 2020, activity restarted in the fourth quarter of 2020 and has already reported some very encouraging results from the work completed so far in 2021 and I hope that we will continue to deliver positive news during the rest of the year.

The acquisition of the São Domingo tenements, in the latter part of 2020, provides another excellent opportunity for identifying further satellite deposits and initial exploration drilling produced some extremely encouraging results and further follow up work is planned during the remainder of 2021. Exploration work has already been undertaken and will continue over several other key prospects within the Palito Complex tenement and around São Chico. During the remainder of the year programmes will cover the Cinderella zone near São Chico, testing of the extensions of the Palito deposit to the south-west where an eight-kilometre trend has been identified, and parts of the large Mata Cobra anomaly that bisects the Palito Complex tenement holdings and could host lower grade but bulk mineable mineral opportunities. We have set ourselves a target of identifying a resource of at least three million ounces in our tenement holdings over the coming years. With the level of historic artisanal activity in the region, we remain confident that there are significant undiscovered hard rock resources which underlie the reported 20 to 30 million ounces of gold that have been extracted by artisanal miners across the Tapajos region.

The Coringa project remains, in the near term, the clear production growth opportunity for Serabi. The licensing process was delayed by the pandemic and, following a supportive public hearing in February 2020, it was not until the end of September 2020 that the State Environmental Council of Para ("COEMA") was able to meet to consider and approve the award of the Licença Prévia ("Preliminary Licence" or "LP"). The LP represents the first of a three-stage licensing process required for mining projects in Brazil. The second stage is the award of an Installation Licence ("LI") which allows processing plant and other infrastructure to be constructed and following completion of the construction stage, the issue of the full Operating Licence ("LO") is the final stage in the licensing process. The LP is generally considered the most critical stage as it involves input and approval from a number

of interested government agencies as well as local stakeholders, communities and includes consideration of the social, environmental and economic impacts and benefits of the project. We are already well advanced with the submissions required for the LI and in discussion with lenders and other financing groups to secure the balance of the funding required to complete the development of the project.

Coringa will, once in full production, double the existing production and more importantly, as it is not expected to add significantly to the fixed cost base, will provide a reduction in the All-In Sustaining Cost ("AISC") by spreading these fixed costs over a larger production base. With Coringa in production and the benefits of the ore-sorter being realised there is a clear path to getting very close to an annualised rate of production of 100,000 ounces of gold over the next couple of years.

The Board sees significant future value in Serabi and a huge potential to grow its gold mining activities in Brazil. Serabi has demonstrated a solid track record over the past years of operating underground vein mines and built an experienced and skilled operational team. Its unique skills and opportunities have attracted a group of professional and sophisticated investors that also understand the opportunity that the Group presents for the future.

The publication of the Company's Annual Report and Accounts for the year ended 31 December 2020 ("2020 Annual report"), was delayed as a result of the identification and subsequent enquiries into the nature of unexplained cash withdrawals made from the Group's Brazilian subsidiary Serabi Mineração SA ("SMSA"). The Company initially engaged its legal advisers in Brazil ("FFA") to undertake enquiries into these transactions and, following the presentation of their initial findings, subsequently engaged the services of the Forensic Investigations group of Deloitte Touche Tohmatsu Consultores Ltda in Brazil ("Deloitte"). The enquiries made by FFA and Deloitte of the accounting and banking records of SMSA, identified a total of approximately US\$349,000 of cash that had been withdrawn from SMSA over a period between January 2015 and December 2020. Deloitte have also completed a review of all other electronic and physical records including electronic communications and have not identified any further instances of irregular cash withdrawals. The Company confirms that all the identified cash withdrawals were recorded through the accounts of SMSA and expensed in the period in which they were incurred. The enquiries undertaken on behalf of the Company did not identify direct evidence of improper payments occurring within the scope of licensing and/or payments to obtain benefits in connection with public agencies. However, notwithstanding that the Board considers that all reasonable and practicable steps have been taken at this time, based on the conclusions of the enquiries, the Board is unable to definitively conclude on the precise nature of the payments made. The enquiries also identified a number of other potential irregularities relating to expense claims and travel and other expense advances made to some Brazilian based members of staff during the same period. It has been identified

that these advances have been expensed through the Group's Income Statement in each of the relevant years. However, analysis indicates that no claims for reimbursement of expenses were ever submitted for these advances, and it would appear therefore that, in the absence of documented expense claims, these advances which over the period from January 2016 to March 2021 totalled approximately US\$510,000 remain due to be repaid to SMSA. In addition, the enquiries identified claims for reimbursement of expenses submitted by certain members of staff in Brazil that lacked appropriate and adequate supporting documentation or were not necessarily of a nature that appeared business related. The total value of such expenses over the period 1 January 2015 to 31 March 2021 was approximately US\$904,000. All these costs have been expensed through the Group's Income Statement in each of the relevant years. In respect of the advances that remain due to be repaid and the claims for expenses, no direct evidence has been identified of improper payments occurring within the scope of licensing and/or payments to obtain benefits in connection with public agencies. Management have made certain changes to the Group's control procedures for the processing of bank payments, advances to staff and the reimbursement of out-of-pocket expenses and is working with Deloitte to establish an internal audit function reporting directly to the Audit Committee to improve the overall internal control environment.

Serabi is committed to developing its Coringa project and building new opportunities from its exploration ground. Growth will broaden the Company's appeal, widen its investor base and in so doing address the valuation gap that we see compared with small producers operating elsewhere in the world. However, whilst we have hopes of identifying opportunities that might be suitable for open-pit mining, we recognise that in the near-term new discoveries will generally be high grade vein deposits similar to Palito, São Chico and Coringa. Whilst Serabi has demonstrated its credentials in developing underground mining, future production growth should also present a diversification of technical risk to broaden investor appeal. For this reason, we continue to see carefully selected M&A as important for the future of the Company. With its strong operating credentials and team, Serabi is well placed to be part of any consolidation of the best gold mining opportunities in Brazil, a situation that the Board and management of the Company considers would serve the interests of all stakeholders, through risk diversification, broadening of the capital base, economies of scale and opening up the financing opportunities for new developments.

Nicolas Bañados

Chairman

24 September 2021

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 and projects 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

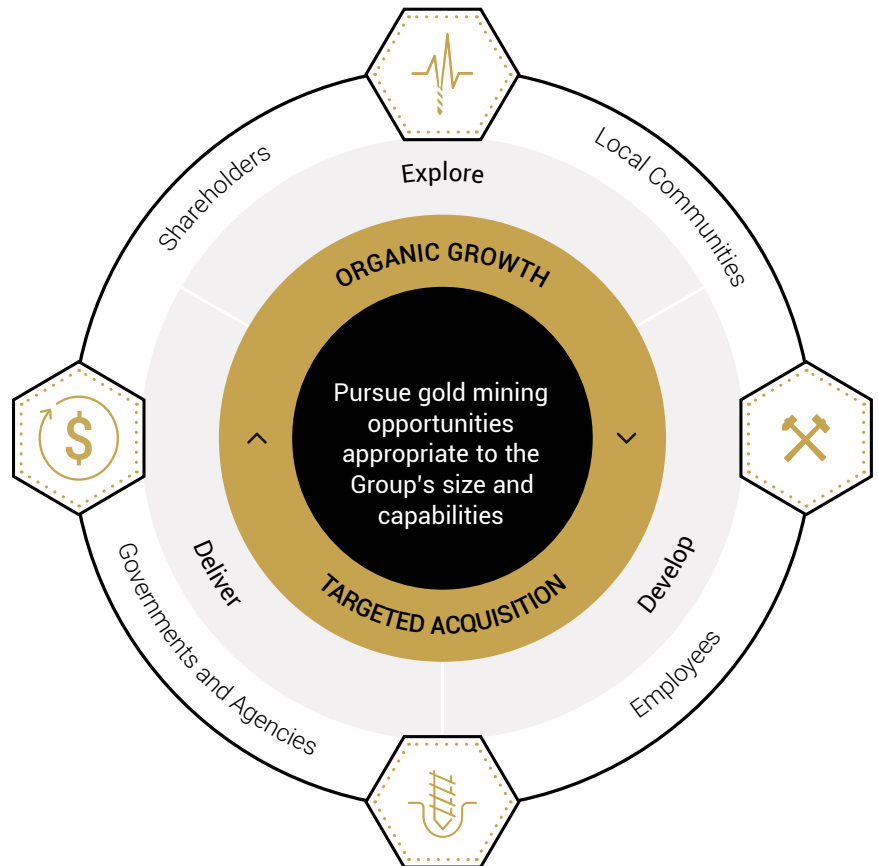
Serabi's Board combines experience across a range of disciplines, with a record of successful development of mining projects and growing and realising value for shareholders

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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 projects.



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.

Our value proposition

Our objective is to develop and build the Coringa project to be in production during 2023 and place the Group on the path to realising annual production of 100,000 ounces per annum. At the same time management would like to grow the mineral resource base of the Group to in excess of 2 million ounces through a structured and continuing programme of exploration across all its land tenements.



Experience in the region

Serabi has been present in the Tapajos region for 20 years and remains the only hard-rock operating mining company in the region. It therefore maintains first mover advantages and strong relationships with all the relevant government bodies and agencies with oversight of mining in the area.

 Read more on [page 24](#)



Exploration potential

The Tapajos region represents one of the world's largest undeveloped alluvial gold fields.

Serabi has a number of exciting exploration targets which it plans to drill over the next 12 months, successful results from which could significantly enhance the resource inventory of the Group.

The Group's objective is to increase mineral resources to over 2 million ounces.

 Read more on [page 08](#)



Local reputation

Serabi provides financial, educational, infrastructure and health support to the immediate communities. 28 per cent of the workforce live in the nearby communities with many of the rest living in the State of Para.


The strength of local support was illustrated by the positive outcome of the public hearing for the Coringa project held in February 2020.

 Read more on [page 58](#)



Mine life


The Palito, São Chico and Coringa deposits are all open along strike and at depth. Near-mine and regional exploration programmes indicate significant additional resource potential to enhance mine life and current projected annual production rates. There is no indication, from current exploration results, of any change in the continuity or grade of the vein structures at depth.

 Read more on [pages 12 to 13](#)



Mine performance


Production from the Palito Complex has been very steady over the past years with only the impact of COVID-19 delaying the planned production growth for 2020. Management expects that, following the completion of the planned mine development to recover lost activity due to COVID-19, production growth plans will be restored and the benefits realised.

 Read more on [pages 30 to 37](#)



Strong macro-economic environment

The events of 2020 have created an economic environment in which gold prices have improved by 25 per cent during the year whilst the Brazilian Real has weakened by 29 per cent. This provides the Group with the best possible opportunity to generate cash flow to support its growth plans and maximise the financial benefits for all its stakeholders.

 Read more on [page 42 to 51](#)

Creating value for stakeholders

Shareholders

Deliver 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 Regulations 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.

Tapajos

A region with great promise and potential

Overview

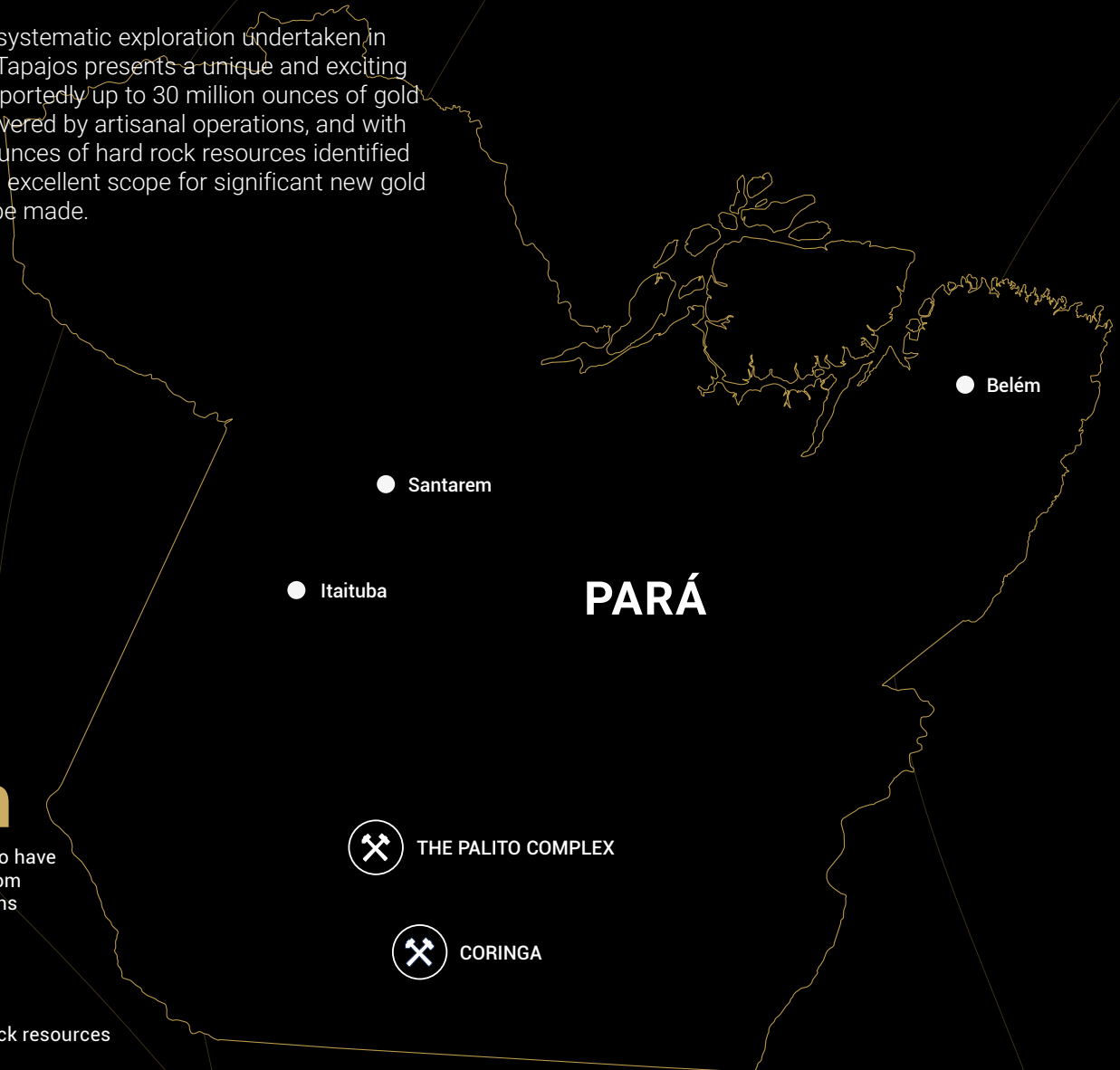
With little past systematic exploration undertaken in the region, the Tapajos presents a unique and exciting opportunity. Reportedly up to 30 million ounces of gold have been recovered by artisanal operations, and with only 7 million ounces of hard rock resources identified to date, there is excellent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

30m

Ounces reported to have been recovered from artisanal operations

7m

Ounces of hard rock resources identified to date



Potential

The Tapajos region is the world's third largest alluvial gold field with reported historic production from artisanal activity of up to 30 million ounces.

Only 7 million ounces of hard rock resource has been discovered all around historic artisanal mines.

The region is attracting the interest of major mining companies who are attracted by the potential for large scale porphyry style deposits.

Exploration

Serabi has pursued a systematic approach to its exploration using geophysics to screen large areas of its tenements for potential sulphide bodies that would host gold mineralisation.

Anomalous areas are subject to further surface and near surface exploration before being prioritised for exploration drilling.

Engagement

Serabi has built strong relationships with local communities who are supportive of the Group's further growth recognising the economic, environmental and social benefits that are generated by having a responsible, international mining group active in the region.

Access rights for exploration are negotiated with local landowners on commercial terms.

Development

Serabi intends to incorporate any new discoveries into its existing operations using the resource growth to enhance its production and increase the life of its operations.

Whilst anticipating that new discoveries are likely to be similar to the Palito, São Chico and Coringa orebodies, management will look at opportunities for introducing open pit mining to diversify technical risk for new developments.



Strong artisanal results

The Tapajos region has experienced a period of more than 40 years of intense exploitation of alluvial, colluvial and eluvial gold deposits. Whilst artisanal mining continues, the number of active “garimpeiros” has reduced in recent years. The near surface deposits, which have been relatively easy to explore and mine with simple, basic processes are becoming exhausted. It is however the secondary deposits, which are often related to the primary occurrences exploited by the garimpeiros that are of interest to established mining and exploration companies. Both high grade vein hosted, and low-grade disseminated or “sheeted vein” style deposits have been discovered in recent years. These deposits are usually related to structural dislocation and shear zones, and often show an association with andesite or mafic dykes.

The first recorded discovery of gold dates back to 1958 and whilst official gold production is reported as having been seven to ten million ounces, unofficial reports indicate figures of up to between 20 million and 30 million ounces.

Despite the high level of historic gold production, which places the region amongst the world’s most prolific alluvial gold fields, the region remains relatively unexplored, with only Rio Tinto having carried out any significant levels of systematic exploration over the wider region during the 1990s.

In the last 20 years, exploration has been primarily undertaken by junior mining companies with Eldorado Gold, which acquired the 2 million ounce Tocantinzinho project in 2010, being the only larger mining company with a significant historical presence in the area. This is starting to change and in the last two years and following the discovery of porphyry style deposits in the Alta Floresta belt to the south, some of the major mining groups have been establishing land holdings and carrying out regional reconnaissance programmes looking for similar style opportunities in the geologically similar Tapajos. This interest starts to pave the way for a new era of discovery and development in the Tapajos and Serabi is well positioned to be at the centre of this.




The Palito Complex

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 6.0 to 8.0 grammes per tonne (“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.
- 300,000 ounces of NI 43-101 compliant mineral resources (December 2020).
- 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. Management is confident of the potential for expansion both of the immediate deposit and in the wider area around the current São Chico deposit.

- High-grade satellite to Palito currently providing ore feed of between 200 and 300 tonnes per day at 7.0 to 8.0 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.
- 175,000 ounces of NI 43-101 compliant mineral resources (December 2020).
- 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.

 Read more on [page 12](#)



The Coringa Gold Project

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 Quietto, Demetrio and Valdetto 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, infrastructure, management and administration.
- 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 nine years and total Life of Mine (“LOM”) gold production of 288,000 ounces at an average mined grade of 8.34g/t to be produced by underground open stoping, similar to the mining undertaken at Palito.

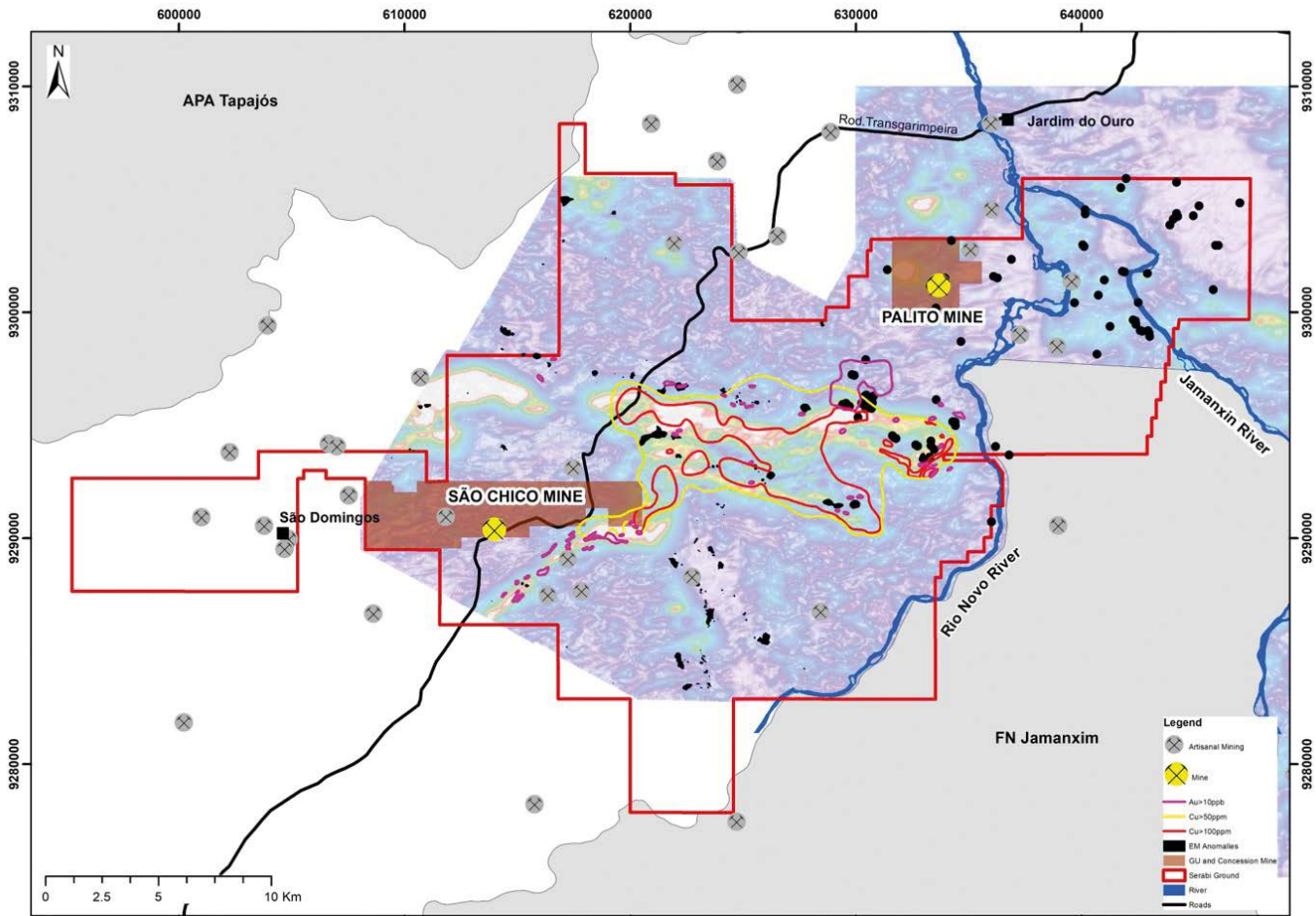
Typical annual production once the project is in full operation is expected to average 38,000 ounces per year. Coringa is located some 70 kilometres to the south-east of the town of Novo Progresso which is approximately 130 kilometres by road to the south of Serabi’s current mining operations at Palito.

Initial mine development commenced in late July 2021.

 Read more on [page 14](#)

Exploration

The key to unlocking the potential of the Tapajós



Over the past two years, Serabi's systematic exploration approach has been rewarded with a number of significant new opportunities. With a focus on prospects which are generally within 10 to 20 kilometres of existing operations, the Group is in the position to quickly translate exploration success into production ounces.

The importance of exploration

The Tapajós region has only recently started to be the subject of systematic exploration and therefore the artisanal miners provide a valuable exploration tool and a significant portion of the 7 million ounces of hard rock resource identified to date is close to and/or underlies historic artisanal operations. However, there is much that they will miss as they seek out the "low-hanging fruit" where ease of access and topography suited to the needs of hydraulic mining are important. Structures that do not outcrop at surface will be missed but may be identified by Serabi's extensive exploration approach.

Process

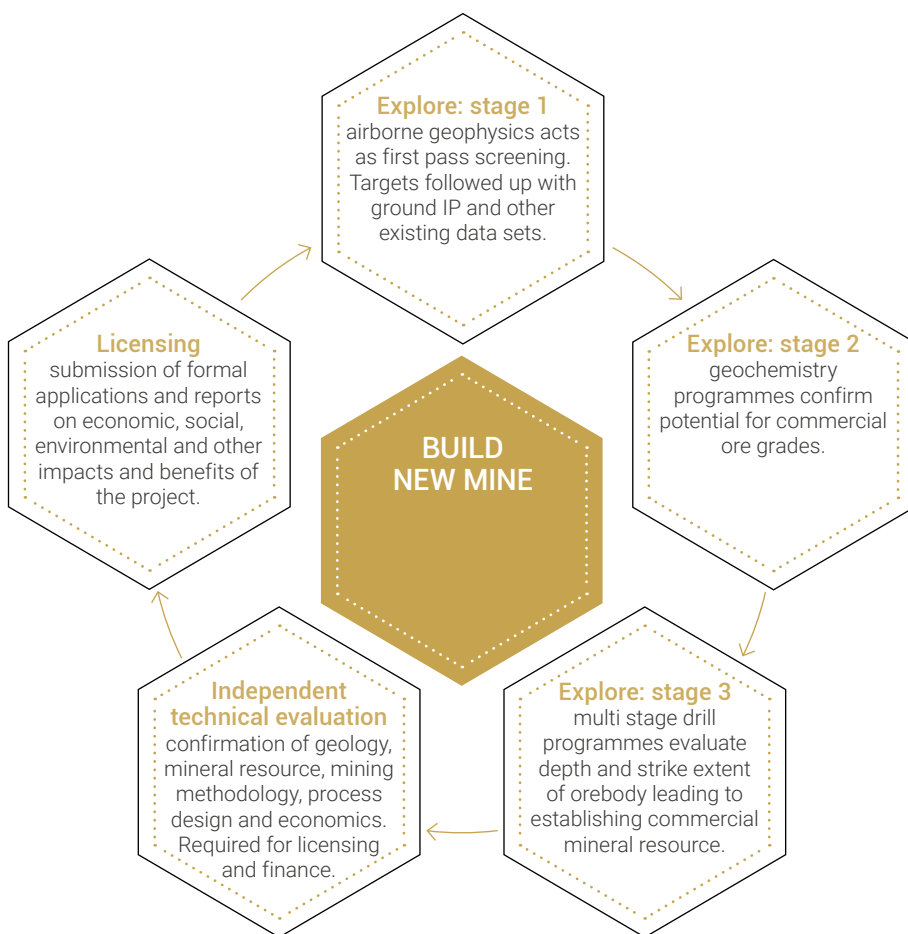
The gold occurrences identified in the region to date have all been associated with sulphide mineralisation. Serabi has therefore undertaken airborne electro-magnetic surveys ("EM") which will identify areas of potential sulphide mineralisation and facilitate screening of large areas of its tenement. As much of the surface area of the tenement is given over to pasture or other vegetation, visible indicators which might occur in more arid regions are not present in this part of Brazil.

Not all sulphide bodies will necessarily host gold in commercial quantities, and it is for this reason that a geological data set needs to be built up before any exploration drilling is undertaken. Serabi's geological team will conduct follow up ground studies using a variety of tools including induced polarisation ("IP") to measure the relative conductivity and resistivity of the area, taking stream and surface soil and rock chip samples looking for anomalous levels of gold and other indicator minerals and mapping, trenching and augur drilling to extract samples a few metres below the surface. Where a number of these coincident mineralisation indicators overlap, then a decision and priority can be established for a specific area of interest.

Over the past two years, Serabi's systematic exploration approach has been rewarded with a number of significant opportunities, which management is keen and excited to progress. With a focus on opportunities which are generally within 10 to 20 kilometres of existing operations, this brings significant benefit to stakeholders. The Group can leverage off its infrastructure to maximise the pace of exploration advancement and, more importantly, is in the position to quickly translate exploration success into production ounces.

Exploration strategy

The gold occurrences identified to date, have all been associated with sulphide mineralisation. Airborne EM has facilitated screening of large areas of the tenements.



Opportunities

The various programmes that Serabi has completed in the past two years have highlighted many exciting opportunities. Management has had to prioritise these to be able to allocate its personnel and financial resources in the most efficient manner. During 2021, the initial focus is on the orebody extensions of both Palito and São Chico deposits, the potential of the São Domingos area to the west of São Chico and the Calico area to the south of Palito.

São Chico – near mine

The current São Chico deposit, which remains open at depth, extends over a 600 metre strike and comprises the Main Vein and Julia Vein. In the immediate proximity, drilling has identified the Highway, Crossroads and West veins all of which could, in time and subject to further evaluation, be accessed by cross cuts from the existing mine workings.

Further to the west lie the Abelha, Besoura and Cicada anomalies where the results of IP have highlighted potential for sulphide mineralisation and where there is evidence of past artisanal activity. Drilling was initially undertaken in early 2020 before contractor drilling was suspended at the end of the first quarter in reaction to the COVID-19 pandemic.

Drilling at São Chico restarted in the fourth quarter of 2020 and will continue through 2021. Drilling of the western extension of the São Chico deposit has already confirmed a mineralised extension for approximately 375 metres and management considers that there is evidence to suggest that the mineralised zone will extend to the Cicada target establishing a corridor extending to at least two kilometres and potentially further towards the more westerly Abelha and Besoura targets.

There are a number of indications that the Main/Julia/Highway Vein structure is not an isolated structural occurrence and the São Chico area may host parallel fertile structures (similar to the Palito mineralisation model). Scout drilling in 2019 intersected mineralised structures at Lagoa, Lagoa Extended and Crossroads, potentially indicating a series of parallel vein sets. Serabi geologists will test the potential of these occurrences in 2021.

Exploration continued

Palito – near mine

The current Palito deposit lies within a one kilometre strike length and approximately 800 metre strike width of nested, parallel structures and incorporates approximately 28 known veins of varying widths and strike. The G3 vein has been traced for approximately 1.5 kilometres whilst management considers that exploration results, including diamond drilling, support the existence of an eight-kilometre mineralised corridor running from the Copper Hill area to the north-west and extending to the Rio Novo area to the south-east.

Surface drilling in 2021 has been primarily targeted to support mine planning and identification of additional near-term resources, with some scout drilling at Copper Hill. A significant IP and EM anomaly where previous drilling intersected porphyry style veins and alteration. Drilling on the Mogno and Ipe veins at the Palito Mine has confirmed depth extensions by over 100 metres below the lowest mined level. Furthermore, step out drilling indicates additional payable ore shoots up to 600 metres along strike in both directions.

Before the end of 2021, it is expected that a programme targeting the part of corridor between the current mine workings and the Currutela area to the south-west will have been completed.

São Domingos

In the latter part of 2020, Serabi acquired two additional tenement holdings located to the west of São Chico and collectively referred to as the São Domingos tenements.

These tenements host many extremely rich, historic and currently active artisanal pits. The initial area of interest comprises three artisanal pits Raimundo, Toucano and Grota da Sangue, that have been worked covering a 600-metre-long structure (the Toucano trend). Channel sampling and drilling of this target commenced in late 2020 and continued into the second quarter of 2021. Results to date have been extremely encouraging with the initial holes returning one sample of 6.0 metres at a gold grade of 20.09g/t whilst channel samples at the base of the Toucano pit include 18 metres at 12.8g/t.

Drilling is targeted at the downdip extensions of the oxidised zones that have been mined by the artisanal miners or “garimpeiros”.

There are several fertile structural trends in the São Domingos tenements that host mineralisation similar to the Toucano trend, including the Mario Dio, Atacadao and Messias trends. These are parallel north-east to south-west trends spaced broadly 500-800 metres north-south throughout the tenements.

Many of these trends host historic pits extending to a maximum depth of approximately 30 metres and with mineralisation at Palito and São Chico continuing to be open at depth there is every expectation that the São Domingos tenements could yield new high-grade satellite deposits that would provide supplementary high-grade ore to the Group's existing operations.

The first pass drill programmes planned for 2021 have now been completed and have advanced the understanding of the nature of the mineralisation.

Mata Cobra Corridor

The Mata Cobra Corridor is a 14km long, broadly east-west trending magnetic high defined in the 2018 airborne geophysical survey. This magnetic high is bounded by both north and south interpreted fault structures. Along these bounding faults, the geophysical survey delineated a series of electromagnetic (EM) conductors. Subsequent regional geochemistry sampling and mapping targeting these conductors has, to date, defined coincident gold and copper anomalies associated with altered and/or sheared granites at the contact of the magnetic mafic unit. Prospects such as the Calico (2km X 2km) gold in soil and geophysical anomaly, Ganso (1km X 400m wide), a shear hosted gold prospect with soil and rock chips up to 1g/t, Juca & Juca North, with sulphide bearing, altered monzogranites with anomalous gold and copper, and many other anomalous areas, stretch along the length of this trend. Serabi anticipates follow up drilling on priority prospects in the near future, along with further infill geochemistry and mapping to investigate this very prospective trend.

Calico

The Calico prospect is located approximately five kilometres to the south of the Palito deposit at the eastern end of the Mata Cobra corridor at the contact of mafic and felsic rocks, represented by a prominent magnetic high, identified by the airborne magnetic survey conducted during 2018. Along this lithological contact the survey identified a large number of strong EM anomalies of which some of the most significant were within the Calico prospect area.

Subsequent systematic soil geochemistry sampling has highlighted a significant area of elevated gold and pathfinder multi-element in soil. In late 2020, a 45 line-kilometre IP survey was undertaken over the strong soil geochemistry anomalies. This survey was very successful in delineating a number of priority IP targets (both chargeable and resistive), coincident with the geochemical anomalies. The IP also allowed a refining of the structural (fault) architecture for the area. This prospect, at present, extends over an area of approximately two x two kilometres. It is planned to undertake some initial deep geochemistry drilling on the prospect during the remainder of 2021.

Cinderella

Located to the east and south-east of São Chico, the Cinderella prospect is a five kilometre south-west to north-east trending IP and EM anomalous area with elevated gold in soil grades and artisanal workings in some of the streams that are fed from this topographical high. Initial deep geochemistry drilling is being undertaken in the third quarter of 2021.

Coringa

At Coringa over 20 kilometres of linear soil anomalies some with coincident artisanal workings have been delineated within the central part of the project. To date only seven kilometres of the 20 kilometres has been drill tested, defining 541,000 ounces of inferred and indicated resources. Serabi anticipates once production commences at Coringa, exploration will recommence and further grow the resource base at this project through drilling the remaining 13 kilometres of anomalies.

In the northern part of the Coringa licences the Mata Velho prospect contains at least four parallel vein structures within a broad three kilometre striking gold in soil anomaly. With only 13 drill holes completed historically, Serabi anticipates moving this prospect into a resource category in the coming years.

Exploration strategy

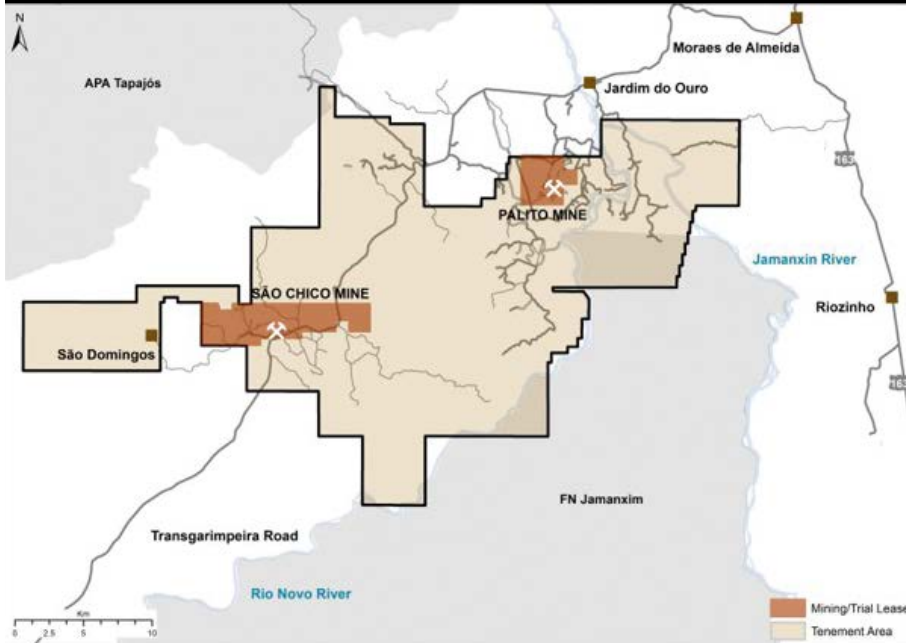
Serabi pursues a systematic approach to its exploration efforts. Using airborne geophysics, large areas can be screened efficiently particularly in light of the vegetative cover that exists in the region. Areas of interest can be followed up with further ground geophysics and stream and soil sampling to improve targeting before using diamond drilling to confirm zones of payable mineralisation and ultimately defining mineral resources.



The Palito Complex

Our **flagship** mining operation

Operating area



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 extend mine life.

Responding to COVID-19

It was well reported that the northern states of Brazil were the worst affected in the early days of the pandemic in Brazil. Serabi's management took swift action to lock-down the mine-site, release all contractors and non-essential staff, and continued to operate the mine with a significantly reduced workforce. Increased health checks were carried out on a daily basis, additional medical staff retained at site and testing and quarantine arrangements implemented when staff changeovers were reintroduced.

The Company continues to implement a number of COVID protocols to maintain the safety and health of its employees and has not identified a COVID case at site since early in the fourth quarter of 2020. It has an active programme of communication with its staff informing them of required actions and procedures and extends this programme into the local communities as part of its community support and engagement initiatives, seeking to ensure that any potential occurrences of COVID are minimised within these communities and at the same time further reducing the risks for its own personnel.

Short-term production objectives

2021 is expected to yield an increase in production compared with 2020 but there remains a need to focus on re-establishing additional mining faces and in so doing create the optionality that has been a key part of Serabi's production success in the past. This optionality suffered during 2020 as operating with a reduced workforce necessitated a

simplification of the mining to maintain a reasonable level of gold production through the worst of the pandemic. The consequent resetting of the mine necessitates additional development work being undertaken which will increase the levels of lower grade ore that will be produced in the short-term.

Where possible this lower grade ore will be passed through the oresorter which to date has been a great success notwithstanding that during 2020 it was not possible to utilise it to the extent initially envisaged. Nonetheless during 2020 the ore sorter did produce excellent results, and, over the course of 2020, processed over 23,000 tonnes of feed at an average grade of 2.0g/t of gold. The sorter discarded approximately 20,600 tonnes of low-grade material (~0.6g/t of gold) leaving a high-grade product of 2,818 tonnes at 12g/t of gold. The discarded 20,600 tonnes would have previously been processed through the plant, consuming precious plant capacity.

Medium-term near mine site growth

Whilst the Company anticipates that annual production will be restored to levels of about 45,000 ounces per annum by 2022, exploration success from its current programmes is expected to provide a number of opportunities for additional satellite deposits in close proximity to the current Palito and São Chico deposits. Such success would, at a minimum, extend the life of the current operation, but management consider that increased resources would provide an opportunity to further expand production in the medium term. This might entail an expansion of the current processing facilities or construction of additional process facilities should this be appropriate.

Around Palito such growth could be achieved from success in identifying new mineral resources along the already identified eight kilometre corridor of mineralisation that lies along the northerly and southerly strike extensions of the existing Palito deposit.

At São Chico there are numerous opportunities for resource growth with potential for:

- Parallel structures to the north and south of the current deposit
- Strike extensions to the east and west of the current deposit
- The highly prospective São Domingos property that was acquired by the Company in the latter part of 2020 where initial drilling and other exploration results have been extremely encouraging
- The five kilometre long Cinderella zone to the south-east of São Chico with significant coincident geophysical and geochemical anomalies and a number of artisanal alluvial operations are recovering the free gold from the streams that drain from this area.

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How we maintained production in 2020

Throughout the first peak of the pandemic, during the second and third quarters for 2020, the Group was able to maintain daily operations and gold production, albeit at lower levels than originally projected. The camp was locked down at the end of March 2020 and only essential staff retained at site to improve social distancing and restrict the potential for the virus to be introduced into the camp. A testing regime and daily health checks were implemented. Areas were set aside to allow for staff to quarantine when returning to the camp to take up their rosters.

Mining was simplified to take account of the reduced numbers of staff and emphasis was placed on mining the higher confidence areas in the absence of underground drilling crews to assist with near term mine planning and resource replacement.

A full complement of staff began to return to the camp in the fourth quarter and during the first quarter of 2021 mine development work has been accelerated as part of the programme to rebuild mineral resource and return the operation to a position of long-term sustainable production.

Longer-term regional growth

Across the wider tenement holding, there are a large number of historic artisanal operations, indicative of potential additional growth opportunities that might exist.

The Company's airborne survey undertaken in 2018 highlighted the existence of a large east to west trending magnetic feature extending for over 14 kilometres and flanked by multiple EM anomalies, indicative of sulphide bodies commonly associated with gold mineralisation in the Tapajos. A regional geochemical sampling campaign in and around this Mata Cobra belt has enhanced the prospectivity by the identification of an eight kilometre by two kilometre copper in soil anomaly with analytical results over 100ppm, coincidental with the geophysical anomaly identified by the airborne magnetics. Within the contours of this 100ppm copper in soil anomaly, the Company identified some very exciting prospects, including the Calico and Juca, at the west end of the corridor and approximately five kilometres south of Palito. Both of these prospects exhibit a very similar geological setting to Palito and anomalous gold in soil grades in addition to the copper.

Additionally, in the central part of Mata Cobra corridor, the Ganso, Quibe and Tabereba geochemical prospects have been identified also on strong EM anomalies.

Following further work later in 2020, Calico is now becoming a very significant prospect with high gold in soil results over a two kilometre by two kilometre area. Values as high as 0.8g/t gold have been recorded, better than have been seen in any soils over the Palito orebody. This geochemical survey has now been complemented by IP which has proven to be very effective at Palito. The IP has highlighted a series of north-west to south-east trending anomalies, some sited within the bounding gold soil anomaly at depth and some adjacent to the soil anomalies. The orientation of these IP anomalies is consistent with broader regional structural fabric and the trend of the veins at Palito, just five kilometres away. Given its proximity to Palito and the fact that it shares many similar characteristics including what seems to be a similar geochemical and geophysical signature, it is planned to conduct some initial first pass drilling during the coming months.

This gold anomaly is supported by a suite of multi-elements suggesting an intrusion related mineralising system (porphyry or intrusion related gold system model).

The features identified at Calico and the extent and nature of the geology of the Mata Cobra belt itself are indicative of the potential for the identification, in the longer term, of lower grade bulk mineable deposits which could provide a significant change in the current production profile of the Company.

Coringa Gold Project

Our growth project that will double production

Operating area



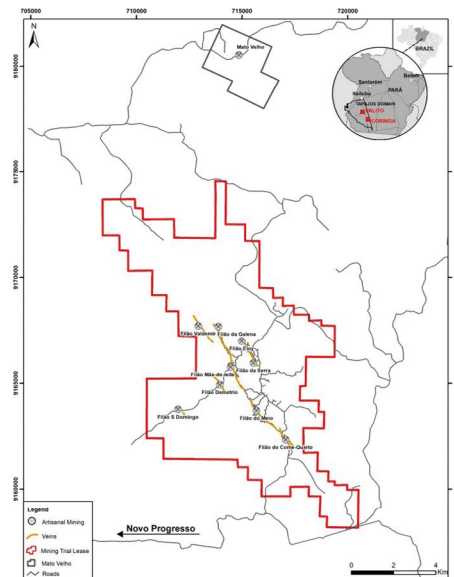
Located only 200 kilometres from Serabi's Palito operation and linked by paved highway, Coringa hosts a total gold resource of 541,000 ounces.

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

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 nine years and total Life of Mine ("LOM") gold production of 288,000 ounces at an average mined grade of 8.34g/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.

Summary of PEA results

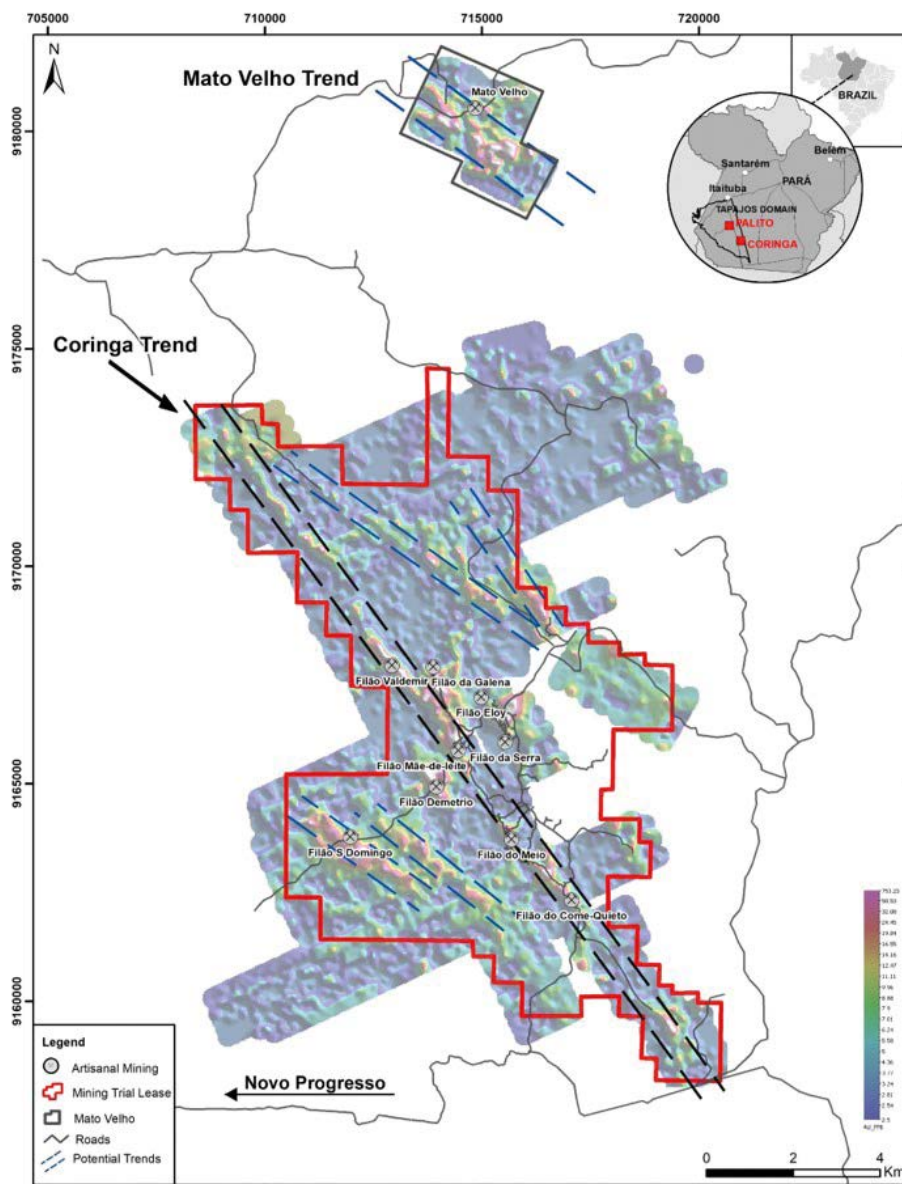
- The Base Case prepared by GRE was calculated using the three year trailing average gold price which approximates to US\$1,275 per ounce.
- The Base Case project payback is estimated to occur within 2.25 years of first gold production.
- Average Life of Mine ("LOM") All-In Sustaining Cost ("AISC") of US\$852¹ per ounce including royalties and refining costs using the Base Case gold price.
- Average gold grade of 8.34g/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 year².
- 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.



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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.



- 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 6.00g/t gold.
- Total Life of Mine of approximately nine years.
- The Base Case includes a 20 per cent contingency on both operating and capital costs.

Key objectives for 2021

Management has already met some of its objectives for 2021 with the completion of the programme of acquisition payments for the purchase of Coringa and the commencement of initial underground mine development to access and expose the orebody using trial mining and operating licences that have already been issued. Over the remainder of the year, management expect that successful mine development will intersect the initial vein structures before the end of 2021. Any ore recovered will allow the Group to begin to establish initial ore stockpiles required in advance of plant construction in 2022 and undertake testing of bulk samples for amenability to ore sorting.

Following the award of the LP in October 2020, progress has continued to be made on the completion of all the studies and reports required to secure Licença de Instalação (“Installation Licence” or “LI”). These are now ready to be submitted to the relevant authorities. The LI allows the construction of the plant and other site infrastructure, assuming compliance with any conditions imposed by the LP.

Management has continued to maintain dialogue with and the 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.

Base case

Gold price (per ounce)	Units	\$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

Our near-term objectives

The development of the Coringa project represents the Group's immediate production growth opportunity but management expects that further gold production growth will be achieved through the identification of additional resources around the Palito and São Chico deposits. They also consider that Coringa has potential for further resource growth through successful exploration which could also enhance gold production in the future.

Our strategy

Focus

Pursue gold mining opportunities appropriate to the Group's size and capabilities.



Evaluate

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



Develop

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



Achievement and plans

See our **Management Discussion and Analysis** on pages 30 to 51

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. In late 2020, the Company acquired the São Domingos tenements which are contiguous with the Palito Complex tenements and have extensive artisanal mining activity, indicative of significant prospectivity.

Other opportunities continue to be reviewed which could provide further accretive growth for the Group. 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.

Significant exploration progress was made during 2019. Management took the decision to suspend the 2020 exploration during the second and third quarters and commenced a drill programme in the fourth quarter which is planned for completion during 2021 involving:

- A step out drilling campaign at São Chico evaluating potentially significant resource extensions to the east, west and at depth, beyond current mine limits.
- A surface diamond drilling programme, focusing on extensions of known veins of the Palito orebody.
- Further drilling and evaluation of the highly prospective and recently acquired São Domingos prospect to the west of São Chico.
- Further evaluation of the Mata Cobra district with further soil and stream sampling programmes.
- Drilling of the Calico target, currently the most advanced of the Mata Cobra prospects, located five kilometres to the south of Palito and an area of a high gold in soil anomaly.

Further programmes will be developed as results from the planned activities are assessed. Over US\$5 million has been allocated to the 2021 exploration budget and management hopes to commit a similar size of exploration programme in 2022.

The Group has commenced initial mine development of Coringa under the Trial Mining Licences that it has in place. This will allow management to better understand the geometry of the orebody, optimise mining plans and extract a bulk sample to undertake ore sorting test work. These activities will further de-risk the project and could potentially enhance the economics if results are favourable.

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 15.

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 including Coringa.

The Group has made significant progress on the permitting and licensing of Coringa. In the aftermath of the São Marco and Brumhadinho dam failures, management changed the process flowsheet to eliminate conventional tailings and replace this with a filtration and dry-stacking solution. This action, whilst initially delaying the final submissions for the LP, was positively received by the Brazilian authorities and management considers was the key factor in the decision by COEMA to issue the LP in October 2020.

Work will continue with the activities and studies to be completed before the final application for the LI for Coringa can be submitted. It is expected that the final engineering studies and reports will be completed to allow for the LI to be issued during the second half of 2021.

Our strategy

Operate

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



Return

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



Achievement and plans

See our **Management Discussion and Analysis** on pages 30 to 51

The Group is constantly seeking ways to improve efficiency:

- An ore sorter, sited between the crushing and the milling sections, was installed and successfully commissioned during the first quarter of 2020. With lower than planned mine volumes its effect in 2020 was limited but its operational performance in screening out low grade and waste material post crushing will allow the Group to achieve improved levels of gold production without increasing plant throughput.
- Switching the São Chico orebody to a mechanised mining method better suited to the orebody and improving mining productivity.
- Upgraded tailings management facilities to comply with enhanced levels of regulation in Brazil.

The Group has established a strong track record of production which is expected to continue to grow with the successful development of Coringa and organic growth from the existing Palito Complex operations driven in part with success from exploration. Management believes that the Group now has a tangible pathway to growing production to 100,000 ounces in the relatively near term.

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.

The Group will continue with its community programmes, investing in local infrastructure projects that will enhance the lives and opportunities for those living in the communities that are impacted by the Group's operations and presence. It will also continue to support initiatives for improving and supporting education and healthcare within these communities.

Management is very conscious of the potential impact of mining operations on the environment and will continue to promote and implement initiatives that will help the Group minimise the impact of its activities. As a high-grade underground mining operation, its surface footprint is small, and the Group does not operate conventional wet tailings dams reducing the potential long-term effects for flora and fauna. It has made great progress in remediation of historic artisanal activity and will continue these programmes and continues to evaluate solutions to reduce reliance on and consumption of fossil-based fuels.

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.

19%

Revenues at 19% of 2019 levels despite 21% reduction in production

US\$11.5m

Strong cash flow from operation maintained at US\$11.5 million for the year

- Preliminary Licence awarded for Coringa project
- Highly prospective São Domingos exploration ground secured adjacent to São Chico

Operational performance review

The Board established three key strategic objectives for 2020. A key priority was to improve on the operational performance of 2019 primarily through the introduction of the oresorter into the process flowsheet and concurrently increasing mining rates to provide additional crushed ore feed ensuring that, post the oresorter, the plant would continue to be fed with 500 tpd but with an increased post sorting ore-grade allowing gold production to be increased by between 20 to 25 per cent.

The second objective was to progress the licensing and permitting of the Coringa Gold Project. Late in 2019, SEMAS, the state environmental authority for Para, had approved and set the date for the public hearing, a key step in the process of the award of the Licença Prévia ("LP" or "Preliminary Licence"), for February 2020. It was hoped that during 2020 the Company could secure this initial key licence with the hope that before the end of 2020 the Company would be in a position to secure the Installation Licence.

Finally, following some excellent initial results from the Company's exploration activities completed during 2019, management was charged with continuing the exploration programmes, pursuing organic resource growth centred on defining and developing strike extensions of the Palito and São Chico deposits in particular, with a view to generating a new 43-101 compliant mineral resource for São Chico, whilst also progressing a wider regional exploration programme over the Group's Palito Complex exploration tenements.

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 – 20	7.3kt
Q3 – 20	6.8kt
Q2 – 20	8.5kt
Q1 – 20	9.0kt
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

175,928 tonnes**Mined ore**

2020	175,928
2019	176,243
2018	162,722
2017	168,876
2016	158,864
2015	135,827

174,276 tonnes**Plant throughput**

2020	174,276
2019	177,335
2018	168,252
2017	172,565
2016	158,966
2015	130,299

31,568 ounces**Annual gold production**

2020	31,568
2019	40,101
2018	37,108
2017	37,004
2016	39,390
2015	32,629

Tonnes mined and grade (kt and g/t)

Q4 – 20	5.24g/t	46.3kt
Q3 – 20	4.84g/t	44.1kt
Q2 – 20	5.85g/t	43.5kt
Q1 – 20	6.54g/t	42.0kt
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

12,272 metres**Annual mine development completed**

2020	12,272
2019	9,628
2018	10,371
2017	9,864
2016	11,209
2015	9,600

5.59g/t**Mined grade**

2020	5.59
2019	7.00
2018	7.29
2017	8.92
2016	9.74
2015	9.80

88.80%**Plant recovery**

2020	88.8
2019	90.4
2018	92.6
2017	92.6
2016	91.3
2015	90.4

Impacts of COVID-19

Faced with the uncertain implications of COVID-19, the Company took the decision in March 2020 to reduce the levels of personnel at site and in particular suspended contractor activities including exploration drilling. With reduced levels of staffing at site, this liberated living and working space around the mine camp enhancing the ability to establish improved levels of social distancing. Initially the camp went into a lockdown with only vehicles for essential supplies being allowed onto site and, even then, with significant restrictions in place to limit interaction with the Group's employees. The regular rotation of staff was suspended in the short term and, to keep the site operational, critical mining and processing consumables and supplies were stockpiled in the face of uncertainty over the integrity and continuity of supply chains. Capital investment and exploration programmes and all other non-essential expenditures were temporarily suspended to conserve cash resources whilst management's key focus and challenge was to provide a safe working and living environment for its staff, and an operational plan that ensured the long-term continuity and sustainability of the business. Workers were health screened on a regular basis, lateral flow tests acquired and as the rotation of staff was reintroduced later in the second quarter, quarantine and testing procedures introduced before staff were permitted to fully integrate into the camp and commence their operational duties.

The staffing levels at site were reduced to 55 per cent to 65 per cent of pre-pandemic levels and whilst in the short-term production levels remained good, the need to simplify the mining, and reduce the number of faces being actively mined, impacted production. The optionality within the mine was reduced, impacting mined grades particularly during the third and fourth quarters, and rather than the planned strategy of increasing mining rates, using the ore sorter to extract the waste from ore and feeding the best 500 tpd to the plant, the operation became limited by its mining rates with the gold plant generally able to process all the material that was mined, without any significant requirement to use the oresorter.

It was only during the fourth quarter that staffing levels began to return to planned pre-pandemic levels, contractors were re-introduced to the site and, with this, a recommencement of underground and surface exploration and mine planning exploration programmes. By December 2020, mined feed grades started to improve, a pattern that has continued into the early part of 2021, although management does not expect that the benefits of its planned programmes for returning the mine to its pre-pandemic status will start to be fully realised until the second half of 2021.

Performance Review and KPIs continued

Mine performance

Gold output for 2020 was 22 per cent lower than 2019, with 31,212 ounces of gold produced in 2020, a reduction of approximately 8,900 ounces of gold compared with 2019. Gold sales realised in 2020 were 26 per cent lower than 2019 with 31,540 ounces of gold sold in 2020, being 11,000 ounces of gold less than in the previous year. This reflected the reduced gold production year on year but also higher than normal levels of gold inventory at the end of 2018, which were realised as gold sales in the first quarter of 2019. Up until 2020, which was unavoidably impacted by the COVID-19 pandemic, quarterly levels of gold production have otherwise been very consistent for a number of years and, as the preceding table illustrates, quarterly gold production has, with only two exceptions, been maintained at between 9,200 and 10,300 ounces per quarter in the preceding four year period.

At the same time, and as is shown in the tables, the quarterly levels of mined tonnage and the average grades have, with the exception of the last 12 months, also shown strong consistency over the last five years, with average gold grades generally being in the range of 7.0g/t and 9.0g/t.

The reduction in overall gold production in 2020 compared with the preceding year, was the direct result of the grade of the ore extracted from the mine which relied more heavily on lower grade development ore as the Group sought to maintain development rates but, at the same time, needed to limit the number of active areas in the mine. As a result, headings that might, under normal circumstances, have been delayed whilst further geological data was gathered, were continued as they represented those areas of highest confidence of mineralisation to maintain a level of gold production, notwithstanding that this might have been at the expense of maintaining head grades.

Total ore tonnage extracted from the mine during 2020 was 175,928 tonnes, a reduction of only 315 tonnes compared with the preceding year but with a 20 per cent fall in average grades from 7.00g/t to 5.59g/t. The mine plan established for 2020 had anticipated an overall reduction in the average grade being mined reflecting the expectation that increased levels of lower grade development ore would be mined. This additional ore would, however, be screened by the oresorter and the lower grade or waste material screened out to deliver a higher-grade product to the milling circuit. Therefore, whilst the reduction in grade was anticipated, by mining more ore than could be fed to the plant it was expected that beneficiation, using the ore sorter, would more than compensate for this.

The ore sorter when it has been used has been very effective and of approximately 23,400 tonnes of Palito ore with a grade of 2.0g/t that passed through it during 2020, a high-grade feed of 2,818 tonnes with a grade of 12.0g/t was recovered and a low-grade product of 20,600 tonnes with an average grade of 0.6g/t, eliminated from entering the milling circuit. The ore sorter has capacity to treat up to 35 tonnes of ore per hour, and, assuming these results can continue to be achieved when operating at greater throughputs, the decision of management to acquire and use this technology will be well justified.

Average plant performance in terms of average gold recovered was similar to 2019 levels at approximately 90.0 per cent. The increased rates of re-processing of the historic tailings material also made a significant contribution to the level of gold production, with re-processed tailings accounting for over nine per cent of total production in 2020 although overall production from this material in comparison to the prior year was 12 per cent (397 ounces) lower as the stockpile of this material is reducing and the residual feed grade also reducing from 4.52g/t in 2019 to 3.21g/t during 2020.

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, each month, mine development rates are maintained ahead of production. Notwithstanding the issues presented by COVID-19 on operations, the Group achieved a 27 per cent improvement in horizontal development rates in 2020 compared with 2019, achieving an average rate of over 3,000 metres per quarter for the year.

Coringa Gold Project

Activity at Coringa was limited during 2020.

At the beginning of the year, it had been hoped, subject to progress on licensing and if financing had been available, that development of a mine portal could be started and that the first vein might be intersected and a bulk sample extracted to test its amenability to ore sorting.

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 very much in the manner that the Group and its advisers had hoped, seeming to conclude with strong support for the project. The pandemic then unfortunately restricted the ability of COEMA, the state environmental council, to meet to discuss the findings of the public hearing and the submissions from the various state agencies. At the same time, it remained unclear what the long-term effects on the Group's Palito Complex operations would be and management concluded that it would be unwise to try and move forward with Coringa whilst so many uncertainties existed.

The meeting of COEMA to consider Coringa did not occur until the end of September 2020, about six months later than had originally been expected. The outcome was nonetheless favourable, and the formal granting of the LP occurred on 6 October 2020. The LP is often considered to be the most critical licence requiring the approval of many different state agencies as well as local communities and with other public bodies and judicial groups entitled to voice their objections. Management considers the approval of the LI and ultimately the award of the full operating licence ("LO"), which is only issued once the mine is in production, whilst not a formality are rather more procedural, less subjective in nature and therefore have strong expectations of them being secured in the future.

In the meantime, the Group has in place a trial mining licence and associated operating licence and therefore intends, during 2021, to undertake the initial mine development activity that had been deferred during 2020. At the current time, the award of the LI is not a critical path item as this is only required for the installation of the process plant and other related site infrastructure. Management expects that the initial mine development will take at least 18 months before adequate levels of ore have been extracted and can continue to be mined on a monthly basis to justify the start-up of the process plant which in turn is expected to take nine to 12 months to construct.

Planning work for the LI application continued during the year, detailed engineering studies were commenced, and work is underway to satisfy the conditions imposed by the authorities on the LP, and which must be fulfilled as part of the LI submission.

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

Exploration

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

During 2020 it had been the intention to build on the successful work completed in 2019 which had enhanced the potential for resource growth and further gold discoveries in the region and established a focus for further exploration work that would be undertaken in the year. The need to suspend all exploration during the latter half of March 2020 and with contractors not returning until during the fourth quarter, resulted in the planned programmes being deferred for over six months. Consequently, the advances in exploration and resource growth that had been hoped for could not be realised. The exploration team has been working hard to try to recover some of this lost activity during 2021. There are currently three contractor operated surface drill rigs at site and two further contractor operated underground rigs supplementing two Serabi owned and operated underground drilling rigs.

Nonetheless there were some key advances and achievements during the year.

São Domingos

- The acquisition of two new highly prospective tenements to complement the São Chico exploration potential including the highly prospective São Domingos exploration tenement, immediately to the west of São Chico. São Domingos hosts multiple past and present artisanal workings.
- Following encouraging regional reconnaissance work within the São Domingos property, the Company elected to focus on the 600 metre long, high-grade gold prospect, Toucano, located eight kilometres west of the Company's São Chico operation. The first three diamond drill holes have been completed and the following strong set of intersections recorded:
 - 5.00m @ 24.09g/t Au including 1.5m @ 67.69g/t (Hole 20-SD-003)
 - 0.55m @ 11.3g/t Au (Hole 20-SD-001)
 - 1.4m @ 5.01g/t Au (Hole 20-SD-002)
- The exploration drillholes have been supplemented by the first partial surface channel samples including:
 - 2.9m @ 5.99g/t Au (CHRLR-001)
 - 5.0m @ 7.11g/t Au (CHTOU-002)
 - 1.0m @ 5.84g/t Au (CHSCO-003)
 - 4.0m @ 1.05g/t Au (CHSCO-005)
 - 8.0m @ 3.02g/t Au (CHSCO-012)
- Thirteen in-situ surface rock chip samples were also taken over the Toucano zone and returned promising results including gold values of 2.36g/t to 513.01g/t gold, averaging 95g/t gold.
- Multi-element soil anomalies confirm strike extension of known gold occurrences at the Fofoca prospect on the São Chico/São Domingos trend.

Performance Review and KPIs continued

São Chico

- Surface and underground exploration drilling at São Chico completed in the first quarter of 2020 reported new intersections indicating mineable grades over mineable widths up to 300 metres to the west and 230 metres to the east of the current mine limits.
 - Key intercepts to the west include intersections grading 1.72m @ 25.00g/t Au in 19-SCUD-304, 2.4m @ 5.04g/t Au in 19-SCUD-316 and 4.4m @ 4.28g/t Au in 19-SCUD-318.
 - Key intercepts to the east include intersections grading 1.15m @ 11.65g/t Au in 19-SC-152.
- Underground drilling at São Chico intersected significant down dip extension to the current mine limits, for a further 220 metres, below the lowest level of current development, level -48mRL, which is itself some 480 vertical metres below surface.
 - Significant intercept of 4.08m @ 25.37g/t Au in 19-SCUD-333.
- Reverse circulation percussion drilling on the Cicada terrestrial geophysics anomaly indicates the strong likelihood that the anomaly is a western extension of the São Chico vein structure, approximately 1,000 metres to the west of the current mine limits.
- Underground step out drilling at São Chico also reported high grade intersections in the upper portion of the Main Vein.
- Results reported in the second quarter for a further eight surface holes and ten underground holes at São Chico demonstrate the Main Vein structure now continues to host gold bearing mineralisation for approximately 375 metres to the west of the current mine limits, an extension of a further 75 metres.

Results included:

- 5.30m @ 12.10g/t Au (Hole: 20-SC-166)
- 3.40m @ 3.94g/t Au (Hole: 20-SC-164)
- 1.37m @ 28.77g/t Au (Hole: 20-SCUD-341)
- 2.72m @ 5.06g/t Au (Hole: 20-SCUD-343)
- Surface and underground exploration diamond drill holes have targeted a new ore zone, the Julia Vein, which lies to the north of the main orebody currently being mined. Significant intersections include:
 - 0.55m @ 12.79g/t Au (Hole 20-SC-177)
 - 1.50m @ 7.23g/t Au (Hole 20-SC-179)
 - 0.40m @ 7.45g/t Au (Hole 20-SC-183)
 - 0.65m @ 12.31g/t Au (Hole 20-SC-187)
 - 1.85m @ 8.62g/t Au (Hole 20-SCUD-370)
 - 5.90m @ 60.09g/t Au (Hole 20-SCUD-377)
 - 1.92m @ 38.89g/t Au (Hole 20-SCUD-381)
 - 4.20m @ 27.12g/t Au (Hole 20-SCUD-386)

Mata Cobra

- Regional geochemical sampling has highlighted an area, referred to as Mata Cobra, which represents an eight kilometre by two kilometre copper in soils anomaly exceeding 100ppm. This anomaly is coincidental with multiple molybdenum, bismuth, tellurium and arsenic ("Mo±Bi±Te±As") multi-element anomalies as well as the original airborne magnetic and electro-magnetic ("AEM") anomalies. Within the Mata Cobra copper anomaly, located approximately five kilometres to the south of Palito, numerous significant new gold and/or multi-element anomalies have also been discovered including:
 - The Ganso Prospect, a gold geochemical anomaly over a one-kilometre strike with ≥1g/t gold in soils, coincidental with the AEM anomaly.
 - The Calico, Forquilha and Juca prospects with gold geochemistry and AEM coincident anomalies. Field mapping indicates porphyritic intrusions and hydrothermal alteration amongst the host rocks of the anomalies.
- Identification of significant geochemical gold-in-soil anomalies at Calico, Juca and Forquilha, of which Calico is now very significant over a two kilometre by two kilometre area. Values as high as 0.8g/t gold have been recorded, better than have been seen in any soils over the Palito orebody.
- Subsequent terrestrial geophysics survey using Induced Polarisation ("IP") covering the Calico soil anomaly has identified multiple chargeability anomalies.
- Both results are very comparable in terms of scale and signature to the Palito orebody, a 600,000 ounce resource, being mined today.

Further details regarding the operational performance during 2020 are set out in the Operational Review on pages 30 to 37.

Financial performance review

This review should be read in conjunction with the audited financial statements on pages 100 to 144.

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 Reals 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 2020 the Brazilian Real weakened quite significantly with the average rate for the year being BrR\$5.1572 to US\$1.00 compared with BrR\$3.945 to US\$1.00 during 2019.

Bank borrowings were settled during the year, although the Group did enter into a subscription deed with Greenstone for up to US\$12 million of Convertible Loan Notes which was concluded in April 2020. The Group only drew down US\$2 million of these loan notes during the year and following a successful issue of new ordinary shares completed in March 2021, the outstanding loan notes were redeemed. As well as repaying the bank debt of US\$7.0 million (including interest) during the year, the Group also paid US\$6.5 million of the deferred consideration due to Equinox for the acquisition of the Coringa Gold Project during the year leaving a balance of US\$5.5 million plus accrued interest of approximately US\$1.0 million outstanding at the end of the year. Following completion of the new issue of shares, the outstanding balance of the consideration is in the process of being settled.

Further details regarding the financial performance during 2020 are set out in the Financial Review on pages 42 to 51.

Annual cost breakdown US\$m

Mining

2020	22.94
2019	21.16
2018	20.28

Plant

2020	5.08
2019	5.76
2018	7.03

Site

2020	4.88
2019	5.31
2018	5.38

Annual cost breakdown – unit costs US\$/tonne

Mining

2020	130
2019	120
2018	125

Plant

2020	29
2019	32
2018	39

Site

2020	28
2019	30
2018	33

Secured borrowings US\$m

2020	2.00
2019	6.90
2018	6.07
2017	5.00

Cash balances US\$m

2020	6.60
2019	14.23
2018	9.21
2017	4.09

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 2020.”

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 consider 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 general 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 feedback from these meetings is generally supportive of the Board's strategy and plans. Stakeholders increasingly enquire about the Group's environmental footprint and relationships with governmental departments and local communities. In response the Group intends to develop and provide additional ESG related disclosure and metrics into its reporting calendar reflecting those aspects which the Board considers are material to its key stakeholders.

The operational and investment plans approved by the Board in the year considered 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:

- 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.
- Further optimisation work on the Coringa project to supplement the Preliminary Economic Assessment (“PEA”) issued in October 2019 – the development of Coringa will require additional funding to be raised and the results of the PEA and optimisation assist the Directors in their assessment in the implementation planning and of the potential funding options that might be available to the Company. 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 oresorter – 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 jurisdictions. 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 wellbeing 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 an opportunity for existing staff to develop and enhance themselves
- increasing the opportunities for employment for people living in the local communities

Ensuring that the Group has a results-orientated culture and an environment that stimulates meritocracy, and prepares Serabi for its future challenges, is considered essential.

As with all businesses the Company is always seeking improvements, optimising processes, and reviewing its working models. It actively engages with its staff to ensure their commitment and collaboration with the strategies to achieve business sustainability.

The Group values diversity and guarantees professional equality between men and women, ensuring that there is no discrimination in career progression and ensuring equality in access to roles and remuneration. It is committed to the protection and defence of human rights.

The Group has introduced programmes of People Management and a Leadership Academy. The former are targeted at offering opportunities for improvement and talent management to achieve career progression whilst the latter has the objective of improved team engagement by enhancing management's expertise and developing more efficient leadership behaviours.

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 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 or 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 several government bodies to ensure that:

- it is providing a safe and responsible work environment for its employees
- it 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 52 to 61.

Maintenance of standards of business conduct

The Board places significant emphasis on operating to the highest ethical standards, whether this be in relation 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 62 to 88.

Further details of the Board's decisions in 2020 to promote long-term success, and how it has engaged with stakeholders and considered their interests when making these decisions, can be found within the Strategic Report, the Operational Review, the Corporate and Social Responsibility Statements and the Corporate Governance Report.

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

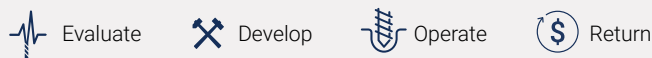
Over the past 12 months the Group was able to remain operational throughout and, whilst the operations were adversely affected by the actions that needed to be implemented to protect the workforce whilst seeking to maintain operations in the early period of the COVID-19 pandemic, personnel levels have returned to pre-pandemic levels and the Group is implementing its plan to restore gold production to its expected levels. Management remains very aware that there continue to be operational risks and the longer-term implications of COVID-19 remain difficult to predict given the continued evolution of variants of the virus and the pace and coverage that can be achieved with vaccination programmes. The Board and management are regularly assessing the contingency planning that the Group can invoke to mitigate future effects:




- restrictions on the free movement of personnel and particularly between countries necessitates that executive Group management is restricted in their ability to visit the Group's operations with the regularity that they have been used to and unable to undertake visits at short notice.
- decision making is more reliant upon the accuracy of written reports rather than direct experience and evaluation.
- whilst there have been no interruptions to date, supply chains may be affected in the future by restriction of the free movement of goods or the availability of goods.
- finance required for the development of projects may be restricted as a result of the long-term global economic effects or by increased perception of risk for countries and regions where the incidence and/or severity of COVID-19 remains relatively high.

In response to the issues that COVID-19 places on the economy of Brazil, on 20 March 2020, the mining industry, through decree number 10.282/20, was designated by the Brazilian government as an essential business sector and the Ministry of Mines and Energy implemented actions aimed at guaranteeing the continuity of the supply chain, transport of materials required for processing and the sale and transportation of mineral products.

In addition to the 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:



Risk	Comment	Mitigation
<p>Changes in gold prices.</p> <p>Link to strategy:</p> 	<p>The profitability of the Group's operations is dependent upon the market price of gold.</p> <p>Gold prices fluctuate widely and are affected by numerous factors beyond the control of the Group.</p> <p>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.</p>	<p>Management closely monitors commodity prices and economic and other events that may influence commodity prices as part of its treasury planning.</p> <p>The Board will use hedging instruments if and when it considers it appropriate.</p>
<p>Assay data.</p> <p>Link to strategy:</p> 	<p>The Company operates its own laboratory which processes and analyses mine production samples and exploration samples for the content of gold and other minerals. Results generated by the laboratory are used among other things in the calculation of gold production statistics, estimations of sales revenues and estimations of mineral resources.</p> <p>Errors in assay data can result in errors in gold production, revenue estimates and estimations of mineral resources which may only be identified at a future date if and when independent assay data is available.</p>	<p>The Company uses industry standard quality assurance and quality control ("QA/QC") procedures. These include the use of control samples as part of the regular daily laboratory routine and sending duplicate samples to independent accredited laboratories for verification purposes. Results are reconciled and anomalies investigated.</p> <p>In this way management seeks to minimise the opportunity for error to arise and to identify and correct errors at the earliest opportunity.</p>
<p>Currency fluctuations may affect the costs of doing business and the results of operations.</p> <p>Link to strategy:</p> 	<p>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.</p>	<p>Management closely monitors fluctuations in currency rates and the Board may, from time to time, make use of currency hedging instruments.</p>

Principal Risks and Uncertainties continued

Risk	Comment	Mitigation
<p>Availability of working capital.</p> <p>Link to strategy:</p> 	<p>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 standby 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.</p>	<p>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.</p>
<p>No guarantee that the Group's applications for exploration licences and mining licences will be granted.</p> <p>Existing exploration licences may not be renewed or approved or converted into mining licences.</p> <p>Title to any of the Group's mineral properties may be challenged or disputed.</p> <p>Link to strategy:</p> 	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p>

Reminder of our strategy:



Evaluate






Develop



Operate



Return

Risk	Comment	Mitigation
<p>Other permits and licences required to conduct operations may not be renewed or may be revoked or suspended.</p> <p>Link to strategy:</p> 	<p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p>
<p>The Coringa Gold Project is an advanced stage development project requiring permitting and construction before production can commence.</p> <p>Link to strategy:</p> 	<p>The Group acquired the Coringa Gold Project in December 2017.</p> <p>Whilst the Group has been awarded a trial mining licence, an initial operating licence, and in October 2020, was awarded the LP, it still requires an Installation Licence before plant construction and installation of other necessary site infrastructure can commence. Management remains confident that it will receive this licence and any other ancillary permits and permissions but 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.</p>	<p>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.</p> <p>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.</p>
<p>Mining and geological risk.</p> <p>Link to strategy:</p> 	<p>The Group's financial performance is dependent on the efficient operation of its Palito Complex operations. This requires effective management of mining operations to ensure cost effective and efficient delivery of ore at planned grades and quantities for processing.</p> <p>Any significant delay or additional costs of mining, ore losses or dilution could result in additional working capital requirements or operations becoming loss making.</p>	<p>The Group employs experienced and trained personnel to ensure effective day-to-day management of its operations and seeks to have contingency in its operating plans to allow unexpected events to be managed, and not adversely affect performance in a material way.</p>

By order of the Board

Clive Line
 Company Secretary
 24 September 2021

Operational Review

Expanding production to 100,000 ounces per annum

The Board sees significant future value in Serabi and huge potential to grow its gold mining activities in Brazil. The Group has demonstrated a solid track record over the past years of operating underground vein mines and built an experienced and skilled operational team.

"The São Domingos exploration licence to the west of the São Chico deposit hosts multiple active and historic artisanal workings which have produced significant levels of gold. Two stand out prospects, Toucano and Atacadao, are of particular interest. Toucano is an artisanal open pit which is reported to have produced exceptional grades, mining a 20 metre wide mineralised zone to depths of 40 metres and extending over a strike length of 600 metres. At Atacadao, an 11 hole drill programme was completed in 2006, testing the mineralisation under the artisanal workings. The results of this modest programme intersected high grade gold mineralisation ranging from 3 to 60g/t gold at an average true width of between 0.2 to 0.8 metres.

5.59g/t

Mined ore grade

482 tpd

Daily ore mining rate

12.3 kms

Annual level of mine development

Outlook and strategy

The Palito Complex comprises the Palito deposit and adjacent process plant together with the São Chico deposit located 30 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 focusing 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 are being drilled during 2021.

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 to 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 'screens out' waste rock ahead of the milling section allowing improved levels of gold production without needing to expand the milling capacity. By eliminating waste rock or very low-grade ore from entering the milling circuit plant capacity can be liberated which can be replaced with higher grade ore resulting in an overall improvement of the feed grade of the ore.

Summary of production results for 2020

Total gold production for 2020 of 31,212 ounces represents a 22 per cent reduction in total production compared with 2019 when production was 40,101 ounces. Total gold production for the fourth quarter of 2020 of 6,898 ounces represents an improvement compared with the third quarter of 2020 but represents a decrease of 33 per cent compared with 2019 when production was 10,233 ounces.

The reduction in production during 2020 was a direct result of a reduction in the workforce as a result of measures taken by the Company in light of COVID-19. With the spread of COVID-19, the Company immediately placed the mine site and camp on a lockdown to minimise the potential for the virus to enter the camp and reduce the movement of people into and from the camp to a minimum. All potentially vulnerable staff were sent home and all contractors removed from site to liberate space within accommodation and other facilities to improve social distancing. Those personnel that remained at site agreed to undertake longer roster patterns but were given additional time off during the roster. Numbers of personnel at site were approximately 55 to 60 per cent of normal levels during the second and third quarters of 2020. In the first quarter production fell compared to the same period in 2019 primarily as a result of the breakdown of one of the Company's three ball mills for an 18 day period during February 2020 resulting in the loss of approximately 10 per cent of the quarterly throughput.

Total tonnes of ore mined over the Palito Complex was, for 2020, almost identical to the levels achieved in 2019, albeit at lower grades reflecting the simplification of the mining and reduced optionality in the mine from the reduction in mine faces that were active at any time. Milling rates at 174,276 tonnes for the year are approximately 1.7 per cent lower than for 2019. The Company was however able to process approximately 39,200 tonnes of historic flotations tailings during the 12 month period representing a 31 per cent increase compared to 2019.

Mining

Mining of the Palito and São Chico orebodies had for the last couple of years and up until the start of the second quarter of 2020, 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. Whilst the Group has been able to maintain development rates over the last 12 months, unavoidably it was necessary to shrink and simplify the operation, reducing the number of active faces and in so doing reducing the optionality and in particular the ability to stockpile the lower grade ore whilst still keeping the plant at capacity with the best material.

Mined grades achieved for the year averaged 5.59g/t, a 20 per cent reduction compared with the average grade achieved for the same period in 2019 reflecting the reduction in available high grade ore that could be mined in the period, and is below the average reserve grade for the two orebodies of 6.76g/t, estimated by the Group for the Palito Complex in its latest Reserve and Resource estimate issued on 29 March 2021 and effective as of 31 December 2020. 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. The Company has been seeking to maintain adequate levels of development during the second, third and fourth quarters of the year to ensure the sustainability of mining activities in the longer term and notwithstanding the lower level of staffing during this same period. Development mining is less selective and therefore results in a lower average mined grade. In addition, whilst the Ipe and Mogno vein sets have excellent in-situ grades, these veins are narrower than other parts of the Palito deposit and therefore result in higher levels of dilution. Management considers the recently experienced reduction in grade is purely the result of the necessary operational changes given the reduced workforce. Whilst the workforce numbers at site have now returned to planned levels there remains a catch-up period to be overcome. As a consequence, grade improvement is not forecast until the latter part of 2021.

Plant operations

Total gold production for 2020 was 31,212 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 2,997 ounces produced from the stockpiled flotation tailings accumulated from the initial processing of Palito Mine production in 2014.

A total of 174,276 tonnes from the Palito and São Chico orebodies with an average grade of 5.62g/t of gold (12 months to 31 December 2019: 177,335 tonnes at 7.02g/t of gold) were processed. Total ROM ore processed was 1.7 per cent lower (approximately 3,060 tonnes) compared with the same period in the prior year. In the first three months of 2020 the variance was 3,000 tonnes less than the same period in 2019, with a small improvement being realised during the second and third quarters compared with the same period in 2019. During the same period a total of 39,207 tonnes of reprocessed tailings were passed through the plant, an increase of approximately 9,200 tonnes compared with 2019.

Plant performance during the first quarter was hampered by the unexpected breakdown of the main ball mill during February as a result of which at least 18 days of milling time was lost. The main ball mill comprises approximately 40 per cent of the total milling capacity and it was estimated that the lost milling time for the quarter was up to 10 per cent as a result of the unavailability of this ball mill for this period.

Plant performance was otherwise been very good throughout the remainder of the year and from the end of February, milling rates of crushed ROM were in line with forecast at approximately 486 tonnes per day, with total volume processed (including reprocessed tailings) averaging approximately 595 tonnes per day. This compares with the average achieved for the 2019 calendar year of approximately 570 tonnes per day. At the end of December 2020, the Company had approximately 3,800 tonnes of coarse ore stockpiled on surface and sufficient stockpile of flotation tails to allow processing at current rates for the early part of 2021 (with an average grade of around 3.0g/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.

Operational Review continued

Gold production for March 2020 was the highest monthly level achieved to date and resulted from improved average ore feed grades, most notably from Palito, which could, in part, be attributed to the recently commissioned ore sorter. Following the final installation and commissioning at the beginning of 2020, the oresorter processed, during 2020, approximately 23,400 tonnes of ore from the Palito deposit with an average grade of approximately 2.0g/t gold. This was screened into 2,800 tonnes of product at 12.0g/t gold and 20,600 tonnes of reject at 0.6g/t gold, representing an improved feed grade of over 700 per cent and eliminating virtually all the waste that would otherwise have entered the plant. Including the low-grade stockpiled material that was used during the commissioning and initial testing phases, the Company estimates that ore sorter performance has 'liberated' approximately 55 tonnes per day of capacity (15 per cent) in the plant. This is notwithstanding that it has operated at an effective rate of less than 70 tonnes per day, significantly below its rated capacity of approximately 40 tonnes per hour. Management had expected that the impact of the oresorter would have been significantly greater in 2020, but the reduced mined output from Palito meant the sorter had limited feed.

The reduction in workforce during the second and third quarters in particular, with staffing levels only returning to full levels at the end of 2020, resulted in lower mined tonnages in the last three quarters of 2020 than originally planned and the plant was generally able to process all of the ore mined. Therefore, the requirement to liberate capacity, through the use of the oresorter was limited. With the levels of workforce at site now returned to normal levels, the Company projected mining rates to increase and, should sufficient tonnage of low grade ore be available, the ore sorter would be utilised to upgrade this ore feed to the process plant. With an expectation that the level of mine development will continue to result in lower grades of ore the overall effect will be less than when the mining operations are able to return to a more balanced allocation between production and development ores.

The ore sorter has been installed after the main crushing plant and is intended to 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 and liberate capacity in a mill constrained operation. In this way it is hoped that, using this technology, the plant can be de-bottlenecked, mill feed grade elevated as a result, and plant capacity freed up for the future organic growth.

Impact of COVID-19 pandemic

During 2020, gold production operations, despite being reduced, continued without interruption and the transport and sale of finished product was not affected. The Company initially locked down the mine site to minimise the movements in and out of the mine site of personnel and sent home personnel not directly involved in gold production, and also older employees and any individuals with the potential to have underlying health issues. Exploration programmes were also temporarily suspended at site. These activities rely heavily on contractors who may not have been able to control their staff movements to the levels required and additionally this liberated accommodation to allow for areas to be set aside for isolation where it was required. Any personnel arriving at site for their work rotation were subject to health screening and COVID-19 testing before being securely transported to site. These measures resulted in a reduction in the workforce at site of between 40 to 45 per cent, but liberated space and allowed for the accommodation of the remaining employees under improved social distancing conditions.

During 2020, the sorter processed approximately 23,400 tonnes of ore from the Palito deposit with an average grade of approximately 2.0g/t gold concentrating this to 2,800 tonnes of product at 12.0g/t gold representing an improved feed grade of over 700 per cent. The Company estimates that ore sorter performance has 'liberated' approximately 55 tonnes per day of capacity (15 per cent) in the plant.

The level of personnel at site started to increase with effect from the beginning of the fourth quarter with additional facilities put in place to deal with the increased staffing levels. Contractors for exploration and mine drilling activities also returned to the sites. Adequate levels of critical mining and processing consumables and supplies continue to be stockpiled, where feasible, to minimise any potential disruption to operations.

Many of the Company's operational staff live in the communities between Itaituba to the north and Novo Progresso to the south and the incidence of COVID-19 infections in these areas is now reported as being quite low.

Staff from outside of the State of Para and foreign nationals continue to be tested before arriving at site. During July and August 2021, the Company has been working in partnership with the Itaituba City Hall and the Regional Health Authority to facilitate vaccination programmes for local communities and its own personnel. Serabi has assisted with the provision of transportation, accommodation and the use of its medical facilities to enable vaccinations to be administered to the residents in the rural communities of Jardim do Ouro, São Chico and São Domingos.

Mining has been included in a list of Brazil's essential business activities, which should help guarantee the continuity of the supply chain as well.

Palito Complex licensing

The Palito operation is fully permitted and had a mining licence issued in October 2007 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 Aproveitamento 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, which following an initial review by SEMAS has been supplemented by additional studies performed by Terra Meio Ambiente, another Belem based consulting group. The Company hopes that SEMAS will complete their assessment of the São Chico EIA during 2021.

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

Acquisition of additional tenements

On 19 October 2020 the Company signed an agreement to acquire the São Domingos exploration licence to the west of the São Chico deposit which added a further 4,999 hectares to Serabi's portfolio. It is contiguous and to the west of the Company's existing exploration interests and its São Chico deposit, and lies along strike from São Chico. The tenement hosts multiple active and historic artisanal workings which have produced significant levels of gold. The acquisition complemented an earlier agreement signed on 24 August 2020 to acquire an additional tenement of 946 hectares in the area, adjacent and to the north-west of its existing São Chico exploration interests. This exploration licence is located along the strike of the Company's geological interpretation of the São Chico structural corridor.

The São Domingos tenement hosts a number of active and historic artisanal workings, with many examples of exceptionally high-grade ore being mined. Two stand out prospects, Toucano and Atacadão, typify this and are of particular interest. Toucano is an artisanal open pit which is reported to have produced exceptional grades, mining a 20 metre wide mineralised zone to depths of 40 metres and extending over a strike length of 600 metres. At Atacadão, an 11 hole drill programme was completed in 2006, testing the mineralisation under the artisanal workings. The results of this modest programme intersected high grade gold mineralisation ranging from 3 to 60g/t gold at an average true width of between 0.2 to 0.8 metres. The mineralogy appears very comparable to that at Palito and São Chico.

Initial drilling programmes at Toucano and Atacadão were completed during the first half of 2021, the results of which have been summarised in news releases issued on 7 April 2021 and 8 June 2021.

Exploration drilling activities and results

A 9,600 metre 'step out' surface diamond drill programme commenced early in the fourth quarter of 2019 to test the east and west continuity of the São Chico orebody. In addition, an underground drilling services contractor was engaged to undertake an 8,000 metre underground drilling programme to test the depth continuity.

Initial results were announced in a news release on 6 January 2020 and at that time the drilling completed to date indicated payable strike continuity of mineralisation for 200 metres to both the east and west of current mining limits. Underground drilling also confirmed the extension of the current São Chico orebody for a further 100 metres below the lowest level of current development, level -48mRL, which is itself some 250 vertical metres below surface.

- Key intercepts at depth include intersections of 34.42g/t and 114.49g/t from holes 19-SCUD-284 and 19-SCUD-274 respectively.
- Key intercepts to the west include intersections grading 21.03 grammes per tonne ("g/t") and 15.39g/t (holes 19-SCUD-219 and 248 respectively).
- Key intercepts to the east include intersections of 16.61g/t and 27.35g/t (holes 19-SC-143 142 respectively).

Drilling was also commenced on the geophysical anomalies that lie immediately to the west of the São Chico orebody. A 6,000 metre Reverse Circulation ("RC") drilling programme began in early December to test the anomalies first highlighted in a news release issued on 28 November 2018.

Subsequently, and as announced in news releases issued on 3 March 2020 and 11 May 2020, drilling to the west was extended to 375 metres beyond the current western limit of the mine, and the recovered intersections continued to indicate the potential to extend the mine limit further and contribute to a significant expansion of the current mineral resource. The Company plans to continue to step-out 100 metres at a time and expects that continued success would potentially expand the mineral resource.

To the east additional drilling was also completed with high grade mineralisation intersected in the most easterly hole of 11.7g/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.

Continued drilling from underground, however, yielded the most encouraging result with 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.

The Cicada terrestrial geophysics anomaly is located approximately 700 metres further to the west of hole 20-SC-170. Reverse circulation ("RC") drilling has been started over this area, targeting the series of high chargeability anomalies defined from the extensive ground induced polarisation ("IP") surveys completed in 2018 (news release dated 28 November 2018). The best intercept returned to date has been from drill hole SCRC004, where 3.00m @ 2.09g/t Au was recovered from a depth of 169 metres including a zone of 1m @ 5.42g/t Au. The long section overleaf showing the location of the RC programme over Cicada and the step out drilling going west from São Chico, suggests that, as drilling in the gap continues, the two areas of mineralisation could ultimately connect.

At that time approximately 40 per cent of the planned campaign had been completed and the Company planned that the drilling programme would continue until mid-2020 following which the Company intended to undertake a new mineral resource estimate during the second half of the year.

In light of the COVID-19 pandemic, the Company temporarily suspended exploration programmes at site as these activities rely heavily on contractors, and this action assisted in the reduction of personnel numbers at site as much as possible and therefore limited the potential for the introduction of COVID-19 to site. The first underground drilling contractor for the São Chico orebody returned to site during September and during October a full complement of contractors had returned to site with underground drilling resumed at Palito and surface exploration rigs deployed at both São Chico and Palito.

Operational Review continued

Exploration drilling activity recommenced in the fourth quarter of 2020, with drill rigs initially deployed at São Chico to complete the initial drilling programme of the western extensions and other potential extension. This included the targeting of a new ore zone, the Julia Vein, which lies to the north of the main orebody currently being mined with both surface and underground diamond drilling. Significant intersections included

- 0.55m @ 12.79g/t Au (Hole 20-SC-177)
- 1.50m @ 7.23g/t Au (Hole 20-SC-179)
- 0.40m @ 7.45g/t Au (Hole 20-SC-183)
- 0.65m @ 12.31g/t Au (Hole 20-SC-187)
- 1.85m @ 8.62g/t Au (Hole 20-SCUD-370)
- 5.90m @ 60.09g/t Au (Hole 20-SCUD-377)
- 1.92m @ 38.89g/t Au (Hole 20-SCUD-381)
- 4.20m @ 27.12g/t Au (Hole 20-SCUD-386)

The drill programme has continued during 2021 and further details of the programme and the results are set out in news releases issued on 22 January 2021 and 13 August 2021.

At the first opportunity a rig was moved to the Toucano prospect located eight kilometres west of the Company's São Chico operation following encouraging regional reconnaissance work within the São Domingos property. The first three diamond drill holes were completed during January 2021 and the following strong set of intersections recorded:

- 5.00m @ 24.09g/t Au including 1.5m @ 67.69g/t (Hole 20-SD-003)
- 0.55m @ 11.3g/t Au (Hole 20-SD-001)
- 1.4m @ 5.01g/t Au (Hole 20-SD-002)

These drill results were supplemented by excellent results from surface channel sampling and promising results obtained from 13 in-situ surface rock chip samples that were also taken over the Toucano zone and returned results including gold values of 2.36g/t to 513.01g/t gold, averaging 95g/t gold.

Initial results were also available in February 2021 from a geochemical survey at Fofoca, located in the eastern part of the São Domingos tenement and that is still in progress. The initial results have defined a number of new geochemical anomalies outside the multiple past and present artisanal mining areas. These multi-element soil anomalies confirm strike extensions of known gold occurrences at the Fofoca prospect on the São Chico/São Domingos trend. During 2021, the geochemical survey continued with the results summarised in news releases on 7 April 2021 and 8 June 2021.

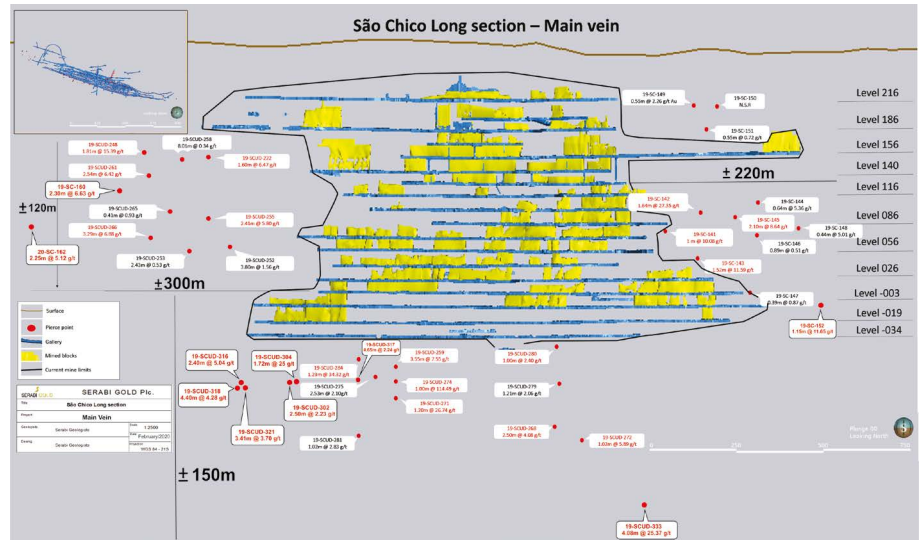


Image illustrating a long section of the São Chico orebody with location of drilling intercepts and key results.

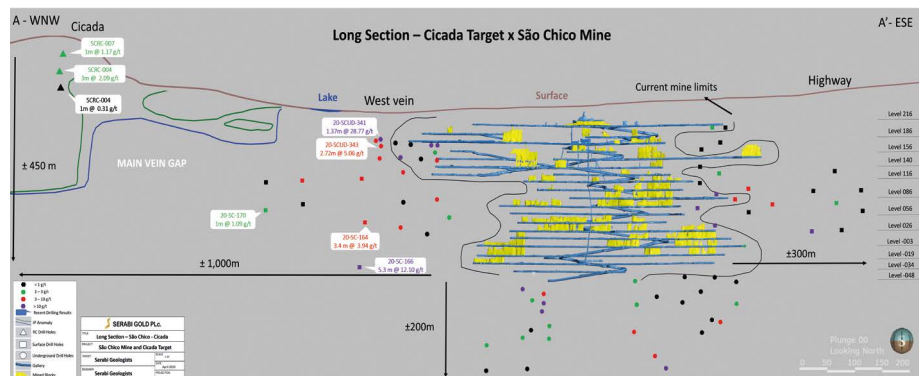
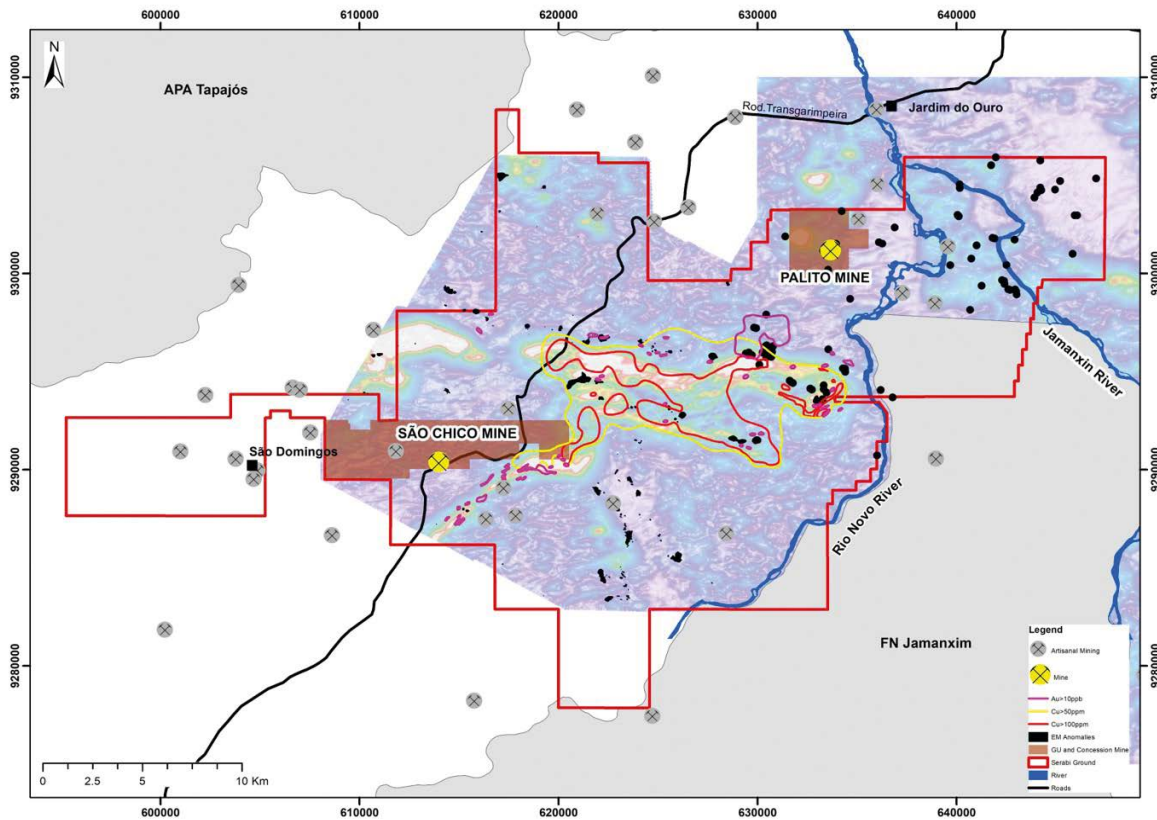


Image illustrating long section of São Chico underground development and step out drilling to the Cicada anomaly.

The Calico prospect, located just five kilometres from Palito, was first observed as a significant electromagnetic anomaly from the airborne survey completed in 2018. In the Tapajos, such electromagnetic highs are typically indicators of sulphide bodies, which, as we see at Palito and São Chico and elsewhere, can often be gold-bearing. The Company undertook, during 2020 and completed in early 2021, follow-up terrestrial geophysical and geochemical surveys, defining several highly interesting anomalies, namely Calico, Juca and Forquilha, of which Calico is the most significant. The results to date are very compelling and, even at this early stage, lead to the drawing of positive comparisons with the Palito orebody.

Measuring two kilometres by two kilometres and with soil assays as high as 0.8g/t, this anomaly is comparable to the geochemical anomaly over the Palito orebody. This geochemical survey has now been complemented by IP which has proven to be very effective at Palito. The IP has highlighted a series of NW-SE anomalies, some sited within the bounding gold soil anomaly at depth and some adjacent to the soil anomalies. The orientation of these IP anomalies is consistent with broader regional structural fabric and the trend of the veins at Palito, just five kilometres away. Given its proximity to Palito and the fact that it shares many similar characteristics including what seems to be a similar geochemical and geophysical signature, an initial first pass drilling programme is planned to be undertaken during the remaining months of 2021.



Regional plan showing contours of soil anomalies identified by geochemical sampling.

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 chargeability anomalies to the south, east and west of the São Chico deposit. The results suggest the potential to the west remains very positive, 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, making this feature extremely significant. A geochemical soil

sampling programme has been completed over Cinderella. This has enhanced the targeting of the follow-up drilling campaign which will be undertaken during the remainder of 2021.

In addition the airborne electro-magnetic (“AEM”) survey undertaken in 2018 identified, in particular, the very prominent 14 kilometre long, east-west trending, magnetic anomaly known as the Mata Cobra lineament as well as the adjacent NE-SW trending Cinderella shear.

Geochemistry programmes have been ongoing since mid-2019 in and around the Mata Cobra belt and Cinderella shear and initial results were announced in a news release issued on 11 May 2020. The prospectivity of the Mata Cobra geophysical magnetic anomaly has been strengthened by the identification of an eight kilometre by two kilometre copper anomaly with analytical results over 100ppm, coincidental with the geophysical anomaly identified by the AEM. Within the contours of this 100ppm copper anomaly, some very exciting prospects have been identified including Calico and Juca, at the west end of the corridor and approximately five kilometres south of Palito. Both of these prospects exhibit a very similar geological setting to Palito and anomalous gold grades in addition to the copper. In the central part of Mata Cobra corridor, the Ganso, Quibe and Tabereba geochemical prospects have been identified also on strong AEM anomalies, themselves a good indicator of sulphide mineralisation.

Soil sampling on the Cinderella shear zone has yielded a series of NNE-SSW linear gold in soil anomalies coincident with the IP chargeability anomalies in the central and southern part of the shear supported by a number of >1g/t rock chip samples recovered from sub-cropping basement in the area. In the northern part of the Cinderella shear a broad east-west trending gold in soil anomaly coincident with IP and AEM anomalies has been delineated. This anomaly, referred to as the Red Sun prospect, is positioned over an extensive area of artisanal mining activity and adjacent to a large copper-in-soil anomaly and given its location is interpreted to be a continuation of the hosting structure for São Chico, on the eastern side of the Cinderella shear.

All of these prospects continue to be advanced through to the discovery drilling stage as quickly as practicable.

Operational Review continued

Coringa project development and licensing

On 8 October 2020, SEMAS issued the Licença Prévia ("LP") for the Coringa project following a positive meeting of State Environmental Council of Para ("COEMA") held on 25 September 2020. Management has since completed engineering drawings and plans and conducted geotechnical drilling and assessment reports, necessary for the final application for the Installation Licence ("Licença Instalacao" or "LI"). The LI is required in advance of being able to commence assembly of the process plant and the development and construction of other surface site facilities and infrastructure. Management hopes that the LI can be issued before the end of 2021. In the meantime the Company already holds trial mining licences and the necessary operating licences that allowed work on the development of an initial mine portal and underground ramp at Coringa to commence in July 2021.

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 is hoped that this work will prove the reliability of the drilling and the resource, in particular for potential lenders. It will also help ascertain if and to what extent mechanised mining could be deployed, potentially reducing costs and improving project economics compared with the PEA. Finally, it will allow a bulk ROM ore sample to be obtained and tested for suitability for ore sorting. The proximity of the ore sorter at Palito, just 200 kilometres to the north, will allow 'in-house' testing to be completed. Whilst the plant that was acquired as part of the acquisition has plenty of capacity, the use of ore sorting could reduce operating costs by treating lower volumes of material, but more significantly would have the benefit of reducing the volume of tailings generated. 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.

Whilst 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 it did, in light of concerns over conventional tailings dams in Brazil and following the failure of the Brumadinho dam in January 2019, elect to install a filtration plant allowing for the dry stacking of tails and eliminating the need for a conventional tailings dam. This did require an amendment to the original submission of the EIA. The amended EIA was submitted and protocoled with SEMAS in early September 2019. A Public Hearing to consider the Coringa project was then held in February 2020, but as a result of COVID-19, all formal meetings of COEMA were suspended until late in August 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 6.54g/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.

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.

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 SEMAS. The SEMAS permits contain a list of conditions for the conservation and protection of fauna and flora.

The Group holds trial mining licences for each of the concessions 850568/1990 and 850567/1990, valid until 8 August 2022 permitting the Group to commence mine development and limited ore production from Coringa. The trial mining licences and the concurrent operating licence authorise 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 ANM and SEMAS to increase the mining and processing limits.

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

There has been no exploration activity undertaken on the Coringa project during 2020.

Other exploration prospects

The Group has one other project area, although activities have been limited in recent periods.

Mamaol West project

The Mamaol West project is located some 20 kilometres to the north-west of Palito and the Company holds two exploration licence 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 0.50 metres 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.

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

Michael Hodgson
Chief Executive
24 September 2021



Group Mineral Reserves and Resources

“The Group commenced a 32,000 metre drill programme during the fourth quarter of 2020 which will continue throughout 2021, aimed to rebuild the resource at São Chico and Palito whilst also assessing the mineral resource potential of some of the Group’s more advanced exploration prospects.”

The Company completes in-house mineral resource and reserve estimates on a regular basis and at least annually and discloses mineral reserves and resources using the definitions adopted by the Canadian Institute of Mining, Metallurgy and Petroleum, and in accordance with NI 43-101. The scientific and technical information pertaining to the Palito and São Chico gold deposits has been reviewed and approved by Michael Hodgson BSc, MSc FIMMM, who is a qualified person under National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”) and who has acted as the qualified person under the AIM Rules (“Qualified Person”). The Qualified Person has verified the information disclosed herein, including the sampling, preparation, security and analytical procedures underlying the information or opinions contained in this announcement in accordance with standards appropriate to their qualifications.

Whilst the Company takes all reasonable care in the preparation and verification of the mineral reserve and resource figures, the figures are estimates based in part on forward-looking information.

Estimates are based on management’s knowledge, mining experience, analysis of drilling results, the quality of available data and management’s best judgement. They are, however, imprecise by nature, may change over time, and include many variables and assumptions including geological interpretation, commodity prices and currency exchange rates, recovery rates, and operating and capital costs.

There is no assurance that the indicated levels of metal will be produced, and the Company may have to re-estimate the mineral reserves based on actual production experience. Changes in the metal price, production costs or recovery rates could make it unprofitable to operate or develop a particular deposit for a period of time.

The most recent estimate was completed effective of 31 December 2020 and is summarised below. The mineral resource estimate for the Palito Mine considers core drilling, underground chip sampling and other geological sampling by Serabi generated during the period mid-2002 to November 2020. For the São Chico Mine, the mineral resource estimate, also prepared by Serabi, considers core drilling chip sampling and other sampling by Serabi and previous operators during the period September 2011 to November 2020.



Table 1 – Mineral Resource Statement, Palito Mine, Para State, Brazil, as of 31 December, 2020

Classification	Quantity (t)	Grade Au (g/t)	Contained Metal Au (oz)
Measured	44,687	7.52	10,802
Indicated	1,079,626	4.88	169,347
Measured and Indicated	1,124,313	4.98	180,149
Inferred	981,028	3.74	117,819

Notes to Table 1:

- Mineral Resources are not Mineral Reserves and have not demonstrated economic viability.
- Mineral Resources are reported inclusive of Mineral Reserves.
- Figures are rounded to reflect the relative accuracy of the estimates.
- Mineral Resources are reported within classification domains inclusive of in situ dilution at cut-off grade of 3.10g/t gold assuming an underground extraction scenario, a gold price of US\$1,500/oz, a 5.0:1 Brazilian Real to US Dollar exchange rate and metallurgical recovery of 91%.
- Polygonal techniques were used for Resources estimates.
- 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 NI 43-101, with an effective date of 31 December 2020, and audited and approved by Mr. Michael Hodgson, CEO of Serabi Gold plc, who is a Qualified Person under NI 43-101.

Table 2 – Mineral Resource Statement, São Chico Mine, Para State, Brazil, as of 31 December, 2020

Classification	Quantity (t)	Grade Au (g/t)	Contained Metal Au (oz)
Measured	8,529	7.04	1,929
Indicated	470,725	5.34	80,878
Measured and Indicated	479,254	5.37	82,807
Inferred	608,129	4.81	94,002

Notes to Table 2:

- Mineral Resources are not Mineral Reserves and have not demonstrated economic viability.
- Mineral Resources are reported inclusive of Mineral Reserves.
- 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 2.85g/t gold assuming an underground extraction scenario, a gold price of US\$1,500/oz, a 5.0:1 Brazilian Real to US Dollar exchange rate and metallurgical recovery of 95%.
- Polygonal techniques were used for Resources estimates.
- 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 NI 43-101, with an effective date of 31 December 2020, and audited and approved by Mr. Michael Hodgson, CEO of Serabi Gold plc, who is a Qualified Person under NI 43-101.

Group Mineral Reserves and Resources continued



The Mineral Reserve Statements presented herein were prepared in house by Serabi's mining planning and mine geology personnel and audited by Mr Michael Hodgson, CEO of Serabi Gold plc, who is a Qualified Person under NI 43-101, based on the Measured and Indicated mineral resource estimates presented herein.

Mineral resources are converted to mineral reserves using the assumptions, parameters and methods discussed elsewhere in this report and using a methodology consistent with that used for the preparation of the Palito Mining Complex Technical Report. Proven Mineral reserves are reported within the Measured classification domain, and Probable mineral reserves are reported within the Indicated classification domain.

Table 3 – Mineral Reserve Statement, Palito Mine, Para State, Brazil, as of 31 December, 2020

Classification	Quantity (t)	Grade Au (g/t)	Contained Metal Au (oz)
Proven	49,156	6.83	10,802
Probable	190,586	6.89	42,202
Total Reserves	239,742	6.88	53,004

Notes to Table 3:

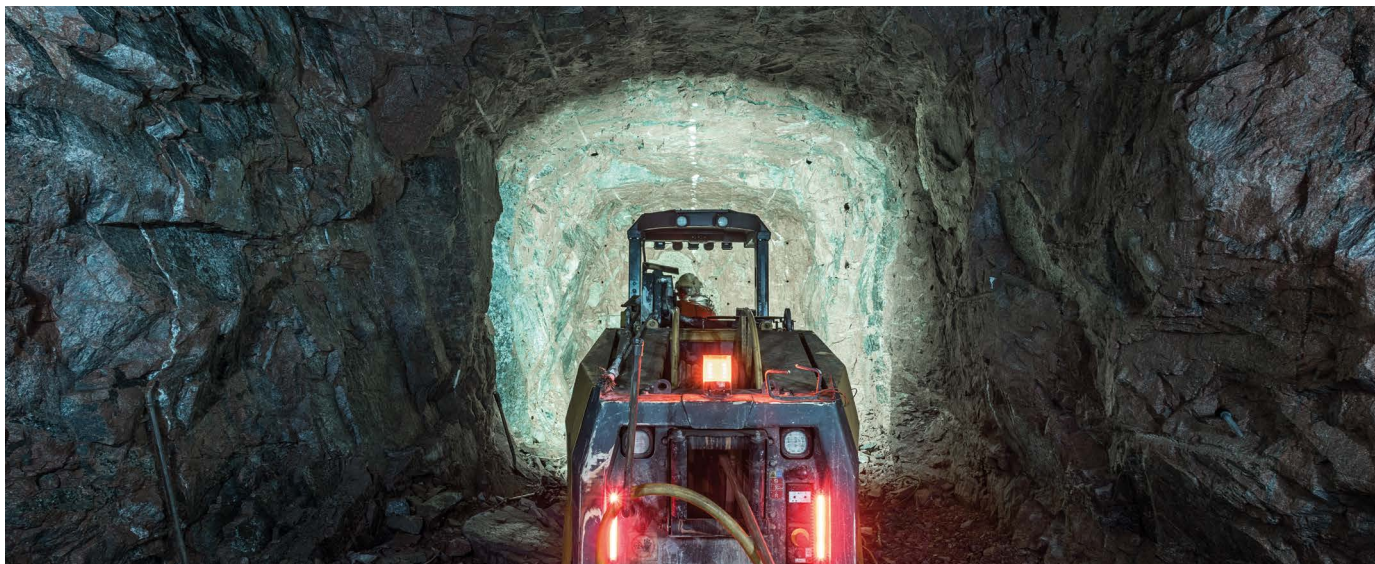
- Mineral Reserves have been rounded to reflect the relative accuracy of the estimates. Proven underground Mineral Reserves are reported within the Measured classification domain, and Probable underground Mineral Reserves are reported within the Indicated classification domain. Proven and Probable underground Mineral Reserves are inclusive of external mining dilution and mining loss and are reported at a cut-off grade of 3.70g/t gold assuming an underground extraction scenario, a gold price of US\$1,500/oz, a 5.0:1 Brazilian Real to US Dollar exchange rate, and metallurgical recovery of 91%.
- 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 NI 43-101, with an effective date of 31 December 2020, and audited and approved by Mr. Michael Hodgson, CEO of Serabi Gold plc, who is a Qualified Person under NI 43-101.

Table 4 – Mineral Reserve Statement, São Chico Mine, Para State, Brazil, as of 31 December, 2020

Classification	Quantity (t)	Grade Au (g/t)	Contained Metal Au (oz)
Proven	11,087	5.41	1,929
Probable	33,224	6.35	6,787
Total Reserves	44,312	6.12	8,716

Notes to Table 4:

- 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 3.45g/t gold assuming an underground extraction scenario, a gold price of US\$1,500/oz, a 5.0:1 Brazilian Real to US Dollar exchange rate, and metallurgical recovery of 95%.
- 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 NI 43-101, with an effective date of 31 December 2020, and audited and approved by Mr. Michael Hodgson, CEO of Serabi Gold plc, who is a Qualified Person under NI 43-101.



The current Mineral Resource estimates for the Coringa Mine (Table 5) are based on data as at 20 June, 2019.

Table 5 – Mineral Resources Statement, Coringa Gold Project, Para State, Brazil, as of 31 August, 2019

Classification	Quantity (t)	Grade Au (g/t)	Contained Metal Au (oz)
Indicated Resources	735	8.24	195
Inferred Resources	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. Underground 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, and 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 2020 by Mr Kevin Gunesch and Dr Hamid Samari, who are both Qualified Persons under the Canadian National Instrument 43-101.

Financial Review

Reducing production costs through growth

The gold market reacted strongly over 2020, posting a new record high of US\$2,061 per ounce in August 2020 and ending the year at US\$1,891 per ounce, a 24 per cent increase compared with 31 December 2019.

“Serabi is now well positioned and financed to deliver on its growth plans. Following a successful placing of new shares completed in March 2021, raising gross proceeds of approximately £12.5 million, the Company now has a strong and debt free balance sheet.”

12 month period ended 31 December 2020 compared to the 12 month period ended 31 December 2019

During the 12 month period ended 31 December 2020 the Group produced 31,212 ounces of gold (12 months to 31 December 2019: 40,101 ounces) and recognised sales for 31,540 ounces (12 months to 31 December 2019: 42,631 ounces).

The gross profit of US\$16.54 million for the 12 months ended 31 December 2020 can be analysed and compared with the gross profit of US\$13.72 for the same period of 2019 as shown in Table A:

Revenue

For the 12-month period ended 31 December 2020 the Group generated US\$15,762,591 (2019: US\$11,974,425) in revenue by selling an estimated 8,670 ounces of gold from the sale of 860 tonnes of copper/gold concentrate (2019: 8,841 ounces from 1,140 tonnes) and also recognised revenue for 22,870 ounces of gold bullion generating total revenue of US\$40,067,487 during the 12 months of 2020, (2019: sale of 33,790 ounces for revenue of US\$47,973,667).

During the 12 months to 31 December 2020 the Group produced 863 wet tonnes of copper/gold concentrate, containing an estimated 8,522 ounces; (12 months to 31 December 2019: 986 wet tonnes of copper/gold concentrate, containing 7,839 ounces of gold). The unsold material is held as inventory.

During the 12 months to 31 December 2020 the Group produced 22,690 ounces of gold in the form of bullion in comparison to 32,262 ounces during the same period of the previous year, a decrease of 30 per cent.

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 achieve better production per shift.

[Read more on pages 26 to 29](#)

Operating costs

Operating costs for the 12 months ended 31 December 2020 of US\$30.99 million (2019: US\$34.36 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 12 month period in the production of the final sales products as shown in Table B.

In local currency operational costs have increased due to an increase in the number of staff recruited during the first quarter of 2020 with a view to the planned increase in mining rates and revised shift requirements to comply with Brazilian labour legislation. During 2020 the average exchange rate was BrR\$5.16 to US\$1.00 compared with an average exchange rate of BrR\$3.94 to US\$1.00 during the same period of the previous year, a weakening of 31 per cent.

During the 12 month period ended 31 December 2020, the Group mined roughly the same volume of tonnes and milled two per cent less tonnes in comparison to the same period of 2019. However, lower grades processed at 5.59g/t for the 12 month period ended 31 December 2020 compared with 7.00g/t in the same period in 2019, a decrease of 20 per cent, resulted in a decrease in gold production of 21 per cent or 8,533 ounces. Explanations for the variation in production levels are set out in the operational review of this Management Discussion and Analysis.

Due to timing differences in the recognition of sales due to the departure dates of vessels carrying the Groups' copper/gold concentrate leaving Brazil and the delivery of gold bullion for final sale, combined with lower levels of gold production resulted in the Group selling 10,735 less ounces during the 12 month period ended 31 December 2020 in comparison to the same period in 2019. In the first quarter of 2019, the Group realised sales from inventory holdings which contributed an additional 2,500 ounces to the sales that would otherwise have been achieved in that period.

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

Labour Costs

Labour costs for the 12 month period ended 31 December 2020 have decreased by 9 per cent compared with the same period in 2019. A three per cent salary increase was agreed in August 2020 but backdated to and effective from May 2020 for Brazilian staff as a result of the national collective agreement, together with an increase in headcount resulting in higher costs in local currency terms. The increased headcount reflected a need to amend shift patterns to accommodate legislative requirements, support for planned increases in operational and exploration drilling activity and planned increases in mine development in comparison to the same period of the previous year. However, due to the 31 per cent weakening of the Brazilian Real in comparison to the US Dollar, the impact of this increase in costs in local currency has been reduced.

	12 months ended December 2020	12 months ended December 2019	Variance
Table A – Gross profit			
Concentrate sold (Ounces)	8,670	8,841	(171)
Bullion sold (Ounces)	22,870	33,790	(10,920)
Total Ounces	31,540	42,631	(11,091)
Revenue from ordinary activity			
	US\$	US\$	US\$
Gold (in concentrate)	14,433,316	10,663,094	3,770,222
Copper (in concentrate)	1,236,957	1,237,073	(116)
Silver (in concentrate)	92,318	74,258	18,060
Total concentrate sales	15,762,591	11,974,425	3,788,166
Gold bullion sales	40,067,487	47,973,667	(7,906,180)
Total sales	55,830,078	59,948,092	(4,118,014)
Costs of sales			
Operational costs	30,987,776	34,362,790	(3,375,014)
Release of/provision for impairment of inventory	–	(500,000)	500,000
Provision for impairment of State taxes receivable	1,038,083	716,522	321,561
Shipping costs	764,368	1,038,205	(273,837)
Treatment charges	454,901	487,983	(33,082)
Royalties	920,603	1,097,945	(177,342)
Amortisation of mine property	3,635,028	7,233,465	(3,598,437)
Depreciation of plant & equipment	1,493,867	1,790,378	(296,511)
Total operating costs	39,294,626	46,227,288	(6,932,662)
Gross profit	16,535,452	13,720,804	2,814,648

	12 months ended December 2020	12 months ended December 2019	Variance	Variance %
Table B – Operational costs				
Tonnes mined	175,928	176,243	(315)	0%
Tonnes milled	174,276	177,335	(3,059)	(2%)
Ounces produced	31,212	40,101	(8,889)	(22%)
Ounces sold	31,540	42,631	(11,091)	(26%)
	12 months ended December 2020	12 months ended December 2019	Variance	Variance
	US\$'000	US\$'000	US\$'000	%
Operating costs				
Labour	13,867	15,291	(1,424)	(9%)
Mining consumables & maintenance	9,606	10,652	(1,046)	(10%)
Plant processing & consumables	4,338	4,811	(473)	(10%)
General site expenses	3,176	3,608	(432)	(12%)
	30,988	34,363	(3,375)	(10%)

Financial Review continued

Mining costs

Mining consumables and maintenance for the 12 month period ended 31 December 2020 have decreased by 10 per cent compared with the same period in 2019, however in local currency the costs have increased. This is primarily because the Group began an underground drilling project at the start of 2020 using the services of third party drilling contractors. In addition to the costs of the contractors, this activity has also increased consumption of consumable, particularly diesel and spare parts. Maintenance costs have also increased materially as a number of items of underground mining fleet have undergone extensive refurbishment work to extend their useful lives in preference to acquisition of replacement vehicles. These increases in local currency were offset by the weakening of the Brazilian Real by 31 per cent against the US Dollar for the 12 month period ended 31 December 2020 in comparison to the same period of the previous year.

Plant processing costs

Plant costs have decreased by US\$0.47 million, or 10 per cent, for the 12 month period ended 31 December 2020 in comparison to the same period in the previous year, however in local currency the costs have increased. The increase in local currency is primarily due to an increase in maintenance costs due to repair work carried out on the crusher and milling circuit as well as an increase in consumable costs, primarily for cyanide as well as the replacement of mill balls and the replacement of mill liners for the milling circuit. These increases in local currency were offset by the weakening of the Brazilian Real by 31 per cent against the US Dollar for the 12 month period ended 31 December 2020 in comparison to the same period of the previous year.

General site costs

General site costs for the 12 month period ended 31 December 2020 have decreased by 12 per cent compared with the same period in 2019, however in local currency the costs have increased. The Group incurred an increase in costs on PPE, COVID-19 testing, lab analysis as well as implementing social distancing measures required at the beginning of the second quarter to ensure that all staff could continue to operate in a safe and healthy working environment. These increases in local currency were offset by the weakening of the Brazilian Real by 31 per cent against the US Dollar for the twelve month period ended 31 December 2020 in comparison to the same period of the previous year.

Provision for impairment of state taxes receivable

The Group increased its provision for impairment of State taxes to US\$1.04 million (BrR\$5.35 million) at 31 December 2020. This provision has been calculated based on the fair value of the expected recovery of ICMS by the Group in the foreseeable future and compares with a provision of US\$0.72 million (BrR\$2.83 million) at 31 December 2019, which represented approximately 20 per cent of the total balance due at the time.

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, transport 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\$0.76 million (2019: US\$1.04 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 São Paulo. The decrease by comparison to the same period in 2019 reflects the decrease in the volume of

concentrate shipped. For the 12 month period ended 31 December 2020, 860 tonnes were shipped in comparison to 1,140 tonnes for the same period of the previous year.

Treatment charges

Treatment charges have decreased by US\$0.03 million from US\$0.49 million for the 12 month period ended 31 December 2019 to US\$0.46 million for the same period of 2020. This results from the lower volume of material sold in the period although there have been higher levels of penalties incurred for impurities in the concentrate. The occurrence and level of impurities varies according to the mineralogy of the particular veins being mined.

Royalties

Royalty payments of US\$0.92 million (2019: US\$1.10 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 decrease in royalty payments of 16 per cent in the 12 month period ended 31 December 2020 compared with the same period in 2019 reflects the lower level of sales and production offset by the increased gold price and revenues in US Dollars.

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 an estimate for future mine development costs for each of these orebodies. The Group reviews, on an annual basis, the expected future life of the mine based on the mineral resources and the mine development costs that will be capitalised to achieve this estimated life-of-mine plan. In light of the increased mineral resources for São Chico, the estimated future mine development costs for this deposit were increased by Br\$20 million compared with the previous year. The total amortisation charge relating to the Palito and São Chico orebodies for the 12 month period ended 31 December 2020 is approximately US\$3.64 million in comparison to US\$7.23 million during the same period of the previous year. The decrease is due to the increased level of mineral resources being considered in the life of mine plans which has offset the effect of the increased future capital development costs.

	12 months ended December 2020	12 months ended December 2019
Table C – Net interest		
Interest on secured loan	(203,127)	(646,516)
Interest expense on property acquisition payment	(1,035,904)	–
Interest expense on convertible loan	(152,943)	–
Amortisation of arrangement fee on convertible loan	(150,000)	–
Recognition of variation in effective interest rate of secured loan	(79,800)	–
Unwinding of discount on mineral property acquisition liability	–	(1,002,243)
Unwinding of discount on rehabilitation provision	(141,466)	(284,652)
Loss upon revaluation of derivative	–	(531,910)
	(1,763,240)	(2,465,321)
Gain in respect of non-substantial modification	40,469	79,800
Gain on revaluation of derivative	33,023	–
Interest income	911	2,325
Net finance expense	(1,688,837)	(2,383,196)

Depreciation

A depreciation charge of US\$1.49 million was recorded during the 12 month period ended 31 December 2020 on plant and equipment used in the mining and processing, (12 months to 31 December 2019: US\$1.79 million). The decrease of 17 per cent is primarily due to the 31 per cent weakening of the Brazilian Real against the US Dollar offset by an adjustment made in the fourth quarter of 2019, when the Group registered a reduction of approximately US\$250,000 on 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\$10.39 million (2019: operating profit of US\$8.36 million), reflective of the higher level of gross profit from operations and after incurring US\$5.86 million (2019: US\$5.26 million) in administrative expenses as well as US\$0.53 (2019: US\$0.26 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 2020 is in respect of options granted between January 2017 and 31 December 2020. The Group also reported a profit of US\$0.24 million from the disposal of assets (2019: US\$0.17 million).

Administration costs of US\$5.86 million for the 12 month period ended 31 December 2020 are approximately US\$0.60 million higher than the amount of US\$5.26 million in administration costs incurred during same period of 2019. This is primarily due to the increase in legal and professional fees relating to the negotiation and implementation of the US\$12.0 million convertible loan note facility being subscribed for by Greenstone and costs associated with the successful award of the Preliminary Licence for the Coringa Gold Project. There were no similar costs incurred during 2019.

The Company recorded a foreign exchange loss of US\$0.21 million for the 12 months ended 31 December 2020 which compares with a foreign exchange gain of US\$0.21 million recorded for the 12 months ended 31 December 2019. These foreign exchange gains and losses are primarily incurred in respect of the cash holdings of the Company in currencies other than US Dollars at the period end and do not necessarily reflect actual realised profits or losses. The Company holds funds in certain currencies in anticipation of future expenditures that are anticipated to be settled in those currencies.

Net interest charges for the 12 month period to 31 December 2020 were US\$1.69 million compared with US\$2.38 million for the same 12 month period of 2019. An analysis of the composition of these charges is set out in Table C.



Financial Review continued

The interest on the secured loan of US\$0.20 million (2019: US\$0.65 million) is the cost of six months of interest on loan 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. This loan was fully repaid on 30 June 2020.

The interest expense of US\$1.04 million on the property acquisition payment is the interest accrued on the outstanding purchase price obligation for the Coringa Gold Project. Interest charges incurred will be paid at the same time that the final payment is made in respect of the mineral property acquisition. There was no similar charge in the previous year. At 31 December 2019 the purchase obligation was US\$12 million and during the 12 month period ended 31 December 2020 payments totalling US\$6.5 million were made. There was no similar charge in the previous year.

The interest on the convertible loan of US\$152,943 (2019: US\$Nil) is the interest cost on funds advanced under the US\$12 million convertible loan note facility being subscribed for by Greenstone. During the year the Group has drawn down four equal instalments of US\$0.5 million each, on 30 April 2020, 29 May 2020, 30 June 2020 and 31 July 2020. Each drawdown of US\$0.5 million carries an option to convert the outstanding principal into ordinary shares at a fixed conversion price of GBP0.76. Subject to certain restriction, the holder of the Convertible Loan Notes can elect to convert all or part of the loan at any time prior to the loan repayment date of 31 August 2021. The Convertible Loan Notes and all associated fees and interest were redeemed on 19 March 2021.

The Group incurred an arrangement fee in respect of the convertible loan note facility of US\$300,000 which is payable to Greenstone. The arrangement fee is being amortised over the 16 month life of the loan resulting in a charge incurred during the period of US\$150,000. There was no similar expense in the previous year.

In 2019, the expense on the unwinding of the discount on acquisition was 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.

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

The loss of US\$141,466 on the unwinding of the discount on the rehabilitation provision is as a result of change in the net present value of the rehabilitation provision. In 2019, the Group recognised a loss of US\$284,652 on the unwinding of the discount.

Liquidity and capital resources

Non-current assets

On 31 December 2020, the Group's net assets amounted to US\$57.75 million, which compares to US\$65.60 million as reported at 31 December 2019. The Group has also reported a profit after taxation of US\$7.03 million in the 12 month period to 31 December 2020, (2019: profit after taxation US\$3.83 million).

Non-current assets totalling US\$59.16 million at 31 December 2020 (31 December 2019: US\$68.32 million), are primarily comprised of property, plant and equipment and right of use assets, which as at 31 December 2020 totalled US\$28.81 million, (31 December 2019: US\$36.49 million), including assets acquired as part of the Chapleau acquisition, as well as development and deferred exploration costs with a value of US\$27.78 million, (31 December 2019: US\$29.66 million).

“Operating profit for 2020 (before finance and tax) of US\$10.4 million represents an improvement of 24 per cent compared to 2019.”

The Group has also a long-term receivable in respect of State taxes due in Brazil of US\$0.70 million (31 December 2019: US\$0.85 million). The overall level of State taxes owed has increased from US\$1.55 million to US\$2.81 million before provisions. The Group has made a charge of US\$1.03 million as a provision against the future recoverability against this debt increasing the total provision to the equivalent of US\$1.57 million. Of the total outstanding the Group expects to recover US\$0.54 million within the next 12 months and has classified this element as short-term debt, with the balance of US\$0.70 million (net of provisions) shown as long term.

The Group has estimated that it has a deferred tax asset amounting to US\$1.88 million (2019: US\$1.32 million) comprising the benefit of future tax losses that the Group expects to be used in the next 12 months and timing differences on the recognition of exchange rate losses.

The Group's assets include the value of its mine assets relating to the Palito Mining Complex at 31 December 2020 of US\$11.88 million (2019: US\$17.11 million). This includes US\$2.95 million of additions in relation to the capital development of the Palito and São Chico orebodies incurred during the year. Changes in the estimates on the rehabilitation provision reduced the value of the mine assets by approximately US\$0.44 million during 2020. Assets in construction as at 31 December 2020 and relating to the Palito Mining Complex had a book value of US\$8.95 million (2019: US\$11.19 million).

The Group owns land, buildings, plant and equipment with a value of US\$5.39 million (31 December 2019: US\$6.19 million). During the 12 months of 2020 the Group has acquired additional plant and machinery to the value of US\$2.09 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\$3.52 million has been recorded for the 12 month period to 31 December 2020 (12 month period to 31 December 2019: US\$7.10 million). During 2020, the Group completed a new reserve and resource estimate on both the Palito and São Chico orebodies and increased the total mineral resources for the São Chico ore body from 90,000 ounces to 212,000. As a result the amortisation charge for the year ended 31 December 2020 for São Chico was US\$1.47 million in comparison to US\$3.97 million for the 12 month period ended 31 December 2019. The amortisation charge for the 12 month period ended 31 December 2020 on the Palito orebody was US\$2.05 million in comparison to US\$3.13 million for the same period of the previous year however this decrease is primarily due to the reduction in ounces mined from the Palito orebody in 2020 in comparison to the same period of the previous year as well as the 31 per cent weakening of the Brazilian Real in comparison to the US Dollar. During 2020 the average exchange rate was BrR\$5.16 to US\$1.00 compared with an average exchange rate of BrR\$3.94 to US\$1.00 during the same period of the previous year.

	31 December 2020 US\$	31 December 2019 US\$	Variance US\$
Table D – Working capital			
Current assets			
Inventories	6,979,438	6,577,968	401,470
Trade and other receivables	1,936,044	802,275	1,133,769
Prepayments	1,554,991	3,473,288	(1,918,297)
Cash and cash equivalents	6,603,620	14,234,612	(7,630,992)
Total current assets	17,074,093	25,088,143	(8,014,050)
Current liabilities			
Trade and other payables	6,846,202	6,113,789	732,413
Acquisition payment due	6,495,435	12,000,000	(5,504,565)
Secured loan	2,029,464	6,903,692	(4,874,228)
Leases and unsecured loan	201,403	48,850	152,553
Derivative financial liabilities	390,456	–	390,456
Accruals	292,089	319,670	(27,581)
Total current liabilities	16,255,049	25,386,001	(9,130,952)
Working capital	819,044	(297,858)	1,116,902
Non-current liabilities			
Trade and other payables	91,916	183,043	(91,127)
Provisions	1,467,032	2,237,266	(770,234)
Secured loan	324,519	–	324,519
Leases	350,931	–	350,931
Total non-current liabilities	2,234,398	2,420,309	(185,911)
Table E – Inventory			
	31 December 2020 US\$	31 December 2019 US\$	Variance US\$
Stockpile of mined ore	349,024	331,775	17,249
Finished goods awaiting sale	2,225,835	1,376,005	849,830
Other material in process	1,233,291	1,391,302	(158,011)
	3,808,150	3,099,082	709,068
Consumables	3,171,288	3,478,886	(307,598)
Total inventory	6,979,438	6,577,968	401,470

Deferred exploration costs as at 31 December 2020 totalled US\$27.78 million (31 December 2019: US\$29.66 million) includes US\$2.42 million of exploration expenditure and US\$1.33 million on capitalised expenditure for the Coringa project incurred during the 12 month period ended 31 December 2020.

Working capital

The Group had a positive working capital position of US\$0.82 million at 31 December 2020 compared to a negative working capital position of US\$0.30 million at 31 December 2019, the movement of US\$1.12 million being detailed in Table D.

The weakening of the Brazilian Real from 31 December 2019 when the exchange rate was BrR\$4.03 to US\$1.00 to the rate of BrR\$5.20 to US\$1.00 at 31 December 2020, a weakening of 29 per cent, has impacted on each of the key components which make up the working capital position, however the main movements are discussed in more detail below.

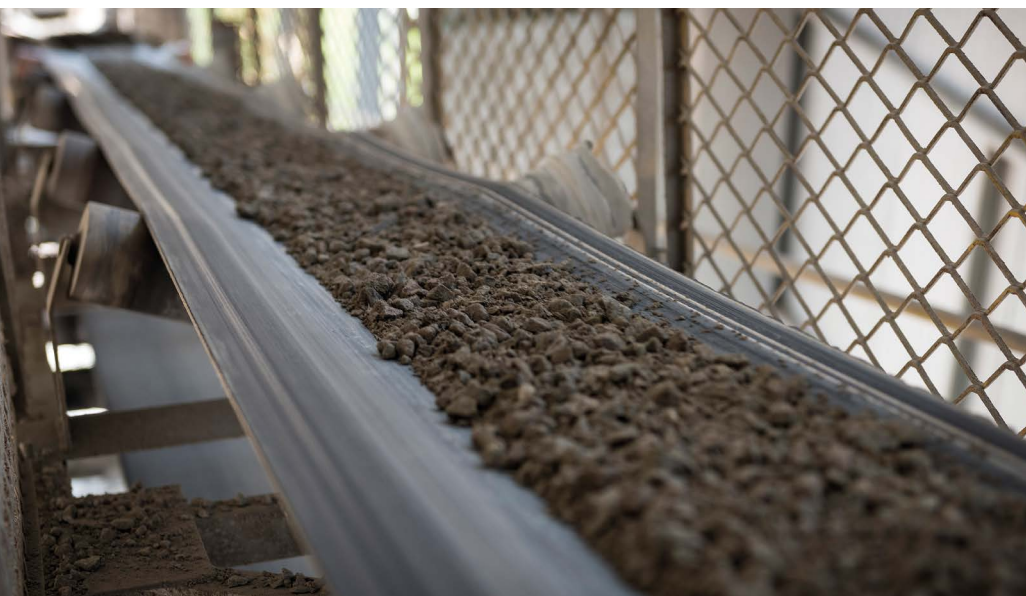
Inventories

The level of inventory held by the Group at 31 December 2020 has decreased by US\$0.40 million since 31 December 2019. A breakdown of the Group's inventories at 31 December 2020 and at 31 December 2019 is set out in the Table E.

Inventories of consumables (fuel, spare parts, chemicals, explosives etc.) at 31 December 2020 of US\$3.17 million (31 December 2019: US\$3.48 million) have decreased by approximately US\$0.31 million primarily as a result of the changing exchange rate. 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 in local currency terms reflecting a requirement to keep on hand higher levels of consumables to protect against any negative impact from the COVID-19 pandemic on supply chains.

At 31 December 2020 and at 31 December 2019, the Group held a provision against the carrying value of coarse ore stockpiles amounting to US\$50,000.

The value of the stock of surface ore has increased by five per cent from US\$0.33 million to US\$0.35 million. The total coarse ore stockpile tonnage that is subject to valuation was 2,212 tonnes at 31 December 2019 and approximately 3,497 tonnes at 31 December 2020, an increase of 58 per cent. The valuation on local currency terms has increased accordingly by 35 per cent but has been offset by the 29 per cent weakening of the Brazilian Real.



Financial Review continued

The value of finished goods awaiting sale at 31 December 2020 of US\$2.23 million compares with the value at 31 December 2019 of US\$1.38 million, an overall increase in value of 62 per cent. The total value of finished goods held in stock at 31 December 2020 comprises 125 bags of copper/gold concentrate with a production cost valuation of US\$1.04 million (31 December 2019: 122 bags valued at US\$0.76 million) and bullion on hand for smelting which, at 31 December 2020, was estimated at 26,019 grammes valued at US\$1.18 million compared to 23,023 grammes at 31 December 2019 valued at US\$0.61 million. Whilst there are variances between the two periods in the unit production costs for each of these items, the variance in period end values is largely explained by the variances in volume and currency effects with all unit costs of production being calculated in Brazilian Real.

The valuation attributable to gold locked up within the processing plant has decreased to US\$1.23 million at 31 December 2020 from US\$1.39 million at 31 December 2019 with 70,821 grammes of gold locked up within the processing plant as at 31 December 2020 (31 December 2019: US\$1.39 million; 84,793 grammes) reflecting normal operational variances. With similar unit costs between the periods the change in valuation is a combination of currency effect and volume variances.

Trade receivables

Trade and other receivables at 31 December 2020 of US\$1.94 million have increased by US\$1.13 million from US\$0.80 million at 31 December 2019. The variance of US\$1.13 million is primarily due to timing differences on the receipt of payment for the sale of copper concentrate. The Group registered a sale for 745 ounces totalling US\$1.39 million for revenue purposes during the last week of December 2020 but only received the initial cash instalment payment on 8 January 2021.

Prepayments

Prepayments have decreased by US\$1.92 million from US\$3.47 million at 31 December 2019 to US\$1.55 million at 31 December 2020. Prepayments include supplier down payments which decreased from US\$0.99 million at 31 December 2019 to US\$0.56 million at 31 December 2020 as well as prepaid taxes, including taxes of ICMS, PIS, COFINS and other federal taxes, that remain to be recovered at the period end. Prepaid taxes decreased by US\$1.47 million from US\$2.08 million at 31 December 2019 to US\$0.62 million at 31 December 2020, partly reflecting a reclassification of a larger proportion of ICMS tax receivable as a long-term receivable.



Cash at bank

Between 31 December 2019 and 31 December 2020, cash balances have decreased by approximately US\$7.63 million.

During the 12 month period ended 31 December 2020, the Group generated net cash flow from its operations of US\$14.56 million. The Group incurred a net expenditure of US\$5.38 million on financing activities during the 12 month period ended 31 December 2020, principally the repayment of US\$6.98 million of secured loan with Sprott Resource Lending whilst receiving US\$2.0 million of new funding under the convertible loan note facility. During the same 12 month period the Group has also spent US\$15.76 million on investing activities including US\$2.43 million on exploration activities around the Palito Mining Complex and the Coringa project, US\$2.95 million on mine development, US\$2.55 million on plant and equipment and US\$1.33 million on other pre-operating costs for the Coringa project. Investing activities also included payments totalling US\$0.63 million as agreed instalment payments for the acquisition of an outstanding interest of a third party in the

São Chico project area and US\$6.5 million in instalment payments against the remaining purchase consideration for the Coringa Gold Project. The Group holds cash balances in a variety of currencies including Brazilian Reals which are needed to meet day to day working capital needs and all bullion sales are settled in Reals. The devaluation of the Real during the 12 month period ended 31 December 2020 from US\$4.03 at 31 December 2019 to 5.20 at 31 December 2020 has resulted in an exchange loss on the Real cash holdings.

Current liabilities

Current liabilities have decreased by US\$9.13 million from US\$25.39 million at 31 December 2019 to US\$16.26 million at 31 December 2020, an overall reduction of 36 per cent and primarily reflect the settlement of the outstanding secured loan with Sprott which was US\$6.9 million as at 31 December 2019, and repayment of US\$6.5 million of the outstanding acquisition liability for the Coringa project of which US\$2.0 million was funded through the drawdown against the convertible loan note facility with Greenstone.



Trade creditors

Trade and other payables amounted to US\$6.85 million at 31 December 2020 compared with an amount owed by the Group of US\$6.11 million at 31 December 2019, an increase of US\$0.73 million. During the fourth quarter of 2020, the Group advanced its exploration activity around the Palito and São Chico orebodies, using the services of a third party contractor and has made a one-off provision of approximately US\$400,000 for profits taxes related to irregular transactions that were identified to have taken place between 2015 and 2020 and which had previously been treated as deductible for profits tax purposes. These are the primary reasons for the small increase in trade creditors.

Interest-bearing secured loan

On 30 June 2020, the Group completed the final repayment on the Spratt loan (31 December 2019: US\$6.90 million).

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. During the first quarter of 2020, the Group reached an agreement with the vendor, Anfield Gold and its parent company, Equinox, whereby the date for the completion of the final US\$12 million payment owed to Anfield for the acquisition of the Coringa Gold Project (the "Coringa Deferred Consideration") 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 started to make instalment payments in respect of the Coringa Deferred Consideration of US\$500,000 per month payable on each of 1 May 2020, 1 June 2020 and 1 July 2020 which increased to US\$1 million per month until such time as the Travel Restriction Condition is satisfied. The balance outstanding of the Coringa Deferred Consideration is expected to be settled within six weeks of the Travel Restriction Condition being satisfied. Interest is payable on the outstanding sum at the rate of 10 per cent per annum and will be settled at the same time that the Coringa Deferred Consideration is completed. A total of US\$6.5 million had been repaid by 31 December 2020 with further payments of US\$1.0 million made on 1 January 2021, 1 February 2021, 1 March 2021 and 1 April 2021.

In accordance with IFRS 9, the variation in the payment terms obliged the Group to recognise the effect of a non-substantial modification to the existing loan. Accordingly, the Group recognised a benefit arising from the modification totalling US\$40,469. The remaining consideration together with accrued interest was repaid in full on 29 April 2021.

Interest bearing Convertible Loan

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

Under the Amended Subscription Deed and a further subsequent amendment, whilst specified restrictions on travel into and within Brazil remained in place (the "Travel Restriction Condition") the Company could only submit a subscription request in respect of Convertible Loan Notes in the amount of US\$500,000 each month. Following the satisfaction of the Travel Restriction Condition, the Company may then issue further subscription requests for amounts of not less than US\$100,000 and not exceeding an amount equal to US\$12,000,000 less the sum of the aggregate principal amount of all Notes outstanding at that time. The arrangements with Greenstone included a provision whereby the Loan Notes were available to be drawn down by the Company at any time until 30 June 2021. The Loan Notes carried fixed conversion rights into Ordinary Shares of the Company at a price of UK£0.76 per share.

Financial Review continued



Subject to certain conditions the holder of the Loan Notes could convert all or part of the Loan Notes in issue at any time before 31 August 2021. Unless otherwise converted into Ordinary Shares of the Company, the Loan Notes were due to be redeemed on 31 August 2021.

Whilst the Sprott Loan was outstanding the Convertible Loan Notes were unsecured and subordinated to the Sprott Loan. Following settlement of the Sprott Loan, the security interests of Sprott were discharged and the Company granted to Greenstone the security package as originally envisaged save that a pledge of the shares of Chapleau Resources Limited ("Chapleau") continued to be held by Equinox until such time as the Coringa Deferred Consideration is settled in full. Chapleau holds 100 per cent of the shares of Chapleau Exploração Mineral Ltda which in turn holds the exploration licences for the Coringa Gold Project.

During the year, the Group drew down four equal instalments of US\$0.5 million each, on 30 April 2020, 29 May 2020, 30 June 2020 and 30 July 2020. On 19 March 2021, the Group redeemed all of the Loan Notes together with accrued interest and all other fees.

Obligations under leases

During the third quarter of 2020, the Group entered into three new equipment lease arrangements of which US\$201,043 remains a current liability at the end of 31 December 2020. During the first four months of the year the Group settled all previous equipment leases which at 31 December 2019 totalled approximately US\$0.05 million.

Non-current liabilities

Non-current liabilities have decreased by US\$0.19 million from US\$2.42 million at 31 December 2019 to US\$2.23 million at 31 December 2020, an overall decrease of eight per cent.

Obligations under leases

During the third quarter of 2020, the Group entered into three new equipment lease arrangements of which US\$350,931 remains a long-term liability due at the end of 31 December 2020.

Provision for rehabilitation

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 2020 was US\$1.47 million. The value at 31 December 2019 was US\$2.24 million. The decrease in the value of rehabilitation provision is primarily due to the 29 per cent weakening of the Brazilian Real to the US Dollar from 31 December 2019 to 31 December 2020 as well as a result of changes in cost inflation estimates. There have been no adjustments to the underlying cost estimates which are denominated in Brazilian Reals.

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

24 September 2021

Table F – Cash Cost and All-In Sustaining Cost of production	12 months ended 31 December 2020 US\$	12 months ended 31 December 2019 US\$
Total operating costs (calculated on a sales basis)	33,127,648	36,986,923
Add/(subtract)		
Finished goods and WIP inventory stock adjustment	1,358,920	(2,515,806)
Grossing up of revenue for metal deductions	570,653	202,323
By-product credits	(1,505,160)	(1,311,331)
Total cash cost of production	33,552,061	33,362,108
Corporate G&A	5,856,760	5,262,380
Share-based remuneration	533,264	261,940
Capitalised cost for mine development	2,952,943	4,478,420
All-In Sustaining Cost of production	42,895,028	43,364,848
	12 months ended 31 December 2020 (ounces)	12 months ended 31 December 2019 (ounces)
Gold ounces produced	31,212	40,101
	12 months ended 31 December 2020 (US\$)	12 months ended 31 December 2019 (US\$)
Total Cash Cost of production (per ounce)	US\$1,075	US\$832
Total All-In Sustaining Cost of production (per ounce)	US\$1,374	US\$1,081

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 during 2023. The Company directly employs approximately 640 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 per cent 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 anti-slavery and human trafficking statement for the calendar year ended 31 December 2020.

"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."

Environmental, Social and Governance Performance and Monitoring

Supporting communities and the environment

Serabi is committed to delivering value for all stakeholders through building a long-term, sustainable mining business. Through a series of programmes and initiatives, the Company seeks to minimise any environmental impacts whilst maximising the social benefits for the local communities and broader region. Serabi seeks to meet and exceed all operating standard requirements within Brazil and has the objective of achieving international best practice.

The Company enjoys strong local and regional support and has an exemplary track record from an environmental perspective although continually strives to improve. The following performance metrics demonstrate Serabi's ongoing commitment to sustainability and report the performance during the calendar year 2020.

Topic	Objective	Unit of measure	2020 Performance
Environmental			
Environmental compliance	Maximise process water recycling	% return water	62%
	Maximise raw (fresh) water efficiency	m ³ /tonne ore	0.68
	No exceedance of permit conditions	Number	No incidents
	No major environmental incidents	Number	No incidents
	Cyanide detoxification of excess tailings water	ppm WAD CN	6.6 ppm
	Water quality monitoring	Qualitative	Compliant
	Air quality (dust and sound) monitoring	Qualitative	Compliant
Climate change/GHG	GHG emissions efficiency	tCO ₂ e/Au oz	0.34
Revegetation/ remediation of historic artisanal sites	Remediation of historic artisanal mining areas	hectares	1 Ha
Biodiversity	Flora and fauna monitoring	Qualitative	Compliant

Topic	Objective	Unit of measure	2020 Performance
Social			
Local employment	Maximise employment from communities directly impacted by the operations.	% employee (incl. contractor companies)	38%
	Maximise employment from State of Para	% employee (incl. contractor companies)	78%
	National employees	% employee (incl. contractor companies)	88%
Local procurement and supply chain	Procurement of goods and services from within 100km	% of procurement	34%
	Procurement of goods and services from State of Para	% of procurement	45%
	Complete due diligence for child labour/modern slavery in the supply chain	Qualitative	Compliant
	"Green Gold" accreditation of suppliers	Qualitative	Compliant
OHS	No work-related fatalities	Number	0
	LTIFR	per million hours worked	6.42
	TRIFR	per million hours worked	4.63
	Regular health checks and health awareness programmes	Qualitative	Compliant
	Mental health training and support	Hours	300 hours
Training	Safety training	Hours	5,000 hours
	Human rights training	Number of people	636 people
	People Management programme	Number of people	41
	Leadership Academy	Number of people	73
Diversity	Review performance against Diversity Policy	Qualitative	Compliant
	Ensuring equality in roles and remuneration between men and women	Qualitative	Compliant

Environmental, Social and Governance Performance and Monitoring continued

Topic	Objective	Unit of measure	2020 Performance
Social continued			
Stakeholder engagement	Review grievance mechanism in light of stakeholder feedback to ensure good awareness, accessibility and responsiveness	Qualitative	Compliant
	Community communication programme	Qualitative	Compliant
	Engagement with garimpeiros/artisanal miners	Qualitative	Compliant
Community engagement programmes	Community investment	BR\$/year	BR\$200,000
	Investment in community infrastructure	Roads/power/water/infrastructure	Increased the availability of public lighting and power and also drilled new water wells to improve the water supply for the residents of São Chico
	Support for community schools	Number of children supported	45
	Environmental education programmes	Number of participants	45
	Health programme	Number of people supported	70
	Indigenous communities	Qualitative	Improvements to the levels and quality of the water supply for the Kayapo community

Topic	Objective	Unit of measure	2020 Performance
Governance			
Corporate governance	Board structure, diversity, effectiveness, experience, tenure	Qualitative	Full compliance – see QCA Code on page 64
	Executive compensation	Qualitative	Full compliance – see QCA Code
Codes of business conduct	Corporate Governance Code (“QCA Code”)	Qualitative	Full compliance
	Codes of conduct	Qualitative	Compliant
	Modern slavery and human trafficking	Qualitative	Compliant – see Modern Slavery and Human Trafficking Statement on page 52
	Corruption and bribery	Qualitative	Compliant
	Systems and procedures	Qualitative	Compliant
	Reporting on breaches	Qualitative	Compliant
Risk & crisis management	Risk governance	Qualitative	Full compliance – see QCA Code
	Sensitivity analysis and stress testing	Qualitative	Compliant
	Emerging risks	Qualitative	Compliant
Supply chain management	Supply chain awareness and risk exposure	Qualitative	See Local Procurement and Supply Chain above
	Supplier code of conduct	Qualitative	See Local Procurement and Supply Chain above
	ESG integration in supply chains	Qualitative	See Local Procurement and Supply Chain above

Social and Environmental Activities

Supporting communities and the environment

Serabi has been active for 20 years in the State of Para in the region of Tapajos and is dependent on close co-operation with the local communities and in particular those of Jardim do Ouro, Moraes d'Almeida, Novo Progress and Itaituba 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 stimulate 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 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.

The Company submits quarterly monitoring reports on air, noise and vibration, and uses the services of a specialist company to compile monthly monitoring reports on water quality and the monitoring of benthic organisms which provide information about the level and mobility of any pollutants.

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 biodiversity of the area.

In addition, the Company actively undertakes remediation programmes around the mine sites. As both the Palito and São Chico orebodies 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 the past two years, 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, trees and grasses.

At São Chico, the Company is also involved with the remediation of some of the historic artisanal activity, in this case to reduce the risk of further soil erosion that these abandoned sites present.



“The actions taken by the Group to prevent the spread of COVID-19 sit alongside 15 other awareness campaigns that the Group has run during 2020 on subjects such as safety, health, environment, and climate change.”



Health and safety



The safety training programme is very important in ensuring that all the operations run with the minimum risk possible to the environment and the Group’s employees. The Group 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 these teams provide 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.

With the increased health challenges presented by COVID-19, the Company has been very active in its communications with its staff regarding their responsibility to themselves, their work colleagues, and their families, to follow safe practices. Management is pleased that regular health checks, testing and other preventative measures have, to date, resulted in no reported cases of infections having entered the mine camps since September 2020. Personnel and particularly those who remained at the mine during the initial outbreak of COVID-19, have also been able to access emotional support services, allowing confidential discussion of their concerns and important to maintaining their mental well-being.

The actions to prevent the spread of COVID-19 sit alongside 15 other awareness campaigns that the Group has run during 2020 on subjects such as safety, health, environment, and climate change. These complement the Group’s annual SIPAT week, an event centred on the prevention of accidents at work, but which also fosters stronger social relationships within the workforce through team-building events, awards and competitions. Lectures include sessions on ergonomics, health, sexually transmitted diseases, and labour standards and practices for underground mining. In collaboration with the Group’s medical insurers, the My Doctor initiative was implemented with staff, who have specific health needs, being supported by a member of the on-site medical team to improve understanding and establish appropriate preventive actions.

Social and Environmental Activities continued



Coringa licensing approvals

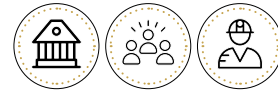


As part of the legislative process for the permitting and licensing of the Coringa Gold Project, the Company had prepared detailed environmental impact assessments in accordance with prevailing legislation which have been subject to review and approved by the environmental authorities. The process for the award of an initial Licença Prévia, 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 an opportunity to ask questions, raise concerns and make 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.

The LP was issued on 6 October 2020 and the Company is now in the process of completing the works necessary prior to formal submission of its application for the Installation Licence.

Tailings dams



The subject of tailings dams has become an area of significant concern in Brazil but also worldwide, in the wake of two relatively recent and 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 redesigned and incorporate a filtration and dry stacking tailings management facility, eliminating the need for a conventional tailings dam. Whilst this delayed the licensing process, it was felt that taking this step would mitigate concerns and risks that the project development could otherwise be significantly delayed or licence awards be subsequently subject to legal challenges. This process design change was welcomed by the authorities and it is the view of management that this also enhanced the attractiveness of the project and eliminated an aspect of the project that could have otherwise proved challenging for the authorities to become comfortable with, given the levels of public concern and debate.

At Palito, the Group use a series of settlement ponds and recovers and recycles the process water from these ponds back to the process plant. When dry, these ponds are excavated and the dry inert material then used for contouring and site remediation.

Community programmes



Local communities are an integral part of Serabi's operations and fundamental to its social licence to operate. The Group is the largest employer in the area and considers that the greatest benefit it brings to these communities is by generating employment and creating opportunities for local businesses. The Group also looks to invest in local infrastructure projects through maintaining roads, and the provision of power and water to communities. During 2020, it continued to increase the availability of public lighting and power to the São Chico community and also drilled new water wells to improve the water supply for the residents of São Chico.

During the year, 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 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 regular dialogue with local community leaders to ensure that the programmes address the needs and interests of community organisations.

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 region and with Serabi's help provide 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. During 2020, the Company was involved with the construction of a new school sports arena in Jardim do Ouro.

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 environmental education programmes that look to make improvements within the communities, with the objective of making changes that can be implemented both individually and collectively. During 2020, 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 the initiative has resulted in more people becoming involved in environmental programmes conducted by the schools.

Health

The health programme established by Serabi includes a medical facility that was created to provide healthcare services and support to local communities giving children, new born babies 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 healthcare 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.

Working in partnership with the regional health board, the Company supported flu vaccination campaigns for the elderly and the provision of ultrasound examinations for breast cancer during the year.

Supporting local business

Serabi seeks to foster business relationships with local suppliers and in so doing assist wealth creation within the local communities. During 2020, 34 per cent of its supplies of goods and services were sourced from within the municipality of Itaituba, with a further 45 per cent being sourced from within the wider State of Para.

The Group has also initiated its own "Green Gold" accreditation for suppliers obligating them to ensure that they are fully compliant in their labour practices and working conditions.

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 safety in the local 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 of improving cultural understanding and awareness and it was supported by the Ministry of Culture. Serabi donated funding for the purchase of musical instruments for the Jardim do Ouro community band to encourage the local community to pursue new experiences through art and music and as 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.

Respecting social distancing requirements, Serabi could not provide its usual level of Christmas campaign by hosting Christmas parties in 2020 but nonetheless continued its tradition of a donation of toys to local children.

Planned initiatives for 2021

Development of the local economy

- Continue the prioritisation 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 long lasting in the local communities.
- 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.

Board of Directors and Senior Management

Effective leadership

Nicolas Bañados

Non-executive Chairman

**Appointed:** May 2013

Experience: Nicolas is Managing Partner of Galgo Capital, a private equity firm based in Latin America. Formerly, he held the position of Managing Director of Private Equity and Venture Capital at Megeve Investments and Fratelli Investments. He has more than 20 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, Minera Bornita, Aenza and others.

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.

Mike Hodgson

Chief Executive

Appointed: February 2007

Experience: Mike has worked in the mining industry for over 30 years and has extensive international experience. Prior to joining Serabi, 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 its sale to Ashanti Gold and 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: Clive 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 25 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: Aquiles graduated with a degree in geology from the Universidad de Chile.

Luis Azevedo

Non-executive

**Appointed:** April 2020

Experience: Luis is a resource industry professional with over 37 years of international experience. He is both a licensed lawyer and geologist with over 27 years of business and mining experience, specifically in Brazil. He is currently the Managing Partner at FFA Legal Ltda, a legal firm he founded with its main office in Rio de Janeiro, Brazil, and which is focused solely on natural resources companies. Mr Azevedo is also an Executive Director of Harvest Minerals Limited and Jangada Mines plc, GK Resources Ltd, and previously worked for Western Mining Corporation, Barrick Gold Corporation and Harsco Corporation. Mr Azevedo was formerly an executive director of Avanco Resources Ltd and is now Chairman of the Brazil advisory board to Oz Minerals Ltd.

Qualifications: Luis received a geology degree from UERJ – Universidade do Estado do Rio de Janeiro in 1986, a law degree from Faculdade Integradas Cândido Mendes in 1992, and a post graduate degree from PUC-Rio, Pontifícia Universidade Católica of Rio de Janeiro in 1995.

T Sean Harvey

Non-executive

**Appointed:** March 2011

Experience: Sean spent 10 years in the early part of his career working in investment and merchant banking, primarily focused on the basic industry (mining) sector and subsequently 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 34 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 mainly in South America, and is a partner of the privately owned mining company Minera HMC S.A., which has producing projects in Chile. 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.

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 Companhia 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 São Paulo.

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, he 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.

Our diverse Board

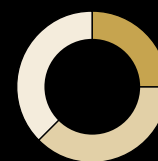
Nationalities



Background experience

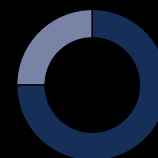
- Geology
- Mine Engineering
- Investment Banking
- Corporate Finance
- Accounting
- Asset and Investment Management

Tenure



- Up to 3 years **25%**
(2 Directors)
- 4-9 Years **37.5%**
(3 Directors)
- 10+ Years **37.5%**
(3 Directors)

Composition



- Non-executive **75%**
(6 Directors)
- Executive **25%**
(2 Directors)

Report on Corporate Governance

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 six 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 one to two 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 2020, the Board met 11 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 Nicolas Bañados 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, Chief Executive, 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 ("the 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
Initial focus on capital appreciation through investment of cash flow into accretive growth opportunities to provide increased levels of longer-term cash generation to begin and 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 those jurisdictions where 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 undertakes 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 through 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 have continued to be represented on the Board and involved with committees established by the Board. The Group's advisers have arranged, as required, meetings with other key shareholders to meet with them either by phone, video conference or, when possible, in face-to-face meetings during 2020. With the 2020 Annual General Meeting having to be held as a closed meeting because of COVID-19, there were limited opportunities to interact with other shareholders during the year. The Executive Directors continue to be available to respond to direct enquiries from shareholders and will look to use the 2021 Annual General Meeting as a renewed opportunity to engage with the Company's smaller shareholders.

The Executive Directors have continued to provide 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.

Report on Corporate Governance continued

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 communities who are in close proximity to its operations, to understand their concerns and expectations thereby seeking to ensure a 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.

Since 1 January 2020, 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 has arranged and welcomed visits from 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 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 has previously included 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 seeks 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 consider 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, Mr Mike Hodgson, the Financial Director, Mr Clive Line and six Non-executive Directors. Of the Non-executive Directors, Mr Sean Harvey, Mr Luis Azevedo and Mr Aquiles Alegria are considered to be independent, whilst Mr Nicolas Bañados, Mr Eduardo Rosselot and Mr 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 62 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 2020 met a total of 11 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 Nomination Committee and considers that this responsibility can be discharged by the Remuneration Committee currently 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 commit as much of their 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 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 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 2020, the Board held 11 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) ⁽³⁾	Remuneration Committee meetings (Attended/Held)
Nicolas Bañados	11/11	2/2	2/2
Michael Hodgson	11/11	-	-
Clive Line	11/11	-	-
Aquiles Alegria	11/11	-	-
Luis Azevedo ⁽¹⁾	8/8	-	-
Sean Harvey	11/11	4/4	2/2
Eduardo Rosselot	11/11	-	-
Mark Sawyer	8/11	2/2	-
Felipe Swett ⁽¹⁾	3/3	1/1	-
Mel Williams ⁽²⁾	3/4	2/2	2/2

(1) Mr Swett stood down from the Board on 27 April 2020 and on the same day Mr Azevedo was appointed to the Board

(2) Mr Williams stood down from the Board on 16 June 2020

(3) Mr Bañados and Mr Sawyer were only appointed to the Audit Committee in July 2020 replacing Mr Swett and Mr Williams, and their attendance reflects the meetings they attended subsequent to their appointment.

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, safe and responsible 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 has not adopted a target regarding the number of women on the Board of Directors. Today, none (zero per cent) of the Company's Directors are women.

Report on Corporate Governance continued

Principle Six continued

The Board does consider that its current composition already encompasses significant diversity. Of its eight members, its membership covers four nationalities, and includes three Directors with strong technical mining and geological expertise, one Director with a financial background, a practising lawyer and former geologist, and three Directors bringing investment banking and corporate finance experience, two of whom also hold legal qualifications. All the Board members have spent significant time, and in some cases, all of their careers working within the natural resources industries. Mr. Sawyer, was appointed in March 2018 concurrent with the announcement of the subscription by Greenstone Resources for new ordinary shares, and Mr Azevedo, an experienced Brazilian resource professional, was appointed in April 2020. All of the other current Non-executive Directors have served for periods of between five to ten years which the Board considers is an indicator of an appropriate level of turnover and renewal while maintaining continuity and knowledge.

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.

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 its 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 address 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.

The Board through its actions and direction has sought to establish a corporate culture that places emphasis on the Group's and the Board's cultural priorities:

Social Responsibility – Working closely with communities to ensure that the Group's operations bring enhancements to the lives of those that might be most affected by the Group's presence in the area,

Transparency – The Group should be open in its dealings with all stakeholders, clear in its objectives and aims and cognisant and sympathetic to the needs and requirements of stakeholders,

Health and Safety – Whilst recognising the inherent risks that are present in the industry, actively encouraging a working environment and work practices within the Group's operations, that strive to minimise and eliminate risk to personnel wherever possible,

Risk Management – The Board encourages through its decision making process, that management properly evaluates and consider the implications of decisions (operational, financial or otherwise) on the long-term future of the business seeking to ensure that risk is adequately managed and minimised, and

Sustainability – The Board considers that it has a responsibility to stakeholders to ensure that the business is able to deliver long-term benefits whether financial, social or environmental and ensuring that decisions do not have longer-term implications that would jeopardise the long-term sustainability of the Group.

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 Committee

The Audit 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 and following the identification of unsubstantiated cash withdrawals in March 2021 and the subsequent enquiries completed by the Group's Brazilian lawyers, FFA Legal, and Deloitte, is now in the process of establishing with the assistance of Deloitte an internal audit function based in Brazil reporting directly to the AC Committee. The AC Committee concluded, based on the evidence of the reports provided by FFA Legal and Deloitte, that certain control processes had been over-ridden and in addition to the introduction of an internal audit department, certain other changes to the review and approval processes have been introduced to strengthen the Group's systems of internal controls.

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 2020, 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 taxes and 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 Committee for consideration ahead of the meetings.

The AC Committee is comprised of Messrs. Harvey (Chair), Bañados and Sawyer. 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. Harvey originally qualified as a lawyer and also holds an MBA in Finance. He worked for over 10 years in investment banking with BMO in Toronto before taking up senior executive and board positions with a variety of mining companies. He is the non-executive Chairman of both Perseus Mining and Victoria Gold Corporation and is a member of the audit committee of both these companies.

Mr Bañados trained as a research analyst at Consorcio Life in Chile before joining Megeve Investments initially as a VP and Portfolio Manager and was then appointed Managing Director of Private Equity before becoming the Managing Partner of Galgo Capital, a private equity firm based in Latin America. He 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.

Mr Sawyer is a qualified lawyer and held the position of 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. He has also held senior roles at Cutfield Freeman & Co (a boutique corporate advisory firm in the mining industry) and at Rio Tinto plc.

Report on Corporate Governance continued

Principle Nine continued

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 equity-based incentive schemes 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 that these properly reflect 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 the 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 equity-based incentives 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. Sawyer (Chair), Bañados and Harvey. Mr Harvey is an independent Director and whilst Mr Sawyer and Mr Bañados are not independent by virtue of their executive positions with affiliated entities of the Company, they have no executive position within the Company and are 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 2020, the Remuneration Committee met twice. 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 2020 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 73 to 79.

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.

Nomination 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 as a whole reviews and makes the decisions 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 six meetings 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.

Report on Corporate Governance continued

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 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 for that 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
Nicolas Bañados	Non-executive Chairman	13 May 2013	Not independent ⁽¹⁾	Member	Member
Aquiles Alegria	Non-executive Director	7 July 2014	Independent	–	–
Luis Azevedo	Non-executive Director	20 April 2020	Independent	–	–
Sean Harvey	Non-executive Director	30 March 2011	Independent	Chair	Member
Michael Hodgson	Chief Executive	1 February 2007	Executive	–	–
Clive Line	Financial Director	14 March 2005	Executive	–	–
Eduardo Rosselot	Non-executive Director	20 October 2012	Not independent ⁽²⁾	–	–
Mark Sawyer	Non-executive Director	23 March 2018	Not independent ⁽³⁾	Member	Chair

(1) Mr Bañados is appointed as a representative of Fratelli Investments and until recently held the position of Managing Director of Private Equity and Venture Capital at Megeve Investments and Fratelli 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.

(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 2020

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, including restricted stock awards and stock options, a significant component of executive compensation. This approach assumes that the performance of the Group's share price over the long term is an important indicator of long-term performance and seeks to align the remuneration of senior management with the Group's shareholders.

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 2020 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. At the Annual General Meeting held on 16 June 2020, shareholders approved the introduction of a restricted share plan to replace the executive share option plan that had been introduced in 2011.

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 and cost metrics and other non-financial goals considered 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 2020

ELEMENT OF COMPENSATION PACKAGE	PURPOSE AND LINK TO STRATEGY	NATURE OF REVIEW
<p>Share-related incentive plans</p>	<p>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.</p>	<p>The Board seeks to award equity related incentives on an annual basis. Whilst it is generally expected that these will be equity settled, provisions exist, to be used at the discretion of the Board, for these awards to be cash settled on an equivalent basis where, for example, the tax treatment might significantly disadvantage an individual recipient.</p> <p>Executive Share Option Plan 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 to which options that may be granted in one year, nor any cap on the level than 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.</p> <p>Restricted Share Plan ("RSP") All employees of the Group (including Executive Directors who are employees) are eligible to participate in the RSP. Awards provide rights to acquire ordinary shares (subject to restrictions) in the capital of the Company (whether by transfer or subscription) in such form (including but not limited to conditional shares or options) as the Board may determine in its absolute discretion. The number of shares over which awards to subscribe for shares may be granted under the RSP on any date shall be limited so that the total number of shares issued and issuable pursuant to rights granted under any employee share scheme operated by the Company in any rolling ten year period is restricted to ten (10) per cent of the Company's shares in issue calculated at the relevant time excluding any lapsed awards or those that are no longer capable of exercise. Awards may be granted subject to performance conditions which will be specified at the time of grant. All awards under the RSP are subject to malus and clawback provisions.</p>
<p>Pension provision</p>	<p>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.</p>	<p>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.</p>
<p>Other benefits</p>	<p>To provide cost effective and competitive remuneration benefits.</p>	<p>The Group provides private medical and life assurance benefits for employees and Executive Directors which may be linked to base salary.</p>

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, 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.

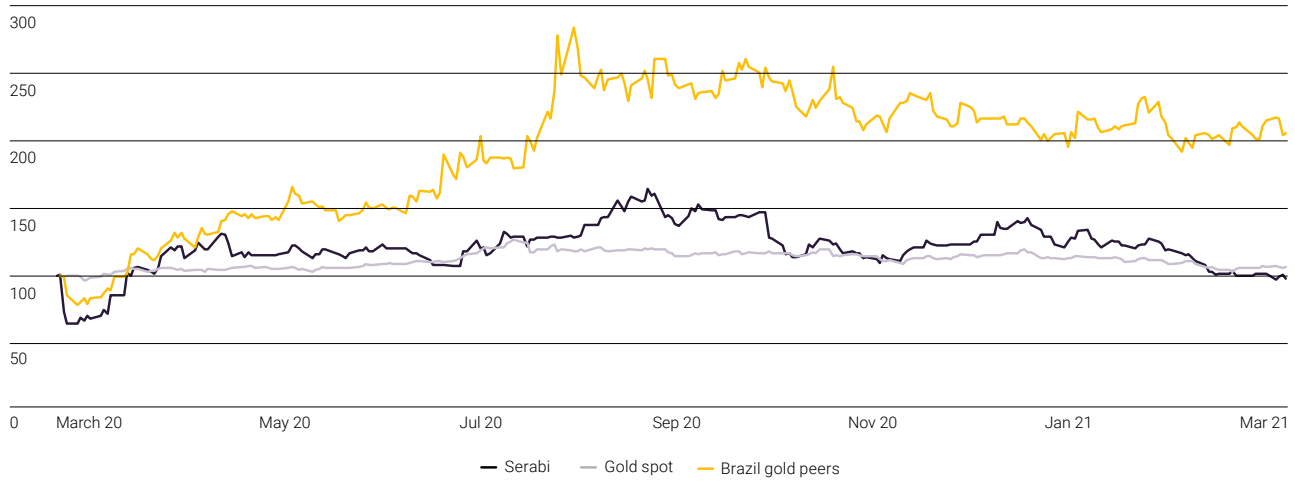
Share price performance

One year share price graph compared with AIM peer group

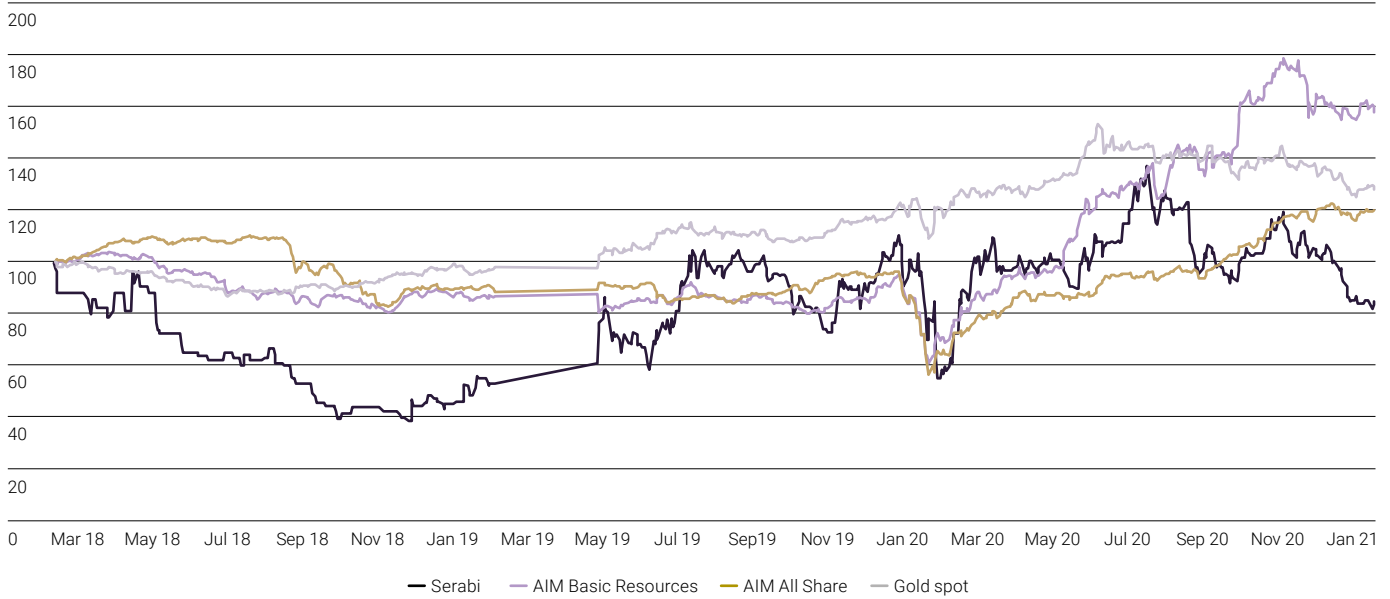


Directors' Remuneration Report continued
For the year ended 31 December 2020

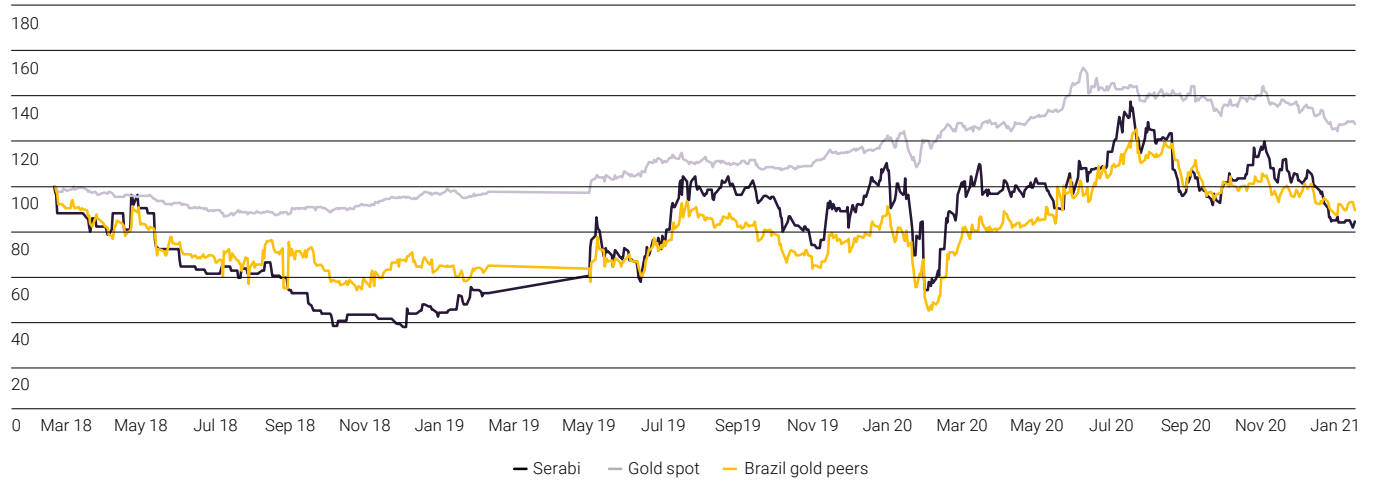
One year share price graph compared to Brazilian peer group



Three year share price graph compared with AIM peer group



Three year share price graph compared to Brazilian peer group



Directors' Remuneration Report continued

For the year ended 31 December 2020

Directors and their interests

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 2020 Total US\$	For the year to 31 December 2019 Total US\$
Michael Hodgson	236,556	–	–	–	10,258	76,511	6,125	329,450	406,886
Clive Line	211,602	–	–	–	–	54,681	5,104	271,387	321,262
Aquiles Alegria	–	26,410	–	–	–	16,426	–	42,836	42,896
Luis Azevedo ⁽¹⁾	–	18,213	–	–	–	10,808	–	29,021	–
Nicolas Bañados	–	34,384	–	–	–	16,426	–	50,810	45,157
T Sean Harvey	–	33,309	–	–	–	16,829	–	50,138	51,603
Eduardo Rosselot	–	26,410	60,000	–	–	16,426	–	102,835	102,896
Mark Sawyer	–	29,147	–	–	–	22,109	–	51,256	36,551
Felipe Swett ⁽¹⁾	–	9,977	–	–	–	5,618	–	15,595	48,549
Melvyn Williams ⁽²⁾	–	17,540	–	–	–	17,087	–	34,627	61,758
Total	448,158	195,390	60,000	–	10,258	252,921	11,229	977,956	1,117,558

(1) Mr Swett stood down from the Board on 27 April 2020 and on the same day Mr Azevedo was appointed to the Board.

(2) Mr Williams stood down from the Board on 16 June 2020.

Ordinary shares and options

The Directors of the Company who held office during the year and as of 31 December 2020 had the following interests in the ordinary shares of the Company according to the register of Directors' interests:

	Shares held at 31 December 2020	Shares held at 31 December 2019	Share options held at 31 December 2020	Share options held at 31 December 2019	Option price	Exercise period
Michael Hodgson	22,066	22,066	30,000	30,000	UK£8.20	28 Jan 11 to 27 Jan 21
			–	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
			500,000	–	UK£0.85	27 May 20 to 26 May 23
Clive Line	38,332	38,332	30,000	30,000	UK£8.20	28 Jan 11 to 27 Jan 21
			–	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
			350,000	–	UK£0.85	27 May 20 to 26 May 23
Aquiles Alegria	5,000	5,000	–	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
			100,000	–	UK£0.85	27 May 20 to 26 May 23
Luis Azevedo	–	–	100,000	–	UK£0.85	27 May 20 to 26 May 23
Nicolas Bañados ⁽¹⁾	1,122,197	1,122,197	–	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
			100,000	–	UK£0.85	27 May 20 to 26 May 23
T Sean Harvey	60,000	60,000	–	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
			100,000	–	UK£0.85	27 May 20 to 26 May 23
Eduardo Rosselot			–	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
			100,000	–	UK£0.85	27 May 20 to 26 May 23
Mark Sawyer ⁽²⁾	–	–	100,000	100,000	UK£0.75	02 July 18 to 1 July 21
			100,000	–	UK£0.85	27 May 20 to 26 May 23

(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 Inversiones Villarrica Limitada, a private financial investment fund, which is interested in 1,107,000 Ordinary Shares.

(2) Mr Sawyer is a partner of Greenstone Resources II LP which as at 31 December 2020 was interested in 14,887,970 Ordinary Shares. and held US\$2.0 million of Convertible Loan Notes which could be converted into Ordinary Shares at a conversion price of 76 pence per share. (refer to note 28 Post Balance Sheet Events for further information)

During the year ended 31 December 2020 the Company's shares have traded between 118.4 pence and 42.0 pence.

Audit Committee Report

For the year ended 31 December 2020

I am pleased to present this report on the activities of the Audit Committee ("the Committee") for the year ended 31 December 2020. This report is prepared in accordance with the Quoted Companies Alliance ("QCA") corporate governance code for small and mid-sized quoted companies, revised in April 2018. A summary of the Committee's role and membership can be found in the Governance section of this Annual Report. Committee meetings are held at least four times a year, and the Finance Director is invited to attend together with the external auditor. During the period, four meetings of the Committee were held, and the following significant issues were considered during the course of the year.

SIGNIFICANT ISSUE	SUMMARY OF SIGNIFICANT ISSUE	ACTIONS AND CONCLUSION
<p>Going concern</p>	<p>Assessment of the Group's ability to continue as a going concern as part of the preparation of the financial statements. This includes considering whether the Group has adequate resources to continue in operation for the foreseeable future from the date of anticipated signing of the financial statements.</p> <p>The assessment of going concern covers a period of at least 12 months from the date of signing the financial statements.</p>	<p>Although the Group raised £12.5 million of gross equity proceeds in March 2021, the Audit Committee has considered a number of additional factors in respect of going concern including:</p> <ul style="list-style-type: none"> the projected operational performance for the next 12 months; gold price and exchange rates assumptions used for the Group's forecasting purposes; debt repayment obligations; planned capital expenditure programmes including exploration budgets and development capital for the Coringa project; and the impact of COVID-19 on operations and access to future funding. <p>Management has stressed tested the cash flow forecasts and considers that gold prices would have to fall significantly below current consensus forecast levels before a cash deficit might occur.</p> <p>Management has stress tested costs and considers that costs could increase by 27 per cent for the entirety of 2021 before a cash deficit arises before the end of the current calendar year. Forecast improvements in production for 2022 provide an increased level of protection against higher levels of cost increases in that year.</p> <p>The Directors therefore considered the going concern assessment to be appropriate.</p>
<p>Recoverability of State taxes</p>	<p>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 ("STA") and the expected future operational expenditures over the next 12 months, that certain State taxes that it is able to recover and are owed at 31 December 2020, are not expected to be recovered in full 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.</p>	<p>Schemes exist and have been used in the past that allow companies to sell their ICMS credits to other companies but use of these schemes is always subject to the approval of the STA. In addition, legal advice has also highlighted the opportunity to use the credits as part payment for certain goods and capital equipment.</p> <p>Management has assessed the future expenditure plans of the Group over the coming years and made an assessment of the potential recovery of these debts over a reasonably foreseeable period through the use of these arrangements.</p> <p>The timing of these receipts has then been fair valued using appropriate discount rates and any shortfall in the estimated recoverable amount has been provided for in full.</p> <p>The Directors consider that based on the best information available adequate provision has been made at the end of the calendar year for those taxes that may not be recoverable in the reasonably foreseeable future.</p>

SIGNIFICANT ISSUE	SUMMARY OF SIGNIFICANT ISSUE	ACTIONS AND CONCLUSION
<p>Revenue estimation and adjustments</p>	<p>Revenue is initially recognised based on estimations based on laboratory analysis of metal content at the time of sale and these estimations are subject to change when the final levels of metal content are agreed based on further laboratory assessments conducted by both the buyer and the seller. Revenue is therefore subject to amendment at a future date.</p> <p>In the case of gold bullion any adjustments are currently agreed within a few days of the initial sale and usually within the month of sale. In the case of sales of copper/gold concentrate the final adjustments may not be known for up to six months from the initial laboratory assessment and four to five months from the date of the initial recognition of the sale. Historically these adjustments have not been material and the revenue adjustment is recognised in the month in which it is identified.</p>	<p>The Group maintains its own site laboratory which processes a large number of mineral samples on a daily basis, including samples extracted for mining activities and exploration and uses industry standard analytical processes, equipment and quality assurance / quality control procedures including the use of control samples and verification with third party accredited laboratories.</p> <p>During the last 12 months and coincident with the COVID-19 pandemic the level of variance between the estimated metal content of some of the production of copper/gold concentrate and the final agreed levels have resulted in a material variance between the value of the initial sale and the value of the final agreed sale. Management have concluded that there were a number of factors which may have contributed to the initial assays being incorrectly assessed and have taken actions to minimise future repetition. In these instances, the Audit Committee has considered that it is appropriate to recognise the adjustments in the quarter in which the original sale was incurred and to restate the revenue attributable to sales generated in that quarter.</p> <p>All sales made during 2020 have, at the date of finalising these financial statements, been agreed with the customer and all necessary adjustments to initial estimates have been reflected in the reported revenue for the calendar year ended 31 December 2020.</p>
<p>Resource estimations</p>	<p>The Group uses estimates of mineral resources for determining amortisation rates, life of mine forecasts and the timing of mine closure provisions. The accuracy of the estimates and the judgement of the level of resources to be included the level of amortisation in a period, the potential for impairment and the fair value of any closure provisions</p>	<p>Management prepares regular internal assessments of mineral resources following accepted international standards including the procedures set out in Canadian NI 43-101.</p> <p>The Board considers management plans for extracting these resources in the future and the Group's record of resource replenishment and resource conversion.</p> <p>The Directors consider that the mineral resources used by management are reasonable.</p>

Audit Committee Report continued
For the year ended 31 December 2020

SIGNIFICANT ISSUE	SUMMARY OF SIGNIFICANT ISSUE	ACTIONS AND CONCLUSION
<p>Unaccounted for withdrawals of cash</p>	<p>During the course of audit work conducted for the financial year ended 31 December 2020, the Group's auditors identified withdrawals totalling BrR\$450,000 (US\$80,000) made in cash from the Group's bank account in Brazil for which there was no supporting documentation. Whilst these amounts were not considered material, management in Brazil were unable to provide adequate explanation for the use of these funds.</p>	<p>The Audit Committee and Board initiated an internal enquiry initially involving the Group's legal advisers in Brazil ("FFA") and then engaged the services of Deloitte in Brazil to undertake a full forensic review. The Audit Committee established that the cash position reported by the Group was not affected by this matter.</p> <p>The enquiries completed by FFA and Deloitte have established that approximately US\$349,000 in cash payments had been made by the Group through its subsidiary SMSA during the period 1 January 2015 to 31 December 2020. Whilst the Group has recorded invoices in respect of US\$136,000 of these invoices it is unclear that the services set out in these invoices were ever received. The remaining payments have no supporting documentation. The enquiries did not identify direct evidence of improper payments occurring within the scope of licensing and/or payments to obtain benefits in connection with public agencies. However, at this time the Board is not able to conclude definitively on the nature of the payments made.</p> <p>Management have made certain changes to the Group's control procedures for the processing of bank payments and is working with Deloitte to establish an internal audit function reporting directly to the Audit Committee to improve the overall internal control environment.</p>
<p>Travel and expense advances and reimbursement of expenses</p>	<p>The enquiries completed by FFA and Deloitte identified US\$75,000 and US\$435,000 of expense advances and travel advances respectively which had been awarded between 1 January 2015 and 31 March 2021 to certain Brazilian based staff and have been expensed through the Group's Income Statement in each of the relevant years. However, further analysis indicates that no claims for reimbursement of expenses were ever submitted for these advances, and it would appear therefore that, in the absence of documented expense claims, these advances which over the period from January 2016 to March 2021 totalled approximately US\$510,000 remain due to be repaid to SMSA.</p> <p>In addition, the enquiries identified claims for reimbursement of expenses submitted by certain members of staff in Brazil that lacked appropriate and adequate supporting documentation or were not necessarily of a nature that appeared business related. The total value of such expenses over the period 1 January 2015 to 31 March 2021 was approximately US\$904,000. All these costs have been expensed through the Group's Income Statement in each of the relevant years.</p>	<p>The Group with its legal advisers is reviewing its options to recover these advances from the individuals concerned.</p> <p>Management have made certain changes to the Group's control procedures for the processing of advances to staff and the reimbursement of out-of-pocket expenses and is working with Deloitte to establish an internal audit function reporting directly to the Audit Committee to improve the overall internal control environment.</p>

SIGNIFICANT ISSUE	SUMMARY OF SIGNIFICANT ISSUE	ACTIONS AND CONCLUSION
Future mine development capital	Directly linked to the level of mineral resource used in certain estimates, it is also necessary to assess the amount and cost of future mine development that will be capitalised by the Group in order to mine those mineral resources.	<p>Management prepares indicative mine development plans considering the location of the mineral resources and management's estimates of vertical mine development required to access these mineral resources.</p> <p>Management estimates the future costs of this development by reference to equivalent historical costs.</p> <p>The Directors have considered the work and estimates prepared by management and consider them to be reasonable.</p>
Impairment of mining properties	Management is required to assess, at least annually, whether there is any indication that the Group's mining assets may be impaired. If an indication of impairment exists, management should estimate the recoverable amount of the asset through consideration of the discounted expected future cash flows.	<p>The Group has determined that the Palito and São Chico operations comprise a single cash generating units ("CGU"), being the Palito Complex.</p> <p>Management has carried out a review of impairment indicators and concluded there were no indicators of impairment in line with the provisions of IAS 36. The forecasts prepared by management of net present value are in excess of the carrying value of the CGU.</p> <p>On the basis of results presented by management the Directors have concluded that there are no indicators of impairment to indicate that the carrying value of the mining properties will not be recovered.</p>
Carrying value of exploration costs	<p>Management is required to assess, at least annually, whether there is any indication that the Group's exploration assets may be impaired.</p> <p>Management is required to assess whether there are any indicators that an asset may be impaired in accordance with IFRS 6 at the end of each reporting period. If any such indicators are identified a full impairment test in line with the requirements of IAS 36 is necessary.</p>	<p>Management have reported that they consider that no facts or circumstances exist at or subsequent to the year-end that would require them to perform a full impairment review under IAS 36.</p> <p>Based on review work presented by management, the Directors agree with management's conclusion that there are no indicators of impairment.</p>
Accounting treatment for the revised payment arrangement for the final acquisition payment for Coringa and the Convertible Loan Notes issued during 2020	Management prepared calculations to consider the effect of the modification of the payment arrangements with Equinox for the Coringa project and the correct accounting treatment for the Convertible Loan Notes and in particular the allocation of the funds received between the equity and debt components of this instrument.	Management has experience of dealing with the accounting for such arrangements and loan instruments and submitted their calculations and the underlying estimates and judgements to the Board for approval.

The Chairman of the Committee submits a report on each Committee meeting to the other Directors at the next Board meeting.

Audit Committee Report continued

For the year ended 31 December 2020

Fees of the external auditor

There was no significant non-audit work carried out by BDO subsequent to their appointment. Full details of fees paid during the period may be found in note 3b to the Consolidated Financial Statements.

Objectivity and independence

The Committee continues to monitor the auditor's objectivity and independence and is satisfied that BDO and the Company have appropriate policies and procedures in place to ensure that these requirements are not compromised.

Re-appointment of external auditor

The Committee recommends to the Board the re-appointment of BDO as auditor at the forthcoming Annual General Meeting (AGM), and BDO has expressed its willingness to continue in office.

Internal auditor

The requirement for the appointment of an internal auditor is reviewed annually by the Committee; and the Committee takes into consideration, among other things, the conclusions and reports of the Group's external auditor and the complexity of the operations when considering this decision. Following the completion of the work conducted by Deloitte into unexplained cash transactions and their additional findings, the Board has requested the assistance of Deloitte to establish and initially run an internal audit department based in Brazil reporting directly to the Audit Committee.

Going concern

The Directors considered it appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements. The going concern statement is detailed in full in note 1a of the Consolidated Financial Statements.

Conclusion

The Committee is satisfied with the quality, independence and objectivity of the external audit and believes that on the basis of the audit it can make a proper assessment of the quality of financial and other systems of reporting and control within the Company. In respect of its own performance, the Committee notes that during the period 2015 to 2016 there has been a breakdown in internal controls allowing certain unauthorised transactions to be undertaken. Whilst in each of the years affected the value of the transactions is not considered material the overall sums involved in the context of a single financial year are significant. The Committee has taken action in the implementation of an internal audit function and requested the finance department implement additional procedural changes to improve control over all aspects of the financial activities of the Group.

T Sean Harvey

Chairman of the Audit and Compliance Committee

24 September 2021

Directors' Report

For the year ended 31 December 2020

The Directors present their report together with the audited financial statements for the year ended 31 December 2020.

Results and dividends

The Group profit for the year after taxation amounts to US\$7,031,025 (2019: profit of US\$3,832,984). The Directors do not recommend the payment of a dividend.

The results for the year are set out on page 95 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 23 September 2021 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	19,318,785	25.5%
Greenstone Resources II LP	19,083,394	25.2%
River and Mercantile Asset Management	5,187,743	7.9%
Premier Miton Group PLC	4,900,000	6.5%

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 the following issues of share options were made under the Serabi Mining 2011 Share Option Plan to Directors and other employees.

Date of issue	Number issued	Price	Expiry
27 May 2020	2,050,000	UK£0.85	26 May 2023

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

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

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

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

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

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

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

Directors' Report continued

For the year ended 31 December 2020

Going concern and availability of finance continued

The Directors have prepared an operational plan and cash flow forecast covering a period of more than 12 months from the date of the signing of these financial statements which takes account of the current environment in Brazil. The Group's forecasts were prepared using a base gold price assumption of US\$1,700 per ounce and an exchange rate of BRL5:00 to US\$1:00. Based on this forecast which assumes levels of gold production and exploration and development plans in accordance with market guidance and taking into account the proceeds of the share placing completed on 2 March 2021, the settlement of the remaining Deferred Consideration, and the redemption of all of the Convertible Loan Notes in issue, the Directors consider that the Group will have sufficient cash flows to meet its financial obligations as they fall due. Should it be required the Board could also reduce the planned level of exploration expenditure or reduce the planned rate of expenditure on the development of Coringa to reduce cash outflows.

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

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

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

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 64 to 72.

Board composition

The Directors who served during the year are shown on pages 62 and 63.

The Board has a wide range of experience directly relevant to the Group and its activities and its structure ensures that no 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 64 to 72.

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 64 to 72.

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 electronically and displayed 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.

As described in the Chairman's Statement on page 2, an investigation into certain unsubstantiated cash withdrawals totalling approximately US\$340,000 and irregularities relating to the payment of travel advances and expense claims totalling approximately US\$1,414,000 was commissioned by the Board and by the Audit Committee and is now complete. Based on the findings of this report, the Board has concluded that there was a breakdown in the Group's internal control in relation to the authorisation of certain banking transactions and the payment and approval for travel advances and reimbursement of expenses. The Board has or is in the process of implementing a number of measures to strengthen the Company's internal control systems including establishing an internal audit function based in Brazil and reporting directly to the Audit Committee.

Whilst the above matter highlighted a breakdown of internal controls resulting in unauthorised transactions being undertaken, the Board remains satisfied that all of these transactions were recorded and reported in the financial statements both in the current and in all prior financial periods. As a result, there has been no requirement for any restatement of prior period financial statements.

The Board and management, taking account of the size and nature of the Group, base the design of the Group's internal control procedures, 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). Nonetheless 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.

Directors' Report continued

For the year ended 31 December 2020

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 initially for a two year period and extended to the end of 2021. However, management consider 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 2 March 2021, the Group announced that it had concluded a placing of 16,650,000 new Ordinary Shares raising gross proceeds of £12.5 million. The shares were issued and admitted to trading on AIM and listed on the TSX on 9 March 2021. The shares were placed with new and existing investors at a Placing Price of £0.75 (C\$1.32) per new Ordinary Share. Concurrently, the Group also undertook a conditional placing of Warrants with investors subscribing for a total of 4,003,527 Warrants at a price of £0.06 (C\$0.11) per Warrant to raise gross proceeds of US\$0.3 million (£0.2 million / C\$0.4 million), subject amongst other things to shareholder approval which was received at a general meeting held on 27 April 2021. The Warrants have an exercise price of £0.9375 (C\$1.65) per new Ordinary Share and are exercisable for two years from their date of issue. Greenstone Resources II LP ("Greenstone"), a related party, subscribed for 4,195,424 new Ordinary Shares and 2,097,711 Warrants.

On 19 March 2021, the Group redeemed all of the Convertible Loan Notes in issue together with accrued interest and other fees due. All the Loan Notes were held by Greenstone.

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.

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
24 September 2021

Independent Auditor's Report

To the members of Serabi Gold Plc

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 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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.

We have audited the financial statements of Serabi Gold plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Group Statement of Comprehensive Income/(Loss), 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 their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

Emphasis of matter – fraud investigation

We draw attention to note 1 to the financial statements which describes that following unexplained cash withdrawals being detected during the Group audit, the Board initiated an external independent forensic investigation. This investigation identified unsubstantiated payments and cash withdrawals had been made to third parties including persons or persons connected with individuals who have previously held public office, and that there were irregularities relating to the payment of travel advances and expense claims to employees.

While all these costs have been appropriately expensed in the Group's Income Statement in the relevant year, and no direct evidence has been obtained of improper payments occurring within the scope of licensing and/or payments to obtain benefits in connection with public officials, based on the conclusions of the enquiries, the Directors have not been able to definitively conclude on the nature of the payments made, or the extent to which these were valid payments for services provided or expenditures incurred on behalf of the business.

As described in note 1, the Company intends to pursue appropriate legal remedies in respect of any funds that are considered to have been misappropriated. This was considered to be a key audit matter and the work we have undertaken specific to the fraud investigation in response to the investigation is detailed in the Auditor's responsibilities for the audit of the financial statements section below. Our opinion is not modified in this respect.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. To evaluate the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting we:

- Reviewed the Directors' cash flow forecasts for the Group, which covered a period in excess of twelve months from the date of approval of these financial statements.
- Agreed to bank the receipt of the gross proceeds of £12.5m from the share placing on 9 March 2021, the payment of \$2.5m to redeem all of the Group's convertible loans and the repayment of \$3.6m in respect of the deferred consideration for the Coringa Gold Project.
- Considered whether the forecast cash inflows and outflows for Palito and São Chico were reasonable and consistent with current performance and the life of mine model.
- Challenged and corroborated to our own research the Directors' key assumptions included in the base case cash flow forecasts and discussed with the Directors their future plans for the Group, including developing the Coringa project and checked that all contractually committed amounts and liabilities were included within the projections;
- Evaluated the adequacy of disclosures made in the financial statements in respect of going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report continued

To the members of Serabi Gold Plc

Overview

Coverage	100% (2019: 100%) of Group profit before tax 100% (2019: 100%) of Group revenue 100% (2019: 100%) of Group total assets		
Key audit matters		2020	2019
	Carrying value of the Group's mining properties and the Parent Company's investment in subsidiaries	X	X
	Fraud investigation	X	
Materiality	Group financial statements as a whole \$0.7m (2019: \$0.5m) based on 4.5% (2019: 3%) of earnings before interest, tax, depreciation and amortisation (EBITDA)		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by management or the Directors that may have represented a risk of material misstatement.

Our Group audit scope focussed 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, 100% of the Group's EBITDA and 100% of total assets.

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 Exploração Mineral Ltda were the entities that were deemed to be significant components by virtue of size and risk.

For Serabi Mineração SA, Gold Aura do Brasil Mineração Ltda and Chapleau Exploração Mineral Ltda, the BDO network firm in Brazil completed full scope audits reporting to the Group audit team.

The Parent Company and consolidation were subject to a full scope audit by the Group audit team.

The remaining subsidiaries were deemed non-significant and the Group auditor principally performed analytical review procedures on the financial information.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included 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
- Due to travel restrictions in place as a result of the COVID-19 global health pandemic, although no site visits were performed, the Group audit team followed a programme of planned virtual meetings, and had regular team interactions with the component teams where appropriate during various stages of the audit, reviewed key working papers and participated in the component team's planning event, and attended the closing calls with the management of the Brazilian component subsidiaries virtually.
- 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.

Key audit matters

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. In addition to the matter referred to in the emphasis of matter section of our report, we considered the following to be a key audit matter:

KEY AUDIT MATTER	HOW THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p>Carrying value of the Group's mining properties and the Parent Company's investment in subsidiaries.</p> <p>As at 31 December 2020:</p> <p>the Group's Property, plant and equipment totalled \$26.2m and details of these assets and the related critical judgements and estimates are disclosed in notes 1(d), 1 (aa) and 9.</p> <p>the Parent Company's Investment in subsidiaries total \$101.8m and details of these investments and the related critical judgements and estimates are disclosed in notes 1(f),(h),(t) and 11 and 13.</p> <p>Given the current gold price forecasts and the operating results in the year, Management has considered there is no indication of any potential impairments at the Group's operating mines. Despite this the preparation of the life of mine models still requires Management to make critical judgements and estimates regarding gold prices, reserves and resources, production rates, operating costs and capital expenditure as well as economic variables such as discount rates.</p> <p>The value of the mining properties and the inherent judgement involved in the life of mine estimates makes this a significant audit risk and a key area of focus for our audit.</p>	<p>We evaluated management's impairment trigger analysis which did not indicate any impairment triggers. Our audit procedures included:</p> <ul style="list-style-type: none"> • Evaluated changes to the Board approved life of mine plan against the prior year and our understanding of operations. • Reviewed forecast performance against historic performance for reasonableness. • Challenged the key estimates and assumptions used by management, including commodity pricing, production volumes and grade, operational and capital expenditure and the discount rate. • Compared the forecast pricing assumptions to independently sourced broker consensus data and other third party industry commentators. • Compared the forecast production to the internal Competent Person's Reserves and Resources Statement, discussed and challenged the Group's geologists to assess areas such as inferred resource conversion against empirical data. In placing reliance on management experts we performed procedures to evaluate their competence and objectivity. • Assessed the potential return from the Coringa asset based on the preliminary economic assessment released to the market. We sensitised that return due to the implicit exploration and development risk attached to such an asset to consider whether there would be an impact on future recoverability on the underlying investment in subsidiary. • 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 reviewed a letter from management's legal advisers to support that legal title remains in the period under renewal and ensured this was in line with our understanding of the licence renewal process in Brazil. • Enquired with solicitors in Brazil to verify that there were no material litigations or disputes that would impact on the mining and exploration operations. • Enquired of any known breaches of laws and regulations in the year and none were noted. <p>Key Observation</p> <p>Based on our procedures we considered the Directors' conclusion that there were no impairment triggers in respect of the Group's Property, plant and equipment or the Parent Company's Investment in subsidiaries as at 31 December 2020. We found the judgements and estimates applied by the Directors in forming this view to be reasonable.</p>

Independent Auditor's Report continued

To the members of Serabi Gold Plc

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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	GROUP FINANCIAL STATEMENTS		PARENT COMPANY FINANCIAL STATEMENTS	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Materiality	0.70	0.50	0.42	0.30
Basis for determining materiality	4.5% of EBITDA	3% of EBITDA	1.5% of assets limited to 60% of Group materiality	
Rationale for the benchmark applied	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 Company holds material investments in subsidiaries and intercompany debtors. We have based materiality on assets given the substance of the Company is to invest in operations in Brazil.	
Performance materiality	75%	75%	75%	75%
Basis for determining performance materiality	Performance materiality was set at 75% of the above materiality levels given there has been limited experience of past misstatements.			

Component materiality

Whilst materiality for the financial statements as a whole was \$700,000 (2019: \$500,000), each significant component of the Group was audited to a lower level of materiality. The Parent Company materiality was \$420,000 (2019: \$310,000), being 60% of Group materiality.

We set materiality for the other components of the Group based on a percentage of between 16% and 60% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from \$110,000 to \$420,000. In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

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 \$14,000 (2019: \$10,000). We also agreed to report differences below these thresholds that, in our view warranted reporting on qualitative grounds.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

STRATEGIC REPORT AND DIRECTORS' REPORT	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> 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. <p>In the light of the knowledge and understanding of the Group and 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.</p>
MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION	<p>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:</p> <ul style="list-style-type: none"> 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, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Holding discussions with management, the Audit Committee, the component auditor and component management to understand the laws and regulations relevant to the Group and the Parent Company. These included elements of financial reporting framework, tax legislation and environmental regulations;
- Holding discussions with management and the Audit Committee and considering any known or suspected instances of non-compliance with laws and regulations or fraud;
- Assessing the extent to which transactions may be susceptible to fraud by using data analytics software to identify transactions displaying set characteristics. One such characteristic was testing journals direct to cash and expenses, which are outside of the normal purchase to pay cycle. As a consequence of this test, unexplained cash withdrawals were identified. As described in note 1 of the financial statements this led to management instigating an external forensic investigation. The additional procedures we undertook in response to the findings of the investigation are set out below;
- Performing a detailed review of the Group's year-end adjusting entries and investigating any that appear unusual as to nature or amount;
- For significant and unusual transactions, particularly those occurring at or near year-end, investigating the possibility of related parties and the sources of financial resources supporting the transactions;
- Assessing the judgements made by management when making key accounting estimates and judgements, and challenging management on the appropriateness of these judgements;
- Extending inquiries to individuals outside of management and the accounting department to corroborate management's ability and intent to carry out plans that are relevant to developing estimates; and
- Reviewing minutes from board meetings of those charged with governance to identify any instances of non-compliance with laws and regulations.

Independent Auditor's Report continued

To the members of Serabi Gold Plc

Work undertaken specific to the fraud investigation as disclosed in note 1:

We engaged internal forensic experts both in Brazil and the UK to support the audit team in evaluating the scope and findings of the external forensic investigation instigated by management. This included:

- Assessing the competence, capabilities and objectivity of the external forensic investigator;
- Reviewing the investigator's engagement letter and scope;
- Through regular communication, challenging the evidence identified to determine whether procedures undertaken were sufficient;
- Reading the external forensic investigator's final report and assessing their findings;
- Considering the impact on other areas of the audit pertaining to management override of control; and
- Evaluating the investigation findings and the appropriateness of the disclosures included in the financial statements.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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

United Kingdom

24 September 2021

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

Group Statement of Comprehensive Income/(Loss) For the year ended 31 December 2020

	Notes	Group	
		For the year ended 31 December 2020 US\$	Restated For the year ended 31 December 2019 US\$
Revenue		55,830,078	59,948,092
Cost of sales		(33,127,648)	(36,986,923)
Release of provision for impairment of inventory	12	–	500,000
Provision for impairment of state taxes receivable		(1,038,083)	(716,522)
Depreciation and amortisation charges		(5,128,895)	(9,023,843)
Total cost of sales		(39,294,626)	(46,227,288)
Gross profit		16,535,452	13,720,804
Administration expenses		(5,856,760)	(5,262,380)
Share-based payments		(533,264)	(261,940)
Gain on disposal of fixed assets		245,743	166,640
Operating profit	3	10,391,171	8,363,124
Foreign exchange (loss)/gain		(214,845)	210,988
Finance expense	4	(1,763,240)	(2,558,433)
Finance income	4	74,403	175,237
Profit before taxation		8,487,489	6,190,916
Income tax expense	5	(1,456,464)	(2,357,932)
Profit for the period⁽¹⁾		7,031,025	3,832,984
Other comprehensive income (net of tax)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(15,591,140)	(3,682,836)
Total comprehensive (loss)/profit for the period⁽¹⁾		(8,560,115)	150,148
Earnings per ordinary share (basic)⁽¹⁾	7	11.92c	6.51c
Earnings per ordinary share (diluted)⁽¹⁾	7	11.10c	6.28c

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

The Group Statement of Comprehensive Income/(Loss) for the prior year has been restated. For further details see Accounting Policies note (z) Prior period adjustment.

Group Balance Sheet
As at 31 December 2020
Company Number 5131528

	Notes	Group		
		At 31 December 2020 US\$	Restated At 31 December 2019 US\$	Restated At 1 January 2019 US\$
Non-current assets				
Deferred exploration costs	8	27,778,354	29,656,716	26,706,579
Property, plant and equipment	9	26,235,551	34,492,164	39,419,459
Right of use assets	10	2,573,738	1,997,176	–
Taxes receivable	13	696,077	848,845	1,555,170
Deferred taxation	5	1,879,158	1,321,782	2,162,180
Total non-current assets		59,162,878	68,316,683	69,843,388
Current assets				
Inventories	12	6,979,438	6,577,968	8,511,474
Trade and other receivables	13	1,936,044	802,275	758,209
Prepayments	14	1,554,991	3,473,288	4,166,916
Cash and cash equivalents	15	6,603,620	14,234,612	9,216,048
Total current assets		17,074,093	25,088,143	22,652,647
Current liabilities				
Trade and other payables	16	6,846,202	6,113,789	6,273,321
Interest-bearing liabilities	18	8,726,302	6,952,542	4,302,798
Acquisition payment outstanding	22	–	12,000,000	10,997,757
Derivative financial liabilities	19	390,456	–	390,976
Accruals		292,089	319,670	372,327
Total current liabilities		16,255,049	25,386,001	22,337,179
Net current assets		819,044	(297,858)	315,468
Total assets less current liabilities		59,981,922	68,018,825	70,158,856
Non-current liabilities				
Trade and other payables	16	91,916	183,043	955,521
Provisions	17	1,467,032	2,237,266	1,543,811
Deferred tax liability	5	324,519	–	–
Interest-bearing liabilities	18	350,931	–	2,473,096
Total non-current liabilities		2,234,398	2,420,309	4,972,428
Net assets		57,747,524	65,598,516	65,186,428
Equity				
Share capital	21	8,905,116	8,882,803	8,882,803
Share premium reserve		21,905,976	21,752,430	21,752,430
Option reserve		1,173,044	1,019,589	1,363,367
Other reserves		10,254,048	7,149,274	4,763,819
Translation reserve		(64,004,958)	(48,413,818)	(44,730,982)
Retained surplus		79,514,298	75,208,238	73,154,991
Equity shareholders' funds attributable to owners of the parent		57,747,524	65,598,516	65,186,428

The Group Balance Sheet for the prior year has been restated. For further details see Accounting Policies note (z) Prior period adjustment.

The financial statements were approved and authorised for issue by the Board of Directors on 24 September 2021 and signed on its behalf by:

Company Balance Sheet
As at 31 December 2020
Company Number 5131528

	Notes	Company		
		At 31 December 2020 US\$	Restated At 31 December 2019 US\$	Restated At 1 January 2019 US\$
Non-current assets				
Investments in subsidiaries	11	101,832,791	100,937,797	99,251,000
Other receivables	13	9,783,318	9,474,214	8,269,265
Total non-current assets		111,616,109	110,412,011	107,520,265
Current assets				
Trade and other receivables	13	1,885,242	797,936	633,853
Prepayments and prepaid taxes	14	280,079	148,194	118,371
Cash and cash equivalents	15	3,813,957	9,447,822	7,382,530
Total current assets		5,979,278	10,393,952	8,134,754
Current liabilities				
Trade and other payables	16	28,322,731	13,655,228	4,065,481
Interest-bearing liabilities	18	8,524,899	6,903,692	3,636,360
Derivative financial liabilities	19	390,456	–	390,976
Acquisition payment outstanding	22	–	12,000,000	10,997,757
Accruals		416,935	649,508	655,318
Total current liabilities		37,655,021	33,208,428	19,745,892
Net current liabilities		(31,675,743)	(22,814,476)	(11,611,138)
Total assets less current liabilities		79,940,366	87,597,535	95,909,127
Non-current liabilities				
Interest-bearing liabilities	18	–	–	2,424,246
Total non-current liabilities		–	–	2,424,246
Net assets		79,940,366	87,597,535	93,484,881
Equity				
Share capital	21	8,905,116	8,882,803	8,882,803
Share premium reserve		21,905,976	21,752,430	21,752,430
Option reserve		1,173,044	1,019,589	1,363,367
Merger reserve		361,461	361,461	361,461
Retained surplus		47,594,769	55,581,252	61,124,820
Equity shareholders' funds attributable to owners of the parent		79,940,366	87,597,535	93,484,881

The Parent Company Balance Sheet for the prior year has been restated to amend the disclosure of certain grouped line items to align them to the current year groupings. There has been no change to the statement of financial position of the Company either at the start or the end of the prior year as a result of the restatement. For further details see Accounting Policies note (z) Prior period adjustment.

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 2020 was US\$8,366,292 (2019: loss of US\$6,149,267).

The financial statements were approved and authorised for issue by the Board of Directors on 24 September 2021 and signed on its behalf by:

Clive Line
Finance Director
 24 September 2021

Statements of Changes in Shareholders' Equity

For the year ended 31 December 2020

Group	Share capital US\$	Share premium US\$	Share option reserve US\$	Other reserves US\$	Restated Translation reserve US\$	Retained surplus US\$	Total equity US\$
Equity shareholders' funds at 31 December 2018 (as previously presented)	8,882,803	21,752,430	1,363,367	4,763,819	(40,807,123)	73,154,991	69,110,287
Prior year restatement	–	–	–	–	(3,923,859)	–	(3,923,859)
Equity shareholders' funds restated at 31 December 2018	8,882,803	21,752,430	1,363,367	4,763,819	(44,730,982)	73,154,991	65,186,428
Foreign currency adjustments (restated)	–	–	–	–	(3,682,836)	–	(3,682,836)
Profit for year	–	–	–	–	–	3,832,984	3,832,984
Total comprehensive income for the year (restated)	–	–	–	–	(3,682,836)	3,832,984	150,148
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 (restated)	8,882,803	21,752,430	1,019,589	7,149,274	(48,413,818)	75,208,238	65,598,516
Foreign currency adjustments	–	–	–	–	(15,591,140)	–	(15,591,140)
Profit for year	–	–	–	–	–	7,031,025	7,031,025
Total comprehensive income for the year	–	–	–	–	(15,591,140)	7,031,025	(8,560,115)
Shares issued in period	22,313	153,546	–	–	–	–	175,859
Transfer to taxation reserve	–	–	–	3,104,774	–	(3,104,774)	–
Share options exercised in period	–	–	(31,752)	–	–	31,752	–
Share options lapsed in period	–	–	(348,057)	–	–	348,057	–
Share option expense	–	–	533,264	–	–	–	533,264
Equity shareholders' funds at 31 December 2020	8,905,116	21,905,976	1,173,044	10,254,048	(64,004,958)	79,514,298	57,747,524

Other reserves comprise a merger reserve of US\$361,461 and a taxation reserve of US\$9,892,587 (2019: merger reserve of US\$361,461 and taxation reserve of US\$6,787,813).

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. The taxation reserve is not considered a distributable reserve but can be used to meet the cost of regional investment programmes completed by the Group and approved by SUDAM.
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.

The Group's Statement of Changes in Shareholders' Equity for the prior year has been restated to amend the disclosure of certain grouped line items to align them to the current year groupings. For further details see Accounting Policies note (z) Prior period adjustment.

Company	Share capital US\$	Share premium US\$	Share option reserve US\$	Merger reserve US\$	Retained surplus US\$	Total equity US\$
Equity shareholders' funds at 31 December 2018 (as previously presented)	8,882,803	21,752,430	1,363,367	361,461	56,902,890	89,262,951
Prior year restatement	-	-	-	-	4,221,931	4,221,931
Equity shareholders' funds restated at 31 December 2018	8,882,803	21,752,430	1,363,367	361,461	61,124,821	93,484,882
Loss for the year (restated)	-	-	-	-	(6,149,287)	(6,149,287)
Comprehensive loss for year (restated)	-	-	-	-	(6,149,287)	(6,149,287)
Share options lapsed in period	-	-	(605,718)	-	605,718	-
Share option expense	-	-	261,940	-	-	261,940
Equity shareholders' funds at 31 December 2019 (restated)	8,882,803	21,752,430	1,019,589	361,461	55,581,252	87,597,535
Loss for the year	-	-	-	-	(8,366,292)	(8,366,292)
Comprehensive loss for year	-	-	-	-	(8,366,292)	(8,366,292)
Shares issued in period	22,313	153,546	-	-	-	175,859
Share options exercised in period	-	-	(31,752)	-	31,752	-
Share options lapsed in period	-	-	(348,057)	-	348,057	-
Share option expense	-	-	533,264	-	0	533,264
Equity shareholders' funds at 31 December 2020	8,905,116	21,905,976	1,173,044	361,461	47,594,769	79,940,366

The Company's Statement of Changes in Shareholders' Equity for the prior year has been restated. For further details see Accounting Policies note (z) Prior period adjustment.

Cash Flow Statements

For the year ended 31 December 2020

	Notes	Group		Company	
		For the year ended 31 December 2020 US\$	For the year ended 31 December 2019 US\$	For the year ended 31 December 2020 US\$	Restated For the year ended 31 December 2019 US\$
Cash outflows from operating activities					
Profit/(loss) for the period		7,031,025	3,832,984	(8,366,292)	(6,149,267)
Net financial expense		1,903,682	2,172,208	1,544,508	2,081,759
Depreciation – plant, equipment and mining properties		5,128,895	9,023,843	–	–
Inventory impairment expense		–	(500,000)	–	–
Taxation expense	5	1,456,464	2,357,932	–	–
Share-based payments		587,970	261,940	533,264	261,940
Taxation paid		(466,604)	–	–	–
Interest paid		(285,567)	(596,286)	(262,439)	(587,204)
Foreign exchange		(116,210)	(431,127)	166,748	(49,370)
Changes in working capital					
(Increase)/decrease in inventories		(1,843,621)	2,143,212	–	–
(Increase) in receivables, prepayments and accrued income		(770,571)	(228,496)	(1,019,281)	(193,906)
Increase/(decrease) in payables, accruals and provisions		1,930,609	470,787	(194,219)	266,224
Increase in short-term intercompany payables		–	–	14,629,149	9,317,694
Net cash inflow from operations		14,556,072	18,506,997	7,031,438	4,947,870
Investing activities					
Acquisition payment for subsidiary	18&22	(6,500,000)	–	(6,500,000)	–
Acquisition of other property rights	9	(634,594)	(1,541,457)	–	–
Purchase of property, plant, equipment, and projects in construction	9	(2,545,575)	(3,073,334)	–	–
Mine development expenditure	9	(2,952,943)	(4,478,420)	–	–
Geological exploration expenditure	8	(2,425,440)	(2,249,338)	–	–
Pre-operational project costs	8	(1,330,469)	(1,634,647)	–	–
Proceeds from sale of assets		627,447	240,524	–	–
Investment in subsidiaries	11	–	–	(894,994)	(1,686,796)
Loans to subsidiaries		–	–	(300,000)	(1,204,949)
Interest received and other finance income		911	2,325	911	2,324
Net cash outflow on investing activities		(15,760,663)	(12,734,347)	(7,694,083)	(2,889,421)
Financing activities					
Convertible loan note receipts	18	2,000,000	–	2,000,000	–
Repayment of short-term secured loan	18	(6,983,492)	(285,135)	(6,983,492)	–
Payment of lease liabilities		(397,490)	(340,196)	–	–
Net cash outflow from financing activities		(5,380,982)	(625,331)	(4,983,492)	–
Net (decrease)/increase in cash and cash equivalents		(6,585,573)	5,147,319	(5,646,137)	2,058,449
Cash and cash equivalents at beginning of period		14,234,612	9,216,048	9,447,822	7,382,530
Exchange difference on cash		(1,045,419)	(128,755)	12,272	6,843
Cash and cash equivalents at end of period		6,603,620	14,234,612	3,813,957	9,447,822

The Company Cash Flow Statement for the prior year has been restated to amend the disclosure of certain grouped line items to align them to the current year groupings. For further details see Accounting Policies note (z) Prior period adjustment.

Notes to the Financial Statements

For the year ended 31 December 2020

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 85.

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

Accounting standards, amendments and interpretations effective in 2020

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

The following new standards, amendments or interpretations applicable to periods beginning on or after 1 January 2020 were each effective as of 1 January 2020:

Amendments to References to the Conceptual Framework in IFRS Standards

Definition of a Business (Amendments to IFRS 3)

Definition of Material (Amendments to IAS 1 and IAS 8)

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

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

	Effective date
COVID-19-Related rent Concession (Amendment to IFRS 16)	1 June 2020
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate benchmark Reform – Phase 2	1 January 2021
Property, Plant and Equipment – Proceeds before Intended Use (amendments to IAS 16)	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Reference to Conceptual Framework (Amendments to IFRS 3)	1 January 2022
IFRS 17 Insurance Contracts, including Amendments to IFRS 17	1 January 2023
Classification of Liabilities as Current or Non-current (Amendments to IAS 1) and	
Classification of Liabilities as Current or Non-current – Deferral of Effective Date	1 January 2023

Investigation into unsubstantiated payments

As described in the Chairman's Statement on page 2, an investigation, into certain unsubstantiated cash withdrawals totalling approximately US\$349,000 and irregularities relating to the payment of travel advances totalling US\$510,000 and expense claims totalling approximately US\$904,000, was commissioned by the Board and by the Audit Committee and is now complete. The Company initially engaged its legal advisers in Brazil ("FFA") to undertake enquiries into these transactions and following the presentation of their initial findings subsequently engaged the services of the Forensic Investigations group of Deloitte Touche Tohmatsu Consultores Ltda in Brazil ("Deloitte"). Deloitte were retained to review, analyse and substantiate the initial findings of FFA and also to conduct a more comprehensive investigation to identify any other potential matters that may not have been identified in the initial review by FFA. Based on the findings of these enquiries, the Board has concluded that there was a breakdown in the Group's internal control in relation to the authorisation of certain banking transactions and the payment and approval for travel advances and reimbursement of expenses. However, notwithstanding that the Board considers that all reasonable and practicable steps have been taken at this time, based on the conclusions of the enquiries, the Board is unable to definitively conclude on the precise nature of the payments made, and the extent to which these were valid payments for services provided or expenditures incurred on behalf of the business. The Board has introduced a number of measures to strengthen the Company's internal control systems and this work is underway.

Cash withdrawals

All the identified cash withdrawals were recorded through the accounts of SMSA and expensed in the period in which they were incurred, and the enquiries concluded that no direct evidence of improper payments occurring within the scope of licensing and/or payments to obtain benefits in connection with public agencies had been identified. However, notwithstanding that the Board considers all reasonable and practicable steps have been taken, at this time it has not been possible to definitively conclude on the precise nature of the purpose to which the cash was ultimately used and it remains possible that the ultimate beneficiaries of these funds were not necessarily employees of SMSA. Certain of the cash payments were supported by invoices for services provided. It cannot be established with certainty that those services were rendered, that if services were rendered the service actually provided reflects the value of the consideration made or that the ultimate recipient of the payment was the service provider named on the invoice.

Notes to the Financial Statements continued

For the year ended 31 December 2020

1 Significant accounting policies continued

(a) Basis of preparation continued

Irregularities regarding expense claims and advances

The enquiries also identified a number of other potential irregularities relating to expense claims and travel and other expense advances made to some Brazilian based members of staff during the same period. It has been identified that these advances have been expensed through the Group's Income Statement in each of the relevant years. However, analysis indicates that no claims for reimbursement of expenses were ever submitted for these advances, and it would appear therefore that, in the absence of documented expense claims, these advances, which over the period from January 2015 to March 2021 totalled approximately US\$510,000, remain due to be repaid to SMSA.

In addition, the enquiries identified claims for reimbursement of expenses submitted by certain members of staff in Brazil that lacked appropriate and adequate supporting documentation or were not necessarily of a nature that appeared business related. The total value of such expenses over the period January 2015 to March 2021 was approximately US\$904,000. All these costs have been expensed through the Group's Income Statement in each of the relevant years.

In respect of the advances that remain due to be repaid and the claims for expenses, no direct evidence has been identified of improper payments occurring within the scope of licensing and/or payments to obtain benefits in connection with public agencies. However, in both situations, whilst the payments were made by electronic bank transfer to the bank accounts of the appropriate employee and notwithstanding that the Board considers all reasonable and practicable steps have been taken, it has not been possible to establish with certainty that the funds paid were retained, in whole or in part, by these employees.

Other matters of relevance

The enquiries also identified certain isolated transactions which are considered relevant in the context of the work. These were

- i) a contract for BrR\$104,000 (approximately US\$20,000) with a former public official to provide consulting services from January 2018 to December 2018. It has not been identified that the individual held any public office during this period.
- ii) payments totalling BrR\$175,510 (approximately US\$34,000) made between November 2015 and December 2016 to an individual providing consultancy services to SMSA that were not in accordance with the contractual terms for this individual. The individual provided services to the Company from 2008 until his contract was terminated in July 2021.
- iii) A payment of BrR\$250,000 (approximately US\$49,000) for the supply of diesel fuel. The diesel fuel was never received, and the funds were returned to SMSA. It was identified that the owner of the Company who was supposed to supply the diesel fuel was related to an employee of SMSA.
- iv) A payment of BrR\$151,500 (approximately US\$29,000) under a contract signed with SMSA in March, 2021 for environmental services to be provided over a period to December 2021. The contract has been terminated by SMSA for non-performance. A senior officer of the service provider held positions of public office between 2011 and 2019.

In respect of these transactions no direct evidence has been identified of improper payments occurring within the scope of licensing and/or payments to obtain benefits in connection with public agencies.

Summary of findings by year⁽¹⁾

	2015 USD	2016 USD	2017 USD	2018 USD	2019 USD	2020 USD	2021 USD	Total USD
Cash withdrawals	58,000	60,000	47,000	–	97,000	87,000	–	349,000
Travel advances and expense claims	125,000	163,000	183,000	223,000	267,000	337,000	116,000	1,414,000
Other matters	–	34,000	–	20,000	–	–	29,000	83,000

(1) A fixed exchange rate of BRL5.15 to US\$1.00 has been used to calculate the approximate USD equivalent values at an approximate current exchange rate.

The Company has explored and intends to pursue appropriate legal remedies in respect of any funds that are considered to have been misappropriated.

Going concern and availability of finance

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

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

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

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

1 Significant accounting policies continued

(a) Basis of preparation continued

Going concern and availability of finance continued

The incidence of COVID-19 in Brazil remains high, but management considers that, whilst this creates some uncertainty, the actions and procedures that have been implemented by the Group and its history over the past 18 months of dealing with the effects of the pandemic, are minimising the potential for any significant and extended effect on the business and its operations. Management and the Board will continue to assess any further actions that may be necessary, but at this time, based on the information currently available and experiences to date, consider that the measures currently in place will permit the Group to maintain operations at forecast rates of production.

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

The Directors have prepared an operational plan and cash flow forecast covering a period of more than 12 months from the date of the signing of these financial statements which takes account of the current environment in Brazil. The Group's forecasts were prepared using a base gold price assumption of US\$1,700 per ounce and an exchange rate of BRL5.00 to US\$1.00. Based on this forecast which assumes levels of gold production and exploration and development plans in accordance with market guidance and taking into account the proceeds of the share placing completed on 2 March 2021, the settlement of the remaining Deferred Consideration, and the redemption of all of the Convertible Loan Notes in issue, the Directors consider that the Group will have sufficient cash flows to meet its financial obligations as they fall due. Should it be required the Board could also reduce the planned level of exploration expenditure or reduce the planned rate of expenditure on the development of Coringa to reduce cash outflows.

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

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

(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.

(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 2020 was 1.3607 (2019: 1.3210). The Brazilian Real/US Dollar exchange rate at 31 December 2020 was 5.1961 (2019: 4.0301).

Notes to the Financial Statements continued

For the year ended 31 December 2020

1 Significant accounting policies continued

(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) (iii)) 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.

(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

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

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

Mining assets

Processing plant	three – seven years
Other plant and assay equipment	two – ten years
Heavy vehicles	eight years
Light vehicles	three years
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. In addition to the direct costs involved in exploration activity, including sample collection, drilling costs, geophysical surveys and assay expenses, exploration costs are also considered to include technical and administrative overheads directly attributable to the exploration department including the cost of consultants, security, salaries, travel and accommodation but not general overheads of the Group. Deferred exploration costs are carried at cost, less any impairment losses recognised.

At such time as commercial feasibility is established and a development decision is reached, the costs associated with that property will be transferred to and recategorised as Projects in Construction and upon commercial production being achieved, recategorised 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 re-valued using the best estimate of the forecast metal prices for the expected date of settlement (see Revenue policy – note 1(o)).

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 Group each subsidiary is reviewed to determine whether they should be reviewed under the requirements of IFRS 6 – Exploration for and Evaluation of Mineral Resources or IAS 36 – Impairment of Assets and this determination and the indicators of impairment are consistent with those applied to the Group.

Notes to the Financial Statements continued

For the year ended 31 December 2020

1 Significant accounting policies continued

(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.

(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 and restricted share awards to certain employees, which are measured at fair value at date of grant. The fair value of share options is determined at the grant date and 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 (if any are imposed as a condition of the award but including periods when management and Directors are prevented from trading) and behavioural considerations. The fair value of restricted stock awards is determined at the grant date based on the value of the award and expensed on a graded vesting basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

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 pre-defined levels of contribution. 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.

1 Significant accounting policies continued

(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.

(o) Revenue

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

Revenues are recognised in full using contractual pricing terms ruling at the date of sale with adjustments in respect of final contractual pricing terms being recognised in the month that such adjustment is agreed. Fair value adjustments for gold prices in respect of any sale for which final pricing has not been agreed at any balance sheet date is accounted for using the gold price at that balance sheet date. Any unsold production, and in particular concentrate, is held as inventory and valued at the lower of production cost and net realisable value until sold. Under the terms of the sales contracts, the Company's performance obligation is considered to be the delivery of gold doré and copper/gold concentrate in accordance with agreed criteria.

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

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

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

All sales revenue from incidental production arising during the exploration, evaluation, development and commissioning of a mineral resource prior to commercial production are taken as a contribution towards previously incurred costs and offset against the related asset accordingly.

Interest income is recognised on a time-proportion basis using the effective interest rate method.

(p) 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.

(q) 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.

Notes to the Financial Statements continued

For the year ended 31 December 2020

1 Significant accounting policies continued

(r) 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.

(s) Investments in subsidiaries

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

(t) 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.

Financial assets

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

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

(i) Classification of financial assets

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

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

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

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

(ii) Impairment of financial assets

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

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

The Company recognises lifetime ECL on intercompany loans, based on management's assessment and understanding of the credit risk attaching to each loan, changes in the level of credit risk between periods and assessment of the scenarios under which management expects the loan to be repaid. Any credit loss will be calculated as the net present value of the difference between the contractual and expected cash flows and the ECL will represent the weighted average of those credit losses based on the respective risks of each scenario. Further details of the reviews undertaken during the year are set out in note 13.

1 Significant accounting policies continued

(t) Financial instruments continued

Financial assets continued

(iii) Derecognition of financial assets

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

Financial liabilities

(i) Classification of financial liabilities

The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics.

All purchases of financial liabilities are recorded on trade date, being the date on which the Group becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the Group's financial liabilities approximate to their fair values.

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

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

(ii) Derecognition of financial liabilities

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

(iii) Derivatives

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

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

(u) Leases

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.

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.

Notes to the Financial Statements continued

For the year ended 31 December 2020

1 Significant accounting policies continued

(u) Leases continued

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 (where the value of the lease obligation over the lease period is less than US\$5,000) and short-term leases (where the period of the contractual lease obligations is 12 months or less). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(v) Payments for business acquisition – see note 22

The acquisition of Chapleau Resources Ltd in December 2017, incorporating the rights to the Coringa Gold Project, 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.

On 31 March 2020, the Group agreed with the vendor that the final payment of US\$12 million due on 31 March 2020 would instead be paid over a series of monthly instalments over approximately 15 months. The Group recognised this change in payment terms as a non-substantial modification and re-categorised the remaining payment schedule as an interest-bearing liability rather than as a general creditor. The interest-bearing liability was recorded at fair value at the date of initial recognition and interest charged at the new effective interest rate.

(w) Payments for mineral property acquisition – see note 10

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.

(x) Taxes receivable

The Group expects at any point in time to be due rebates of taxes in each of the jurisdictions that it has operations. The recoverability of these tax debts varies according to the jurisdictions and whether these taxes are recoverable at a Municipality, State or Federal level. Where permitted, the Group will always seek to offset any tax debts owing against tax debts that it is owed. The Group makes regular assessments as to the potential for non-recoverability and will make provision accordingly. In making its judgement, management will consider the legal advice that it receives, the history of recoverability both of itself and also other entities, arrangements that may be available for partial recovery through approved schemes and the timescale during which recovery may occur. The Group will make provision for the estimate of any taxes that are considered as potentially not recoverable within a reasonable time period (up to five years) and will also discount the value of any final amount that management estimates may be recoverable, for the time value of money. Taxes receivable are classified as long-term or short-term receivables based on the expected time frame over which they are expected to be recovered.

(y) 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 the financial statements.

1 Significant accounting policies continued

(y) 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 procedures stipulated under Canadian National Instrument 43-101 and the estimation undertaken in accordance with the requirements 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 of 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.

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 as the level of Mineral Resources that it incorporates into its assessments.

The Group includes all of its Measured, Indicated and Inferred Resources in its calculations of amortisation, its life of mine plans for the purposes of assessing the long-term value of its mines and in calculating its estimates for rehabilitation expenditures. In prior periods the Group whilst including all of its Measured, Indicated and Inferred Resources for the São Chico deposit had used 100 per cent of Measured, Indicated and Inferred Resources but only 25 per cent of the Inferred Resources identified at the Palito deposit. This historical situation reflected the uncertainty when mining of the Palito deposit was restarted in 2013 and Inferred Resources were located in areas of the deposit that had no immediate access. With the successful development of the deposit over the intervening years and continuing improvement in the understanding of this deposit and its geology, management has established much greater confidence in the ability for the deposit to continue to be expanded and for Inferred Resources to be converted into production ounces. Accordingly, effective from 1 January 2020, the Group has determined that it is reasonable to use 100 per cent of the Inferred Resources attributable to the Palito deposit in its calculations of amortisation, its life of mine plans for the purposes of assessing the long-term value of its mines and in calculating its estimates for rehabilitation expenditure for Palito.

In assessing amortisation, the Group is required to determine the future capital mine development required to gain access to all identified mineral resources used as the basis for amortisation. Management assesses the vertical extent of the remaining mineral resources to be mined and estimate based on current operating costs and operating parameters, the expected costs of ramp development required to reach the lowest elevations of the mineral resources.

Reducing the level of Inferred Resources used in the amortisation calculations to 75 per cent for both Palito and São Chico would result in an increase in the amortisation charge for the current year of US\$0.40 million.

Revenue

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. In estimating the revenue derived from the sale of copper/gold concentrate the Group will use assay information provided by the Group's in-house laboratory, and assessments of weight and humidity also provided by on-site personnel in the determination of the total metal content of the product being sold and therefore its sales value. These estimates are subject to amendment when the product is received at the refinery and is weighed and assayed under the scrutiny of the refinery, the purchaser and a representative of the Group. The final metal content is determined only based on the results of these measurements and the data derived from the Group's on-site laboratory is not used in the final calculation of metal content. Taking into account production time frames, transport and shipping the final determination of metal content may occur up to six months after the date of production. Adjustments to revenue to reflect the final agreed metal content are generally made at the time that the metal content is agreed.

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 amounts recognised in the consolidated financial statements are derived from the Group's best estimation and judgement as set out in note 12.

Based on operational history management has high confidence in the estimations of gold contained in inventory and the expected recovery rates for the gold contained within each stage of work-in-progress. Once material enters the process plant it is transformed into a saleable product which will be sold within approximately six to eight weeks of that date. The prevailing price of gold and copper is the most critical variable in the assessment of valuation. The Group estimates that a prevailing gold price of US\$1,175 would have been required before there was any requirement to impair any valuation of work in progress inventory at 31 December 2020.

Notes to the Financial Statements continued

For the year ended 31 December 2020

1 Significant accounting policies continued

(y) Critical accounting estimates and judgements continued

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 1 h) 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.

Management has noted over the last financial year and up until the date of the signing of the financial statements that:

- The gold price has strengthened significantly since 31 December 2019
- The Brazilian Real has devalued by approximately 32 per cent against the US Dollar compared with 31 December 2019. The Company incurs between 82 and 85 per cent of its expenditure in Brazilian Real
- The Group has continued to identify and replenish its total Mineral Resources
- Management considers that the operational plans adequately take into consideration the impact of COVID-19, based on the current understanding of COVID-19 and information available regarding actions being taken in Brazil

As a result of these considerations, management has determined that it is not aware of any indicator of impairment.

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) (iii), 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 which 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.

In making its judgement regarding recoverable taxes, management will consider the legal advice that it receives, the history of recoverability both of itself and also other entities, arrangements that may be available for partial recovery through approved schemes and the timescale during which recovery may occur. The Group will make provision for the estimate of any taxes that are considered as potentially not recoverable within a reasonable time period (up to five years) and will also discount the value of any final amount that management estimates may be recoverable, for the time value of money.

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, management estimates the expected future cash flows that might 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 is 100 per cent 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

(y) Critical accounting estimates and judgements continued

Recoverability of deferred exploration expenditure (note 9)

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 1 h). 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.

Recoverability of ICMS tax debts

ICMS tax is a state-imposed sales tax which is recoverable from the State of Para. The Group has not to date received any cash refunds and as an exporter generates no output ICMS on its sales. It is reliant on its ability to offset ICMS tax payable against existing debt to minimise the accumulation of an increased level of tax recoverable from the State of Para. It has identified certain arrangements that may allow the Group to recover over next five years some of the debt that is owed to the Group and has provided in full against the remainder. Management considers that based on legal advice received the Group has a good chance of being able to benefit from these schemes. In the event that it is unable to utilise these schemes or that the rate of recovery is slower than anticipated the amount of ICMS that may be recovered in the future will be reduced and may be nil. The Group does not take account of any future benefit from recovery of ICMS tax in its cash flow projections.

(z) Prior period adjustment

Since incorporation in 2005 costs incurred by Serabi Gold Plc (the "Company"), relating to exploration and mining activity, have been capitalised on the Company Statement of Financial Position as either Deferred Exploration Costs or Property Plant and Equipment. During the year ended 31 December 2020 management has undertaken an exercise to reassess these costs and has determined that, given the Company does not hold the overarching exploration and mining licences of the Group or directly controls these assets, the capitalisation of these costs as Deferred Exploration Costs and PPE was done in error. These costs have been incurred on behalf of the Company's subsidiaries and should have been capitalised within the Investment in Subsidiary.

In the comparatives for the year ended 31 December 2019 the following adjustments have been made to the Company:

Company Balance Sheet

Investment in Subsidiaries – Increased by \$10,104,425 in relation to the previously recognised Deferred Exploration Expenditure (\$1,891,346) and PPE (\$8,213,079). A further adjustment of \$4,321,806 has been recognised in relation to the add back of cumulative depreciation incorrectly recognised on the PPE. This has resulted in an adjustment of \$4,221,930 to opening reserves and an adjustment of \$99,876 reduction to the 2019 loss for the year as noted below.

Company Statement of Cash flows

Within the Net Cash outflow on Investing Activities, \$1,686,796 was previously classified as Investments in PPE and Deferred Exploration Expenditure. These cash flows have been reclassified to Investment in Subsidiaries. There is no impact on the overall Cash flows from Investing Activities.

Company Statement of Comprehensive Income

The Company takes the exemption under Section 408 of the Companies Act 2006 not to prepare a separate statement of Comprehensive income. The loss of the Company for the year ended 31 December 2019 has been adjusted to US\$6,149,267 (reduction of US\$99,000) to reflect the add back of depreciation previously recognised.

The above stated adjustments also had an impact on the Group consolidated financial statements. As noted above the costs previously capitalised had been incurred on behalf of the Company's underlying subsidiaries. On consolidation, to correct this error, the costs are required to be pushed down into the subsidiaries and recognised as the appropriate Deferred Exploration assets and PPE. These costs would have been capitalised using the subsidiaries' functional currency, which is the Brazilian Real. A cumulative adjustment has been calculated to reflect the translation of these costs into Brazilian Real and then back to the Group's presentation currency of USD on consolidation. This has had the following impact:

Group Balance Sheet

Deferred Exploration assets has decreased by \$1,029,936 to an adjusted balance of \$29,656,716.

Property, Plant and Equipment has decreased by \$3,104,936 to an adjusted balance of \$34,492,164.

The Foreign Currency translation reserve within equity has increased by \$4,134,872 to an adjusted balance of \$48,413,818.

We note that the opening reserves as at 1 January 2019 has been adjusted by \$3,923,589 to reflect the historic adjustments.

Group Statement of Comprehensive Income/(Loss)

The exchange difference on translating foreign operations has increased by \$211,013 to \$3,682,836.

We note that these adjustments have had no impact upon the Group Profit after Tax.

Notes to the Financial Statements continued

For the year ended 31 December 2020

2 Segmental analysis

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

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:

	2020			2019		
	Brazil US\$	UK US\$	Total US\$	Restated Brazil US\$	Restated UK US\$	Restated Total US\$
Revenue	40,067,487	15,762,591	55,830,078	47,294,693	12,653,399	59,948,092
Intra-group sales	14,743,498	(14,743,498)	–	10,113,481	(10,113,481)	–
Operating expenses	(28,647,903)	(4,479,745)	(33,127,648)	(33,128,378)	(3,858,545)	(36,986,923)
Release of provision for impairment of inventory	–	–	–	500,000	–	500,000
Provision for impairment of taxes receivable	(1,038,083)	–	(1,038,083)	(716,522)	–	(716,522)
Depreciation and amortisation	(5,128,895)	–	(5,128,895)	(9,023,843)	–	(9,023,843)
Gross profit/(loss)	19,996,104	(3,460,652)	16,535,452	15,039,431	(1,318,627)	13,720,804
Administration expenses	(2,465,453)	(3,391,307)	(5,856,760)	(2,847,114)	(2,415,266)	(5,262,380)
Share-based payments	–	(533,264)	(533,264)	–	(261,940)	(261,940)
Proceeds from sale of assets	245,743	–	245,743	166,640	–	166,640
Operating profit/(loss)	17,776,394	(7,385,223)	10,391,171	12,358,957	(3,995,833)	8,363,124
Foreign exchange (loss)/gain	(199,472)	(15,373)	(214,845)	189,263	21,725	210,988
Finance expense	(141,466)	(1,621,774)	(1,763,240)	(284,652)	(2,280,781)	(2,565,433)
Finance income	–	74,403	74,403	–	182,237	182,237
Profit/(loss) before taxation	17,435,456	(8,947,967)	8,487,489	12,263,568	(6,072,652)	6,190,916
Income tax expense	(1,456,464)	–	(1,456,464)	(2,357,932)	–	(2,357,932)
Profit/ (loss) for the period	15,978,992	(8,947,967)	7,031,025	9,905,636	(6,072,652)	3,832,984

Transactions between segments are accounted for in accordance with the Group's accounting policy for a transaction of that nature. In particular inter-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. Inter-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 2020 US\$	Restated 31 December 2019 US\$	Restated 1 January 2019 US\$
Brazil – operations	28,809,289	36,489,340	39,419,459
Brazil – exploration	27,778,354	29,656,716	26,706,579
Brazil – taxes receivable	696,077	848,845	1,555,170
Brazil – deferred tax	1,879,158	1,321,782	2,162,180
Brazil – total	59,162,878	68,316,683	69,843,388
UK	–	–	–
	59,162,878	68,316,683	69,843,388

2 Segmental analysis continued

An analysis of total assets by location is as follows:

	31 December 2020 US\$	Restated 31 December 2019 US\$	Restated 1 January 2019 US\$
Brazil	70,243,353	83,077,333	84,361,281
UK	5,993,618	10,327,493	8,134,754
	76,236,971	93,404,826	92,496,035

The Group analysis of non-current assets and total assets by location for the prior year has been restated to amend the disclosure of certain grouped line items to align them to the current year groupings. For further details see Accounting Policies note (z) Prior period adjustment.

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

	Group	
	For the year ended 31 December 2020 US\$	For the year ended 31 December 2019 US\$
Brazil	3,755,909	3,883,985

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 2020 US\$	For the year ended 31 December 2019 US\$
Brazil	5,057,113	7,855,362

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 2020 US\$	31 December 2019 US\$
Brazil	40,067,487	47,294,693
UK	15,762,591	12,653,399
Total	55,830,078	59,948,092

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

	31 December 2020		31 December 2019	
	US\$	%	US\$	%
Customer 1 – sale concluded from Brazil	40,067,487	71.8%	47,294,693	78.9%
Customer 2 – sale concluded from UK	15,762,591	28.2%	12,653,399	21.1%
Total	55,830,078	100.0%	59,948,092	100.0%

Notes to the Financial Statements continued

For the year ended 31 December 2020

3 Operating profit

a. Group operating profit for the year is stated after charging the following:

	Group	
	For the year ended 31 December 2020 US\$	For the year ended 31 December 2019 US\$
Staff costs	15,548,265	13,945,458
Depreciation (property, plant and equipment)	1,493,867	1,790,378
Amortisation of the mine asset	3,635,028	7,233,465

b. Auditor's remuneration

	Group	
	For the year ended 31 December 2020 US\$	For the year ended 31 December 2019 US\$
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	149,175	120,010
Fees payable to the Group's auditor and its associates for other services:		
– audit of the Group's subsidiaries pursuant to legislation	49,504	48,922
– tax compliance services	10,463	9,713
– audit-related assurance services	40,500	28,926

4 Finance expense and income

	Group	
	For the year ended 31 December 2020 US\$	For the year ended 31 December 2019 US\$
Interest expense on secured loan	(203,127)	(646,516)
Interest expense on convertible loan	(152,943)	–
Interest expense on mineral property acquisition liability	(1,035,904)	–
Unwinding of discount on rehabilitation provision	(141,466)	–
Amortisation of arrangement fee for convertible loan	(150,000)	–
Recognition of variation in effective interest rate of secured loan	(79,800)	–
Expense in respect of non-substantial modification	–	(93,112)
Unwinding of discount on rehabilitation provision	–	(284,652)
Loss upon revaluation of derivative	–	(531,910)
Unwinding of discount on mineral property acquisition liability	–	(1,002,243)
Interest payable	(1,763,240)	(2,558,433)
Gain on revaluation of derivative	33,023	–
Gain in respect of non-substantial modification	40,469	172,912
Finance income on short-term deposits	911	2,325
Finance income	74,403	175,237
Net finance expense	(1,688,837)	(2,383,196)

5 Taxation

	Group	
	For the year ended 31 December 2020 US\$	For the year ended 31 December 2019 US\$
Current tax		
UK tax	–	–
Foreign tax – Tax on current year profits	1,683,074	1,358,375
Foreign tax – Adjustment to prior year's tax charges	306,847	226,574
Total current tax	1,989,921	1,584,949
Deferred tax	–	–
(Increase)/release of deferred tax asset	(860,424)	772,983
Increase of deferred tax liability	326,967	–
Total deferred tax	(553,457)	772,983
Income tax charge/benefit	1,456,464	2,357,932

The tax provision for the current period varies from the standard rate of corporation tax in the UK of 19.00 per cent (2019: 19.00 per cent). The differences are explained as follows:

	Group	
	For the year ended 31 December 2020 US\$	For the year ended 31 December 2019 US\$
Profit on ordinary activities before tax	8,487,489	6,907,436
Tax thereon at UK corporate tax rate of 19.00% (2019: 19.00%)	1,612,623	1,312,413
Factors affecting the tax charge:		
expenses not deductible for tax purposes	1,208,390	766,086
temporary differences (not recognised)	(61,837)	241,807
income not taxable	(52,109)	(106,905)
lower rate tax overseas	(1,039,025)	(807,557)
unrecognised tax losses carried forward	1,447,659	996,802
recognition of untaxed income previously not recognised	326,967	–
recognition of tax losses and expenses previously not recognised	(1,893,332)	–
other movements	(92,872)	(44,714)
Tax charge	1,456,464	2,357,932

	Trading losses US\$	Temporary differences US\$	Total US\$
Unrecognised gross deferred tax position – 2020			
Tax losses brought forward	58,434,772	(427,731)	58,007,041
Tax losses not recognised in the period	7,138,701	–	7,138,701
Movement in temporary differences	–	102,271	102,271
Total unrecognised gross deferred tax position at end of period	65,573,473	(325,460)	65,248,013

Notes to the Financial Statements continued

For the year ended 31 December 2020

5 Taxation continued

	Trading losses US\$	Temporary differences US\$	Total US\$
Unrecognised gross deferred tax position – 2019			
Tax losses brought forward	51,720,059	(411,702)	51,308,357
Tax losses not recognised in the period	6,714,713	–	6,714,713
Movement in temporary differences	–	(16,029)	(16,029)
Total unrecognised gross deferred tax position at end of period	58,434,772	(427,731)	58,007,041

	For the year ended 31 December 2020 US\$	For the year ended 31 December 2019 US\$
Unrecognised deferred tax asset		
Tax losses	12,458,960	11,778,583
Temporary differences	(61,837)	(65,229)
Total unrecognised deferred tax asset	12,397,122	11,713,354
Recognised deferred tax asset	US\$	US\$
Tax losses brought forward	1,321,782	2,162,180
Tax losses and untaxed expenses recognised in the period	1,893,332	–
Tax losses utilised in the period	(1,032,908)	(772,983)
Exchange	(303,048)	(67,415)
Net recognised deferred tax asset	1,879,158	1,321,782
Recognised deferred tax liability	US\$	US\$
Untaxed income brought forward	–	–
Untaxed income recognised in the period	326,967	–
Exchange	(2,448)	–
Net recognised deferred tax liability	324,519	–

The deferred tax asset has been recognised in the financial statements only to the extent that the Group has reasonable certainty as to the level and timing of future profits that might be generated and against which 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 2020 Number	For the year ended 31 December 2019 Number	For the year ended 31 December 2020 Number	For the year ended 31 December 2019 Number
Management and corporate administration	24	22	5	3
Exploration	17	18	–	–
Mine operations and maintenance	484	434	11	11
Mine management and administration	29	18	1	1
Plant and processing	83	70	–	–
Total	637	562	17	15

6 Employee information continued

	Group		Company	
	For the year ended 31 December 2020 US\$	For the year ended 31 December 2019 US\$	For the year ended 31 December 2020 US\$	For the year ended 31 December 2019 US\$
Staff costs				
Wages and salaries	11,885,263	10,634,200	2,869,862	2,751,797
Cost of incentive scheme shares	533,264	261,940	533,264	261,940
Social security costs	3,046,013	2,848,155	101,692	81,418
Termination costs	68,783	167,889	–	–
Pension contributions	14,942	33,274	14,942	33,274
Total	15,548,265	13,945,458	3,519,760	3,128,429

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.

Directors' remuneration

The compensation of the Directors is:

	For the year ended 31 December 2020 US\$	For the year ended 31 December 2019 US\$
Salary and other benefits	714,777	884,300
Post-employment benefits	10,258	10,206
Total	725,035	894,506

The remuneration of the highest paid Director during the year was US\$329,450 (2019: US\$406,886). This includes cash contributions made by the Company to his money purchase pension scheme of US\$10,258 (2019: US\$10,206).

During the year ended 31 December 2020, two of the Directors (2019: two) were contractually entitled to accrue retirement benefits under money purchase schemes.

During the years ended 31 December 2020 and 31 December 2019, none of the serving Directors exercised any share options.

7 Earnings per share

	For the year ended 31 December 2020	For the year ended 31 December 2019
Profit attributable to ordinary shareholders (US\$)	7,031,025	3,832,984
Weighted average ordinary shares in issue	58,981,340	58,909,551
Basic profit per share (US cents)	11.92	6.51
Diluted ordinary shares in issue	63,362,744 ⁽¹⁾	60,997,138 ⁽²⁾
Diluted profit per share (US cents)	11.10	6.28

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

(2) Based on 2,087,587 options vested and exercisable as at 31 December 2019.

On 2 March 2020, the Group announced the successful placing of 16.65 million new Ordinary Shares. These new Ordinary Shares were issued and admitted to trading on AIM and listed for trading on the TSX on 9 March 2020. Had these shares been in issue prior to or on 31 December 2020 the basic and diluted profit per share would have been affected accordingly.

Notes to the Financial Statements continued

For the year ended 31 December 2020

8 Intangible assets

Deferred exploration costs

	Group		
	31 December 2020 US\$	Restated 31 December 2019 US\$	Restated 1 January 2019 US\$
Cost			
Opening balance (restated)	29,656,716	26,706,579	22,994,797
Exploration and evaluation expenditure	2,425,440	2,249,338	4,610,450
Pre-operational project costs	1,330,469	1,634,647	2,274,133
Reallocation from intangible assets	–	–	136,276
Foreign exchange movements (restated)	(5,634,271)	(933,848)	(3,309,077)
Total as at end of period (restated)	27,778,354	29,656,716	26,706,579

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.

The Group analysis of Deferred Exploration costs for the prior year has been restated to amend the disclosure of certain grouped line items to align them to the current year groupings. For further details see Accounting Policies note (z) Prior period adjustment.

9 Tangible assets

Property, plant and equipment – Group

	Land and buildings US\$	Mining property US\$	Projects in construction US\$	Plant and equipment US\$	Total US\$
2020					
Cost					
Balance at 31 December 2019 (restated)	2,770,152	46,487,148	11,186,977	18,079,108	78,523,385
Additions	–	2,952,943	458,336	2,087,239	5,498,518
Reallocation	–	–	(1,627,819)	1,627,819	–
Disposals	–	–	–	(637,077)	(637,077)
Changes in estimates on rehabilitation provision	–	(441,405)	–	–	(441,405)
Foreign exchange movements	(621,619)	(10,811,237)	(1,054,782)	(5,287,683)	(17,775,321)
At 31 December 2020	2,148,533	38,187,449	8,962,712	15,869,405	65,168,100
Depreciation					
Balance at 31 December 2019 (restated)	(1,316,792)	(29,374,004)	–	(13,340,426)	(44,031,222)
Charge for period	(75,806)	(3,517,398)	–	(1,504,145)	(5,097,349)
Released on asset disposals	–	–	–	32,997	32,997
Foreign exchange movements	436,484	6,584,331	–	3,142,210	10,163,025
At 31 December 2020	(956,114)	(26,307,071)	–	(11,669,364)	(38,932,549)
Net book value at 31 December 2020	1,192,419	11,880,379	8,962,712	4,200,042	26,235,551
Net book value at 31 December 2019 (restated)	1,453,360	17,113,145	11,186,977	4,738,682	34,492,164

In February 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 and the fair value of the consideration resulted in US\$303,068 being reported as an addition to Mining Property. During 2020 the Group has made payments under the terms of the acquisition agreement totalling US\$634,594 (2019: US\$1,541,457). The balance of the consideration has been paid in monthly instalments continuing until the end of February 2021. The remaining liability at 31 December 2020 was US\$99,646.

No costs of borrowing have been capitalised during the period (2019: US\$nil).

9 Tangible assets continued

	Land and buildings Restated US\$	Mining property Restated US\$	Projects in construction Restated US\$	Plant and equipment Restated US\$	Total Restated US\$
2019					
Cost					
Balance at 31 December 2018 (restated)	2,881,624	43,711,422	10,270,467	20,046,985	76,910,499
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 (restated)	(111,472)	(2,006,302)	(175,552)	(786,901)	(3,080,227)
At 31 December 2019 (restated)	2,770,152	46,487,148	11,186,977	18,079,108	78,523,385
Depreciation					
Balance at 31 December 2018 (restated)	(1,309,395)	(23,316,209)	–	(12,865,435)	(37,491,040)
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 (restated)	76,625	1,046,949	–	489,853	1,613,426
At 31 December 2019	(1,316,792)	(29,374,004)	–	(13,340,426)	(44,031,222)
Net book value at 31 December 2019 (restated)	1,453,360	17,113,145	11,186,977	4,738,682	34,492,164
Net book value at 31 December 2018 (restated)	1,572,229	20,395,213	10,270,467	7,181,550	39,419,459
1 January 2019					
Cost					
Balance at 1 January 2018 (restated)	3,375,457	47,945,085	9,254,729	20,263,327	80,838,598
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 (restated)	(493,833)	(7,566,854)	(1,143,461)	(3,030,713)	(12,234,861)
At 1 January 2019	2,881,624	43,711,422	10,270,467	20,046,985	76,910,499
Depreciation					
Balance at 1 January 2018 (restated)	(1,641,036)	(21,057,500)	–	(11,397,087)	(34,095,623)
Charge for period	–	(6,098,269)	–	(3,243,332)	(9,341,601)
Released on asset disposals	–	454,785	–	–	454,785
Foreign exchange movements (restated)	331,641	3,384,775	–	1,774,984	5,491,399
At 1 January 2019	(1,309,395)	(23,316,209)	–	(12,865,435)	(37,491,040)
Net book value at 1 January 2019 (restated)	1,572,229	20,395,213	10,270,467	7,181,550	39,419,459
Net book value at 1 January 2018 (restated)	1,734,421	26,887,585	9,254,729	8,866,240	46,742,975

The Group analysis of Fixed Assets for the prior year has been restated to amend the disclosure of certain grouped line items to align them to the current year groupings. For further details see Accounting Policies note (z) Prior period adjustment.

Notes to the Financial Statements continued
For the year ended 31 December 2020

10 Right of use assets

	Plant and equipment	
	31 December 2020 US\$	31 December 2019 US\$
2020		
Cost		
Opening balance	2,904,085	–
Reclassified on adoption of IFRS 16	–	2,904,085
Additions	835,848	–
Foreign exchange movements	(6,258)	–
Total as at end of period	3,733,675	2,904,085
Depreciation		
Opening balance	(906,909)	–
Reclassified on adoption of IFRS 16	–	(554,723)
Charge for period	(254,937)	(359,579)
Foreign exchange movements	1,909	7,393
Total as at end of period	(1,159,937)	(906,909)
Net book value at end of period	2,573,738	1,997,176

During the year ended 31 December 2020, the Group acquired assets under right of use assets totalling US\$835,848 (2019: US\$nil). The net book value of right of use assets at 31 December 2020 was US\$2,573,738 (2019: US\$1,997,176). Depreciation charged on right of use assets for the period was US\$254,937 (2019: US\$352,186).

The Group only leases underground mining equipment. As at 31 December 2020, the future minimum lease payments due in respect of outstanding lease contracts for mining equipment was US\$552,334. The net present value of these lease contracts is US\$501,639.

	31 December 2020 US\$	31 December 2019 US\$
Current lease liabilities		
Plant and equipment	201,403	48,450
	201,403	48,850
Non-current lease liabilities		
Plant and equipment	350,931	–
	350,931	–
Total lease liabilities	552,334	48,850

The Group also has short-term leases which are presented in note 24. During 2020 the Group incurred expenses of US\$184,089 (2019: US\$161,000) on these short-term leases.

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 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⁾
Serabi Mining Ltd	British Virgin Islands	Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	Investment	100%
Chapleau Resources Ltd	British Columbia, 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.

Notes to the Financial Statements continued

For the year ended 31 December 2020

11 Investments held as fixed assets continued

	Company	
	31 December 2020 US\$	Restated 31 December 2019 US\$
Cost at start of period	110,722,719	109,035,923
Investment in subsidiary during period	894,994	1,686,796
Cost at end of period	111,617,713	110,722,719
Impairment provision at start of period	(9,784,922)	(9,784,922)
Reallocation of impairment provision in period	–	–
Impairment provision at end of period	(9,784,922)	(9,784,922)
Net book value at end of period	101,832,791	100,937,797

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 2020 the Company has made an assessment as to whether any indicators exist 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	
	31 December 2020 US\$	31 December 2019 US\$
Consumables	3,171,288	3,478,886
Stockpile of mined ore	349,024	331,775
Other material in process	1,233,291	1,391,302
Finished goods awaiting sale	2,225,835	1,376,005
	6,979,438	6,577,968

The Group has recorded, during 2020, a release of an impairment provision of US\$nil (2019: US\$500,000) 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 42 to 51.)

13 Trade and other receivables

	Group		Company	
	31 December 2020 US\$	31 December 2019 US\$	31 December 2020 US\$	31 December 2019 US\$
Current				
Trade receivables	1,874,928	747,267	1,874,928	787,545
Other receivables	61,116	55,008	10,314	10,391
Trade and other receivables	1,936,044	802,275	1,885,242	797,936
Non-current				
Taxes receivable	2,270,458	1,552,089	–	–
Amounts owed by subsidiaries	–	–	18,175,040	17,865,936
Gross receivable	2,270,458	1,552,089	18,175,040	17,865,936
Impairment provision	(1,574,381)	(703,244)	(8,391,722)	(8,391,722)
Net value of non-current other receivables	696,077	848,845	9,783,318	9,474,214

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 2020, 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 2020, 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.

- Scenario 1 – the loan is repaid within the next five years from the successful start up of the Coringa project.
- 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 2020 US\$	31 December 2019 US\$	31 December 2020 US\$	31 December 2019 US\$
Recoverable state and federal taxes	617,366	2,078,228	–	–
Supplier down payments	556,128	991,983	–	–
Other prepayments and employee advances	381,497	403,077	280,079	148,194
Prepayments	1,554,991	3,473,288	280,079	148,194

15 Cash and cash equivalents

	Group		Company	
	31 December 2020 US\$	31 December 2019 US\$	31 December 2020 US\$	31 December 2019 US\$
Cash and cash equivalents	6,603,620	14,234,612	3,813,957	9,447,822

Notes to the Financial Statements continued

For the year ended 31 December 2020

16 Trade and other payables

	Group		Company	
	31 December 2020 US\$	31 December 2019 US\$	31 December 2020 US\$	31 December 2019 US\$
Current				
Trade payables	3,612,107	2,706,225	862,887	777,725
Property acquisition	99,646	812,071	–	–
Other payables	728,714	810,872	–	–
Employee benefits	758,596	1,022,019	23,726	70,535
Other taxes and social security	1,647,139	762,602	–	–
Amounts due to subsidiaries	–	–	27,436,118	12,806,968
Due in less than one year	6,846,202	6,113,789	28,322,731	13,655,228
Non-current				
(Between one and five years)				
Property acquisition ⁽¹⁾	–	170,030	–	–
Other taxes and social security	91,916	13,013	–	–
Due in more than one year	91,916	183,043	–	–

(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 were completed at the end of February 2021.

17 Non-current provisions

Employment and claims provision

	Group		Company	
	31 December 2020 US\$	31 December 2019 US\$	31 December 2020 US\$	31 December 2019 US\$
Opening balance	–	25,037	–	–
As a result of changes in estimates	–	(25,037)	–	–
As a result of exchange variations	–	–	–	–
Closing balance	–	–	–	–

Environmental rehabilitation provision

	Group		Company	
	31 December 2020 US\$	31 December 2019 US\$	31 December 2020 US\$	31 December 2019 US\$
Opening balance	2,237,266	1,518,774	–	–
Provided for in year				
as a result of changes in estimates	(441,405)	503,605	–	–
as a result of variations in discount	141,466	284,652	–	–
as a result of exchange variations	(470,295)	(69,765)	–	–
Total provided for in year	(770,234)	718,491	–	–
Closing balance	1,467,032	2,237,266	–	–
Total non-current provisions	1,467,032	2,237,266	–	–

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.

18 Interest-bearing liabilities

	Group		Company	
	31 December 2020 US\$	31 December 2019 US\$	31 December 2020 US\$	31 December 2019 US\$
Current				
Secured loan facility	–	6,903,692	–	6,903,692
Acquisition liability	6,495,435	–	6,495,435	–
Convertible loan stock	2,029,464	–	2,029,464	–
Obligations under right of use asset leases	201,403	48,850	–	–
Due in less than one year	8,726,302	6,952,542	8,524,899	6,903,692
Non-current				
(Between one and five years)				
Obligations under right of use asset leases	350,931	–	–	–
Due in more than one year	350,931	–	–	–

Each right of use asset lease is secured against the underlying assets that are the subject of that lease.

Secured loan facility

	Group		Company	
	31 December 2020 US\$	31 December 2019 US\$	31 December 2020 US\$	31 December 2019 US\$
Secured loan facility				
Amount outstanding at beginning of period	6,903,692	6,060,606	6,903,692	6,060,606
Repayment of principal	(6,983,492)	–	(6,983,492)	–
Exercise of gold call options	–	922,886	–	922,886
Gain on non-substantial modification	–	(79,800)	–	(79,800)
Recognition of variation in effective interest rate of secured loan	79,800	–	79,800	–
Value of secured loan facility at period end	–	6,903,692	–	6,903,692

During 2020, the Group paid interest of US\$262,439 on the secured loan facility whilst the total interest expense was US\$203,127. The difference of US\$59,518 relates to the interest due in December 2019 which represented an accrual at the end of 2019.

Convertible loan

	Group		Company	
	31 December 2020 US\$	31 December 2019 US\$	31 December 2020 US\$	31 December 2019 US\$
Convertible loan				
Amount outstanding at beginning of period	–	–	–	–
Drawdown of convertible loan	2,000,000	–	2,000,000	–
Initial fair value of derivative associated with loan	(423,479)	–	(423,479)	–
Loan arrangement fee	300,000	–	300,000	–
Accrued interest	152,943	–	152,943	–
Revaluation of derivative provision	–	–	–	–
Value of secured convertible loan at end of period	2,029,464	–	2,029,464	–

During 2020, the Group has incurred an interest expense of US\$152,943 on the convertible loan. In accordance with the terms of the convertible loan, interest is being capitalised and will be repaid when the Convertible Loan Notes are repaid or converted. An arrangement fee of US\$300,000 has also been incurred in connection with the Convertible Loan Notes. Following the settlement of the Secured Loan on 30 June 2020, the Convertible Loan Notes became secured and a security package in favour of the holder of the Convertible Loan Notes has been put in place. Further details regarding the terms of the Convertible Loan Notes (maturity date, interest rate, details of the conversion option) are disclosed in note 25 – Related party transactions.

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18 Interest-bearing liabilities continued

Deferred mineral property acquisition liability

	Group		Company	
	31 December 2020 US\$	31 December 2019 US\$	31 December 2020 US\$	31 December 2019 US\$
Mineral property acquisition liability				
Reclassification from mineral property acquisition (note 22)	12,000,000	–	12,000,000	–
Unwinding of fair value discount	–	–	–	–
Interest payable	1,035,904	–	1,035,904	–
Gain in respect of non-substantial modification	(40,469)	–	(40,469)	–
Repayment of principal	(6,500,000)	–	(6,500,000)	–
Value of deferred mineral property acquisition liability at end of period	6,495,435	–	6,495,435	–

The Mineral property acquisition liability represents the Deferred Consideration for the acquisition of the Coringa Gold Project, further details of which are set out in note 22 – Acquisition of Chapleau Resources Limited.

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

Following the revision to the payment terms detailed above, this liability was re-classified from being an "Acquisition payment outstanding" within "Current liabilities" to an "Interest-bearing liability".

During 2020, the Group incurred an interest expense of US\$1,035,904. Interest charges incurred will be paid at the same time that the final payment is made in respect of the mineral property acquisition.

19 Derivatives

	Group		Company	
	31 December 2020 US\$	31 December 2019 US\$	31 December 2020 US\$	31 December 2019 US\$
Conversion rights attaching to convertible loan				
Fair value at start of period	–	–	–	–
Initial fair value of derivative associated with conversion rights	423,479	–	423,479	–
Decrease on revaluation of fair value at end of period	(33,023)	–	(33,023)	–
Fair value at end of period	390,456	–	390,456	–

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

The conversion rights embedded in the Convertible Loan Notes represent a derivative as the loan is denominated in United States dollars but conversion price is denominated in Great British pounds therefore the rate of conversion is variable according to the exchange rate between the US dollar and GB pound.

	Group		Company	
	31 December 2020 US\$	31 December 2019 US\$	31 December 2020 US\$	31 December 2019 US\$
Gold call options				
Fair value at start of period	–	390,976	–	390,976
Initial fair value of derivative associated with conversion rights	–	531,910	–	531,910
Increase/(decrease) on revaluation of fair value at end of period	–	(922,886)	–	(922,886)
Fair value at end of period	–	–	–	–

20 Analysis of changes in liabilities arising from financial activities

	Secured loan facility	Convertible loan	Current obligations under right to use assets	Non-current obligations under right to use assets	Total
At 1 January 2020	6,903,692	–	48,850	–	6,952,542
Cash flows	(6,983,492)	2,000,000	(397,490)	–	(5,380,982)
Non-cash flows					
– Initial fair value of derivative associated with loan	–	(423,479)	–	–	(423,479)
– Interest held in accruals	–	152,943	–	–	152,943
– Arrangement fee held in accruals	–	300,000	–	–	300,000
– Prepayments	–	–	65,126	–	65,126
– New lease arrangements	–	–	484,917	350,931	835,848
– Recognition of variation in effective interest rate of secured loan	79,800	–	–	–	79,800
At 31 December 2020	–	2,029,464	201,403	350,931	2,581,798

During 2020, the Group has incurred an interest expense of US\$152,943 on the convertible loan. In accordance with the terms of the convertible loan, interest is being capitalised and will be repaid when the Convertible Loan Notes are repaid or converted. An arrangement fee of US\$300,000 has also been incurred in connection with the Convertible Loan Notes.

During 2020, the Group paid interest of US\$262,439 on the secured loan facility whilst the total interest expense was US\$203,127. The difference of US\$59,518 relates to the interest due in December 2019 which represented an accrual at the end of 2019.

21 Share capital

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.

	2020		2019	
	Number	\$	Number	\$
Allotted, called up and fully paid				
Ordinary shares in issue at start of period	58,909,551	8,882,803	58,909,551	8,882,803
Shares issued in period	175,000	22,313	–	–
Ordinary shares in issue at end of period	59,084,551	8,905,116	58,909,551	8,882,803

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 2020.

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 2020 Number	31 December 2020 WAEP UK£	31 December 2019 Number	31 December 2019 WAEP UK£
Outstanding at the beginning of the period	2,569,250	1.071	3,351,750	1.050
Granted during the period	2,050,000	0.85	–	–
Exercised in the period	(125,000)	0.75	–	–
Expired during the period	(782,500)	1.000	(782,500)	1.000
Outstanding at the end of the period	3,711,750	0.974	2,569,250	1.071
Exercisable at end of the period	2,345,088	1.047	2,087,587	1.161

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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
27/05/20	2	27/05/20	3	0.75%	UK£0.85	50%	UK£0.239	683,338	2,050,000	26/05/23
02/07/18	2	02/07/18	3	0.75%	UK£0.75	66%	UK£0.192	1,575,000	1,575,000	01/07/21
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
								2,345,088	3,711,750	

During the year a charge of US\$316,332 (2019: US\$261,940) 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 Exploracao 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 into 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 started 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 increased 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. As of 31 December 2020, US\$5.5 million (plus accrued interest) remained outstanding.

Following the agreement that interest should accrue on any amount of the Deferred Consideration that remained outstanding and that the Deferred Consideration should be paid in instalments, the Deferred Consideration was reclassified as an Interest Bearing Liability.

The effect of the reclassification, effective as of 31 March 2020, is shown in the table below

	Group		Company	
	31 December 2020 US\$	31 December 2019 US\$	31 December 2020 US\$	31 December 2019 US\$
Mineral property acquisition liability				
Amount outstanding at beginning of period	12,000,000	10,997,757	12,000,000	10,997,757
Unwinding of fair value discount	–	1,002,243	–	1,002,243
Reclassification to interest bearing liability (note 18)	(12,000,000)	–	(12,000,000)	–
Value of deferred mineral property acquisition liability at end of period	–	12,000,000	–	12,000,000

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.

On 2 March 2021, the Group announced that it had completed a placing of 16,650,000 new Ordinary Shares, raising gross proceeds of approximately £12.5 million. Whilst the Group anticipates that it may seek to raise further finance in the future and expects to secure new debt funding for the further development of the Coringa Gold Project, 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 and fund its current exploration and development activity on its other gold properties. Prior to 30 March 2021, the Group repaid all amounts due in respect of the Convertible Loan Notes and during April 2021 settled the remaining value of the Deferred Consideration including accrued interest. 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.

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\$0.04 million (2019: 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 2020 US\$	31 December 2019 US\$	31 December 2020 US\$	31 December 2019 US\$
Commitments falling due:				
Within one year	40,777	227,995	–	112,946
Between one year and five years	–	2,837	–	–
Total	40,777	230,832	–	112,946

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.

Notes to the Financial Statements continued

For the year ended 31 December 2020

25 Related party transactions

Issue of Convertible Loan Notes to Greenstone

On 21 January 2020, the Group entered into a subscription deed ("the Subscription Deed") for the issue of US\$12 million of Convertible Loan Notes ("the Loan Notes") by Greenstone Resources II LP ("Greenstone") the proceeds of which were to be applied inter-alia to settle the Coringa Deferred Consideration. The subscription deed was subject to shareholder approval and certain other conditions being fulfilled at the time of initial drawdown. Shareholder approval was received on 26 February 2020.

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

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

Under the Amended Subscription Deed and a further subsequent amendment, whilst the Travel Restriction Condition is in place the Company may only submit a subscription request in respect of Convertible Loan Notes in the amount of US\$500,000 each month. Following the satisfaction of the Travel Restriction Condition, the Company may then issue further subscription requests for amounts of not less than US\$100,000 and not exceeding an amount equal to US\$12,000,000 less the sum of the aggregate principal amount of all Notes outstanding at that time. The arrangements with Greenstone include a provision whereby the Loan Notes are available to be drawn down by the Company at any time until 30 June 2021. The Loan Notes carry fixed conversion rights into Ordinary Shares of the Company at a price of UK£0.76 per share. Subject to certain conditions the holder of the Loan Notes may convert all of part of the Loan Notes in issue at any time before 31 August 2021. Unless otherwise converted into Ordinary Shares of the Company, the Loan Notes are due to be redeemed on 31 August 2021.

Whilst the secured loan facility with Sprott (the "Sprott Loan") was outstanding the Loan Notes were unsecured and subordinated to the Sprott Loan. Following settlement of the Sprott Loan, the security interests of Sprott were discharged and the Group granted to Greenstone the security package as originally envisaged save that a pledge of the shares of Chapleau Resources Limited ("CRL") continued to be held by Anfield and its parent company, Equinox, until such time as the Coringa Deferred Consideration was settled in full. CRL holds 100 per cent of the shares of Chapleau Exploração Mineral Ltda which in turn holds the exploration licences for the Coringa Gold Project.

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

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

Transactions with inter-group entities

During the period the Company has made loans to subsidiaries of US\$0.30 million (2019: US\$1.20 million). There were no loans converted into new shares issued by subsidiaries during 2020 (2019: US\$Nil). The balance of these loans at 31 December 2020 was US\$9.78 million (2019: US\$9.47 million).

The Company has loans receivable from subsidiaries totalling US\$18,175,040 (2019: US\$17,865,936) before any provision for the impairment of these loans (see note 13).

The Company has purchased, during the year from its subsidiary SMSA, 860 tonnes of copper/gold concentrate for a consideration of US\$14,629,149 (2019: 1,020 tonnes; US\$10,189,338). At the end of the period the Company owed US\$27,436,118 to its subsidiary SMSA.

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 2020 US\$	For the year ended 31 December 2019 US\$
Short-term employee benefits	1,037,437	1,332,108
Post-employment benefits	10,258	10,206
Share-based payments	275,902	240,956
Total	1,323,597	1,583,270

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 2020 from which financial instrument risk arises are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Convertible loan notes
- Loans and borrowings
- Leases and asset loans
- Derivatives

The principal financial instruments by category are as follows:

Group financial assets

	Fair value through profit or loss		Amortised costs	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Cash and cash equivalents	–	–	6,603,620	14,234,612
Trade and other receivables	1,936,044	802,275	–	–
Total financial assets	1,936,044	802,275	6,603,620	14,234,612

Group financial liabilities

	Fair value through profit or loss		Amortised costs	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Trade and other payables	–	–	6,938,118	6,616,502
Convertible loan notes	–	–	2,029,464	–
Other loans and borrowings	–	–	7,047,769	18,952,542
Derivatives	390,456	1,534,153	–	–
Total financial liabilities	390,456	1,534,153	16,015,351	25,569,044

Company financial assets

	Fair value through profit or loss		Amortised costs	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Cash and cash equivalents	–	–	3,813,957	9,447,822
Trade and other receivables	1,885,242	797,936	–	–
Total financial assets	1,885,242	797,936	3,813,957	9,447,822

Company financial liabilities

	Fair value through profit or loss		Amortised costs	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Trade and other payables	–	–	28,322,731	14,304,736
Convertible loan notes	–	–	2,029,464	–
Other loans and borrowings	–	–	6,495,435	18,903,692
Derivatives	–	1,534,153	–	–
Total financial liabilities	–	1,534,153	36,847,630	32,208,428

Notes to the Financial Statements continued

For the year ended 31 December 2020

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.

Trade receivables are 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. Any subsequent adjustment is recognised at FVTPL.

Whilst not representing a financial instrument, all inventory as at 31 December 2020, 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

The Group and the Company have taken out fixed rate finance leases for the acquisition of some equipment and have previously utilised floating rate short-term trade finance in respect of sales of copper/gold concentrate production.

At the beginning of 2020 the Company had a loan outstanding of US\$6.90 million with Sprott at a fixed interest rate. This loan was repaid in full during 2020.

In April 2020, the Group entered into a Subscription Deed with Greenstone for the issue to and subscription by Greenstone of up to US\$12 million of Convertible Loan Notes further details of which are set out in Note 25 Related Party Transaction. Interest is chargeable on the Convertible Loan Notes at the rate of US\$ LIBOR plus 13 per cent. As at 31 December 2020 a total of US\$2.0 million had been drawn down under the facility. The Convertible Loan Notes were redeemed in full on 19 March 2021.

The Group had been paying down the final instalment of US\$12 million due for the acquisition of the Coringa Gold Project in a series of monthly instalments. Interest was charged on the outstanding loan at the rate of 10 per cent per annum. As at 31 December US\$5.5 million (plus accrued interest) remained outstanding to be paid with the balance being settled in monthly payments of US\$1 million per month. The remaining debt and accrued interest was repaid in full on 29 April 2021.

Whilst the interest rate on the Convertible Loan Notes is linked to market rates, market interest rates remained low prior to the Convertible Loan Notes being redeemed on 19 March 2021. As a result, neither the Group or the Company had any material exposure to market rate movements.

Group	Weighted average effective interest rate %	Non-interest bearing US\$	Floating US\$	Fixed interest maturity		Total US\$
				One year or less US\$	Over one to five years US\$	
2020						
Financial assets						
Cash	–	–	6,603,620	–	–	6,603,620
Receivables	–	1,936,044	–	–	–	1,936,044
Total		1,936,044	6,603,620	–	–	8,539,664
Financial liabilities						
Payables	–	7,230,207	–	–	–	7,230,207
Derivatives	–	390,456	–	–	–	390,456
Interest-bearing liabilities	9.79%	–	–	8,726,302	–	8,726,302
Total		7,620,663	–	8,726,302	–	16,346,965

26 Financial risk management continued

2019	Weighted average effective interest rate %	Non-interest bearing US\$	Floating US\$	Fixed interest maturity		Total US\$
				One year or less US\$	Over one to five years 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

Company

2020	Weighted average effective interest rate %	Non-interest bearing US\$	Floating US\$	Fixed interest maturity		Total US\$
				One year or less US\$	Over one to five years US\$	
Financial assets						
Cash	–	–	3,813,957	–	–	3,813,957
Receivables	–	11,948,639	–	–	–	11,948,639
Total		11,948,639	3,813,957	–	–	15,762,596
Financial liabilities						
Payables	–	28,739,666	–	–	–	28,739,666
Derivatives	–	390,456	–	–	–	390,456
Interest-bearing liabilities	10.00%	–	–	8,524,899	–	8,524,899
Total		29,130,122	–	8,524,899	–	37,655,021

2019	Weighted average effective interest rate %	Non-interest bearing US\$	Floating US\$	Fixed interest maturity		Total US\$
				One year or less US\$	Over one to five years 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

Notes to the Financial Statements continued

For the year ended 31 December 2020

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 and during 2020 issued Convertible Loan Notes to one of its shareholders. It also uses floating rate short-term trade finance and fixed rate finance leases to finance its activities.

The Group has issued US\$2 million of Convertible Loan Notes during 2020, which remained outstanding as at 31 December 2020. The loan notes, unless converted prior to the repayment date, were due to be repaid on 31 August 2021. The loan notes were repaid on 19 March 2021.

The Group owed US\$5.5 million, as at 31 December 2020, to Anfield being the amount outstanding for the acquisition of the Coringa Gold Project. The amount due was being paid in monthly instalments of US\$1 million per month whilst international and domestic travel restrictions exist in Brazil. In the event that the Travel Restriction Condition is satisfied, the balance outstanding of the Coringa Deferred Consideration was expected to be settled within six weeks of that date. All outstanding amounts were settled on 29 April 2021.

In addition to the above, the Company had obligations under fixed rate right of use asset leases amounting to US\$0.55 million (2019: US\$0.05 million) (see note 18).

The following table sets out the maturity profile of the financial liabilities as at 31 December 2020:

	Group		Company	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Due in less than one month				
Trade payables and accruals	743,038	675,313	2,065,978	1,768,529
Interest bearing liabilities	1,016,784	1,158,757	1,000,000	1,150,615
Total due in less than one month	1,759,822	1,834,070	3,065,978	2,919,144
Due in less than three months				
Trade payables and accruals	1,936,101	1,746,624	5,789,627	3,608,659
Interest bearing liabilities	2,033,567	15,476,271	2,000,000	15,451,846
Total due in less than three months	3,969,668	17,222,895	7,789,627	19,060,505
Due between three months and one year				
Trade payables and accruals	4,459,152	4,011,522	20,884,061	8,927,548
Interest bearing liabilities	5,675,951	2,317,514	5,524,899	2,301,231
Total due between three months and one year	10,135,103	6,329,036	26,408,960	11,228,779
Total due within one year	15,864,593	25,386,001	37,264,565	33,208,428
Due more than one year				
Trade payables and accruals	91,916	183,043	–	–
Interest bearing liabilities	350,931	–	–	–
Total due more than one year	442,847	183,043	–	–
Total	16,307,440	25,569,044	37,264,565	33,208,428

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 2020 US\$	31 December 2019 US\$
US Dollar	4,600,469	9,193,766
Canadian Dollar	75,005	26,188
Sterling	112,954	162,585
Australian Dollar	39,785	38,947
Euro	64,954	25,576
Brazilian Real	1,710,453	4,787,550
Total	6,603,620	14,234,612

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			Total 31 December 2020 US\$
	Brazilian Real 31 December 2020 US\$	Canadian \$ 31 December 2020 US\$	United States \$ 31 December 2020 US\$	
Currency of net monetary asset/(liability)				
US Dollar	–	817	261,285	262,102
Canadian Dollar	–	974	75,005	75,979
Sterling	–	–	(1,190,594)	(1,190,594)
Australian Dollar	–	–	39,785	39,785
Euro	(903,265)	–	65,141	(838,124)
Brazilian Real	2,452,797	–	–	2,452,797
Total	1,549,533	1,791	(749,378)	801,946

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 2020

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 Brazil Real	(3,981)
10% strengthening of Brazil Real	4,685
	Against Sterling US\$
10% weakening of US Dollar	59,899
10% strengthening of US Dollar	(69,402)
	Against Euro US\$
10% weakening of Brazilian Real	(90,326)
10% strengthening of Brazilian Real	90,326

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\$10,790,732 (2019: US\$19,359,020). 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 (2019: amount overdue: US\$nil).

The Company's exposure to credit risk amounted to US\$15,762,596 (2019: US\$19,868,166). Of this amount US\$9,783,318 (2019: US\$9,474,822) is due from subsidiary companies, US\$3,813,957 represents cash holdings (2019: US\$9,447,822) 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 2020 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 19,318,785 ordinary shares representing 25.5 per cent of the voting shares in issue and Greenstone Resources II LP owns 19,083,395 ordinary shares representing 25.2 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 2 March 2021, the Group announced that it had concluded a placing of 16,650,000 new Ordinary Shares raising gross proceeds of £12.5 million. The shares were issued and admitted to trading on AIM and listed on the TSX on 9 March 2021. The shares were placed with new and existing investors at a Placing Price of £0.75 (C\$1.32) per new Ordinary Share. Concurrently, the Group also undertook a conditional placing of Warrants with investors subscribing for a total of 4,003,527 Warrants at a price of £0.06 (C\$0.11) per Warrant to raise gross proceeds of US\$0.3 million (£0.2 million/C\$0.4 million), subject amongst other things to shareholder approval which was received at a general meeting held on 27 April 2021. The Warrants have an exercise price of £0.9375 (C\$1.65) per new Ordinary Share and are exercisable for two years from their date of issue. Greenstone Resources II LP ("Greenstone"), a related party, subscribed for 4,195,424 new Ordinary Shares and 2,097,711 Warrants.

On 19 March 2021, the Group redeemed all of the Convertible Loan Notes in issue together with accrued interest and other fees due. All the Loan Notes were held by Greenstone.

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 orebody 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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