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# Serabi Gold plc Annual Report 2021

COMPANY NUMBER – 5131528

**We are Serabi Gold plc:**  
**The leading developer of gold production in Brazil**

**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 Complex and the Coringa gold project where initial mine development commenced during 2021 and which the Group plans to have in production during 2023. Both interests are located in the Tapajos region of Brazil.**

**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 has 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**

<b>Potential</b>	<b>Exploration</b>	<b>Engagement</b>	<b>Development</b>
<p>The Tapajos region is the world's third largest alluvial gold field with reported historic gold production from artisanal activity of up to 30 million ounces</p> <p>Only 7 million ounces of hard rock resource has been discovered all around historic artisanal mines.</p> <p>The region is attracting the interest of major mining companies who are attracted by the potential for large scale porphyry style deposits.</p>	<p>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.</p> <p>Anomalous areas are subject to further surface and near surface exploration before being prioritised for exploration drilling.</p>	<p>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.</p> <p>Access rights for exploration are negotiated with local landowners on commercial terms.</p>	<p>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.</p> <p>Whilst anticipating that new discoveries are likely to be narrow vein deposits 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.</p>
<p><a href="#">Read more on pages 7 to 8</a></p>	<p><a href="#">Read more on pages 21 to 31</a></p>	<p><a href="#">Read more on pages 82 to 85</a></p>	

**Where we operate**  
 We operate in the Tapajos region of Brazil, an area with great potential and historic mineral discoveries

Read more on pages 7 to 8



**Our mineral assets**  
 We have long standing sustainable production at the Palito Complex and in 2021 we began mine development at Coringa.

Read more on pages 9 to 34



**Building out stronger**  
 We have a clear commitment to the local economy and community. We believe in doing things the right way.

Read more on pages 82 to 85



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## Strategic Report Chairman's Statement

Dear Shareholders

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

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

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

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

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

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

Secondly, we have also experienced lower than expected production from the São Chico orebody. During the second half of 2021, we commenced production on the Julia Vein. Up until then, most São Chico production has come from the Main Vein, where mechanised long hole open stoping has proved to be an efficient and effective mining method. During the second and third

## Strategic Report Chairman's Statement

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

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

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

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

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

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

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

Nicolas Banãdos  
Chairman  
9 June 2022

## How we create value

### Our Strengths

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

### Sustained presence

As a junior mining company seeking to grow and develop, Serabi has demonstrated an ability to operate in a frontier, considered to be challenging. Our success in the Tapajos, has been rewarded by overwhelming community support and positions the Company well for its next step, to develop and bring Coringa into production.

### Experienced employees

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

### Strong leadership

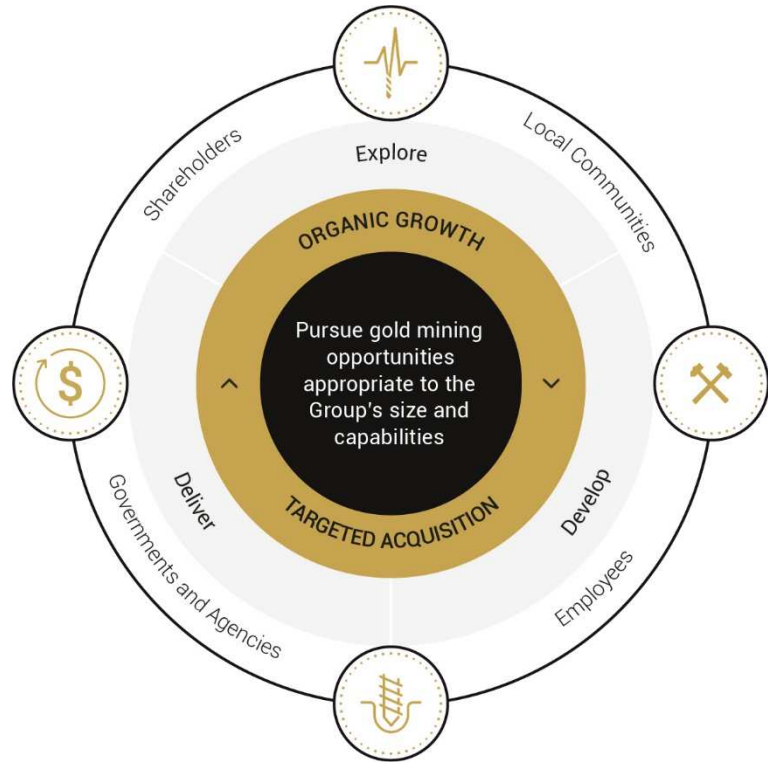
Serabi's Board combines experience across a range of disciplines, with a record of successful development of mining projects

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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 Operating 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 continue steady, sustainable production from our Palito project, and to develop and build the Coringa project to be in production during 2023 which will place the Group on the path to realising annual production of 100,000 ounces per annum. In tandem, management would like to grow the mineral resource base of the Group to in excess of two million ounces through a structured and continuing programme of exploration across all its large land tenements.



#### Experience in the region

Serabi has been present in the Tapajos 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.



#### Local reputation

Serabi provides financial, educational, infrastructure and health support to the immediate communities. 39 per cent of the workforce live in the nearby communities with a total of 79 per cent 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.



#### Mine performance

Production from the Palito Complex has been steady over the past years but more recently has been impacted by COVID-19 which has delayed management's planned production growth for 2020 and 2021. Management expects that, following the completion of the planned mine development to recover lost activity due to COVID-19 and successful restoration of the São Chico deposit to production following the issues encountered with the Julia Vein, growth plans will be restored, and the benefits realised.



#### Exploration potential

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

Serabi has a number of exciting exploration targets successful results from which could significantly enhance the resource inventory of the Group.

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



#### Mine life

The Serabi mineral deposits, being sub-vertical vein systems, exhibit significant potential for resource growth. Palito and Coringa especially are open along strike and depth, and can be explored relatively simply by surface and shallow underground drilling. Sao Chico appears to be more limited, but exhibits growth potential with newly discovered parallel vein sets. Drilling depth extensions of known veins can realistically only be done from underground and this is part of the normal operational business.



#### Strong macro-economic environment

The COVID-19 pandemic and recent war between Russia and Ukraine have created an economic environment in which gold prices have improved by approximately 25 per cent since the end of 2019 and with continued market uncertainties are expected to remain at or around current levels for some time.

### 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 to 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

Strategic Report  
 Our Mineral Assets  
 The 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.



**Our mission**

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

**Our focus**

We strive to operate efficiently and effectively with specific focus on quality and sustainability.  
 Whilst we seek to maximise the long-term value for our shareholders, we also aim to bring benefits to all stakeholders working closely with neighbouring communities to ensure that they derive financial and social benefit from our operations and activities

**Our Strategy**

- Evaluate and develop the near-mine discoveries and exploration potential of the Palito Complex
- Develop and bring into production the Coringa gold project
- Evaluate and develop the longer-term growth potential of the Group’s tenements in the Tapajos district
- Identify and acquire accretive gold opportunities



Strategic Report  
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 The Tapajos – a region with great promise and potential

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 up to between 20 million and 30 million ounces. This level of production places the region as the world’s third largest alluvial goldfield, however, the mineral province covers an area of approximately 90,000km<sup>2</sup>, similar to the size of Portugal, and much of it remains unexplored.

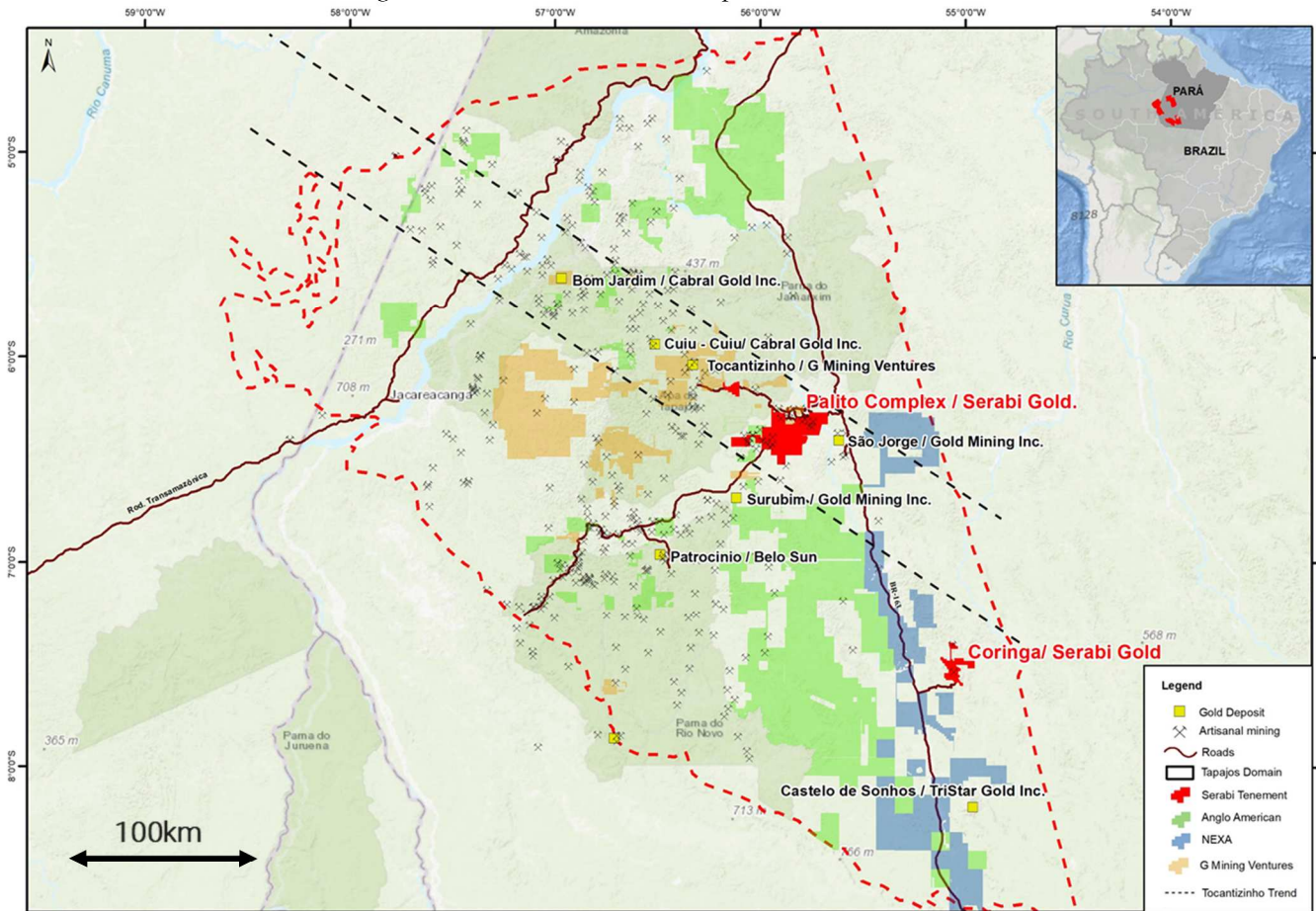


Figure 1- The Tapajos region

Rio Tinto carried out systematic exploration over the wider region during the 1990s, however in the last 20 years, exploration has been primarily undertaken by junior mining companies. Eldorado Gold acquired the two million ounce Tocantinzinho project in 2010, becoming the only larger mining company with a significant historical presence in the area. This is starting to change and in the last two to three years and following the discovery of porphyry style deposits in the Alta Floresta belt to the south, some of the major mining groups, in particular Anglo American and NEXA Resources, have been establishing land holdings and carrying out regional reconnaissance programmes looking for similar style opportunities in the geologically similar Tapajos. During 2021, Eldorado Gold completed the sale of the Tocantinzinho project to G Mining Ventures Corp. (“G Mining”), a Canadian mining group run by a management team with significant experience in mine builds including four successful developments in South America. G Mining expect to make a construction decision later this year with full construction targeted to commence in the third quarter of 2022. This recent increase in interest starts to pave the way for a new era of exploration, discovery and development in the Tapajos and Serabi is well positioned to benefit from, and be at the centre of this.

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Strategic Report  
Our Mineral Assets  
The Palito Complex– a proven production base

The Palito Complex 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. Management has plans to achieve a sustainable production rate of around 45,000 to 50,000 ounces per annum.

The operation is currently exploiting two orebodies but encompasses a 61,563 hectare tenement area with multiple instances of historic artisanal operations and a number of other areas that are highly prospective for identifying significant additional gold occurrences.

The Palito orebody has a NI 43-101 compliant mineral resources of 191,954 measured and indicated resource ounces, with an additional 141,800 inferred ounces. These resources are hosted in approximately 30 veins, of which eight are in the short-term mine plans. The veins are typically less than one metre wide and mining is principally by shrink stoping though the Group has used long hole open stoping in selected areas where conditions allow.

The São Chico orebody is a satellite deposit providing supplementary feed to a central processing plant located close to the Palito orebody. From 2016-2020, Sao Chico production came almost exclusively from the Main Vein, where the greater orebody widths allowed mechanised long hole sublevel stoping to be employed, with levels spaced at approximately 15 vertical metres.

During the second half of 2021, development focus moved to the Julia vein in the far west of the deposit, a relatively distant ore zone located away from the core of the Sao Chico deposit. The vein appeared to be amenable to mechanised sublevel open stoping, as used successfully on the Main Vein. However, as development progressed, the narrower nature of the vein and a far greater concentration of cross faulting, presented challenges. During the final quarter of 2021, the mining method was adjusted to incorporate more cable bolting and providing more pillar support. However, during Q1 2022, management concluded production by long hole mining on the Julia vein was inappropriate. Mining is being returned to highly selective air-leg mining, which creates far less dilution, but productivity is lower. The Company does not have a large inventory of additional blocks to be mined, so this means there will be a requirement to focus on mine development at Sao Chico with a view to a return to normal production in 2023. Production for the Palito orebody will be increased during the second half of 2022 to partly offset the lost São Chico gold production, and this is already underway. The Company has reported a NI 43-101 compliant total mineral resource of approximately 141,000 ounces at Sao Chico as at 31 December 2021. This estimation was made prior to the issues relating to the Julia Vein being understood. Of the total mineral resource of 141,000 ounces approximately 27,000 ounces related to the Julia Vein of which 6,700 ounces were classified as reserves and had been expected to be mined during 2022. The Company expects that the majority of the remaining mineral resource estimated for the Julia Vein, will continue to be available to be mined using selective mining techniques. The Company engaged an independent consultant to support management's opinion that the geological setting of Julia was confined only to this part of the Sao Chico deposit. The consultant also reported that in his opinion the effect on the mineral resource estimation for Sao Chico was less than 10%.

The Julia Vein lies to the west of all of the other vein structure that comprise the Sao Chico orebody and the intrusive dykes that have been identified here have not previously been encountered in any other parts of the ore body during the seven year production history of Sao Chico. For this reason, management do not anticipate a similar issue disrupting future production from the current mineral resource of the rest of the orebody although they may be encountered in any future discoveries of westerly extensions of the other veins.

Strategic Report  
 Our Mineral Assets  
 The Palito Complex– a proven production base

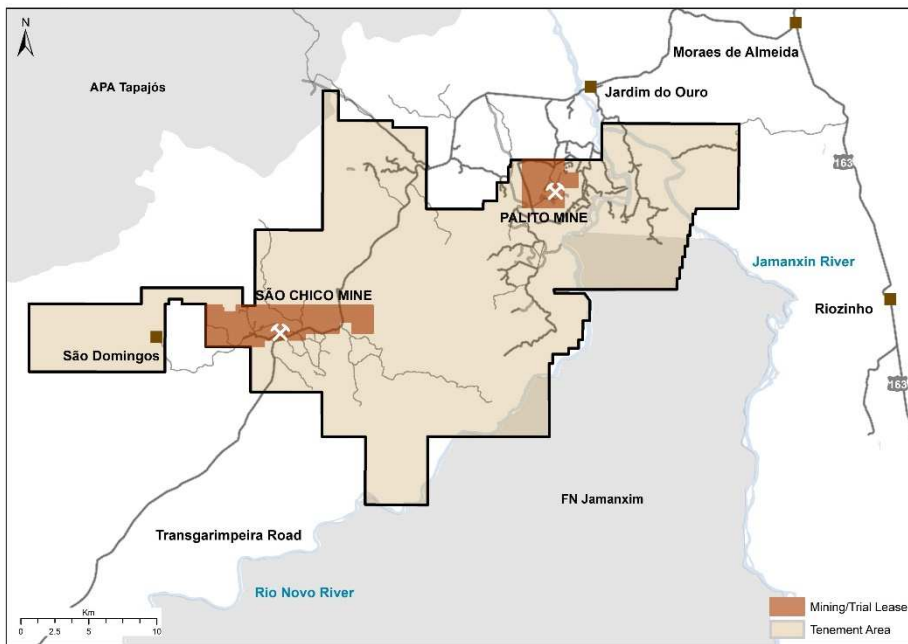


Figure 2- The Palito Complex

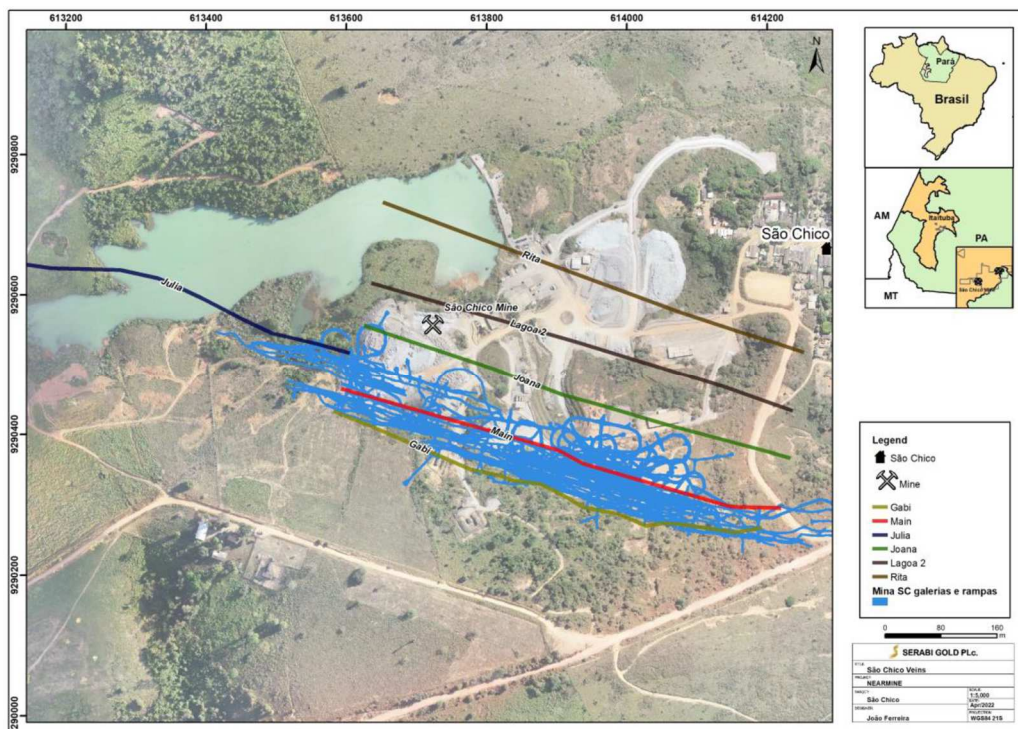


Figure 3- plan view of the São Chico deposit showing location of the Julia Vein relative to other veins of the São Chico ore body and the underground development of São Chico.

Management had initially expected that 2022 would yield an increase in production compared with 2021, but with the need to focus more on development, particularly at São Chico following the issues encountered with the Julia Vein, production levels from the Palito Complex mining operations are now projected at approximately 30,000 ounces. The benefit of this re-set will be that by year end, multiple areas will have been prepared to restore production levels to those seen previously.

Strategic Report  
Our Mineral Assets  
The Palito Complex– a proven production base

The process plant incorporates a standard three stage crushing circuit with crushed ore being fed into three ball mills and includes circuits for gold recovery through a combination of flotation, gravity and carbon in pulp. The process plant has milling capacity of approximately 500 tonnes per day (“tpd”). An ore sorter was added to the plant configuration at the beginning of 2020 so that waste rock, which is unavoidably mined in development activities, can be screened out of the ore being fed to the mills, liberating capacity in the plant, and concurrently increasing the head grade of the ore being received into the milling circuit. This liberated plant capacity can be utilised for processing of additional mined ore. By generating additional ore feed from mining, gold production can be increased without costly upgrades to plant capacity and at the same time minimising the generation of mine tailings, maintaining the small environmental footprint, and continuing to minimise any potential environmental impact.



*Figure 4- The Palito Complex process plant*

The Palito Complex is located just 30 kilometres from the main north south federal highway, the BR163, which is an important transport link in particular bringing the soya harvests from the state of Mato Grosso to the south to the grain storage and export facilities located in the state of Para. The road is therefore of significant economic benefit to the country and well maintained. The Palito site also benefits from access to grid-power with back up from diesel powered generators.

Serabi is focused on maximising the positive impact of its presence in the region. The Company procures 42 per cent of goods from within 100 kilometres of Palito and over 60 per cent from the State of Para. In addition, the Company sources 39 per cent of the total workforce from the immediate communities surrounding Palito and close to 80 per cent from the State of Para.

Strategic Report  
Our Mineral Assets  
The Palito Complex– a proven production base

**Production results 2021**

Gold production for 2021 of 33,848 ounces was in line with guidance and represented a seven per cent improvement compared with 2020. One of the key improvements achieved during the year was the 17 per cent year-on-year improvement in grade with plant feed grade averaging 6.61g/t compared with 5.62g/t for 2020.

Much of the grade improvement was the contribution from the established lodes, Ipe and Mogno located within the Chico da Santa sector (“CDS”), that have been the cornerstone of the Palito Complex production during 2021. The CDS sector is located in the eastern part of the Palito deposit. The Ipe and Mogno veins have been worked top down from level 178mRL to current development levels -60mRL, with current production on levels -20mRL and -40mRL. Successful exploration with step-out and step-down drilling around the CDS zones during the second half of 2021 targeted and identified strike extensions of these same veins well beyond the current mine limits, both along strike and at depth, and represent a positive indication for future grades and payability. It is expected that Ipe and Mogno will continue to be significant sources of ore during 2022 but it is also planned to re-enter and develop the G3 vein where exploration has identified new strike extensions of this vein to the south. The G3 vein was a strong contributor to production in previous years and management is hopeful that these strike extensions will once again allow it to make a strong contribution going forward.

2021 saw Sao Chico ore increasingly coming from the development and production of Julia vein. This ore has been accessed by an independent western ramp, separate from the principal ramp at Sao Chico. With the production challenges encountered with the mining of the Julia vein during the fourth quarter of 2021 and the first quarter of 2022, production at São Chico going forward will adopt the more selective mining methodology for the remainder of 2022. This means production will be slower with reduced output. To offset this in part, focus has shifted to accelerating the evaluation and development of other parts of the São Chico orebody including the depth extensions of the Main Vein and the Gabi and Lagoa Veins which sit parallel to the south and north of the Main Vein respectively.

Currently the Main Vein is being developed on the -94mRL, with the main ramp deepening to the next level, -124mRL. The Gabi Vein has been steadily evolving during the year as past drilling results have been re-evaluated. Initial results are very exciting and clearly illustrate the lateral potential that exists at São Chico. With multiple payable drill hole intercepts into the vein covering a strike length of over 1,000 metres and depth of 400 metres, it demonstrates potential to add significant additional mineral resources from this new ore zone, which also appears amenable to selective mining. With the Gabi Vein just 70 metres south of current mine development, access is simple and further confirmatory infill drilling will be conducted which will hopefully support a decision to start development of this area for mining.

**SUMMARY PRODUCTION STATISTICS FOR 2021 AND 2020**

		Qtr 1	Qtr 2	Qtr 3	Qtr 4	Full Yr	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Full Yr
		2021	2021	2021	2021	2021	2020	2020	2020	2020	2020
Gold production (1)(2)	Ounces	8,087	9,048	9,035	7,678	33,848	9,020	8,504	6,790	6,898	31,212
Mined ore – Total	Tonnes	40,371	43,051	42,240	44,599	170,261	42,036	43,519	44,097	46,275	175,928
	Gold grade (g/t)	6.27	7.12	7.18	5.81	6.59	6.54	5.85	4.84	5.24	5.59
Milled ore	Tonnes	41,462	43,679	41,995	43,663	170,799	40,465	44,235	46,135	43,440	174,276
	Gold grade (g/t)	6.27	7.09	7.20	5.90	6.61	6.66	5.91	4.75	5.27	5.62
Horizontal development Total	– Metres	3,573	2,961	2,842	3,318	12,694	2,878	3,004	3,037	3,353	12,272

i. The table may not sum due to rounding.

ii. Production numbers are subject to change pending final assay analysis from refineries.

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Whilst horizontal development rates have remained solid, they were below budget, a consequence of low levels of fleet availability and long lead times on the acquisition of new equipment due to the impact of COVID-19. To maintain production rates, some equipment had to be rebuilt rather than be replaced, a costly and time-consuming exercise. These supply chain issues are easing, and the Group has embarked on a significant capital programme to upgrade certain key items of its fleet and in particular the purchase of additional underground trucks to transport ore from the mines.

The process plant has continued to operate efficiently through the year with no unforeseen issues and maintaining gold recovery rates at an average of 92 per cent across both ore sources. Work has been ongoing and will continue during 2022 to introduce new leaching tanks and decommission the old units. However, this work will not impact on day-to-day gold production activities.

The ore sorter has continued to operate very well and during the year received 30,905 tonnes of low-grade ore (2.01g/t) that might otherwise have been stockpiled for future use. The ore sorter produced 4,951 tonnes of mill geed at a grade of 10.71g/t and a waste product of 26,954 tonnes with a grade of 0.63g/t. This result represents a 525 per cent reduction in volume whilst beneficiating the grade fed to the mills by a factor of 430 per cent. At the current time only ore from the Palito deposit is being passed through the ore sorter. Ore sorting works best when ore and waste rock have a strong contrast in their physical properties, such as density or colour. Test work on the São Chico ore is ongoing but to date the contrast has not been sufficient to allow most of the São Chico ore to be sorted. However, in the areas of São Chico where the mineralisation is slightly narrower and consequently higher levels of dilution with the host rock, the benefits may increase.

The immediate impact of the COVID-19 pandemic affected operations during 2020 with reduced staffing levels at site including the suspension of all contractor crews for surface and underground drilling units. 2021 was always considered to be a period of consolidation and potential recovery and whilst staffing levels at site returned to pre-pandemic levels at the end of 2020, supply chain issues including the long lead times of certain equipment have restricted the Group's ability to significantly increase the levels of mine development that were needed to claw back the lost development of 2020. For the years preceding the pandemic, quarterly levels of gold production were very consistent for a number of years and, as figure 5 below illustrates, quarterly gold production had, with only two exceptions, been maintained at between 9,200 and 10,300 ounces per quarter in the preceding four year period.

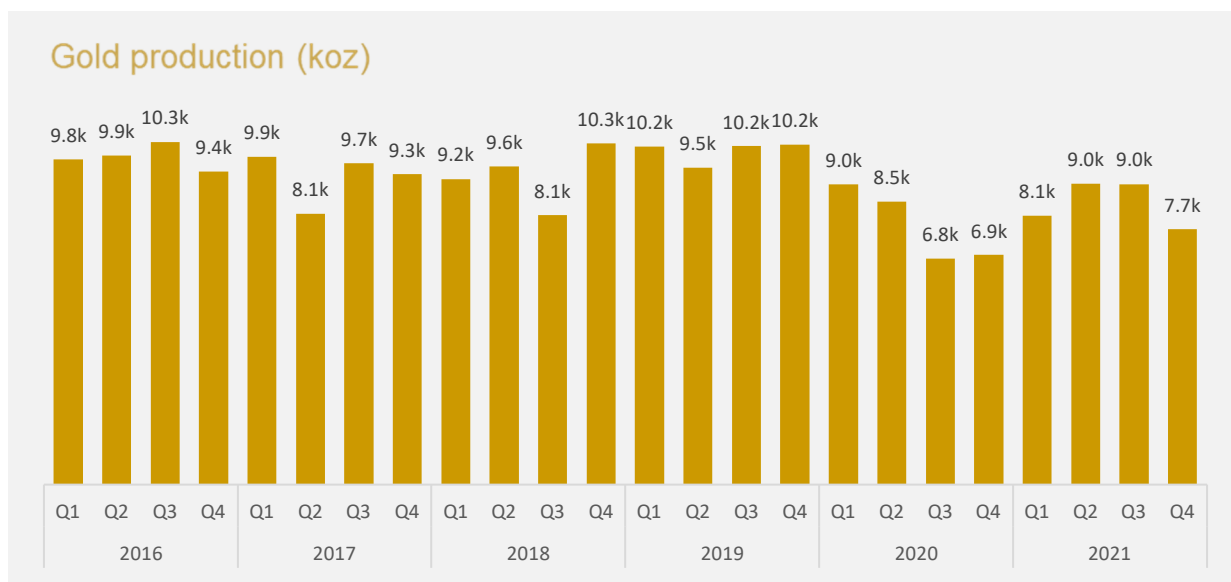


Figure 5- Quarterly gold production

At the same time, and as shown in figure 6 below, the quarterly levels of mined tonnage and the average grades have, with the exception of 2020, also shown relatively strong consistency. Average gold grades prior to 2020 were generally in the range of 6.5g/t and 8.25g/t, and except for Q4 2021 when grades were adversely impacted by the dilution problems coming from the Julia vein in São Chico, the last 12 months have otherwise seen a recovery back towards these levels.

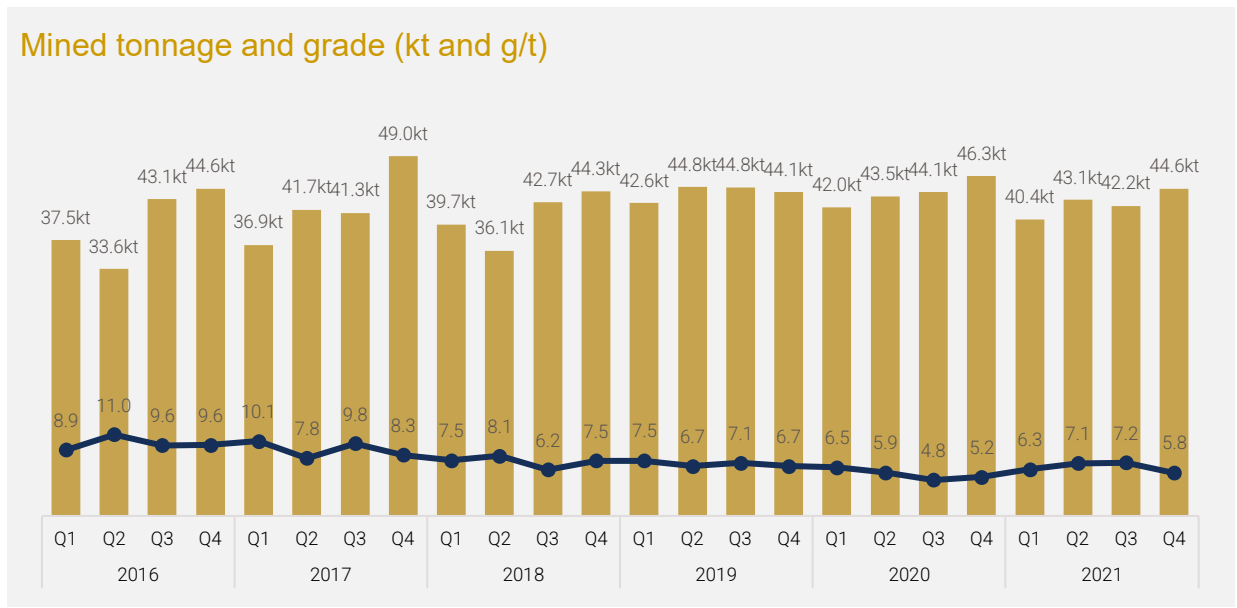
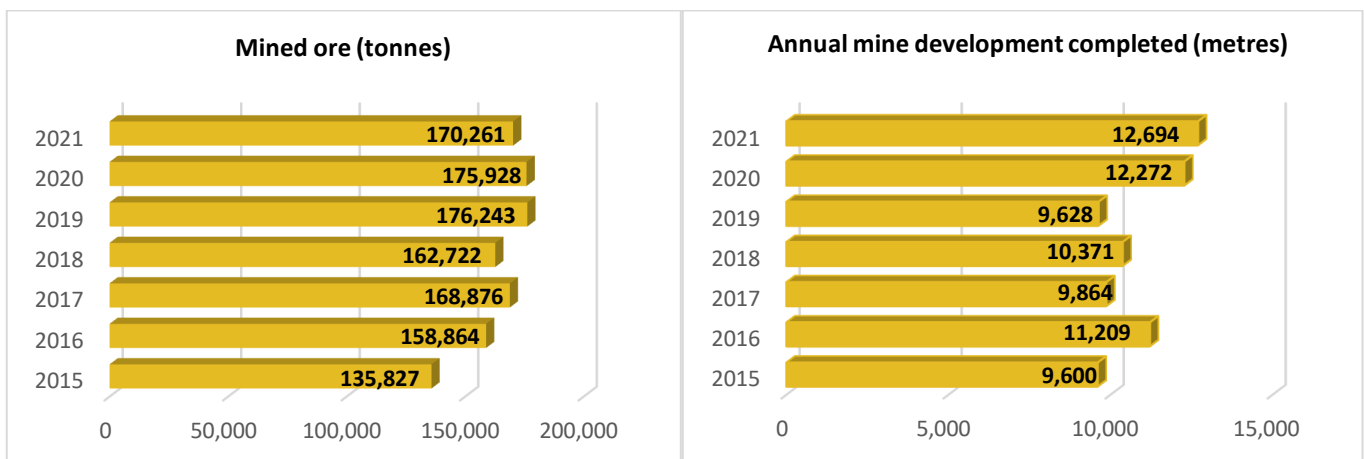


Figure 6- Quarterly mined tonnage and grade statistics

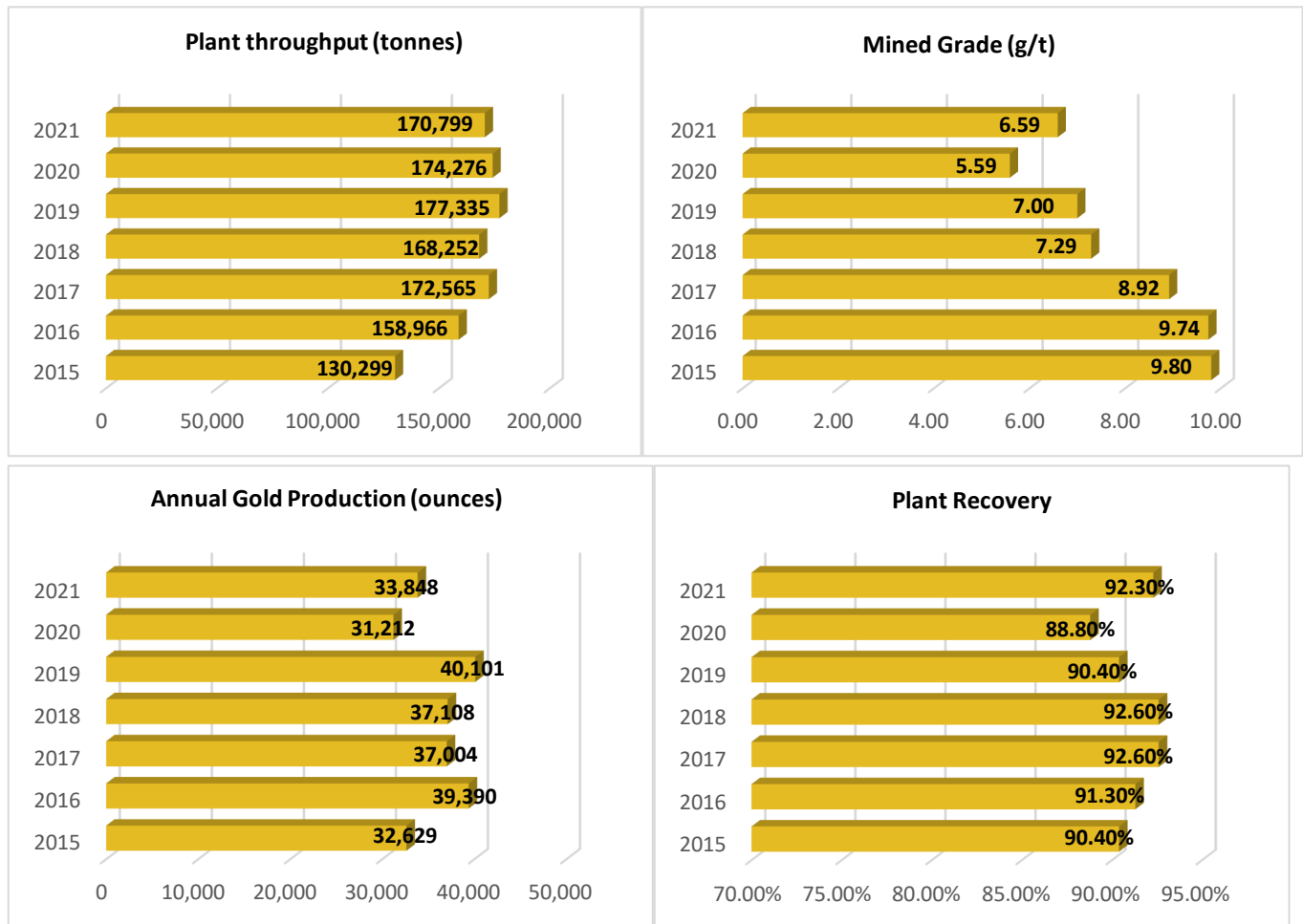
Whilst 2021 saw an improvement in gold production compared with 2020, the reduced availability of underground fleet and the long lead times on replacement parts and equipment restricted the ability to accelerate underground development rates, year-on-year, in the way that management had planned. As a consequence, the ability to open up new areas was limited and, for the first time, 2021 was a year when the operation became somewhat mine rather than plant constrained. The new fleet, however, is either already at site or due to arrive within the first half of 2022, which will enhance productivity for the latter part of the current year. The need to re-focus efforts at São Chico on mine development does mean that gold production for 2022 is unlikely to show an increase compared with 2021, although management expects average processed ore grades will improve.

Total ore tonnage available for the plant during 2021 was 170,261 tonnes, a reduction of approximately 5,700 tonnes compared with the preceding year but with a 18 per cent increase in average grades from 5.59g/t to 6.59g/t comparable with 2019 when the average grade was 7.00g/t.

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 the highest annual total of horizontal mine development since operations commenced in 2014.



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Coringa – doubling of production with a low capital, low risk project

Located only 200 kilometres to the south of Serabi's Palito operation and linked by paved highway, Coringa hosts a total geological resource of 195,000 indicated ounces of gold and 346,000 inferred ounces of gold. Past gold discoveries at Coringa include the Mae de Leite, Come Quietto, Demetrio and Valdette veins.

Coringa represents a carbon copy of Serabi's existing Palito Complex operations and therefore management consider that the Company is well placed to develop the project.

- Management has many years of experience of operating in the region.
- The project location in reasonably close proximity to the existing Palito Complex which 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.

The preliminary economic analysis of the Coringa project (the "Coringa PEA") issued in October 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.



Figure 7- The Coringa mine portal



*Figure 8- Initial ramp development at Coringa*

Following its purchase of the Coringa project in December 2017 and further exploration drilling, Serabi commissioned Global Resource Engineering of Denver, Colorado (“GRE”) to prepare the Coringa PEA, which was subsequently published in October 2019. Key results of the study were as follows:

- The Base Case project payback is estimated to occur within 2.25 years of first gold production.
- Average All-In Sustaining Cost (“AISC”) over the Life of Mine of US\$852<sup>1</sup> 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 year<sup>2</sup>.
- Initial capital requirement of US\$24.7 million prior to sustained positive cash flow.
- Sustaining capital expenditures of US\$9.2 million to be funded from project cash flow.
- Indicated mineral resource inventory of 125,000 ounces of gold, supported by a further Inferred Resources of 178,000 ounces of gold from a total geological resource of 195,000 indicated ounces of gold and 346,000 inferred ounces of gold, to be produced by underground open stoping using a cut-off grade of 6.00g/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.

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<sup>1</sup> Calculated when the Project has achieved sustained positive cash flow and excludes the initial capital requirements.

<sup>2</sup> For the first five full years of production.

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**Project economics**

- The Base Case prepared by GRE was calculated using the three year trailing average gold price which approximates to US\$1,275 per ounce and generated the following economic projections.

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

Since that time the gold price has risen to current levels of approximately US\$1,850 per ounce and the Brazilian Real has devalued from an assumed rate of BrR\$3.80 to US\$1.00 used for the purposes of the PEA to current levels of approximately BrR\$4.85 to US\$1.00. Notwithstanding the effects of cost inflation since the study was prepared, management expect that these changes in key underlying economic assumption strengthen the project economics.

The relatively low capital cost is in part because the process plant that is required for the project, including two ball mills, was already purchased by previous owners and included in the project acquisition price. The acquired process plant, which was previously in use at a similar size of operation in Brazil, is therefore already in-country and being refurbished by Serabi prior to re-assembly.

Following the award of the Preliminary Licence (“LP”) in October 2020, progress has continued to be made on the completion of all the studies and reports required to secure the Licença de Instalação (“Installation Licence” or “LI”) and in line with previous announcements is expected to be issued mid-2022. These were all submitted to the relevant authorities in September 2021 and it is normal to expect a period of approximately six months for them to complete their evaluation and request and review any further information during this evaluation period. The LI allows the construction of the plant and other site infrastructure, assuming compliance with all conditions imposed by the LP.

Management has continued to maintain a steady dialogue with, and the support of various 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.

Serabi holds a GUIA or trial mining licence which enabled the Company to start initial mine development during July 2021. By January 2022 the ramp development on the 320mRL intersected the first of the three vein structures that form the Serra orebody. Whilst this initial area will form the ramp pillar, and was therefore deliberately positioned to be in an anticipated area of lower grade, the sampled vein recorded assays of 2.94 g/t over 3.63 metres including 12.44g/t over 0.86 metres, using results from Serabi’s in-house laboratory. This initial intercept is therefore highly encouraging.

The detailed engineering design of the Coringa process plant is advancing well with Brazilian engineering consultants, Icone Technology & Engineering, expecting to compete their work during the second quarter of 2022.

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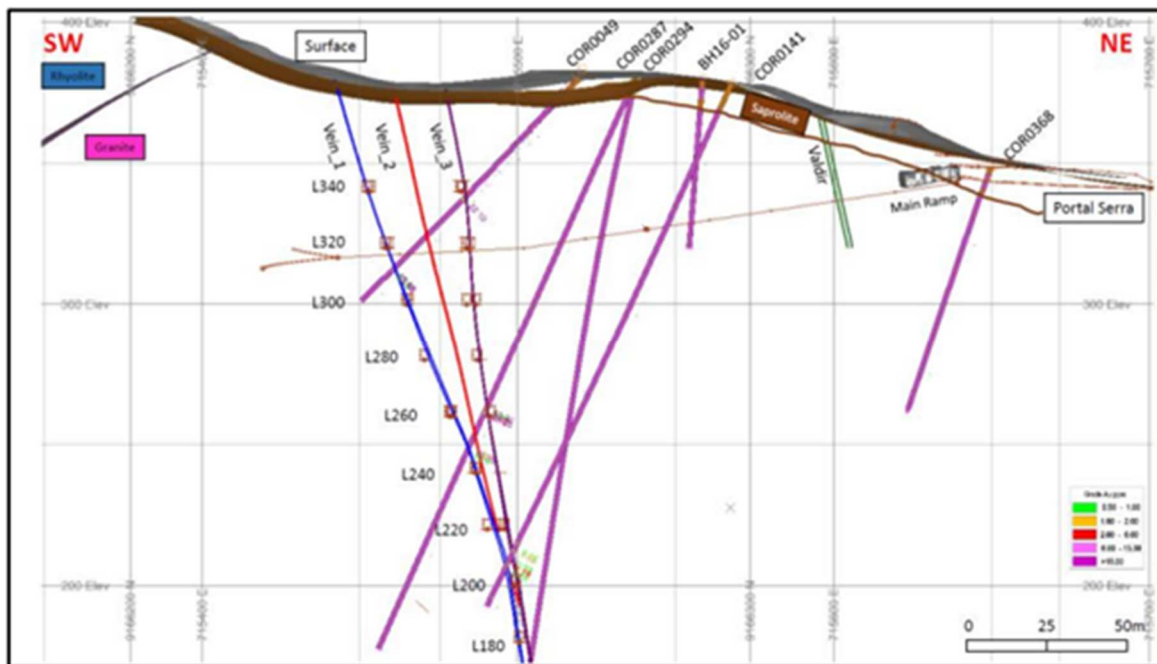


Figure 9- Cross-section showing Serra ramp, three Serra veins and historic drill hole traces

Any ore recovered from the current mine development will allow the Group to establish ore stockpiles in advance of plant construction, which, subject to securing the LI and appropriate debt financing, is planned to commence in the second half of 2022, and undertake testing of bulk samples for amenability to ore sorting. Management consider that the Coringa ore has characteristics that will mean ore sorting could be successfully utilised with the benefits of reducing plant throughput and therefore power consumption, and the volume of mine tailings generated. All understanding of the orebody to date has been derived from surface drilling and exposure of the orebody through on-lode development will provide management with important information on the precise geometry and continuity of the orebody which will assist with optimisation studies and in particular the proposed mining methodology.

With the recent issues encountered at the Sao Chico deposit and with reduced levels of mine production expected from the Palito Complex overall during 2022, management has begun to transport some of the higher-grade ore being recovered from Coringa to the Palito process plant. This will allow the Group to conduct the bulk test work for ore sorting, but also generate additional gold production and revenue, which with lower cash flow being generated by the Palito Complex operations will provide some supplementary income that the Group will use to maintain the Coringa mine development and help offset some of the mine development costs that the Group will be incurring. Any production generated from Coringa during 2022 will be incremental to the Group's current production guidance for the year.

Although the Group intends in the near term to process some of the ore recovered from the planned development of the Coringa mine at the Palito complex, the longer-term development plan is to construct a gold processing plant at Coringa. Additional funding will be required for this development of Coringa including the plant installation and construction of the other site infrastructure and facilities. Management envisage that this funding may be generated from a variety of sources which could include a combination of bank debt, royalty, streaming of gold and copper revenues, new equity capital and cash flow from the current operations.

Serabi's management considers Coringa will prove to be a long-term sustainable gold operation with significant exploration potential within the wider tenement. The area is host to a number of historic artisanal operations and the current mineral resource underlies just one and a half kilometres of artisanal workings within an eight kilometre artisanal trend, which in turn is hosted within a 30 kilometre-long gold in soil anomaly.

The potential is evidenced by:

- Depth – the drillholes that comprise the resource are shallow and do not test depth potential beyond a maximum of 250 vertical metres.

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#### Coringa – doubling of production with a low capital, low risk project

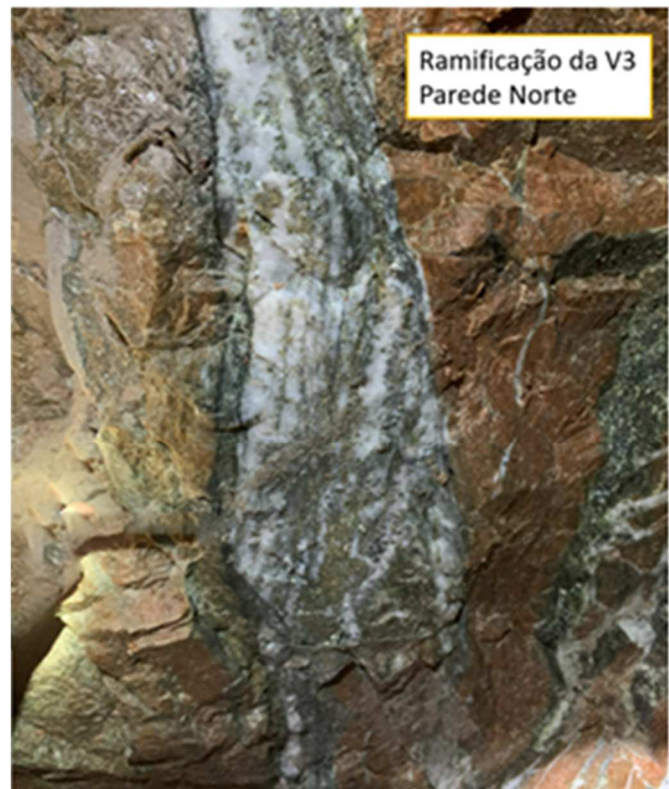
- Along strike – with only 1.5 kilometres of 8 kilometres of artisanal workings tested
- The other artisanal areas within the 30 kilometre gold anomaly have not been tested at all.

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.

Conscious of recent concerns in Brazil following the Samarco and Brumadinho dam failures and notwithstanding the relatively small process volumes that will be involved, Serabi has incorporated dry stack tailings disposal into the process design as opposed to conventional wet tailings storage ponds or dams. In addition, and despite not being legally obligated, Serabi has commissioned the well-respected Brazilian consultancy, Brandt, to undertake a specific study to confirm the lack of any impact of the project on indigenous populations that live in the region. The nearest indigenous village is located approximately 45 kilometres from the mine site and therefore well beyond the 10 kilometres normally considered as an appropriate buffer zone. This study, expected to be completed before the end of the second quarter of 2022, is over and above those undertaken as part of the LP process which involved a full public consultation attended by representatives of these indigenous tribes.

Excellent progress has been made advancing the mine since the initial development began in July 2021. The ramp is a four metre high and four metre wide gallery, which has intersected the first of three veins which comprise the Serra Zone. The ramp has traversed the lode, perpendicular to strike. This development lies on the 320 metre level, approximately 50 vertical metres below the portal entrance. The ramp will continue to advance on the 320m level to the second and third lodes in the Serra Zone. As each lode is intersected, smaller three metre high and three metre wide 'on-lode' development will advance, following the veins along strike, allowing regular sampling and consequently significantly enhancing the understanding of the orebody.

A smaller ramp has commenced off the main Serra ramp, rising up to the 340 metre level, where once the veins are again intersected, a similar development design on each of the three lodes is planned. Over the next months the Company plans to undertake sufficient ramp and ore development at the Serra Zone to assist with optimising the mine methodology and securing a bulk sample.



*Figure 10 - Intersection of Vein 3 in the Serra ramp showing strong contrast between the mineralised quartz sulphide veining and the pink granite country rock suggesting the deposit should be amenable to ore sorting*

### The importance of exploration

The Tapajos region has only recently started to be the subject of systematic exploration and therefore the artisanal miners provide a valuable exploration tool with a significant portion of the 7 million ounces of hard rock resource identified to date close to and/or underlying historic artisanal operations. However, there is much that the artisanal miners 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, presenting a significant opportunity for the Company.

### 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 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.

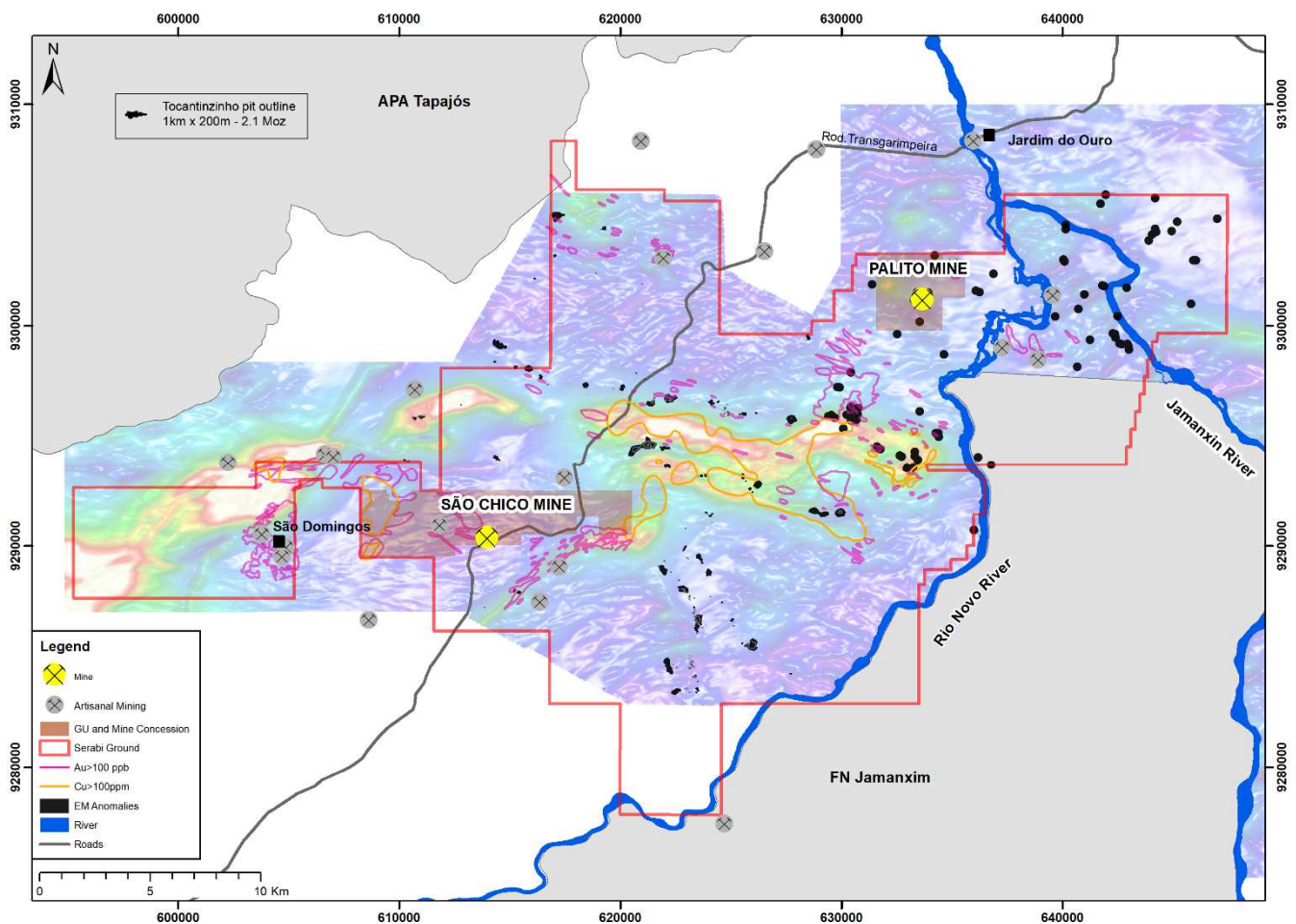


Figure 11 - The Palito Complex tenement showing coincident areas of geophysics, geochemistry and artisanal mining

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Exploration – the key to future growth

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 substantial 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.

Serabi’s exploration opportunities are analysed between brownfield (near-mine) and greenfield, with the former being targeted at resource growth to support and grow the existing operations, whilst the greenfield is focused on longer-term opportunities and potentially the identification of lower grade bulk mineable opportunities that management believe exist in its tenement area.

**Brownfield exploration**

Palito near-mine

The current Palito deposit lies within a one kilometre strike length and approximately 800 metre lateral width of nested, parallel structures and incorporates approximately 30 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.

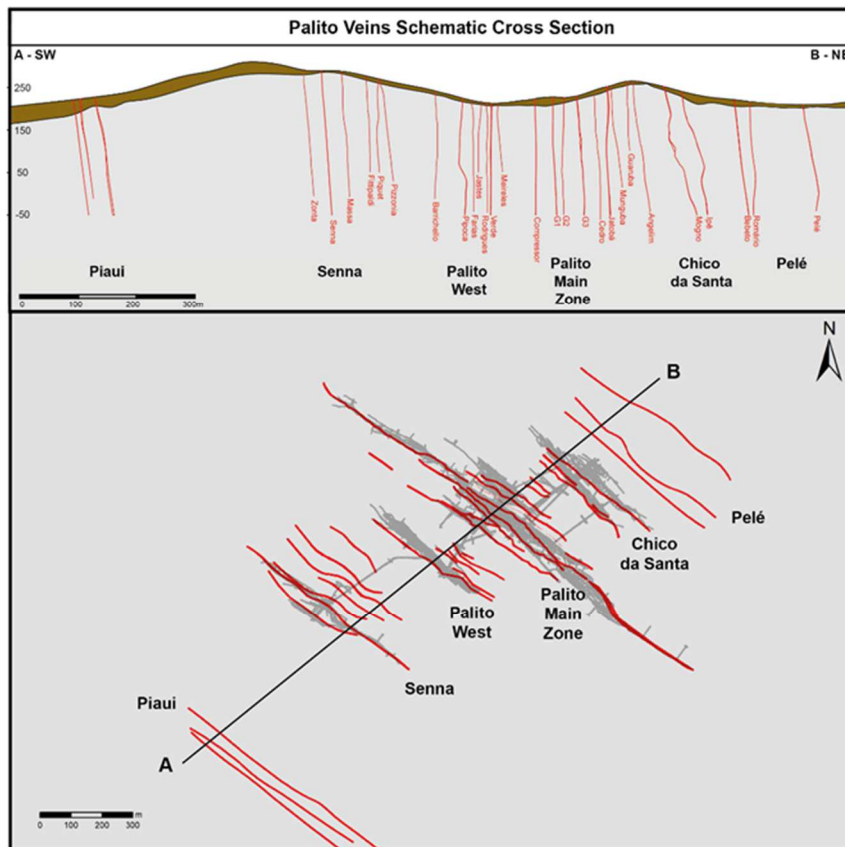


Figure 12- Cross-section and plan view of the Palito veins and main sectors

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Exploration – the key to future growth

During 2021, the Company completed 9,878 metres of mine-site exploration drilling, which targeted known and newly discovered sectors beyond the mining limits, including:

- a. the southern extension of the Palito Main Zone towards the Currutela Prospect.
- b. the Chico da Santa sector, north and south.
- c. the newly discovered Pele zone, east of the mine.

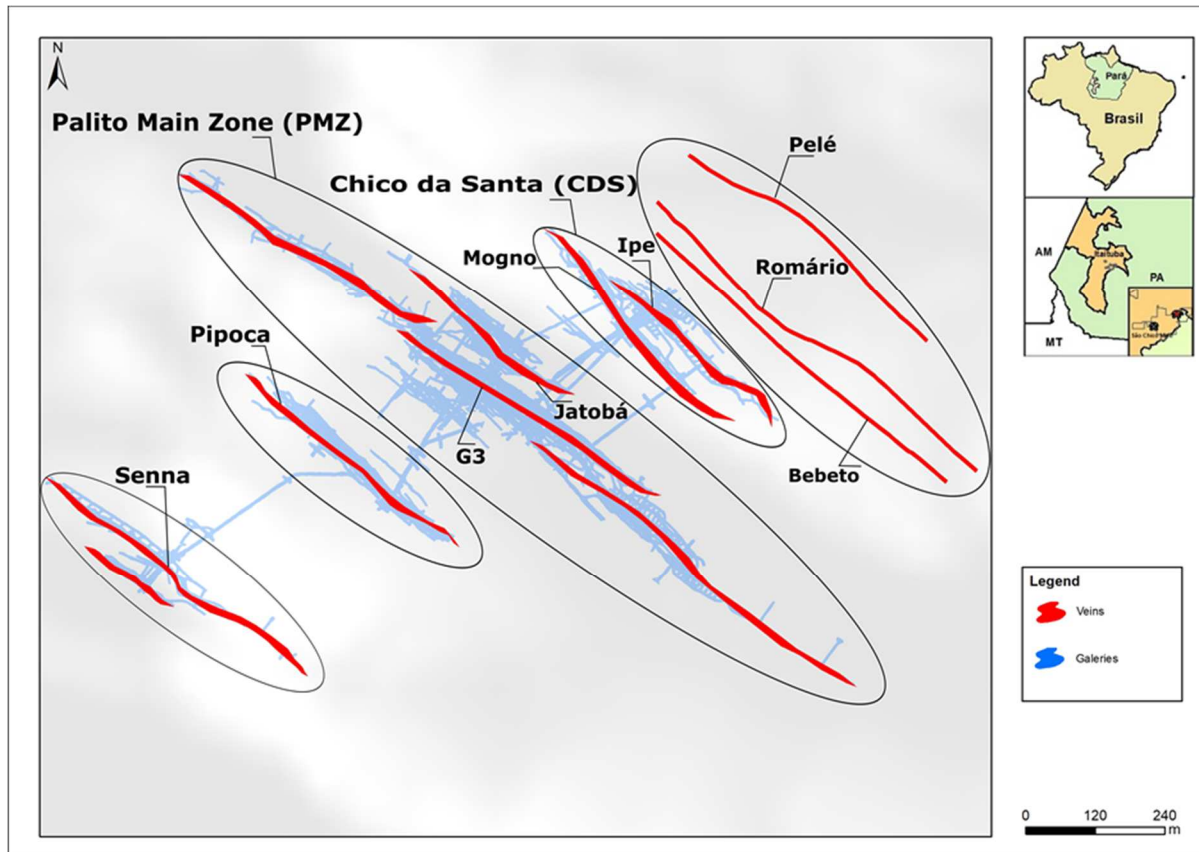


Figure 13- Plan view of the Palito deposit showing on-strike and lateral extension potential

Drilling into Chico da Santa, and most notably the Ipe and Mogno veins confirmed depth extensions in excess of 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. The Ipe and Mogno lodes through the year increasingly contributed to the Palito Mine ore feed due to their relative shallow depth and high grades. Both these veins were being mined less than 200 metres from surface so are easily accessed and with the main ramp already deepened to over 350 metres from surface, both Ipe and Mogno do not require much capital development to bring them into production.



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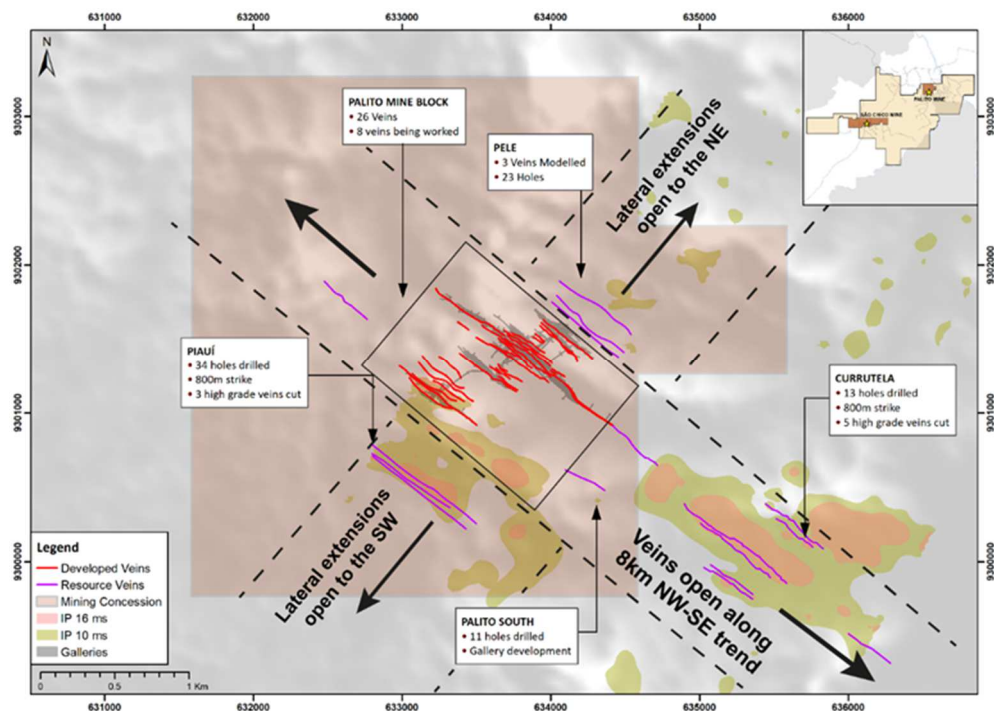


Figure 14- Plan of Palito Mine showing developed veins and mine development, geophysics and lateral extensions of the Pele and Piaui sectors

These veins are extremely rich in both gold and copper with grades similar to the G3 vein which was a major contributing vein to Palito production in previous years. The ongoing underground development of the Ipe/Mogno veins during 2021 provided the opportunity to drill long exploration holes laterally. Some holes drilled to the west have intersected extensions of the Jatoba vein. Whilst the Jatoba structure was mined three years ago, there was, at that time, insufficient geological data to support further development. These new holes have cut the Jatoba vein well to the south of the original mine workings, with hole PDD0558, located 400 metres south of the Jatoba mine workings, recording 33.76g/t Au over 2.0 metres, suggesting very good strike potential for identifying additional resources.

Underground drilling to the east of Ipe and Mogno has resulted in identifying the Pele sector, another new area at Palito. The Pele sector hosts the veins Beбето, Romario and the Pele vein itself and the early results again highlight this is a sector of excellent potential. This drilling is now being supplemented by surface exploration.

São Chico near-mine

The current São Chico mineral resource extends over a 600 metre strike. Production to date has been derived primarily from the Main Vein with the Julia Vein only contributing to mine production during the latter part of 2021 and early in 2022.

Adjacent, and lying to the north and south of the Main Vein, drilling has identified the Gabi, Highway, Crossroads, Cicada, and Lagoa veins, with the West Vein also located west of the main Sao Chico deposit. All of these veins will be evaluated going forward and if viable, could be easily accessed by cross cuts from the existing mine workings.

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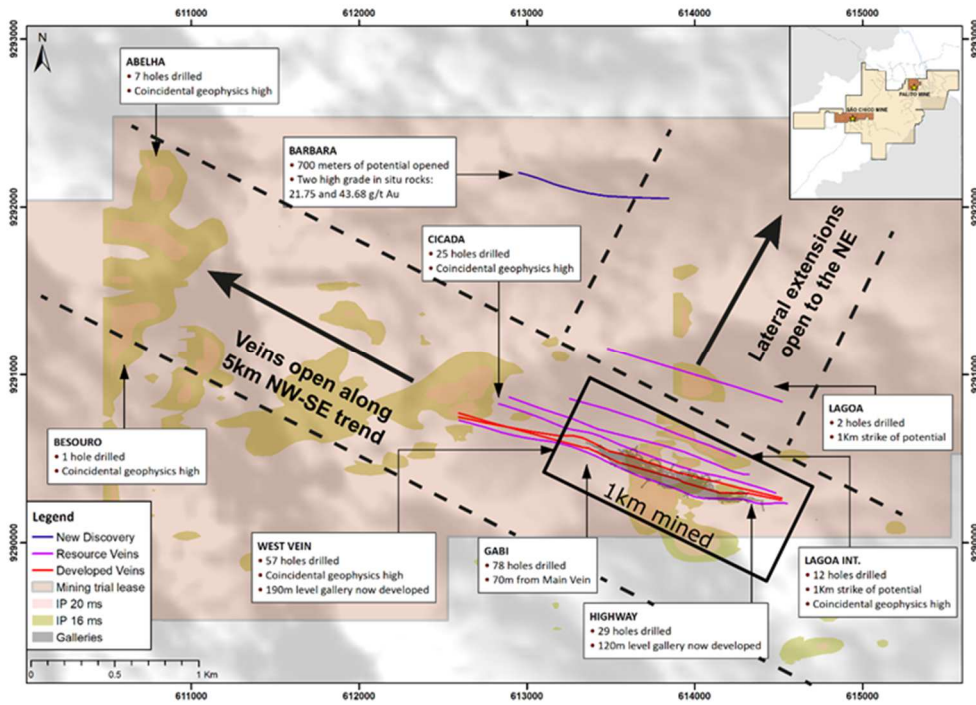


Figure 15- Plan view of the São Chico veins

Exploration activity at São Chico started on a very positive note with a focus on the western extension of the São Chico veins, particularly the Julia orebody. Following surface and underground drilling success on Julia, the vein was quickly developed in 2021, with a view to it being the principal contributor to production in 2022. In fact, the Julia vein was identified when the mine initially opened in 2015, in the central part of the mine, and at that time, results were not particularly encouraging. As a consequence, the mine development continued to focus on the Main Vein. The evaluation of the Main Vein to the west, beyond the mine limits, intersected the Julia Zone again, this time demonstrating mineable widths and grades, albeit narrower. The Julia Zone is a parallel zone to the western projection of the Main Vein, but does lie somewhat west of all the other São Chico veins.

The initial understanding of the Julia Vein by drill holes was that the mineralisation had been truncated to the west by post-ore, dacitic intrusions, which fault and displace the vein. At this time, the vein was limited to what were referred to as zones 1 and 2. However, drilling to the west of this area found the continuation of the intrusive structures, with apparently good vein widths and grades. These intersections were in the zone 3 block, immediately west of the current mine limit. Zone 3 is itself bounded to the west by another dacite dyke, and additional step-out drilling intersected the further continuation of Julia west of this dyke.

One issue that has become apparent with the benefit of mine development as the Julia vein was prepared for production was that late stage faulting dacitic intrusive dykes were often 'missed' by the drilling as often they were perpendicular to the Julia vein and often parallel to the direction of drilling, it has only been with underground exposure a fuller picture of the geology and the negative impact these dykes had on the % of the mineral resource that would ultimately be mineable. The Julia Vein is located in the extreme west of the deposit, a previously undeveloped area. This level of faulting appears to be unique to the Julia Vein, as nothing similar has been encountered in the seven years that the São Chico deposit has been mined.

During 2021 brownfield exploration drilling totalled 8,328 metres, focused on the extension of veins beyond the western limit of the mine, namely the Main/West vein, towards the Cicada geophysical anomaly and the undeveloped Gabi vein, that lies immediately to the south of the current mine limits.

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 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.

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### Exploration – the key to future growth

The 2021 drilling results also led to a substantial review of some historic São Chico drill core and assay results with encouraging results, notably the identification of the Gabi Vein. Located 70 metres south of the Main Vein, it was intersected in the 2013, 2015, 2019 and 2021 drilling campaigns, though each campaign was targeting the Main Vein and not Gabi. In 2015, a cross-cut on level 186mRL was driven to investigate the structure, but results were disappointing and further investigation was postponed, with priority given to continued exploration and evaluation of the wider Main Vein. Nevertheless, drillholes designed to intersect the adjacent Main Vein have continued to cut the Gabi Vein, and this catalysed a second review.

More recent underground holes have helped define the presence and geometry of the Gabi Vein and prompted a reanalysis of 146 previously unsampled historical holes that had targeted the Main Vein. The result of this re-interpretation involved a major re-logging, sampling and assaying campaign on many historical cores. Whilst some of these holes did not show significant mineralisation, many demonstrated excellent intersections with very mineable widths and grades, and strong grade and width continuity. Information gaps still remain but there are now multiple payable drill hole intercepts into the Gabi Vein and it has been incorporated in the mineral resource.

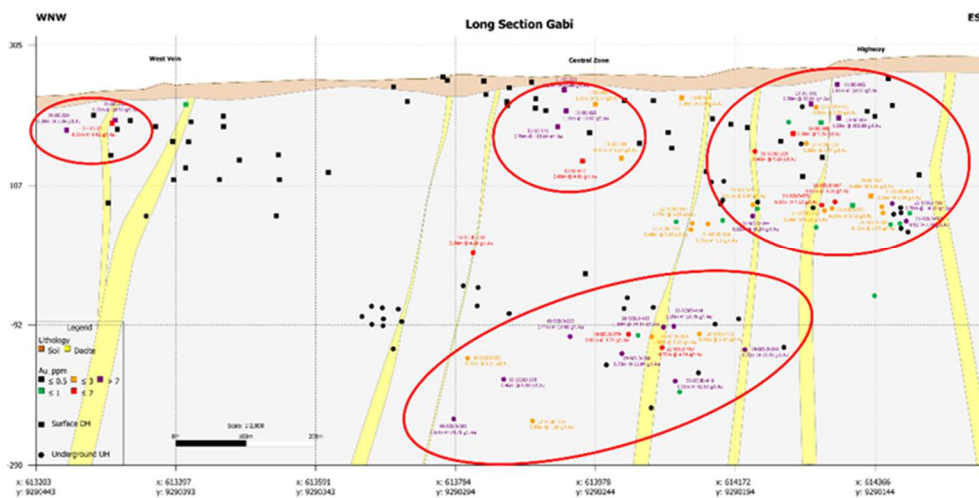


Figure 16- Long section of the Gabi Vein

There are a number of indications that the Main, Julia and Highway Veins are 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 Extension and Crossroads, potentially indicating a series of parallel vein sets.

In addition to this plethora of step-out targets, the Company is completing a number of deeper holes to test the depth continuity of the Main Vein.

### Greenfield exploration

Exploration activity undertaken to date has highlighted seven key areas of particular interest.

#### São Domingos tenements

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. Limited systematic exploration had been completed by previous holders of the licence area and therefore Serabi set about establishing the baseline geological data to properly evaluate the land package. This work programme included mapping and soil sampling and in late 2021, an airborne geophysical survey. This survey completes the coverage over the entire Palito tenement block, adding to the initial survey undertaken in 2018 that identified the Mata Cobra corridor, a 14km long, broadly east-west trending magnetic high. This magnetic high is bounded by both north and south interpreted fault structures

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 Exploration – the key to future growth

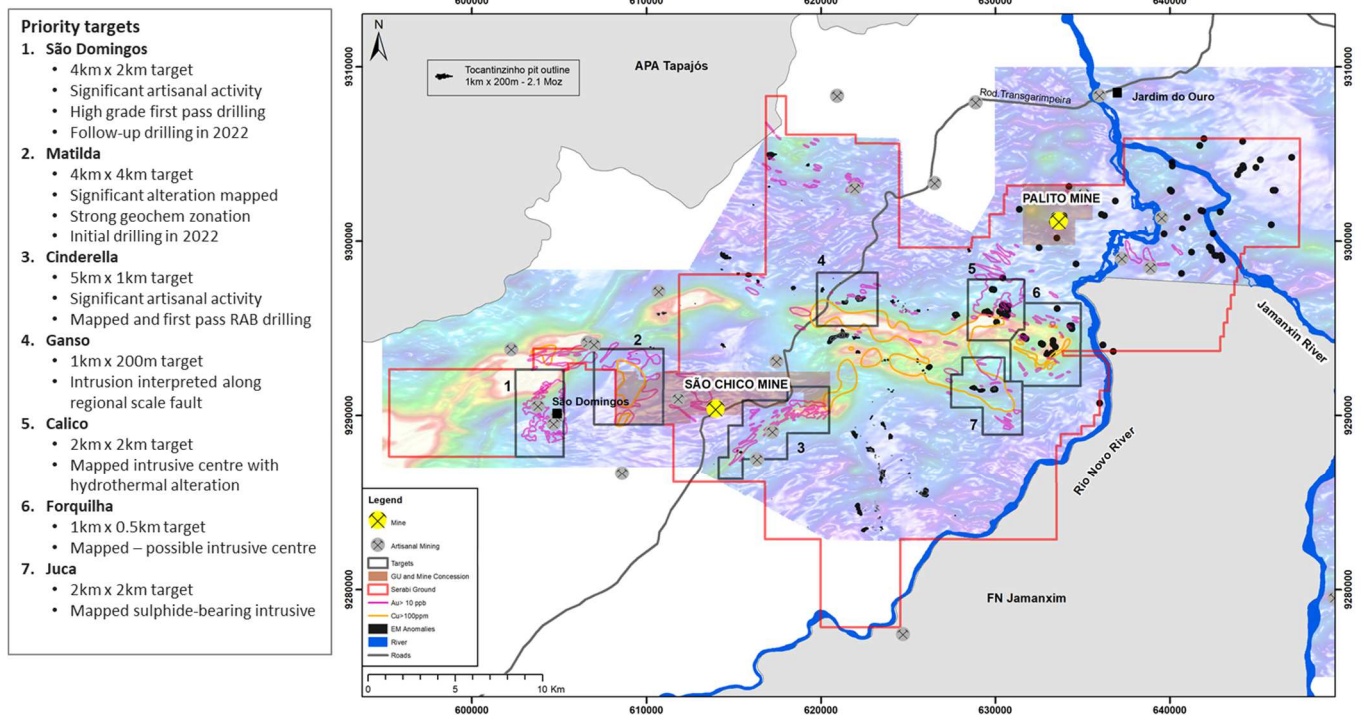


Figure 17- The Palito Complex showing the location of key exploration targets

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 and assisted in identifying the priority exploration targets. The airborne survey over the São Domingos tenements is expected to provide the same excellent targeting information and clearly demonstrate the continuation of the Mato Cobra trend through the São Domingos River tenement area.

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). There are also 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 northeast to southwest trends spaced broadly 500-800 metres north-south throughout the tenements.

Many of these trends host historic pits extending to depths 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.

During the year, a total of 4,156 metres of exploration drilling was completed on these brownfield targets with the main target areas being the Toucano and Atacadao prospects.

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Initial drilling results undertaken during 2021 have been very encouraging with visible gold encountered in hole 21-SD-010 @ 175.40m down hole depth. This particular hole returned a number of intersections including 7.15 metres at 258.24 grammes per tonne (“g/t”) of gold. Drilling on the Toucano trend at São Domingos has intersected three mineralised structures, all hosted within a mineralised alteration zone with a true width of 50 metres. Mineralisation has been confirmed along at least a 400 metre strike length and remains open at depth and along strike.

With the success of drilling in 2021 and the additional information provided by the geophysical survey, further follow-up drilling is planned.



Figure 18- Visible gold from 21-SD-010 @ 175.40m down hole depth

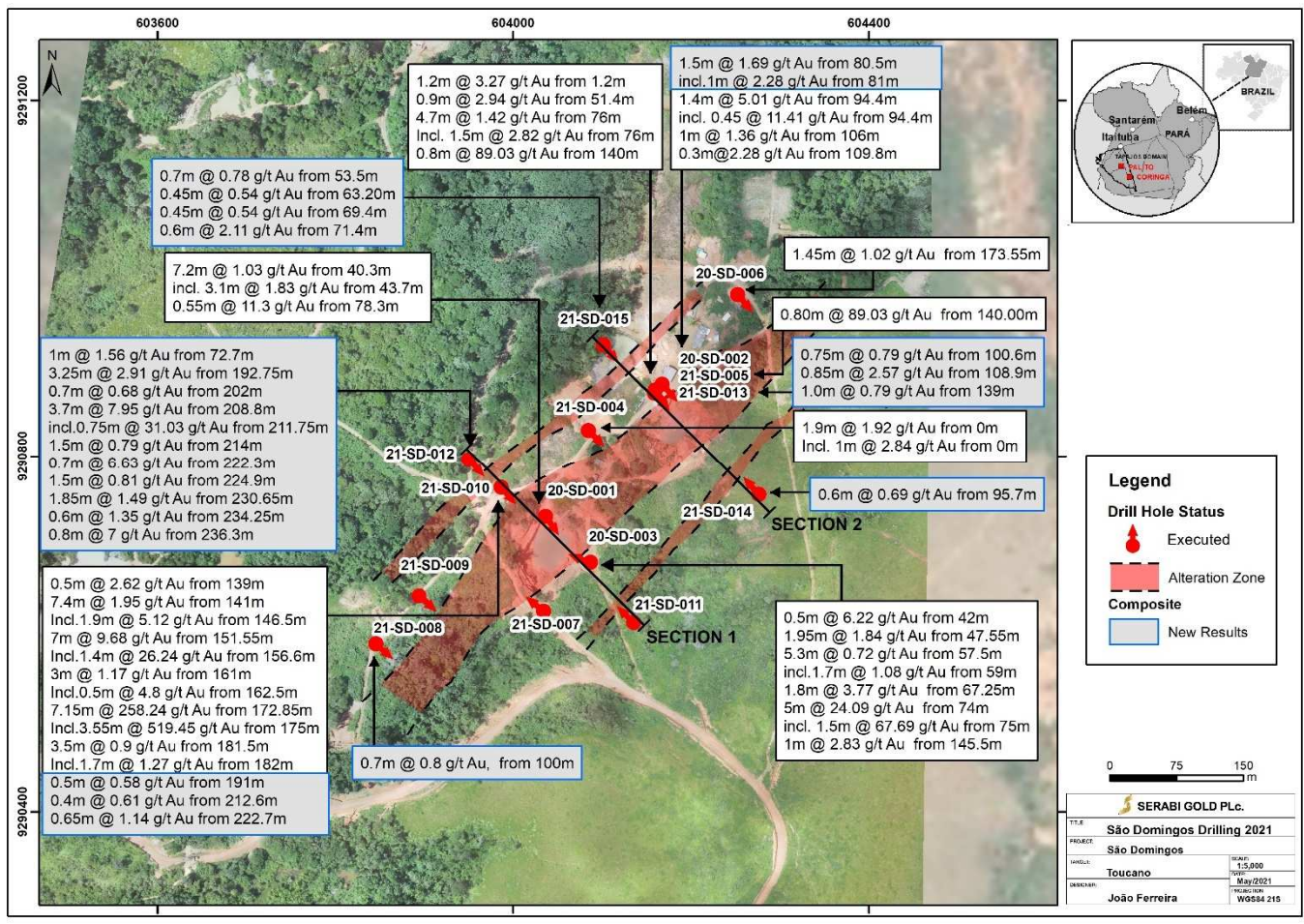


Figure 19- Plan view of the Toucano prospect with drill location and results

Drilling beneath the Raimundo pit confirms the continuity of mineralisation along strike and has also identified parallel mineralised structures that warrant further follow-up.

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In addition, regional soil geochemistry on the São Chico/São Domingos trend has recorded multiple significant gold and multi-element anomalies within this highly prospective mineralised corridor including the confirmation of the strike extension of known gold occurrences at the Fofoca prospect on the São Chico/ São Domingos trend.

Atacadao

Another prospect at São Domingos is the Atacadao property. Artisanal mining is still ongoing and a surface sampling programme comprising 69 rock chip samples with an average grade of 8.33g/t Au over an area of 1.5km x 1.5km and a maximum result of 204.77g/t Au, reflects the prospectivity of the area. Significantly, 36% of the samples returned over 3g/t Au with an average of grade of 22.5g/t Au.

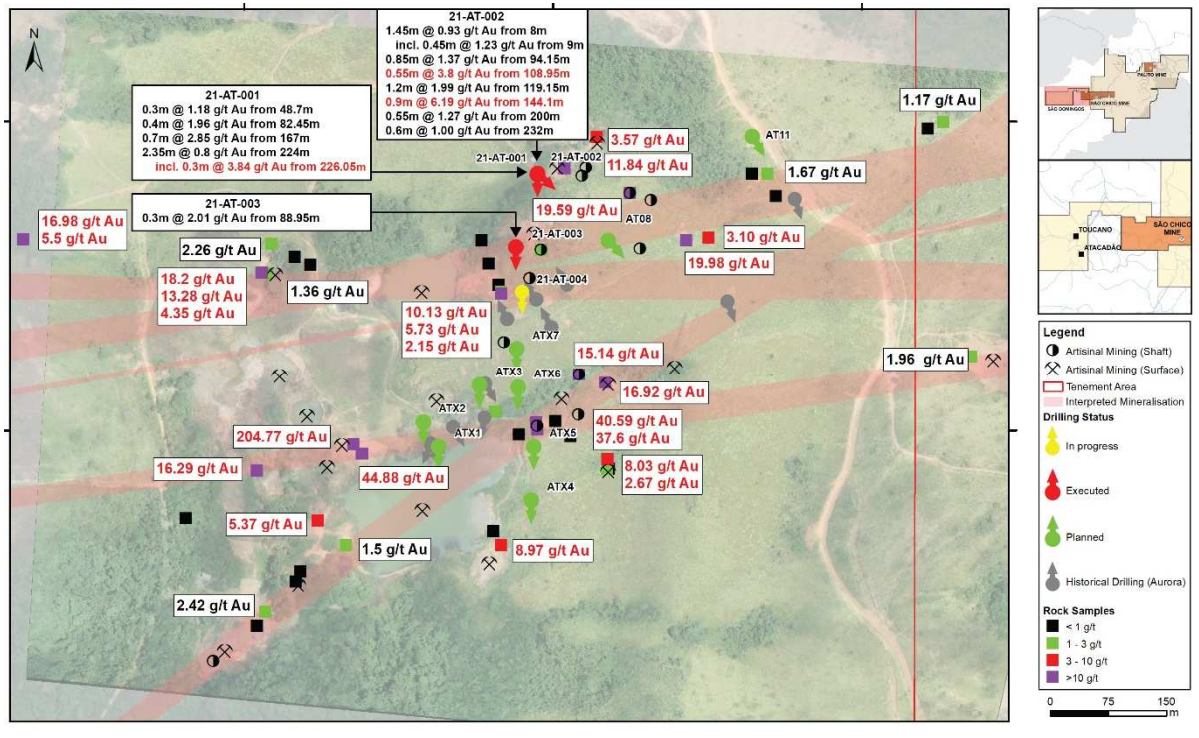


Figure 20- Drill results from Toucano and Atacadao

Matilda

The Matilda target is a four kilometre by four kilometre geochemical anomaly within which lies a two kilometre by two kilometre gold, copper, molybdenum, and tungsten (“Au-Cu-Mo-W”) core. This geochemical anomaly is coincident with anomalous high magnetic susceptibility associated with magnetite alteration. Mapping has identified granites with potassic, propylitic and sericite-chlorite alteration, dacite porphyry and quartz-sulphide veins, all of which bodes well for a bulk target. Further, Matilda sits on a topographic high, with extensive artisanal workings in surrounding rivers and drainages. Follow-up mapping and initial drilling has been undertaken in 2022. The initial drill holes were scout holes positioned to test the central portions of the anomaly. All three holes intersected porphyritic material containing significant sulphides including chalcopyrite and molybdenite. Logging of the holes is ongoing, and samples have been sent to an external laboratory for multi-element analysis.

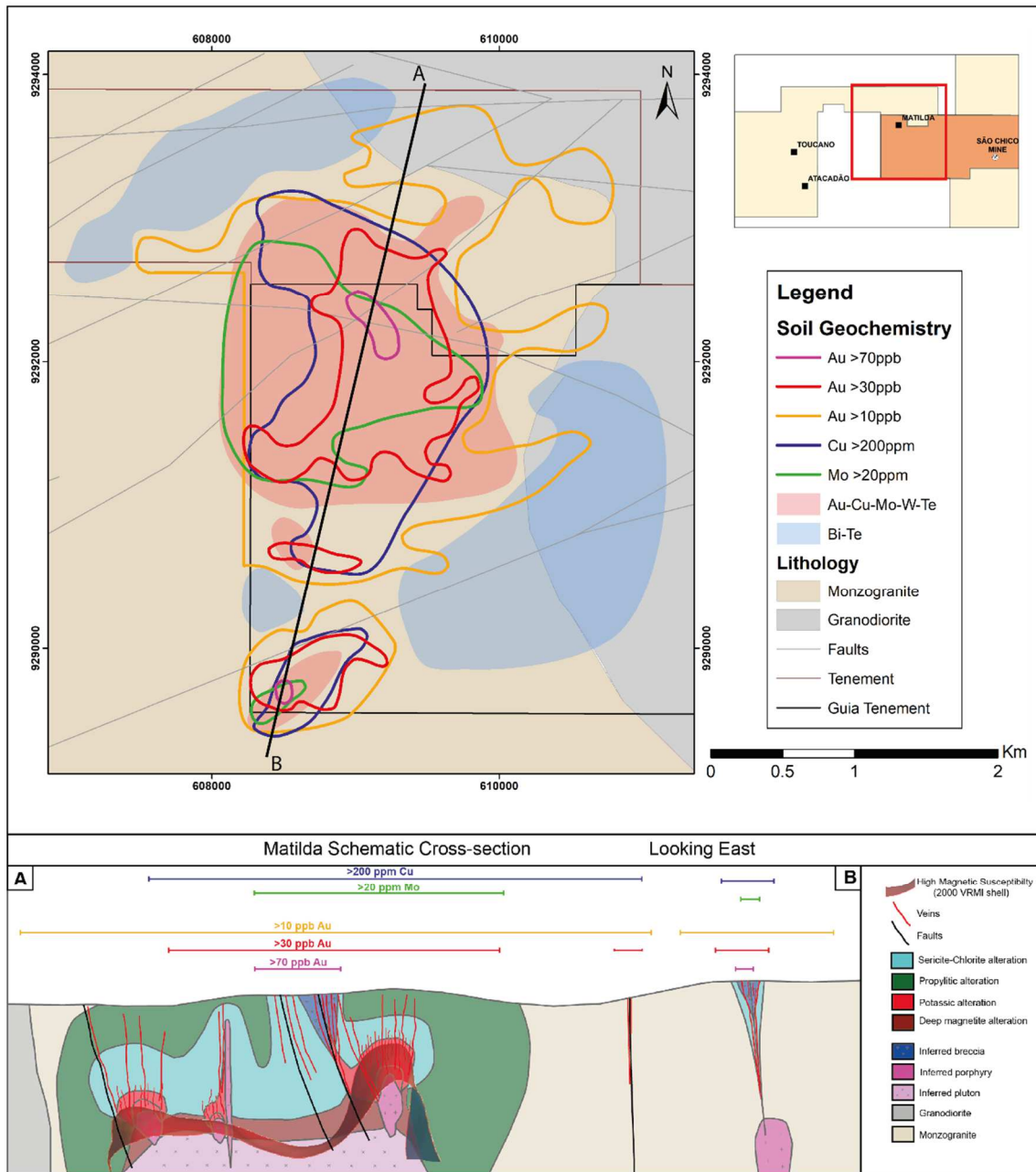


Figure 21 - Plan view and cross-section of the Matilda prospect highlighting areas of anomalous soil sgeochemistry

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.

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Calico

Located just five kilometres from the Palito operation and processing plant, Serabi’s exploration teams have identified significant geochemical gold in soil anomalies at Calico, Juca and Forquilha, of which Calico is now significant, covering a two kilometre by two kilometre area. Soil samples returning values as high as 0.8g/t gold have been recorded, better than have been seen in any soils over the Palito orebody. A terrestrial geophysics survey using Induced Polarisation (“IP”) covering the Calico soil anomaly has identified multiple chargeability anomalies. These results are very comparable in terms of scale and signature to the Palito orebody, which is a 600,000 ounce gold mineral resource. The Calico prospect and neighbouring Forquilha and Juca prospects were initially identified from the interpretation of an airborne electromagnetic survey completed in 2018. These areas were initially selected where multiple electromagnetic anomalies (typically indicators of massive sulphides in the Tapajos), coincided

with an ESE-WNW trending regional structure, known as Mato Cobra, a structure displaying strong magnetic and radiometric anomalism. Reconnaissance field mapping identified alteration (potassic, haematitic and silicic) and evidence of weathered and primary sulphides in limited outcrop associated with felsic intrusive and volcanic rocks. Systematic grid soil sampling subsequently identified a number of cohesive multi-element geochemical anomalies of which the most significant was the Calico prospect.

The Calico prospect is highlighted by a central potassically altered dacite porphyry intrusive with coincident higher temperature soil geochemistry multi-element signature of Mo-Bi-As-Te-W-Sn. This dacite porphyry intruding into a monzogranite was bounded by a broad two kilometre by two kilometre high gold/low antimony halo to the north west and anomalous copper wrapping around the southern part of the intrusive core.

The 50 metre by 200 metre grid soil sampling defined a broadly arcuate shaped two kilometre by two kilometre gold in soil anomaly defined by 1,532 soil samples, with a maximum of 0.8g/t Au, with 260 samples reporting analytical results between 0.03g/t

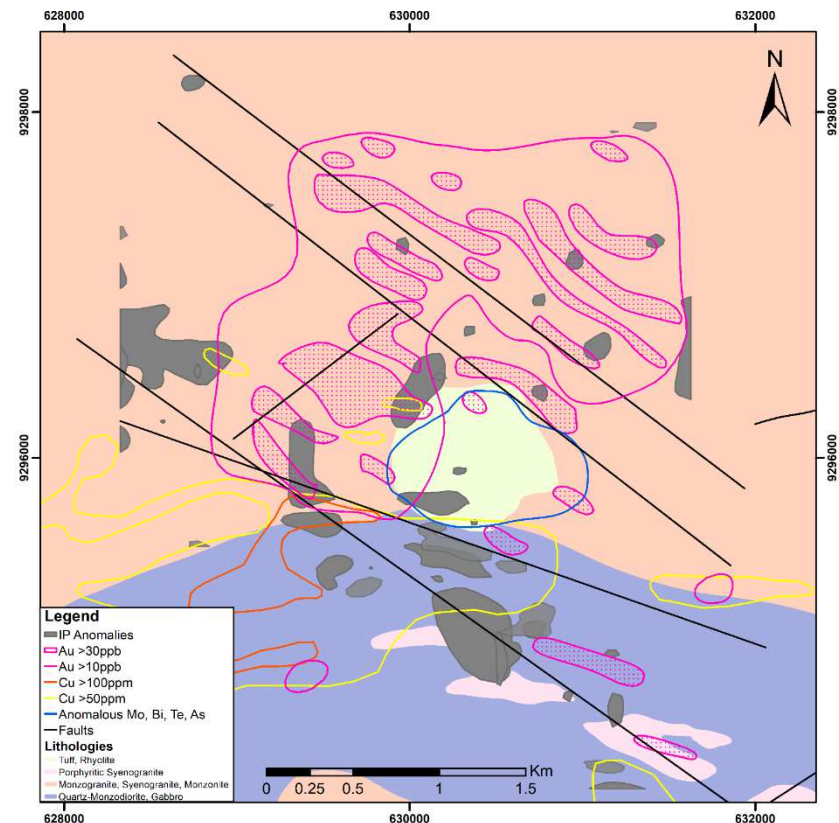


Figure 22- Detailed image of Calico showing local geology, gold and copper geochemistry as well as terrestrial geophysics - IP anomalies

and 0.8g/t Au. This gold anomaly is supported by a suite of multi-elements suggesting an intrusion related mineralising system (porphyry or intrusion related gold system model).

In 2020 Serabi completed a 44.5 line kilometre IP survey covering the gold in soil anomaly at Calico. The survey was completed on 200 metre spaced, north south orientated traverses, with an array designed to penetrate to at least 250 metres vertical depth. The result of this survey has further refined the interpretation of the Calico prospect. The IP highlighted a series of NW-SE anomalies, as seen at Palito. These IP anomalies bound the gold soil anomaly and are adjacent to the dacite porphyry intrusive. Between these structures a series of transverse (NE-SW) and NNW-SSE structures (second and third order faults) have been identified which correlate with the peaks of the gold in soil assays.

Other targets

In addition to those listed above, the Company has identified three other priority targets, namely Ganso, Forquilha and Juca, each of which present coincident geochemical and geophysical anomalies, including EM anomalies indicating the possible presence of sulphide bodies. Further mapping, sampling and ultimately drilling are planned for 2022.



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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 2021 and is summarised below. The mineral resource estimate for the Palito Mine considers all available core drilling, underground chip sampling and other geological sampling by Serabi generated during the period mid-2002 to December 2021. 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 December 2021.

The Mineral Resource 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.

**Table 1- Mineral Resource Statement, Palito Mine, Para State, Brazil, as of 31 December 2021**

Classification	Quantity (t)	Grade Au (g/t)	Contained Metal Au (oz)
Measured	39,203	6.63	8,360
Indicated	1,093,178	5.22	183,594
Measured and Indicated	1,132,380	5.27	191,954
Inferred	882,083	5.00	141,798

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 3.10 g/t gold assuming an underground extraction scenario, a gold price of US\$1,500/oz, a 5.0:1 Brazilian Real to U.S. 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 2021, and audited and approved by Mr. Michael Hodgson, CEO of Serabi Gold plc, who is a Qualified Person under NI 43-101.*

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**Table 2- Mineral Resource Statement, São Chico Mine, Para State, Brazil, as of 31 December 2021**

Classification	Quantity (t)	Grade Au (g/t)	Contained Metal Au (oz)
Measured	9,620	8.38	2,590
Indicated	360,513	5.00	57,950
Measured and Indicated	370,132	5.09	60,540
Inferred	547,581	4.55	80,131

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 2.85 g/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 2021, and audited and approved by Mr Michael Hodgson, CEO of Serabi Gold plc, who is a Qualified Person under NI 43-101.*

The above estimation was made prior to the issues relating to the Julia Vein being understood. Of the total mineral resource of 141,000 ounces approximately 27,000 ounces related to the Julia Vein of which 6,700 ounces were classified as reserves and had been expected to be mined during 2022. The Company expects that the remaining mineral resource estimated for the Julia Vein, will continue to be available to be mined using selective mining techniques. The Company engaged an independent consultant to support management's opinion that the geological setting of Julia was confined only to this part of the Sao Chico deposit. The consultant also reported that in his opinion the effect on the mineral resource estimation for Sao Chico was less than 10%.

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 2021**

Classification	Quantity (t)	Grade Au (g/t)	Contained Metal Au (oz)
Proven	43,123	6.03	8,360
Probable	208,411	7.43	49,796
Total Reserves	251,534	7.19	58,156

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 3.70 g/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 2021, and audited and approved by Mr Michael Hodgson, CEO of Serabi Gold plc, who is a Qualified Person under NI 43-101.*

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**Table 4 - Mineral Reserve Statement, São Chico Mine, Para State, Brazil, as of 31 December 2021**

Classification	Quantity (t)	Grade Au (g/t)	Contained Metal Au (oz)
Proven	12,505	6.44	2,590
Probable	35,204	5.83	6,598
<b>Total Reserves</b>	<b>47,709</b>	<b>5.99</b>	<b>9,188</b>

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 3.45 g/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 2021, and audited and approved by Mr Michael Hodgson, CEO of Serabi Gold plc, who is a Qualified Person under NI 43-101.

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

The current Mineral Resource estimates for the **Coringa Mine** (Table 5) are based on data as at **30 June 2019**.

Classification	Quantity	Grade	Contained Metal
		Gold	Gold
	000't	g/t	000'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 2019 by Mr Kevin Gunesch and Dr Hamid Samari, who are both Qualified Persons under the Canadian National Instrument 43-101.

## Strategic Report Finance Review

### INCOME STATEMENT

The gross profit for the year was US\$19.33 million in comparison with a gross profit of US\$16.54 million for the year ended 31 December 2020. The comparison between the periods is set out in the table below.

	12 months ended December 2021	12 months ended December 2020	Variance
Concentrate Sold (Ounces)	13,658	8,670	4,988
Bullion Sold (Ounces)	20,731	22,870	(2,139)
<b>Total Ounces Sold</b>	<b>34,389</b>	<b>31,540</b>	<b>2,849</b>
<b>Average gold sales price achieved</b>			
	US\$		
<b>Revenue from Ordinary Activity</b>			
Gold (in Concentrate)	23,361,409	14,433,316	8,928,093
Copper (in Concentrate)	2,453,920	1,236,957	1,216,963
Silver (in Concentrate)	127,334	92,318	35,016
<b>Total Concentrate Revenue</b>	<b>25,942,663</b>	<b>15,762,591</b>	<b>10,180,072</b>
Gold Bullion	37,198,774	40,067,487	(2,868,713)
<b>Total Sales</b>	<b>63,141,437</b>	<b>55,830,078</b>	<b>7,311,359</b>
<b>Costs of sales</b>			
Operational costs	34,961,235	30,987,776	3,973,459
Provision for impairment of State taxes receivable	—	1,038,083	(1,038,083)
Shipping costs	1,189,931	764,368	425,563
Treatment charges	591,714	454,901	136,813
Royalties	1,016,438	920,603	95,835
Amortisation of mine property	4,608,900	3,635,028	973,872
Depreciation of plant & equipment	1,440,728	1,493,867	(53,139)
<b>Total operating costs</b>	<b>43,808,946</b>	<b>39,294,626</b>	<b>4,514,320</b>
<b>Gross profit</b>	<b>19,332,491</b>	<b>16,535,452</b>	<b>2,797,039</b>

### Revenue

For the year ended 31 December 2021, the Group generated US\$25,942,663 (2020: US\$15,762,591) in revenue through sales of an estimated 13,658 ounces of gold sold in the form of a copper/gold concentrate (2020: 8,670 ounces) and 20,731 ounces of gold bullion generating revenue of US\$37,198,774 (2020: 22,870 ounces for revenue of US\$40,067,487)

The average gold price received during 2021 was US\$1,776 compared with a price of US\$1,727 received during 2020.

Production of gold bullion for the year to 31 December 2021 was 19,675 ounces of gold compared with 22,690 ounces during the same period of the previous year, a decrease of 13 per cent.

During the same 12 month period 1,357 wet tonnes of copper/gold concentrate, containing an estimated 14,173 ounces, was produced (12 months to 31 December 2020: 863 wet tonnes of copper/gold concentrate, containing 8,522 ounces of gold). The unsold material is held as inventory.

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

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### Finance Review

#### Operating costs

Operational costs for the 12 months ended 31 December 2021 were US\$34.96 million (2020: US\$30.99 million). Operational costs include mining costs at both the Palito and São Chico Mines, plant processing costs, as well as all general site costs on both mine sites

	12 months ended December 2021	12 months ended December 2020	Variance	Variance %
Tonnes mined	170,262	175,928	(5,666)	(3%)
Tonnes milled	170,800	174,276	(3,475)	(2%)
Ounces produced	33,848	31,212	2,636	8%
Ounces sold	34,389	31,540	2,849	9%
	<b>12 months ended December 2021</b>	<b>12 months ended December 2020</b>	<b>Variance</b>	<b>Variance</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>%</b>
<b><u>Operating Costs</u></b>				
Labour	15,820	13,867	1,953	14%
Mining consumables & maintenance	10,751	9,606	1,145	12%
Plant consumables	4,720	4,338	382	9%
General site	3,671	3,176	495	16%
	<b>34,961</b>	<b>30,988</b>	<b>3,973</b>	<b>13%</b>

During 2021 the average exchange rate was BrR\$5.39 to US\$1.00 compared with an average exchange rate of BrR\$5.16 to US\$1.00 during the same period of the previous year, a weakening of approximately five per cent.

#### Labour

The increase in labour costs of 14 per cent reflects the four per cent increase in the number of staff employed during the 12 month period ended 31 December 2021. During the second quarter of 2020, although head count had increased reflecting planned changes in shift patterns, the level of staff and numbers at site were restricted, as a result of social distancing measures implemented due to the COVID19 pandemic, reducing the relative levels of overtime and similar costs. Additional mine development crews have been recruited in 2021 to recover some of the development that could not be completed during 2020. In addition, each Brazilian employee received a three per cent salary increase effective May 2021 as a result of the national collective wage agreement in Brazil.

#### Mining consumables & maintenance

Mining consumables and maintenance for the 12 month period ended 31 December 2021 have increased by 12 per cent in comparison to the same period of 2020. In part this reflects a return to normal levels of staffing and maintenance activity during 2021. However, the Group has also been undertaking an underground drilling project as well as a significant programme for the redesign and continued improvement of its tailings management infrastructure. This work, which was completed in the fourth quarter of 2021, necessitated the use of a third party earth moving fleet as well as additional workload on the Group's own fleet resulting in increased consumption of consumables, particularly diesel fuel and spare parts.

#### Plant consumables

Plant costs have increased by US\$0.38 million, or nine per cent, for the 12 month period ended 31 December 2021 compared with the same period in the previous year. The increase is primarily due to an increase in maintenance costs due to repair work carried out on the crusher and milling circuit as well as an increase in power costs and also consumable costs, primarily replacement of mill balls and increased levels of laboratory test work of samples of mined ore and concentrate production.

#### General site costs

General site costs for the 12 month period ended 31 December 2021 increased by 16 per cent compared with the same period in the previous year. The Group incurred an increase in costs on PPE and other general site costs as a result of increased levels of personnel on site and also implementing social distancing procedures.

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#### Provision for impairment of State taxes receivable

There was no adjustment made to the provision for impairment of State taxes. This provision has been calculated based on the fair value of the expected recovery of ICMS by the Group in the foreseeable future. During the 12 month period ended 31 December 2020 there was an increase of US\$1.04 million to the impairment provision increasing the value of the impairment provision at 31 December 2020 to US\$1.57 million (BrR\$8.18 million). The provision at 31 December 2021 is unchanged at BrR\$8.18 million but in US dollar terms has reduced to US\$1.47 million as a result of exchange rate movements.

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 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 purchases. 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 or otherwise use these ICMS credits as part payment for goods. The provision that the Company has established reflects the market conditions and future expenditure patterns that the Company anticipates.

#### Shipping costs

Variations in shipping costs reflect the relative levels of shipments made in the period. During the year, 1,340 tonnes of copper gold concentrate were shipped compared with 860 tonnes for the same period of the previous year.

#### Treatment charges

Treatment charges have increased by US\$0.14 million between 2020 and 2021. This results from the higher volume of material sold in the period although there has been a lower level of penalties incurred for impurities. The occurrence and level of impurities varies according to the mineralogy of the particular veins being mined.

#### Royalties

Royalty payments of US\$1.02 million have increased by 10 per cent in comparison to the same period of the previous year (US\$0.92 million) and comprise statutory levies payable in Brazil and royalties payable to prior owners of the São Chico deposit. Government royalty rates are uniform across all mining operations with a rate of 1.5 per cent being applied to gold production and the royalty on copper production being 2.0 per cent. The increase in royalty payments reflects the increased revenues for 2021. The average gold price achieved during 2021 of US\$1,774 was at a similar level to the average price achieved during 2020 of US\$1,770.

#### Amortisation

Charges for the amortisation of mine property are calculated by reference to the depletion, during each quarter, of the total estimated mineable resource at each of the Palito and São Chico orebodies. The base carrying cost of the asset is adjusted to include a provision 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. During the second half of 2020 the Group increased its assessment of mineable mineral resource for São Chico and at the same time recognised an increase in the level of future mine development costs required to access this increased mineral inventory. The total amortisation charge relating to the Palito and São Chico orebodies for the 12 month period ended 31 December 2021 is approximately US\$4.6 million compared with US\$3.64 million for the same period of the previous year. The increase is due to the increased level of mined ounces extracted from the mine during the 12 month period ended 31 December 2021 in comparison to the same period of the previous year.

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#### Depreciation

A depreciation charge of US\$1.44 million was recorded for the year to 31 December 2021 on plant and equipment used in mining and processing (2020: US\$1.49 million).

#### Operating profit

The Group has recognised an operating profit before interest and other income of US\$13.08 million (2020: operating profit of US\$10.39 million) reflecting the increase in gross profit year-on-year.

Administration costs of US\$5.83 million for the year ended 31 December 2021 are at similar levels to the costs for the same period in 2020 (US\$5.86 million).

The Company recorded a foreign exchange loss of US\$0.04 million for the year ended 31 December 2021 which compares with a foreign exchange loss of US\$0.21 million recorded for the year ended 31 December 2020. These foreign exchange losses are primarily incurred in respect of the cash holdings of the Company in currencies other than US Dollars as at the period end and do not necessarily reflect actual realised profits or losses. The Company holds funds in certain currencies in anticipation of future expenditures that are anticipated to be settled in those currencies.

Net finance income for the year to 31 December 2021 was US\$0.32 million compared with an expense of US\$1.69 million for the same period of 2020. An analysis of the composition of these charges is set out in the table below:

	12 months ended December 2021	12 months ended December 2020
	US\$	US\$
Interest expense on secured loan	—	(203,127)
Interest expense on property acquisition payment	<b>(23,854)</b>	(1,035,904)
Interest expense on convertible loan	<b>(47,502)</b>	(152,943)
Recognition of variation in effective interest rate of secured loan	—	(79,800)
Variation on discount on rehabilitation provision	—	(141,466)
Loss in respect of non-substantial modification	(40,469)	—
Amortisation of arrangement fee for convertible loan	<b>(150,000)</b>	(150,000)
<b>Total finance expense</b>	<b>(261,825)</b>	<b>(1,763,240)</b>
Gain in respect of non-substantial modification	—	40,469
Warrants gain	<b>168,441</b>	—
Variation on discount on rehabilitation provision	<b>417,399</b>	—
Gain on revaluation of derivatives	—	33,023
Interest income	—	911
<b>Total finance income</b>	<b>585,840</b>	<b>74,403</b>
<b>Net finance income/(expense)</b>	<b>324,015</b>	<b>(1,688,837)</b>

The interest on the secured loan of US\$0.2 million for 2020 was the cost of six months of interest on loan funds advanced under the credit agreement with Sprott Resource Lending Partnership. This loan was fully repaid on 30 June 2020, so there was no similar charge during 2021.

The interest on the convertible loan of US\$47,502 (2020: US\$152,943) is the interest cost on funds advanced under the US\$12 million convertible loan note facility subscribed for by Greenstone. During 2020 the Group had 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. The convertible loan notes and all associated fees and interest were redeemed on 19 March 2021.

The interest expense of US\$23,854 million on the property acquisition payment is the interest accrued on the outstanding purchase price obligation for the Coringa gold project (2020: US\$1,035,904). Interest charges incurred were paid at the same time that the final payment was made in respect of the mineral property acquisition. At 31 December 2019 the purchase obligation was US\$12 million and during the 12 month period ended 31 December 2020 payments totalling US\$6.5 million were made. The balance outstanding on the original purchase obligation of US\$5.5 million as well as all accrued interest charges was completed during 2021, with the final payment being made on 29 April 2021.

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

The derivative in 2020 represents the value of the conversion rights attaching to the US\$2.0 million of convertible loan notes that had been issued at 31 December 2020. The Group calculated separately for each drawdown the value of the conversion options associated with each drawdown instalment. The aggregate value of the derivatives on initial recognition was US\$336,317. Each derivative was then revalued at 31 December 2020 giving rise a reduction in the value of the derivative of US\$33,023. With the convertible loan notes having been repaid in March 2021, there is no corresponding income or expense in 2021.

The Group incurred an arrangement fee of US\$300,000 in respect of the convertible loan note facility which was payable to Greenstone. The arrangement fee was being amortised over the 16 month life of the loan resulting in a charge incurred during 2020 of US\$150,000. With the convertible loans repaid in March 2021, the balance of the arrangement fee of US\$150,000 was amortised in the year to 31 December 2021.

The expense incurred during the year to 31 December 2020, described as "Recognition of variation in effective interest rate of secured loan", represented the amortisation of a non-substantial modification under IFRS 9 relating to a secured loan. This loan was fully repaid on 30 June 2020.

On 27 May 2021, the Group issued 4,003,527 warrants at a price of £0.06 giving the buyers the rights to purchase shares at £0.9375 at any time over the next two years. Subscription proceeds from the sale of the warrants totalled US\$333,936. Whilst the warrants are convertible into a fixed number of shares, as the Group's functional currency is US Dollars and the exercise price denominated in Pounds Sterling, the future exercise of the warrants would result in a variable amount of US Dollars. The warrants are therefore required to be classified as a financial liability. The Group has fair valued the warrants upon initial recognition and subsequently revalued the liability at 31 December 2021, recognising a net decrease in the fair value of US\$168,441 compared with the subscription proceeds received.

The gain on the unwinding of the discount of US\$417,399 on the rehabilitation provision is as a result of updates for current inflation and interest rate assumptions which have given to variation in the net present value of the rehabilitation provision. In 2020 there was a loss on the unwinding of the discount of the rehabilitation provision of US\$141,466.

## BALANCE SHEET

### Non-current assets

On 31 December 2021, the Group's non-current assets amounted to US\$66.9 million, which compares to US\$59.2 million as reported at 31 December 2020.

	December 2021	December 2020	Variance
	US\$	US\$	US\$
<b><u>Non current assets</u></b>			
Deferred exploration costs	34,857,905	27,778,354	7,079,551
Property, plant and equipment	27,575,335	26,235,551	1,339,784
Right of use assets	2,600,631	2,573,738	26,893
Taxes receivable	605,125	696,077	(90,952)
Deferred taxation	1,224,360	1,879,158	(654,798)
<b>Total current assets</b>	<b>66,863,356</b>	<b>59,162,878</b>	<b>7,700,478</b>

Deferred exploration costs have increased by US\$7.1 million during 2021. Exploration activities in 2020 were suspended during the second quarter of 2020, in reaction to the immediate effects of the COVID19 pandemic, and resumed during the fourth quarter of 2020. Exploration expenditure of US\$4.1 million during 2021 represents a 69 per cent period on period increase.



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### Finance Review

Activity at the Company's Coringa project was limited during 2020 to basic care and maintenance. However, following the award on the Preliminary Licence in October 2020, expenditure increased from US\$1.3 million in 2020 to US\$4.4 million in 2021. Initial mine development commenced in late July 2021 involving dedicated mining crews to expose the rock face and preparatory works to establish and secure the mine portal. The expenditure has also included studies required as part of the application process for the Installation Licence which was submitted during the third quarter of 2021.

Capital expenditure on the existing Palito Complex operations during 2021 was US\$9.5 million which includes US\$5.4 million of capitalised mine development expenditure, with work on upgrade and improvements to the leaching circuit of the process plant costing a further US\$1.6 million. In addition, a further US\$0.5 million of mobile mining fleet was acquired under leasing arrangements.

The Group has a long-term receivable in respect of State taxes due in Brazil of US\$0.6 million (31 December 2020: US\$0.70 million). The overall level of State taxes owed has increased from US\$2.81 million to US\$3.1 million before provisions. The Group has established a provision against the future recoverability of this debt totalling US\$1.47 million.

The Group has estimated that it has a deferred tax asset amounting to US\$1.22 million (2020: US\$1.88 million) representing the timing differences on the recognition of exchange rate losses.

#### Working capital

The Group had a positive working capital position of US\$17.50 million at 31 December 2021 compared to a positive working capital position of US\$0.82 million at 31 December 2020.

	December 2021 US\$	December 2020 US\$	Variance US\$
<b><u>Current assets</u></b>			
Inventories	6,973,207	6,979,438	(6,231)
Trade and other receivables	2,307,458	1,936,044	371,414
Prepayments	2,316,669	1,554,991	761,678
Cash and cash equivalents	12,217,751	6,603,620	5,614,131
<b>Total current assets</b>	<b>23,815,085</b>	<b>17,074,093</b>	<b>6,740,992</b>
<b><u>Current liabilities</u></b>			
Trade and other payables	5,624,511	6,846,202	(1,221,691)
Acquisition payment due	–	6,495,435	(6,495,435)
Secured loan	–	2,029,464	(2,029,464)
Leases and unsecured loan	290,060	201,403	88,657
Derivative financial liabilities	–	390,456	(390,456)
Accruals	397,400	292,089	105,311
<b>Total current liabilities</b>	<b>6,311,971</b>	<b>16,255,049</b>	<b>(9,943,078)</b>
<b>Working capital</b>	<b>17,503,114</b>	<b>819,044</b>	<b>16,684,070</b>
<b><u>Non-current liabilities</u></b>			
Trade and other payables	427,663	91,916	335,747
Provisions	2,581,431	1,467,032	1,114,399
Secured loan	861,430	324,519	536,911
Warrants Provision	165,495	–	165,495
Leases	444,950	350,931	94,019
<b>Total non-current liabilities</b>	<b>4,480,969</b>	<b>2,234,398</b>	<b>2,246,571</b>

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

# Strategic Report

## Finance Review

### Current assets

#### Inventory

Inventory on hand at the end of the period was valued at US\$6.97 million similar to the level of US\$6.98 million at 31 December 2020. An increase in holdings of consumable items acquired in anticipation of the commencement for development activities at Coringa, is offset by lower levels of process inventory.

	31 December 2021 US\$	31 December 2020 US\$	Variance US\$
Stockpile of mined ore	266,214	349,024	(82,810)
Finished goods awaiting sale	1,920,136	2,225,835	(305,699)
Other material in process	1,094,405	1,233,291	(138,886)
	<b>3,280,755</b>	<b>3,808,150</b>	<b>(527,395)</b>
Consumables	3,692,452	3,171,288	521,164
<b>Total inventory</b>	<b>6,973,207</b>	<b>6,979,438</b>	<b>(6,231)</b>

#### Trade and other receivables

Trade and other receivables representing outstanding sums for the sales of bullion and concentrate of US\$2.31 million have increased by US\$0.37 million since 31 December 2020, a normal operational variance.

#### Prepayments and accrued income

Prepayments and accrued income primarily comprise prepaid taxes and deposit payments paid to suppliers. The total value of US\$2.32 million compared with US\$1.55 million at 31 December 2020 has increased by US\$0.76 million comprising US\$0.27 million in increased deposits and the balance in an increased level of taxes recoverable.

#### Cash at bank

Between 31 December 2020 and 31 December 2021, cash balances have increased by approximately US\$5.61 million. During 2021 the Group raised new capital from an issue of new equity of approximately US\$16.56 million (net of costs). A further US\$333,936 (net of costs) was raised from the issue of the warrants.

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

### Current liabilities

#### Trade and other payables

Trade and other payables at 31 December 2021 of US\$5.62 million have decreased from US\$6.85 million at 31 December 2020. Trade creditors of US\$3.20 million are US\$0.42 million lower than at 31 December 2020, whilst other payables of US\$1.55 million have decreased by US\$0.03 million and Sales and State tax liabilities of US\$0.88 million have decreased by US\$0.77 million.

#### Interest-bearing liabilities

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

### Non-current liabilities

#### Derivative financial liabilities

As part of the issue of new equity undertaken in March 2021, the Company also issued approximately 4 million share purchase warrants exercisable at a price of £0.9375. The warrants were issued on 27 May and are exercisable at any time for a period of two years from that date. As the parent company's functional currency is US Dollars and the exercise price denominated in Pounds Sterling, the future exercise of these warrants would result in a variable amount of US Dollar-denominated cash on exercise. They are therefore classified as a financial liability and the liability at 31 December 2021 represents the estimated fair value of the warrants at that date.

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### Finance Review

#### Provisions

Provisions of US\$2.58 million represent the estimated fair value of the future liability for closure of costs of the Company's current operations. Movements since 31 December 2020 reflect the changes in cost estimates, inflation and discount rate assumptions and exchange rate variations.

#### **Exchange rate**

The Brazilian Real weakened by five per cent from 31 December 2020 when the exchange rate was BrR\$5.20 to US\$1.00 to the rate of BrR\$5.44 to US\$1.00 at 31 December 2021.

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.

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. The measures are 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.

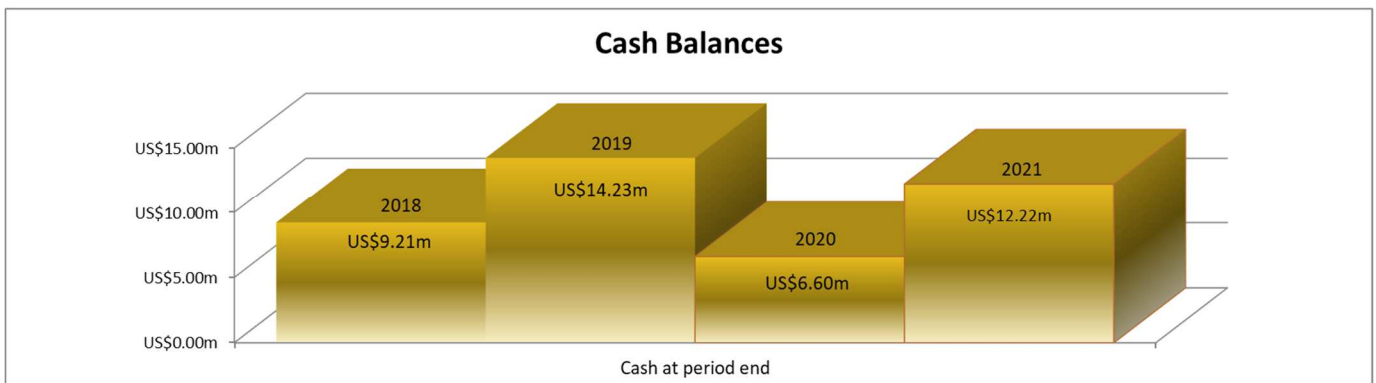
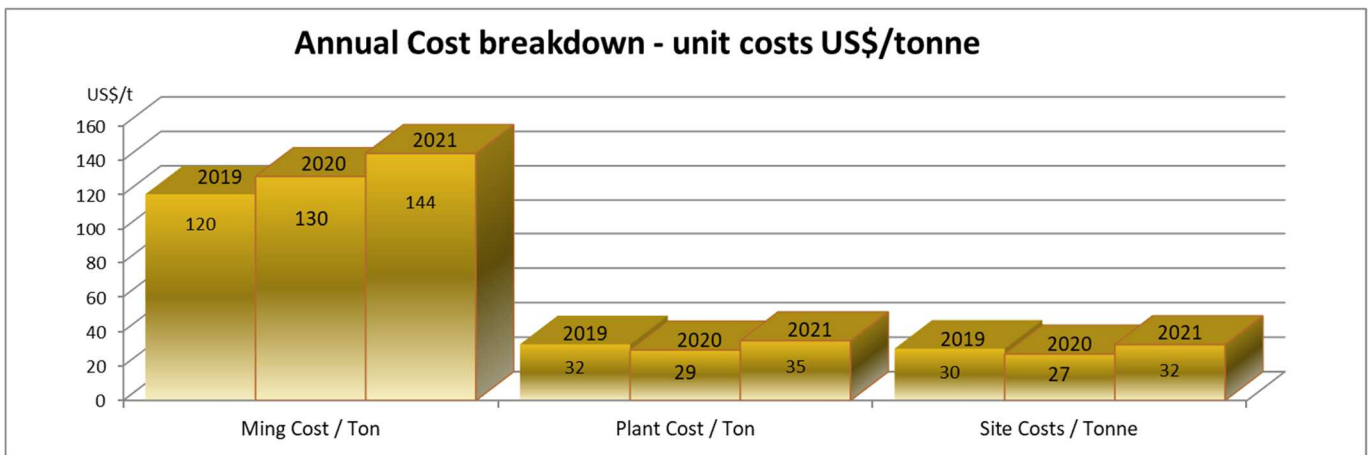
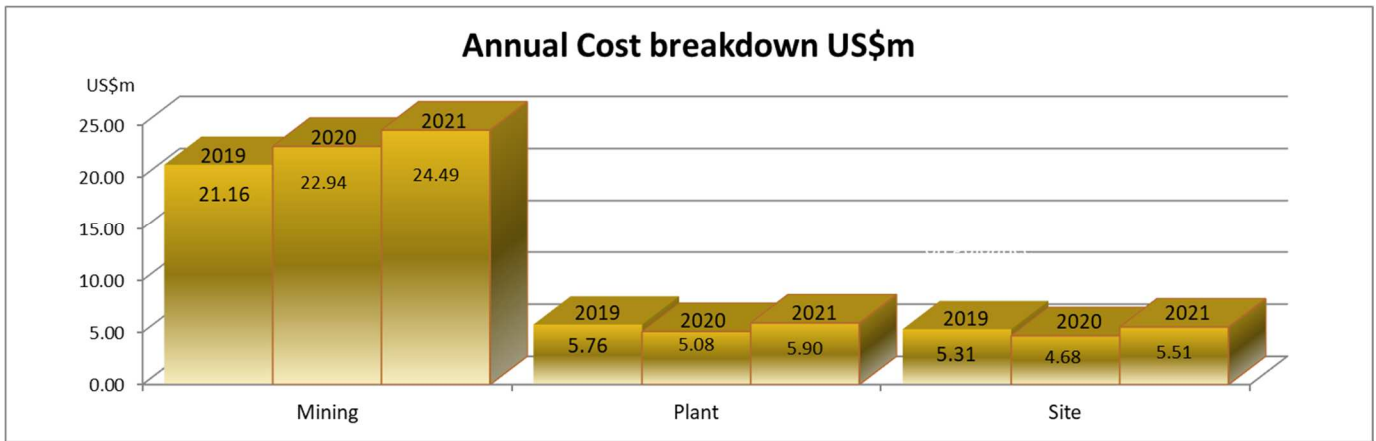
#### **Total Cash Cost and All-In Sustaining Cost**

The following table 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.

	12 months ended 31 December 2021 (US\$)	12 months ended 31 December 2020 (US\$)
Total operating costs (calculated on a sales basis)	37,759,318	33,127,648
<b>Add/(subtract)</b>		
Finished goods and WIP inventory stock adjustment	918,722	1,358,920
Grossing up of revenue for metal deductions	982,546	570,653
By-product credits	(2,777,566)	(1,505,160)
Total Cash Cost of production	36,883,021	33,552,061
Corporate G&A	5,825,654	5,856,760
Share-based remuneration	270,631	533,264
Capitalised cost for mine development	5,400,933	2,952,943
All-In Sustaining Cost of production	48,380,239	42,895,028

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

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



## Strategic Report

### Principal Risks and Uncertainties

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.

The Board is responsible for putting in place a system to manage risk and implement internal controls. The Board has considered mechanisms by which the business and financial risks facing the Group are managed and reported to the Board. The principal business and financial risks have been identified and control procedures implemented. The Board acknowledges it has responsibility for reviewing the effectiveness of the systems that are in place to manage risk.

The Board has delegated certain authorities of risk management to the Audit Committee, which has its own formal terms of reference. The Audit Committee meets at least four times during a year and in these meetings will consider and discuss with the auditors, the audit approach and key areas of risk for reporting the annual financial results, review and approve the annual financial statements and all interim financial statements and will during 2022 receive reports from the Company's Internal Audit department. The Audit Committee is chaired by T Sean Harvey who has recent and relevant financial and business experience. All of the members of the Committee are non-executive.

The Audit Committee is responsible, inter alia, for:

Reviewing the Company's risk management framework at least annually in order to satisfy itself that the framework continues to be sound and to determine whether there have been any changes in the material business risks the Company faces.

Ensuring that the material business risks do not exceed the risk appetite determined by the Board.

Overseeing the Company's risk management systems, practices and procedures to ensure effective risk identification and management, and compliance with internal guidelines and external requirements.

The Company has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the senior management team, the Audit Committee and the Board in light of ongoing assessments of the significant risks facing the Company.

The Board is responsible for reviewing and approving overall Company strategy, budgets and plans. Monthly results and variances from plans and forecasts are reported to the Board.

The Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, and operational and financial controls.

There are procedures for budgeting and planning, for monitoring and reporting to the Board business performance against those budgets and plans, and for forecasting expected performance over the remainder of the financial period. These cover cash flows, capital expenditures and balance sheets.

The Audit Committee reviews the adequacy of accounting and financial controls together with the implementation of any associated recommendations of the external auditor.

#### a. Internal controls

The Board is responsible for ensuring that a sound system of internal control exists in order to safeguard shareholders' interests and the Company's assets. In conjunction with the Audit Committee it is responsible for the regular review of the effectiveness of the systems of internal control. Internal controls are necessarily designed to manage risk rather than eliminate it. The key features of the system that operated during the period are:

- Regular Board meetings to consider the schedule of matters reserved for Directors' consideration;
- A risk management process;
- An established organisation with clearly defined lines of responsibility and delegation of authority;
- Appointment of staff of the necessary calibre to fulfil their allotted responsibilities;
- Comprehensive budgets, forecasts and business plans, approved by the Board, reviewed on a regular basis, with performance monitored against them and explanations obtained for material variances;
- Documented whistle-blowing policies and procedures.

As described in the Audit Committee Report on page 80, during 2021, an investigation into certain unsubstantiated cash withdrawals was commissioned by the Board and by the Audit Committee and was completed. The value of the irregularities relating to the payment of travel advances and expense claims incurred during 2021 was US\$116,000 with further transaction totalling US\$29,000 identified as being improperly documented. Over the review period from January 2015 to March 2021 it was identified that the total of unsupported cash withdrawals was approximately US\$340,000 with irregularities relating to the

## Strategic Report

### Principal Risks and Uncertainties

payment of travel advances and expense claims totalling approximately US\$1,414,000. 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 implemented 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.

#### b. Risk management policy

The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

The Board has delegated to the Audit Committee responsibility for implementing the risk management system.

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management.

Management is required to assess risk management and associated internal compliance and control procedures and report back to the Audit Committee at least annually. The Board reviews assessments of the effectiveness of risk management and internal compliance and control at least annually.

During the course of the work undertaken by the external auditor in their audit of the financial statements of the Company for the year ended 31 December 2020, it was noted that senior management in Brazil have been able to override the control systems resulting in the identification of unsupported cash withdrawals and, after further review, the identification 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. Following the identification of these weaknesses, management undertook a further review and changed a number of the internal processes to strengthen the internal control environment and has also now established an Internal Audit department which is currently outsourced to Deloitte Touche Tohmatsu Consultores Ltda in Brazil ("Deloitte").


#### UNCERTAINTIES CAUSED BY COVID-19

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.


During 2021 the Group remained operational throughout and, whilst operations were adversely affected by supply chain issues and the need to recover certain mine development carried over from 2020, in many ways the operations had returned to pre-pandemic norms. In the fourth quarter of 2021, the Brazilian authorities significantly reduced travel restriction on non-Brazilian residents entering the country and management was able to increase the level of direct oversight of the activities in Brazil. Management remains aware that there continues to be operational risks and the longer-term implications of the COVID-19 remain difficult to predict given the continued evolution of variants and uncertainty regarding the long-term effectiveness of vaccines in limiting the spread and the effects of the virus. 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 are 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.
- 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 addition to those matters set out above, the Board considers that the following risks are those which present the most significant uncertainty for the Company at the current time and could have the most serious adverse effect on its performance and reputation.

<i>Risk</i>	<i>Risk appetite</i>	<i>Change year-on-year</i>	<i>Comment</i>	<i>Mitigation</i>
<i>Changes in gold prices.</i>	Medium		The profitability of the Group's operations is	Management closely monitors commodity

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Principal Risks and Uncertainties

<i>Risk</i>	<i>Risk appetite</i>	<i>Change year-on-year</i>	<i>Comment</i>	<i>Mitigation</i>
			<p>dependent upon the market price of gold. 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>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>
<i>Assay data</i>	Medium		<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>Beginning in February 2022, the Company has entered into a contract with a new customer and as part of that negotiation has been able to introduce increased levels of sampling procedures when the material arrives at the refinery.</p>

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<i>Risk</i>	<i>Risk appetite</i>	<i>Change year-on-year</i>	<i>Comment</i>	<i>Mitigation</i>
				Management expect that this increased sampling regime will improve correlation of final results with those of its own laboratory.
<i>Currency fluctuations may affect the costs of doing business and the results of operations</i>	High		The Group's major products are traded in prices denominated in US Dollars. The Group incurs most of its expenditures in Brazilian Reals although it has a reasonable level of expenses in US Dollars, UK Pounds and other currencies.	Management closely monitors fluctuations in currency rates and the Board may, from time to time, make use of currency hedging instruments.
<i>Availability of working capital</i>	High		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 any debt repayment requirements and to fund capital investment and exploration programmes. It has no overdraft or stand-by credit facilities in place in the event of any operational difficulties or other events that may reduce or delay revenue receipts in the short-term.	Management, in designing and planning the Group's operations, incorporates contingency planning. The Group has multiple mining faces to minimise geological and mining risk to operations, it has a modular plant to ensure gold processing can be maintained to the greatest extent possible at all times and deals with customers for its products who have good credit and standing in the industry. Management also manages the Group's commitments and obligations to maximise the level of cash holdings at any time and works closely with existing and potential lenders and other potential financing partners to ensure that, to the greatest extent possible, it can have access to additional cash resources or defer debt repayment obligations should any unexpected need arise.
<i>No guarantee that the Group's applications for</i>	Low		There is no guarantee that any application for	Management maintains ongoing dialogue with




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<i>Risk</i>	<i>Risk appetite</i>	<i>Change year-on-year</i>	<i>Comment</i>	<i>Mitigation</i>
<p><i>exploration licences and mining licences will be granted</i></p> <p><i>Existing exploration licences may not be renewed or approved or converted into mining licences</i></p> <p><i>Title to any of the Group's mineral properties may be challenged or disputed</i></p>			<p>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. The Group must complete its request for a renewal of the trial mining licence prior to August 2022.</p> <p>If and when exploration licences are granted, they will be subject to</p>	<p>the ANM and the Para State Environmental Authority ("SEMAS") 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. The process of making application for the renewal of the trial mining licence is well advanced and the Group is not aware of any reason that a renewal would not be approved. Provided that the application is submitted in the form and time frame set down by Brazilian law, the Group may continue to operate under the existing licence until such time as a new licence is approved (which may be after the expiry of the existing licence) or when it is notified that a renewal will not be approved.</p>

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Principal Risks and Uncertainties

<i>Risk</i>	<i>Risk appetite</i>	<i>Change year-on-year</i>	<i>Comment</i>	<i>Mitigation</i>
			<p>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 an installation licence in respect of the Coringa gold project. There can be no certainty that the installation licence will be issued or as to the time frame in which it will be issued.</p>	
<i>Other permits and licences required to conduct operations may not be renewed or may be revoked or suspended</i>	Low		<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</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>

Strategic Report  
Principal Risks and Uncertainties

<i>Risk</i>	<i>Risk appetite</i>	<i>Change year-on-year</i>	<i>Comment</i>	<i>Mitigation</i>
			impose additional obligations on the Group that had not been imposed under previous licences and permits.	
<i>The Coringa gold project is an advanced stage development project requiring permitting and construction before production can commence</i>	Medium		<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. The trial mining licence and the initial operating licence which are valid to August 2022 allow the Group to undertake all current mine development activities. As noted in the Chairman's statement, management remains confident that it will receive the Installation 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>Project construction is subject to a number of potential risks regarding design, availability of materials and unforeseen events that may delay construction or result in additional costs.</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 oversee the granting of these licences and these same bodies have been supportive of Serabi's acquisition of the project.</p> <p>The Group has employed the services of consultants with experience in building similar operations and many of its senior management were involved with the implementation of the Palito Complex operations which are of similar size and nature. The Group therefore considers that it will be minimising to the greatest extent possible the risks involved in construction but acknowledges that it may not be able to foresee all eventualities.</p>

Strategic Report  
Principal Risks and Uncertainties

<i>Risk</i>	<i>Risk appetite</i>	<i>Change year-on-year</i>	<i>Comment</i>	<i>Mitigation</i>
<i>Mining and geological risk</i>	Medium		<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>
<i>Bribery and corruption</i>	Low		<p>The Company operates in a jurisdiction that has experienced a number of well documented high and low level cases of bribery and corruption and it is known that certain public and private sector officials have been involved in bribery or other corrupt practices.</p> <p>Any licence or permit that the Company is awarded could be rescinded in the event that it was identified that its award had been directly or indirectly influenced by actions of bribery or corruption.</p>	<p>The Company's code of corporate governance specifies the measures the Company takes to comply with all applicable Anti Bribery &amp; Corruption legislation. The Board, through its statutory oversight commitment, enforces adherence and management has implemented policies and provided training to all staff who have decision making responsibility and may in their day-to-day activities may be solicited to engage in bribery or other corrupt practices.</p>

By order of the Board

Clive Line  
Company Secretary  
9 June 2022

Strategic Report  
Engagement with Stakeholders  
Directors' Section 172(1) Statement

**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 considers that it has, individually and collectively, acted in the way it considers, 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 2021.**

**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.

The following disclosure describes how the Directors have had regard to the matters set out in section 172(1)(a) of the Companies Act 2006 (the Act) and forms the Directors' statement required under the Act. This reporting requirement is made in accordance with the corporate governance requirements identified in The Companies (Miscellaneous Reporting) Regulations 2018, which apply to company reporting on financial years starting on or after 1 January 2019. The matters set out in section 172(1) (a) to (f) of the Act are that a director must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a) the likely consequences of any decision in the long-term;
- b) the interests of the company's employees;
- c) the need to foster the company's business relationships with suppliers, customers and others;
- d) the impact of the company's operations on the community and the environment;
- e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly between members of the company.

In the above Strategic Report section of this Annual Report, the Company has set out its overall goal and its strategic priorities for attaining it.

This statement addresses:

- a) Stakeholder engagement, with information on stakeholders, issues and methods of engagement.
- b) Principal decisions made by the Board, and how stakeholder considerations influenced the decision-making process.

a) Stakeholder engagement activities within the reporting period

The Company continuously interacts with a variety of stakeholders who are important to its success, including shareholders, debt providers, staff, national, state and municipal government administrative and environmental bodies, NGOs, the local community, and suppliers.

In its engagement with shareholders, Serabi always strives to attain an appropriate balance between open communication and the confidentiality of potentially commercially or price sensitive information particularly where the outcomes or implications remain uncertain.

The Group recognises that its current activities and proposed development of the Coringa project create potential impacts on, as well as opportunities for, local people.

Strategic Report  
Engagement with Stakeholders  
Directors' Section 172(1) Statement

Key stakeholder groups	Reasons to engage	Engagement method	Engagement outcome
<p><b>Equity investors</b>  All substantial shareholders of which the Company is aware that control more than 3% of the Company's shares are listed on page 93 within the Directors' Report.</p> <p>The Company has two major shareholders, Fratelli Investments Limited holding 25.5% and Greenstone Resources II LP holding 25.2%.</p> <p>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. Greenstone Resources II LP subscribed for 4.195 million shares in that placing to maintain their pro-rata holding in the Company.</p>	<p>Access to capital is of vital importance to the long-term success of our business and achieving value for shareholders.</p> <p>Engagement activities are designed to inform shareholders of Serabi's progress towards achieving its strategic objectives and develop an investor base that will support the Company in achieving those objectives.</p>	<p>The key mechanisms of engagement included:  <b>Substantial shareholders:</b>  Both Fratelli and Greenstone have the right to appoint up to two Directors under the terms of their respective Relationship Agreements with the Company.</p> <p>The other existing substantial shareholders have held periodic meetings with the Chairman, CEO and CFO.</p> <p><b>Prospective and existing investors:</b>  The AGM and Annual and Quarterly Reports.  Investor roadshows and presentations.  One-on-one investor meetings with the CEO and CFO.  Access to the Company's brokers and advisers.  Regular news and project updates.  Social media accounts.</p> <p>Shareholders with queries should direct their queries to the Company, its brokers or its investor and public relations consultants.</p>	<p>We engaged with investors on topics of strategy, governance, project updates and performance. The CEO provides regular interviews to established investor forums and is available for one-to-one meetings/conversations and the Company presents at selected investor roadshows.</p>
<p><b>Existing and potential future lenders and other potential providers of non-equity finance</b></p> <p>The Company intends to obtain debt finance to provide additional capital required for the development and construction of its Coringa project.</p> <p>Potential future debt providers include commercial banks, credit funds, development financial institutions, streaming and royalty companies and off-take financiers.</p>	<p>Serabi expects to incur debt from time to time to finance working capital, capital expenditure, investments or acquisitions or for other purposes.</p> <p>To achieve the outcomes indicated for the Coringa project and allow the Company to maintain adequate available working capital for its existing operations, pursue further</p>	<p>One-to-one meetings with the CEO, CFO and/or Business Development Manager are undertaken on a regular basis with a range of potential debt and other finance providers for updates on the Company's activities and in particular its Coringa project.</p>	<p>The process to select debt providers to meet the upfront capital requirements of the Coringa project is ongoing.</p>

Strategic Report  
Engagement with Stakeholders  
Directors' Section 172(1) Statement

Key stakeholder groups	Reasons to engage	Engagement method	Engagement outcome
	<p>exploration activity and pursue other growth opportunities should they become available, external funding will be necessary to finance up-front capital requirements to construct the mine, processing plant and general project infrastructure. It is expected that the finance will be derived primarily using debt instruments.</p>		
<p><b>Workforce</b>  The Company's workforce is almost entirely located and performing their duties in Brazil with only a small UK based management team.</p>	<p>The Company's long-term success depends to a large degree on the expertise, loyalty and commitment to its values of its workforce. The Board recognises that the Company is reliant on some key personnel</p> <p>The Board recognises the importance of Company culture and of establishing employee alignment on issues like safety and health, business integrity and sustainable development.</p> <p>The Company has an absolute commitment to safe operations and the principle of 'do no harm'.</p>	<p>Serabi seeks to maintain an open line of communication between its employees, senior management and Board. The Company monitors HSE obligations and reports performance against these.</p> <p>The CEO and CFO report regularly to the Board, including the provision of Board information. Key members of the finance and senior management team are invited to some of the Board and Audit Committee meetings.</p> <p>The Company has formalised corporate governance policies and procedures and all employees working at the Company's mining operations are required to undertake a period of formal induction and safety training and be accompanied by a mentor during their initial period of employment.</p> <p>Serabi's HR department in Brazil has staff located at the Company's operations to support senior management and to assist and promote engagement with its employees through one-on-one and staff meetings,</p>	<p>The Company has, during the year, made significant efforts to improve conditions for its employees with a particular focus on enhancing safety and improving levels of health awareness and in particular mental health.</p> <p>Additional safety managers have been recruited and the HR department runs regular campaigns to promote awareness of common medical issues with the involvement of the Company's medical staff and external specialists.</p> <p>The Company has actively supported the regional health authority with the COVID-19 vaccination programme, providing transport, accommodation and other logistics support, to allow medical professionals to administer vaccinations to staff as well as to the residents of the surrounding local communities.</p>

Strategic Report  
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Directors' Section 172(1) Statement

Key stakeholder groups	Reasons to engage	Engagement method	Engagement outcome
		<p>employee events, project updates, etc.</p> <p>The Company has a weekly internal communication programme that provides information to staff.</p>	
<p><b>Governmental bodies</b></p> <p>The Company engages with local (Municipal), regional (State) and national (Federal) government in Brazil.</p>	<p>The Company's existing operations are subject to a number of permits and licences which are subject to regular review and reporting requirements. Legal obligations particularly regarding environmental, safety and labour matters are always subject to change, and it is necessary to maintain a dialogue with all of the relevant government and quasi government groups that oversee these matters to ensure that the Company operates in full compliance with its obligations at all times.</p> <p>The Company will only be able to commence development and construction of the site and processing facilities required for its Coringa project once it receives the relevant licences and permits from all levels of government.</p>	<p>The Company engages with the relevant departments of the Brazilian governments to both maintain, obtain renewal or issue of new operational and other licences as and when required.</p> <p>In addition to statutory reporting the Company regularly updates the government departments, and the Company believes that open, continuous engagement is key to developing a successful permitting regime. Brazilian management and the Company's Brazilian based legal advisers report regularly to the Board on progress with obtaining licences and permits.</p> <p>The Group has had a presence in Brazil for over 20 years and is committed to continuing to develop its activities in the country in a sustainable manner.</p>	<p>On 2 October 2020, the Company was awarded the Preliminary Licence for its Coringa project following a Public Hearing held in February 2020. The documents supporting the Company's application for the LP included Social and Environmental impact reports prepared in accordance with Brazilian legislation.</p> <p>In September 2021 the Company completed the submission of all documentation required under Brazilian legislation to support its application for an Installation Licence for the Coringa project.</p> <p>In September 2021 the Company also entered into discussion with SEMAS and FUNAI for the preparation of a separate Indigenous Populations Impact Study which whilst not prescribed by legislation was considered prudent in the interest of good practice and in light of general public concerns around this issue. This study is underway and expected to be completed during the second quarter of 2022.</p> <p>Management is aware of public concerns regarding mining and the ease with which inaccurate or misleading information can be disseminated. By maintaining regular and open dialogue the Company is able to</p>



Strategic Report  
Engagement with Stakeholders  
Directors' Section 172(1) Statement

Key stakeholder groups	Reasons to engage	Engagement method	Engagement outcome
			maintain the confidence and support of governmental authorities and avoid any unnecessary action that could otherwise arise from inaccurate or misleading information that might be published.
<p><b>Community</b>  The near-mine communities residing in Jardim do Ouro, and São Chico, towns of Novo Progresso and Moraes d'Almeida and the wider municipalities of Itaituba and Altamira.</p>	<p>Establishing and maintaining good relations with the local community throughout the development, operation and, at some time in the future, the ultimate closure of the Company's mining operations is vital for the Company's social licence to operate.</p> <p>Principally the Company needs to engage with its affected communities in order to build trust. Developing this will increase the likelihood that any fears raised can be assuaged and the Company's plans and strategies are more likely to be accepted.</p> <p>Community engagement will inform better decision making, particularly during project planning stages. The social and economic impact on the local community and surrounding areas will expand over time particularly as new projects are advanced and developed. Dissemination of accurate information regarding both the Company's existing and future projects, and the early and ongoing engagement with community leaders, form a cornerstone of the Company's ESG policies.</p> <p>The immediate communities of São Chico and Jardim do Ouro are a base for a number of the Company's employees now and in the future, with</p>	<p>The Company under the direction of HSE management employ community relations staff who have regular dialogue with community leaders working with them to understand ways in which the Company can assist the communities to improve quality of life and at the same time receive feedback on concerns or issues regarding the impact the Company's operations are having on those communities.</p> <p>This information is fed-back to management and where appropriate the Board so that prompt and positive action can be taken.</p> <p>As and when appropriate the Company will retain the services of specialist advisers to assist with the organisation and advertising of public meetings to ensure that all members of the community have opportunities to provide input into some of the key decisions that the Company's management and government bodies are required to take.</p> <p>In Brazil the Company has an active programme of communication through social media channels to maintain open communication, promote its activities and inform communities of any short-term matters that may affect</p>	<p>The public hearing to consider the Company's application for the LP for its Coringa project was attended by approximately 600 people including some of the indigenous populations that reside in the wider area. The authorities in their decision to award the LP were satisfied that there was public support for the project and any concerns raised in that forum were not of sufficient importance to warrant refusal to issue the licence.</p> <p>The Company continues to support its neighbouring communities by providing financial and logistical support for educational, health and infrastructure projects. Further details are set out in the ESG section of this Annual Report.</p>

Strategic Report  
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Key stakeholder groups	Reasons to engage	Engagement method	Engagement outcome
	<p>others living and travelling from the larger towns of Novo Progresso and Moraes d'Almeida where the Company also sources many of the support services upon which its operations do and will rely.</p> <p>More than 70% of the Company's workforce reside within the State of Para.</p>	<p>them as a result of the Company's operations.</p>	
<p><b>Suppliers</b>  The Company works closely with its suppliers which range from large multinationals to small local providers of engineering, maintenance and other services as well as consumables and catering supplies.</p> <p>Where practical the Company uses Brazilian sourced equipment and service providers and Para based suppliers where goods are of equivalent quality and price.</p>	<p>Our suppliers are fundamental to ensuring that the Company run its current operations in a cost-efficient manner and will be able to source capital and operational requirements for its future development on a timely basis as and when required.</p> <p>Suppliers are vetted to ensure that they operate in a sustainable and ethical manner and can meet the high standards of performance that the Company sets for itself and the partners with whom it works.</p>	<p>The Company has a dedicated procurement department and a formal process for adding new suppliers on to its approved list.</p> <p>Key supply contracts are only awarded after a formal tender process and the value and nature of the tender will determine the level of engagement of senior management in that process.</p>	<p>The Company's desire to use local suppliers wherever possible is part of its objective to provide reward and return value to those stakeholders most impacted by the Company's operations.</p>
<p><b>Partners</b>  In March 2018 the Company entered into Relationship Agreements with each of Fratelli and Greenstone (individually a "Partner") as its two key strategic shareholders.</p>	<p>The Relationship Agreements seek to ensure that the Board and management can operate the Company in a manner that whilst being aware of any specific objectives or expectations of each of Greenstone and Fratelli allows the Company to be run in the interests of all shareholders.</p>	<p>Both Greenstone and Fratelli have the following rights under their respective Relationship Agreements:</p> <ul style="list-style-type: none"> <li>• for as long as a Partner holds an interest of 23% or more in the share capital of the Company, that Partner has the right to appoint two directors to the Board and, for so long as it holds an interest of 15% or more but less than 23% of the share capital of the Company, the right to appoint one director to the Board.</li> <li>• each Partner shall have, for as long as it holds an interest</li> </ul>	<p>Both Greenstone and Fratelli remain supportive of the Board and management's objectives and strategy for the Company and have permitted the Company to operate in a way which management and the independent Directors consider to be in the best interests of all shareholders.</p> <p>In April 2020, Greenstone provided a Convertible Loan Facility to the Company which was important in providing management with additional financial certainty at the beginning of the COVID-19 pandemic, allowing the</p>

Strategic Report  
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Directors' Section 172(1) Statement

Key stakeholder groups	Reasons to engage	Engagement method	Engagement outcome
		<p>of 15% or more in the share capital of the Company:</p> <ul style="list-style-type: none"> <li>- certain information rights regarding the Company's business; and</li> <li>- anti-dilution rights such that they will have the right, but not the obligation, to participate in new placings of ordinary shares (including placings in connection with an acquisition or for non-cash consideration) in order to retain their ownership percentage. Where a Partner elects to exercise this anti-dilution right: <ul style="list-style-type: none"> <li>(i) if the new placing is for cash, the Partner will participate on substantially the same terms as any other participant in the new placing; or</li> <li>(ii) if the new placing is for non-cash consideration, the Partner will have the right to subscribe for such number of shares as are required to maintain their current percentage holdings at a price per ordinary share equal to the VWAP of the Company's ordinary shares for the five day period ending on the date ending two business days prior to the announcement of that new placing.</li> </ul> </li> </ul>	<p>Company to properly assess and react to the evolving situation and providing the foundation to complete the acquisition of the Coringa project.</p> <p>Greenstone used the proceeds it received from the repayment of the convertible loan in 2021 to maintain its pro-rata shareholding in the Company in the share placing that was announced on 2 March 2021.</p>

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 88 to 92.

## Strategic Report

### Principal Decisions by the Board During the Period

We define principal decisions as those which potentially have a long-term strategic impact and are material to the Group, and/or are significant to our key stakeholder groups. In making the following principal decisions, the Board considered how they would affect its stakeholders, the need to maintain a reputation for high standards of business conduct, the impact on the environment and the need to act fairly between the members of the Company:

#### 1) **Approval of operational plans and financial forecasts**

The Board considers management's operational plans and proposed exploration and development proposals on an annual basis and any updates or variations that are submitted for approval during the course of the year. The evaluation process includes detailed discussions with management, and due consideration of the operational risks, economic assumptions and the reasonableness of other estimates or judgements made by management. The Board will require management to submit revised plans and forecast if, during the period, it is appropriate to consider that any assumptions, estimates or judgements may no longer be reasonable, or matters have arisen that impact on the ability to achieve the plans or the outcomes expected.

#### 2) **Equity financing and repayment of outstanding loans and other interest-bearing liabilities**

On 2 March 2021, the Company announced the placing of 16,650,000 new ordinary shares at a placing price of £0.75 per share, raising gross proceeds of £12.5 million, and a placing 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). The proceeds from these issues of securities in the Company were to be used to:

- Part fund the construction of the Coringa gold project;
- Undertake further regional exploration;
- Redeem the outstanding convertible loan notes held by Greenstone Resources II LP; and
- Pay the remaining portion of the acquisition price for the Coringa project.

#### 3) **Commence the Coringa mine development**

In July 2021, the Company commenced work to establish the mine portal for the Serra Vein which forms part of the Coringa mineral resource and thereafter has continued to establish an access ramp to intersect this vein prior to commencing on-lode development.

#### 4) **Actions following the identification, during the course of the audit of the financial statements for the year ended 31 December 2020, of unsubstantiated cash withdrawals and irregularities relating to the payment of travel advances and expenses**

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. The Board has introduced a number of measures to strengthen the Company's internal control systems which have been implemented, including the services of Deloitte to establish and initially operate an internal audit function in Brazil for the Company.

#### 5) **Adjustment of 2022 annual production guidance in light of operational issues identified at the São Chico mine**

At São Chico, dilution in the Julia Vein from mechanised long hole open stoping was higher than expected as a consequence of the presence of parallel and cross cutting faults and intrusive dykes which post-date the ore. This level of faulting appears to be unique to the Julia Vein. The Board supported management's decision to adjust the mining method on the Julia Vein and introduce selective open stoping, the method used successfully on the Palito orebody. Over time this change is expected to improve grades by minimising dilution through greater selectivity in the mining. 1,000 ounces of production which had been scheduled from São Chico in February by long hole, will now be mined selectively during the second quarter and over the rest of the year. The decision to mine selectively on the Julia Vein does however mean the reliance on production ounces will, in the near term, focus on the Palito orebody, with operations at São Chico focusing more on mine development with a view to a return to planned production levels later in the year and into 2023. In the short term the Company will be focusing on producing profitable ounces and maximising operational cashflow rather than production growth for the rest of the year. The Board therefore approved a revision

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Strategic Report  
Principal Decisions by the Board During the Period

to the Company's production guidance to be in the region of 30,000 ounces for 2022 from 36,000-39,000 as previously stated for the full year.

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## Corporate Governance

### Board of Directors and Senior Management

#### **Nicolas Bañados, Non-Executive Chairman**

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 Haldeman Mining Company, Minera Las Cenizas, Minera Bornita, Aenza and others.

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**

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.

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**

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.

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

#### **Aquiles Alegria, Non-Executive**

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

#### **Luis Azevedo, Non-Executive**

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

## Corporate Governance

### Board of Directors and Senior Management

Azevedo was formerly an executive director of Avanco Resources Ltd and is now Chairman of the Brazil advisory board to Oz Minerals Ltd.

Mr Azevedo 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**

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.

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.

#### **Eduardo Rosselot, Non-Executive**

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., with 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.

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.

#### **Mark Sawyer, Non-Executive**

Mark co-founded Greenstone Resources in 2013 after a 16 year career in the mining sector. Prior to establishing Greenstone, Mr Sawyer 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 Mr Sawyer held senior roles at Cutfield Freeman & Co (a boutique corporate advisory firm in the mining industry) and at Rio Tinto plc.

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

### **Senior Management**

#### **Helio Tavares, General Manager of Projects and Operations**

Helio is a Brazilian mining engineer who has been involved with a number of international junior mining groups over the past 20 years. His early career was as a process engineer in the Brazilian coal industry and he then expanded his experience through his involvement in the coordination, planning, design, assembly and management of a range of ore processing plants, before establishing his own drilling and industrial process design business. He was general manager for Serabi from 2002 to 2005 and

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Corporate Governance  
Board of Directors and Senior Management

again between November 2012 and May 2019. He has also been a consultant to several international junior mining groups working on projects across a range of minerals including iron ore, kaolin, diamonds and manganese as well as gold.

Helio has a degree in Mine Engineering from the Federal University of Rio Grande Do Sul.



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For the year ended 31 December 2021

**PART 1 - Summary statement from the Chair of the Remuneration Committee**

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.

As the Company has evolved, so has its remuneration policy both to meet the changing landscape and expectations of shareholders and to recognise the changing demands and expectations made of the Company's senior management. Over time a policy favouring short-term incentives tied to specific short-term objectives has now made way for a blended policy that incorporates longer-term performance linked targets that are transparent to all shareholders, readily measurable, and provide a strong link between executive rewards and growing value for shareholders.

The Remuneration Committee keeps itself apprised of changing obligations for corporate governance and best practice both in the UK and across other jurisdictions in order that the Company's policies remain appropriately flexible not only to meet the needs of the Company and shareholders, but also to ensure that, as needed, the Company can provide remuneration structures and incentive arrangements that meet the needs and expectations of the international labour community from which the Company can draw its talent. The Company has resolved to comply with the QCA Code so far as is practicable given the Company's size, nature and stage of development.

Remuneration Committee meetings are normally held at least twice a year and, additionally, matters for its consideration may be discussed at Board meetings. On such occasions, no Executive Director would be present while matters concerning him or her were discussed, and all decisions regarding Executive Directors will be taken by the Non-executive Directors.

**Principal actions and decisions during the period**

The principal decisions in respect of remuneration taken during the period were:

- Approving the payment of deferred salary increases to Executive Directors that had been approved by the Board and the Remuneration Committee in March 2020 following an independent benchmarking exercise commissioned by the Remuneration Committee at the end of 2019. However, with the uncertainties surrounding the COVID-19 pandemic the Executive Directors voluntarily proposed to forego these changes in remuneration until the outlook for the Company and its operations became clearer.

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- Approving the award of Conditional Share Awards (“CSAs”) to the Executive Directors and certain senior management personnel. Shareholders approved the adoption of the Serabi Gold 2020 Restricted Share Plan (“the 2020 Plan”) at the Annual General Meeting of the Company held on 16 June 2020 which was formally approved and adopted by the Board in November 2020. As a result of the exceptional circumstances in 2020, no awards under the 2020 Plan were made during 2020. The Board therefore combined in the 2021 award the annual awards for 2020 and the annual awards for 2021. It is the intention that awards under the 2020 Plan should be made annually.

Mark Sawyer  
Chairman of the Remuneration Committee  
9 June 2022

## PART 2 – Remuneration policy

The Company’s remuneration policy seeks to provide a strong and clear link between business strategy and incentive arrangements.

The Board is responsible for determining and reviewing compensation arrangements for the Directors and senior executives reporting to the Chief Executive Officer. The broad policy is to ensure that remuneration properly reflects the individuals’ duties and responsibilities and that remuneration is fair and competitive in attracting, retaining and motivating quality people with appropriate skills and experience.

### Elements of executive compensation

The elements of compensation earned by the executives of the Group for the financial year ended 31 December 2021 consists of a base salary, along with annual discretionary incentive compensation in the form of a performance-based bonus, and a longer-term incentive which in the past was in the form of stock options but has now been replaced with awards made under the 2020 Plan. At the Annual General Meeting held on 16 June 2020, shareholders approved the introduction of the 2020 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 in the table below.

Element	Purpose and link to remuneration policy	Key features and operation	Maximum opportunity	Applicable performance measures
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 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.	There is no maximum level but appropriate consideration will always be given to the Group’s size and financial circumstances.	None
Performance-related bonus	To incentivise and reward, on an annual basis, the performance of individuals, and of the	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	Annual bonuses are specific to each individual and range	Performance measures and relative weightings are

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Element	Purpose and link to remuneration policy	Key features and operation	Maximum opportunity	Applicable performance measures
	<p>Group, using a range of financial and non-financial metrics. The measures may be linked to annual objectives aligned with key strategic goals that are expected to help enhance shareholder value. These performance criteria may vary between individuals.</p>	<p>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 establish 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.</p>	<p>between 30% and 75% of base salary.</p>	<p>set annually generally covering matters such as health and safety, financial performance, operational performance, resource growth, and specific project milestones. The Remuneration Committee has the discretion to change the measurement based on circumstances.</p>
Share-related incentive plans	<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><u>The 2020 Plan</u> All employees of the Group (including Executive Directors who are employees) are eligible to participate in the 2020 Plan. 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 2020 Plan 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</p>	<p>Awards are given annually with a maximum value of 50% of salary. In situations of exceptional performance compared with the benchmarks the Board has discretion to grant additional shares.</p> <p>Exceptional performance would be where TSR exceeds 1.4, ROCE premium exceeds 1.4, and ROS exceeds 1.3.</p>	<p>The performance criteria and minimum thresholds to be achieved can be summarised as follows:</p> <ul style="list-style-type: none"> <li>• 40% of the award is subject to Total Shareholder Return, (where TSR must be 1.2 times or more the BMO Junior Gold Index)</li> <li>• 30% of the award is subject to Return on Capital Employed (where ROCE premium over Weighted Average Cost of Capital</li> </ul>

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Element	Purpose and link to remuneration policy	Key features and operation	Maximum opportunity	Applicable performance measures
		<p>subject to performance conditions which will be specified at the time of grant. All awards under the 2020 Plan are subject to malus and clawback provisions.</p> <p><u>Executive Share Option Plan</u> <i>The Serabi 2011 Share Option Plan has reached the end of its intended life and no new options will be issued under this arrangement. The following information relates only to those options which remain in issue.</i></p> <p>Options vest in three annual equal instalments with the initial vesting on the date of the award. Any option which is unexercised after a period of three years from the date of grant expires. Options are also forfeited if a holder leaves the Group before the options vest or are exercised although the Committee may exercise discretionary powers in certain circumstances. Options issued to date have not been subject to attainment of performance criteria prior to vesting or exercise. The Committee has the right to impose such criteria in respect of new awards. The Group's scheme is limited to no more than 10 per cent of the issued capital and whilst there is no maximum value to options that may be granted in one year, nor any cap on the level that an individual may hold, the Committee exercises discretion to ensure that annual awards can be made and considers the level and value of existing awards in determining the level of new awards.</p>		<p>must be 1.2 times or more), and</p> <ul style="list-style-type: none"> <li>• 30% of the award is subject to Return on Sales (where ROS must exceed average annual budget by 10% or more)</li> </ul> <p>Exceptional performance would be where TSR exceeds 1.4, ROCE premium exceeds 1.4, or ROS exceeds 1.3.</p>
Pension provision	The provision of pension benefits is a relatively normal constituent of compensation offered by peer companies. The Group will contribute to defined contribution schemes on behalf of its executives as part of the overall remuneration package provided to an employee.	The Group does not operate any pension plans for its Executive Directors except to the minimum extent required under UK law. The level of pension contribution made to an individual's defined contribution scheme will generally be linked to an employee's base salary, though the Committee may, at its election, approve single lump sum payments which can increase the overall level of retirement benefit provided for any individual.	The Company limits the contributions that it makes to an employee's pension arrangements unless the employee foregoes salary or other elements of the proposed remuneration package that are not performance related.	None

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Element	Purpose and link to remuneration policy	Key features and operation	Maximum opportunity	Applicable performance measures
Benefits in kind	To provide cost effective, competitive remuneration benefits to recruit and retain personnel.	The Group provides private medical and life assurance benefits for employees and Executive Directors which may be linked to base salary.	There is no maximum value.	None
Non-executive Director fees	To recognise the market value of the role, reflecting the individual's skills, experience and responsibilities, to ensure that the business can attract and retain appropriate individuals for non-executive roles.	Peer group data is also used to assess the level of fees for the Non-executive Directors.	There is no maximum value.	None
Non-executive Director share awards	Following the adoption of the 2020 Plan and the cessation of the 2011 Share Option Plan there is no intention to issue further equity-based awards to the Non-executive Directors. The Non-executive Directors are not entitled to participate in the 2020 Plan.	N/A	N/A	N/A

### 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;
- Malus and clawback provisions exist within the long-term incentive plans in line with UK governance best practice; and
- Ultimately, complete Board accountability.

### Non-executive remuneration

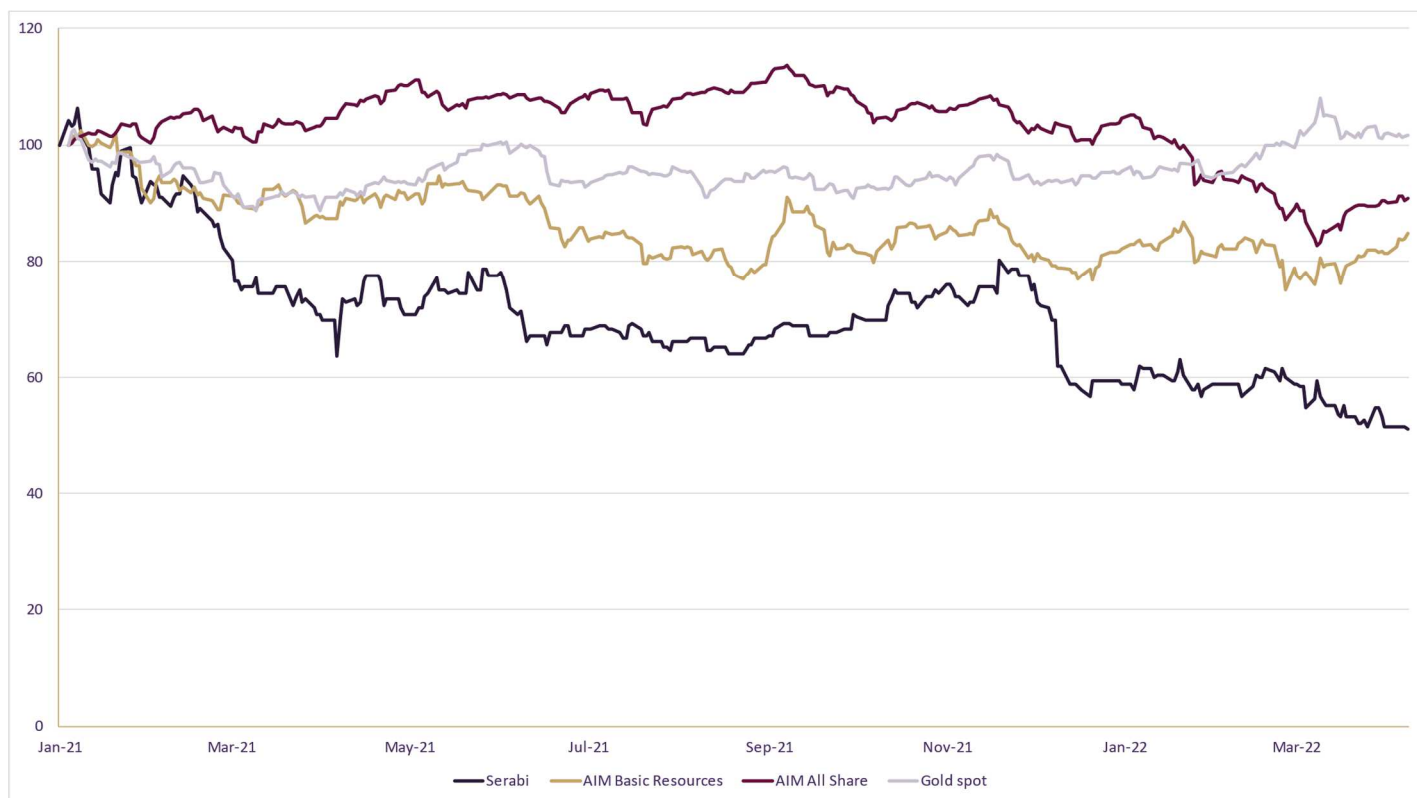
The remuneration package for Non-executive Directors is established by the Board as a whole but Non-executive Directors do not vote on any changes to their own fees.

Remuneration consists of a fixed fee which is set to reflect prescribed time commitments and the relative responsibilities of each Non-executive Director in the affairs of the Group, fees payable in respect of attendance at meetings and fees payable for service on any

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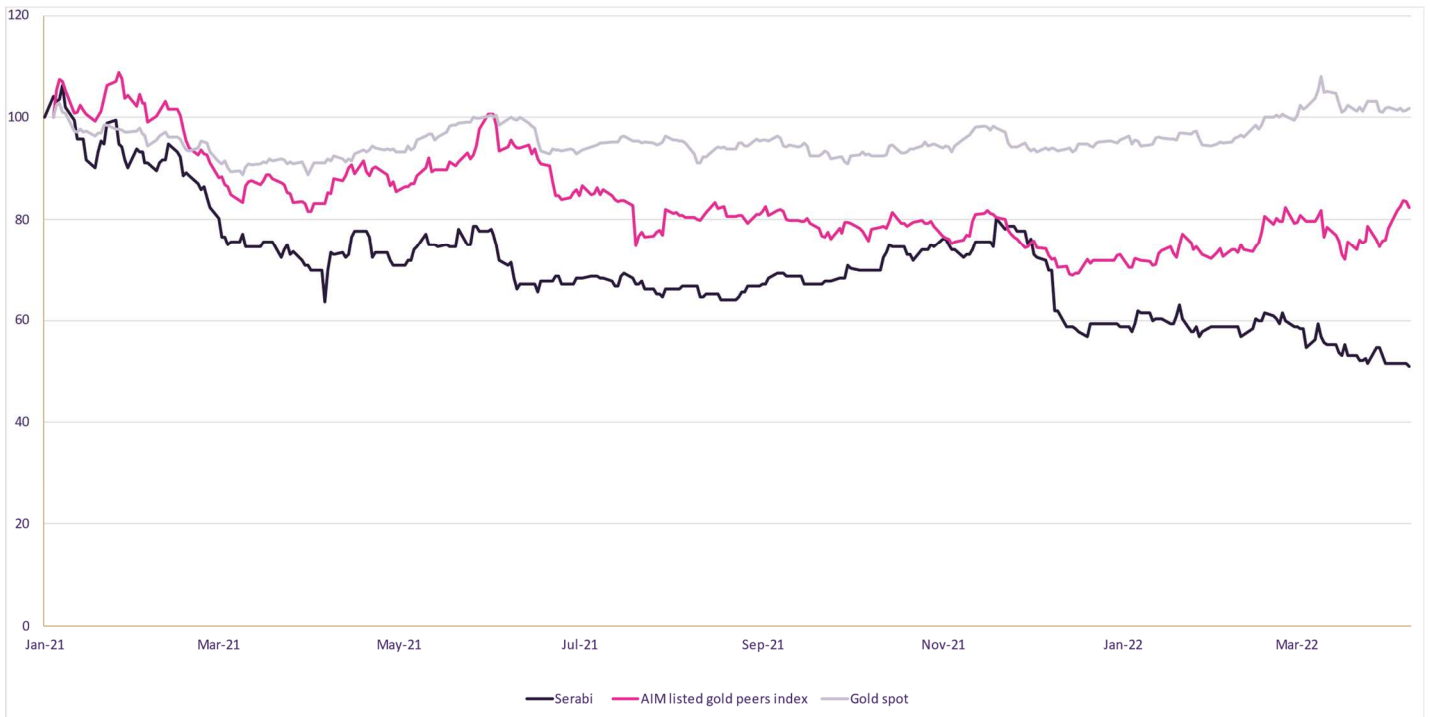
formal committees of the Board. Additional consultancy fees are paid if the input required exceeds the anticipated levels. Some of the Non-executive Directors currently hold share options. Whilst the award of share options by the Group to Non-executive Directors is contrary to the recommendations of the QCA Code, the Board believes, given the nature and size of the Group and the need to conserve cash resources, it has been 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 provide Non-executive Directors with share options as part of their remuneration. However, the 2011 Share Option Plan operated by the Company has reached the end of its term and no new options will be issued under it. It has been replaced by the 2020 Plan and the Non-executive Directors do not qualify to be participants in the 2020 Plan. Accordingly, no new equity-based incentives are available to be awarded to the Non-executive Directors.

Share price performance

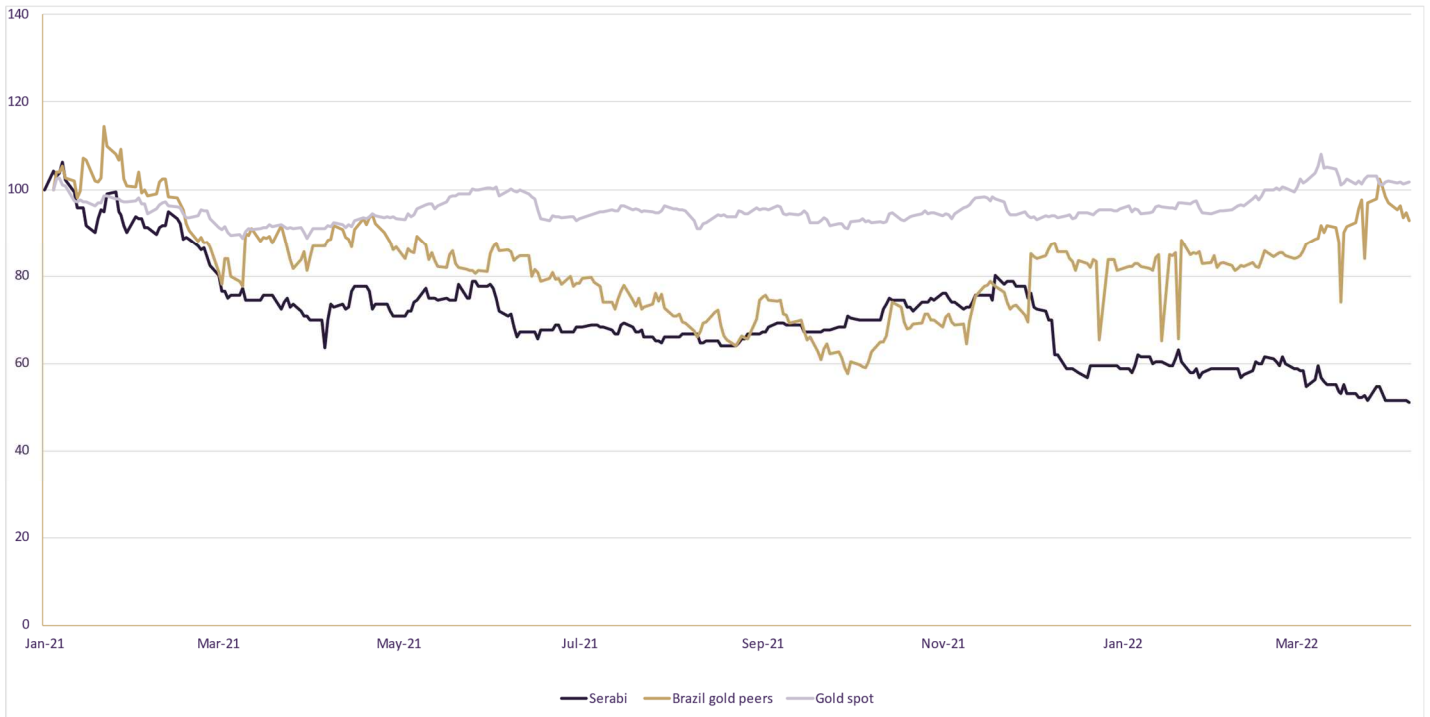


One year share price graph compared with AIM Basic Resources and AIM all Share indices

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One year share price graph compared with AIM peer group



One year share price graph compared with Brazilian peer group

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Three year share price graph compared with AIM Basic Resources and AIM All Share indices



Three year share price graph compared with AIM peer group



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Three year share price graph compared with Brazilian peer group

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Directors and their interests

Remuneration

Year to 31 December 2021

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 2021 Total US\$
Michael Hodgson	273,673	–	–	–	11,004	66,663	6,081	357,421
Clive Line	235,251	–	–	–	–	46,947	5,067	287,265
Aquiles Alegria	–	28,928	–	–	–	13,616	–	42,544
Luis Azevedo <sup>(1)</sup>	–	28,928	–	–	–	12,201	–	41,129
Nicolas Bañados	–	43,192	–	–	–	13,616	–	56,808
T Sean Harvey	–	36,855	–	–	–	13,616	–	50,471
Eduardo Rosselot	–	28,534	60,000	–	–	13,616	–	102,150
Mark Sawyer	–	36,852	–	–	–	13,616	–	50,468
<b>Total</b>	<b>508,294</b>	<b>203,289</b>	<b>60,000</b>	<b>–</b>	<b>11,004</b>	<b>193,891</b>	<b>11,148</b>	<b>988,256</b>

(1) Mr Azevedo is the owner of FFA Legal which provides legal services to the Group and its Brazilian subsidiaries. During 2021 charges issued by FFA Legal totalled BrR\$3.78 million (US\$0.7 million at the average exchange rate for the 2021 calendar year of BrR\$5.39 to US\$1.00).

Year to 31 December 2020

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\$
Michael Hodgson	236,556	–	–	–	10,258	76,511	6,125	329,450
Clive Line	211,602	–	–	–	–	54,681	5,104	271,387
Aquiles Alegria	–	26,410	–	–	–	16,426	–	42,836
Luis Azevedo <sup>(1)</sup>	–	18,213	–	–	–	10,808	–	29,021
Nicolas Bañados	–	34,384	–	–	–	16,426	–	50,810
T Sean Harvey	–	33,309	–	–	–	16,829	–	50,138
Eduardo Rosselot	–	26,410	60,000	–	–	16,426	–	102,835
Mark Sawyer	–	29,147	–	–	–	22,109	–	51,256
Felipe Swett <sup>(1)</sup>	–	9,977	–	–	–	5,618	–	15,595
Melvyn Williams <sup>(2)</sup>	–	17,540	–	–	–	17,087	–	34,627
<b>Total</b>	<b>448,158</b>	<b>195,390</b>	<b>60,000</b>	<b>–</b>	<b>10,258</b>	<b>252,921</b>	<b>11,229</b>	<b>977,956</b>

(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.

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Ordinary shares and options

The Directors of the Company, who held office during the year and as of 31 December 2021, had the following interests in the ordinary shares of the Company according to the register of Directors' interests:

	Shares held at 31 December 2021	Shares held at 31 December 2020	Conditional Share Awards held at 31 December 2021	Conditional Share Awards held at 31 December 2020	Share options held at 31 December 2021	Share options held at 31 December 2020	Option price	Option exercise period
Michael Hodgson	70,066	22,066	355,500	–	– – 500,000	30,000 400,000 500,000	UK£8.20 UK£0.75 UK£0.85	28 Jan 11 to 27 Jan 21 2 July 18 to 1 July 21 27 May 20 to 26 May 23
Clive Line	73,332	38,332	266,600	–	– – 350,000	30,000 300,000 350,000	UK£8.20 UK£0.75 UK£0.85	28 Jan 11 to 27 Jan 21 2 July 18 to 1 July 21 27 May 20 to 26 May 23
Aquiles Alegria	5,000	5,000	–	–	100,000 –	100,000 100,000	UK£0.75 UK£0.85	2 July 18 to 1 July 21 27 May 20 to 26 May 23
Luis Azevedo	–	–	–	–	100,000	100,000	UK£0.85	27 May 20 to 26 May 23
Nicolas Bañados <sup>(1)</sup>	1,122,197	1,122,197	–	–	100,000 –	100,000 100,000	UK£0.75 UK£0.85	2 July 18 to 1 July 21 27 May 20 to 26 May 23
T Sean Harvey	60,000	60,000	–	–	– 100,000	100,000 100,000	UK£0.75 UK£0.85	2 July 18 to 1 July 21 27 May 20 to 26 May 23
Eduardo Rosselot	–	–	–	–	– 100,000	100,000 100,000	UK£0.75 UK£0.85	2 July 18 to 1 July 21 27 May 20 to 26 May 23
Mark Sawyer <sup>(2)</sup>	–	–	–	–	– 100,000	100,000 100,000	UK£0.75 UK£0.85	2 July 18 to 1 July 21 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 2021 was interested in 19,083,394 ordinary shares.

During the year ended 31 December 2021 the Company's shares have traded between 46.5 pence and 114.5 pence.

Corporate Governance  
 Audit Committee Report  
 For the year ended 31 December 2021

I am pleased to present this report on the activities of the Audit Committee (“the Committee”) for the year ended 31 December 2021. 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
Going concern	<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>The Group advised that as a result of certain operational issues encountered at its Sao Chico deposit that its production guidance to be generated from the Palito Complex for the 2022 calendar year would be reduced to approximately 30,000 ounces compared with the previous guidance of 36,000 to 38,000 ounces.</p> <p>The reduced level of production will impact on the revenues and therefore the level of operational cash flow that the Group can generate in 2022 which it can use to fund its ongoing capital expenditure programmes including the on-going development of Coringa.</p> <p>Management have prepared and the Board has considered an operational plan and cash flow forecast based on their best judgement of the operational performance of the Group for the next 18 months using economic assumptions that the Directors consider are reasonable in the current global economic climate. This plan assumes, inter alia, that during the rest of 2022 and for 2023, the Group will be successful in mining higher levels of gold from its Palito orebody than it originally planned for, and will continue to generate a limited level of gold production from São Chico, albeit at lower levels than 2021 and previously planned for 2022, due to the issues encountered at the Julia Vein. In addition, the Group will, as a temporary measure, transport Coringa ore for processing at the Palito Complex. To manage costs, discretionary expenditures will be minimised including further regional exploration drilling which has now been suspended.</p> <p>In May 2022 the Group secured a unsecured loan for US\$5.1 million from a Brazilian bank which is repayable in May 2023.</p> <p>The Group plans to continue the development for Coringa but this will be restricted to a level that can be supported by available financial resources. In order to fund the longer term continued</p>

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Significant issue	Summary of significant issue	Actions and conclusion
		<p>development of Coringa including a gold processing facility, and repay the Group's debt, which comprises a 12 month, US\$5 million bank loan maturing in May 2023, the Group intends to obtain additional funding. This funding may be generated from a variety of sources which could include a combination of bank debt, royalty, streaming of gold and copper revenues, new equity capital and cash flow from the current operations.</p> <p>The Directors and management are confident of their ability to raise additional finance as and when required and that the Group's operations will perform at the levels that they now anticipate over the next 18 month period.</p> <p>The Directors therefore considered the going concern assessment to be appropriate.</p>
Recoverability of State taxes	<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 2021 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. 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, based on the best information available, that 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>
Revenue estimation and adjustments	<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</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</p>

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Significant issue	Summary of significant issue	Actions and conclusion
	<p>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>During the second half of 2020, material variances were identified between assays of copper/gold concentrate reported by the Company's own on-site laboratory and samples taken and analysed by the refinery. These variations in metal content result in adjustments to the revenue initially recognised at the date of sale, in subsequent periods with a delay of up to six months before the final sales value is confirmed.</p>	<p>and verification with third party accredited laboratories.</p> <p>Management implemented additional control measures in the assaying of copper/gold concentrate to identify potential errors prior to the material arriving at the refinery to minimise a reoccurrence and help identify the reasons for such variances. This has included sending duplicate samples of material collected prior to shipment to an independent laboratory in Brazil for comparison. During 2021 following the identification of the initial errors and with a re-enforcement of normal operational protocols, the level of variance has reduced to more normal levels that are no longer considered material.</p> <p>At the beginning of 2022, the Group has also entered into a new contract for the sale of concentrate and as part of the negotiation included arrangements for improved sampling procedures to minimise the future risk of sample bias.</p> <p>One sale made during 2021 has, at the date of finalising these financial statements, not been finalised with the customer and the final value of this sales remains subject to adjustment.</p>
Resource estimations	<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 in each of these calculations affects 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 and reserves 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>In light of the issues encountered at the Sao Chico deposit, the Board sought an independent opinion which confirmed management's assessment that the geological setting encountered at the Julia Vein was isolated to that area of the Sao Chico deposit and that the overall mineral resource for the rest of the deposit was not materially affected (less than 10%). As noted under Going Concern, the Board also requested management to prepare revised operational plans and cash forecasts to assist with planning for the remainder of 2022 and for 2023.</p>

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Significant issue	Summary of significant issue	Actions and conclusion
		The Directors consider that the mineral resource estimates used by management are reasonable.
Unaccounted-for withdrawals of cash	<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>There were no unsupported cash withdrawals noted as having occurred during 2021 although the investigation noted a transaction with a value of US\$29,000 that was improperly documented.</p> <p>During 2021 an investigation into certain unsubstantiated cash withdrawals and irregularities relating to the payment of travel advances and expense claims covering the period January 2015 to March 2021, was commissioned by the Board and by the Audit Committee and was completed. The value of the irregularities relating to the payment of travel advances and expense claims incurred during 2021 was US\$116,000 with further transaction totalling US\$29,000 identified as being improperly documented.</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 during 2021 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 payments 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. Whilst the Board cannot conclude definitively on the nature of the payments made there continues to be no evidence or allegations suggesting that these funds were used for improper purposes to the benefit of the Company.</p> <p>Management have made certain changes to the Group's control procedures for the processing of bank payments and has engaged Deloitte to establish an internal audit function reporting directly to the Audit Committee to improve the overall internal control environment.</p>
Travel and expense advances and reimbursement of expenses	<p>The enquiries completed by FFA and Deloitte identified irregularities relating to the payment of travel advances and expense claims incurred during 2021 of US\$116,000.</p> <p>In total the enquiries identified that a total of US\$75,000 and US\$435,000 of expense advances and travel advances respectively 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</p>	<p>Management has 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 has engaged Deloitte to establish an internal audit function reporting directly to the Audit Committee to improve the overall internal control environment.</p> <p>Whilst the Board cannot conclude definitively on the nature of the payments made there continues to be no evidence or allegations suggesting that these funds were used for improper purposes to the benefit of the Company.</p>

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Significant issue	Summary of significant issue	Actions and conclusion
	<p>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.</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>	
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	<p>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> <p>In the fourth quarter of 2021 and the first quarter of 2022 the Group identified the presence of intrusive dykes that intersected the newly accessed Julia Vein at Sao Chico. These dykes which had not been encountered in other areas of the Sao Chico orebody, have had the effect of reducing the payability of this part of the Sao Chico orebody when using non-selective mining techniques such as the long-hole stoping</p>	<p>The Group has determined that the Palito and São Chico operations comprise a single cash generating unit ("CGU"), being the Palito Complex.</p> <p>Management has undertaken an assessment of the issues relating to the mining of the Julia Vein. It has concluded at this time that the issues encountered are limited only to the Julia Vein which is located west of the remaining mineral resources that comprise the Sao Chico orebody. Management consider that the introduction of selective mining practices will allow the Julia Vein to be mined in the future allowing better control and the ability to focus on those areas of the orebody with high-grade mineralisation.</p> <p>However, with the immediate effect being to reduce production from Sao Chico and for the</p>



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Significant issue	Summary of significant issue	Actions and conclusion
	<p>methodology. This had the effect of reducing the tonnage of ore that could be mined compared with the Group's internal plans, whilst the narrower widths of the ore body resulted in higher than expected levels of dilution. Management has made the decision to reduce mining activity in the area of the Julia Vein whilst it re-plans and develops this area of the Sao Chico ore-body for a more selective mining method that it expects will reduce the levels of dilution and increase the payability of the orebody.</p>	<p>Palito Complex overall it was considered necessary to undertake a detailed impairment review. Management prepared a discounted cash flow model which included a number of estimates and judgments including future commodity prices, production rates, future capital expenditure, reserves and resources, discount rates and foreign exchange rates.</p> <p>With this exception management has otherwise carried out a review of impairment indicators and concluded there were no other indicators of impairment in line with the provisions of IAS 36. The forecasts prepared by management of net present value 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 the carrying value of the mining properties will be recovered.</p>
<p>Carrying value of exploration costs</p>	<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>In December 2021 a court judge in Brazil announced that future licences required for the Group's Coringa project could only be issued once adequate evidence had been presented regarding the impact (if any) on the neighbouring indigenous populations. This decision overturned two previous decisions rendered by the Brazilian which concluded that the Group was not required to produce such a study was not formally a licencing requirement under prevailing Brazilian law. The Group, the ANM and SEMAS have each made formal submissions to the court disputing the grounds for the decision. However, the Group had since September 2021 been in discussion with SEMAS and FUNAI over the merits of producing an indigenous study to avoid future objections. This study has been</p>	<p>Management has reported that it considers no facts or circumstances exist at or subsequent to the year-end requiring it 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>

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Significant issue	Summary of significant issue	Actions and conclusion
	<p>commissioned and expected to be completed before the end of the second quarter of 2022. Based on the results of previous studies completed the results are not expected to identify any material impacts.</p>	

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

**Fees of the external auditor**

There was no significant non-audit work carried out by BDO. 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, in the fourth quarter of 2021, the Board appointed 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 January 2015 to March 2021 there was a breakdown in internal controls allowing certain authorised 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 oversaw the implementation by the finance department of procedural changes to improve control over all aspects of the financial activities of the Group.

T Sean Harvey  
 Chairman of the Audit Committee  
 9 June 2022

## Corporate Governance

### Environmental, Social and Communities Report

For the year ended 31 December 2021

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 2021.

Senior management and the Board have put in place a reporting regime that tracks a large number of metrics across the areas of environmental control, and social and community engagements. This data is also used to provide regular reporting to the relevant Brazilian authorities to ensure constant compliance with all regulatory requirements.

#### Key environmental highlights

- **Small footprint** from underground mines with **no tailings dams** - filtration and dry stacking technology
- **Zero** activity within primary forest
- **Remediation** of old artisanal mining areas
- **Low carbon intensity** of 0.40 tCO<sub>2</sub>e/Au oz in 2021 (half industry average) *Scope 1&2*
- On site nursery for cultivation of indigenous plants to support **remediation** and enhance **biodiversity**
- **91%** of materials recycled

#### Key social and community highlights

- Health & safety is a top priority
  - **>10,000 hours** of safety training
  - **34%** improvement in average annual total recordable injury frequency rate over six years
- Local employment
  - **79%** from State of Para
  - **39%** from immediate communities
- Local procurement
  - **42%** of purchases from within 100km
  - **64%** of purchases from State of Para
- Community support initiatives
  - Clean water & health care – **260 people**
  - Education support – **500 children**
  - Roads & infrastructure

Serabi has been operating for 21 years in the State of Pará in the Tapajós region and has close cooperation with the local communities around its mines, Jardim do Ouro, Moraes d'Almeida, Novo Progresso and Itaituba. The Company's presence has generated many jobs and opportunities for local communities, as well as other improvements in living conditions through assistance with infrastructure educational and health projects. It is a key objective of the Group that its own successes and growth should also result in maximising the economic benefits for local companies and individuals and for the State of Pará.

All of Serabi's socio-environmental activities are carried out ethically, in accordance with local laws and regulations, and aim to establish strong relationships with the local communities. Through consultation we try to identify social and environmental issues and work with local communities to find ways to address these with sustainable and responsible solutions.

#### Environment

During 2021, technological investment helped ensure continued compliance with changing regulation and increased external scrutiny of mining operations in general. As an example, improved management of water use and daily quality monitoring ensured that neighbouring water courses are not affected by the Company's activities, ensuring minimal impact of the surrounding flora and fauna.

Corporate Governance  
Environmental, Social and Communities Report  
For the year ended 31 December 2021

Increasingly stringent legislative requirements, intensify the commitment that the Company must make to high environmental standards to ensure that it remains in compliance with its obligations.

**Occupational Health and Safety**

Serabi has made a significant investment in personal health and safety at work. The Company has implemented two macro programmes, the Risk Management Programme (“PGR”) and the Occupational Health and Medical Control Programme (“PCMSO”), which are supplemented by the Internal Accident Prevention Commission (“CIPA”) and Daily Health, Safety and Environment (“DSSMA”). These programmes help make employees aware of safety issues and best practices to reduce the risk of accidents.

Throughout the year, we have continued to reinforce awareness of hygiene and personal care following the guidelines and measures that the Company has established to contain and prevent the spread of COVID-19. To assist in this, we have increased the numbers of occupational doctors and nurses, and established partnerships with clinics and hospitals to provide care and support for employees diagnosed with COVID-19 and their families, including contingency arrangements for potential air transportation as well as meeting the cost of hospital expenses.

Serabi also carries out internal health campaigns such as lectures and dialogues on mental health, breast cancer, prostate cancer, sexually transmitted diseases and guidance in group sessions with health professionals. The actions are aimed at the promotion, prevention and treatment of health problems.

**Community programmes**

In the social sphere, our community and social relations professionals undertake regular meetings with the neighbouring communities to understand the needs of the local residents of that region, as well as explaining the role that Serabi can play in improving community life. These meetings with residents' associations and community representatives and the programmes that are generated through this dialogue, help strengthen ties with the community and reinforce the positive benefits that our operations bring to the region.



**Support for local workforce**

We are constantly seeking to maximise the opportunities that can be made available to the local workforce and provide assistance with training and support in a number of fields. We have established an education programme for young people aged 18 to 22 in the State of Pará in partnership with SENAI (National Service for Industrial Learning) where young people can learn about administrative or industrial routines and at the end of the one-year training period leave with a recognised professional certification.

We have over the last year seen a small improvement in the numbers of staff recruited from both the neighbouring communities and with the wider State of Para and will continue to try to improve on these ratios as the Company grows.

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**Community health**

One of the biggest concerns during 2021 was the health of our neighbouring communities and employees, so through a partnership with the local city hall and SUS (Brazilian Health System), Serabi assisted with the roll out of the successful COVID-19 and influenza (H1N1) vaccine programmes.



As a result hundreds of employees from the Palito, São Chico and Coringa mines and residents of the communities received the immunising vaccines.

Serabi, through its own medical staff, supports communities such as São Chico and Jardim do Ouro with

medical and emergency care and for more serious cases the Company provides an ambulance to take patients to hospitals.

**Local supplier support**

Serabi seeks to foster business relationships with local suppliers and thus help create wealth in local communities. During 2021, 44 per cent of its supply of goods and services was sourced from within municipality of Itaituba, with over 56 per cent coming from within the broader State of Pará.

We have also established an ethic with our suppliers, incentivising them to hire employees from the region and we currently have 107 people hired from the region through our suppliers.

**Community safety**

Maintaining its commitment to contribute to the safety of the community, in 2021 Serabi contributed to the setting up of a police station in the community around the Coringa project located at KM 1000, with donations of furniture for the police station.



**Indigenous population**

Interaction with indigenous communities is strictly controlled by legislation, but Serabi worked with government agencies to bring about improvements in the levels and quality of water supply to the Kayapó community, work that was carried out through interviews with the community and site visits. The Company will continue to evaluate ways to bring positive benefits to indigenous communities while respecting their desires to maintain traditional values and culture.

**Support in sport and children's schools**

Serabi believes in sport and the benefits it brings to the body and mind. Therefore, we sponsored two soccer teams, the team for the Company's employees' and the Jardim do Ouro community soccer team.





On Children's Day, Serabi provides gifts and educational games to the children, in support of an initiative between Serabi, local businesses and parents who live in the Moraes Almeida community. In addition, toys were donated to the toy library of the ABC Child Education Center, which serves children aged three to five years old, who live in the locality. At the end of 2021, Serabi participated in the end-of-year celebration and pre-school graduation of the children of Jardim do Ouro School, near the Palito mine. The Company sought to provide unique moments and create memories for the children of the Jardim do Ouro community.



## Corporate Social Responsibility Modern Slavery and Human Trafficking Statement

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 southwest 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% 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 Whistle-blowing – 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.

## Corporate Social Responsibility Modern Slavery and Human Trafficking Statement

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 negate the risk of modern slavery in this operation. As a consequence, the Company feels its supply chain is the area that presents the most risk. As a result of the due diligence process the Company has conducted, systems have been put in place to:

- 3.1 continue to identify and assess potential risk areas in the Company's business and supply chains;
- 3.2 continue to adhere to, and enforce the Company's procurement policy and the Company's employment policies;
- 3.3 seek to continue the good relationship built with unions and the Ministry of Labour in Brazil; and
- 3.4 protect whistle-blowers.

### **4. Supplier adherence to our values and ethics**

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

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

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

### **5. Training**

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

### **6. Performance indicators**

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

- 6.1 completion of necessary training of the policy by all relevant staff;
- 6.2 communication of the policy to suppliers; and
- 6.3 continued progress of the social and labour plan of the Group in Brazil.

### **7. Further steps**

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

This statement is made pursuant to section 54(1) of the Act and constitutes the Company's antislavery and human trafficking statement for the calendar year ended 31 December 2021.



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Report on Corporate Governance  
For the year ended 31 December 2021

**Board of Directors and operation of the Board**

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 2021, the Board met eleven 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 Board has established an Audit Committee, a Remuneration Committee and a Project Steering Committee, particulars of which are set out in this report. The Board has not at this time felt it necessary to establish a separate Nominations Committee and considers that this responsibility can be discharged by the Remuneration Committee currently or, if the circumstances so dictate, the Board as a whole.

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.

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 61 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 Report. Copies are available on the Company's website at [www.serabigold.com](http://www.serabigold.com).

Additionally, the Board has appointed an Executive Committee to oversee and coordinate 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.

## Corporate Governance

### Report on Corporate Governance

#### For the year ended 31 December 2021

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.

#### **Corporate Governance Code**

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. Details of how the Company applies each of the principles can be located at <http://www.serabigold.com/corporate/corporate-governance>.

#### **Dialogue with shareholders**

The Board is committed to providing shareholders with clear and timely information on Serabi’s activities, strategy and financial position. General communication with shareholders is coordinated by the Chief Executive Officer and the Chief Financial Officer together with the Business Development Manager.

The Company publishes on its website a range of information which helps current and potential shareholders to make an assessment of the Group’s position and prospects:

- Investor presentations
- Independent technical reports on the operations and projects
- Estimations of the Company’s Mineral Resources
- Annual and quarterly financial statements
- Quarterly operations reviews
- Business strategy
- Governance and policy materials

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- All regulatory and other announcements relating to equity issues, Board changes, etc.
- Shareholder information
- Contact details for the Company

Institutional investors

The Board maintains a regular dialogue with the Company's major institutional investors, providing them with such information on the Company's progress as commercial confidentiality, market abuse rules and other legal requirements permit.

Private investors

The Company acknowledges that the majority of its private investors hold their shares via nominee shareholders and may not be able to fully exploit their shareholder rights effectively. The Company attends selected industry events at which management are available to engage with private investors and provides published interviews with media outlets to coincide with key news flow and events.

The Company's Executive Directors are generally available to receive shareholder enquiries and shareholders may also contact the Company's brokers and investor relations advisers who are also available to facilitate engagement with its private investors.

Board review

The Board is kept informed of the views and concerns of major shareholders by briefings from the CEO and the CFO and the Company's brokers. Analyses of the share register are also periodically circulated to the Board, together with significant investment reports from analysts.

**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. Details of the Board's assessment of the Principal Operational Risks and Uncertainties are set out on pages 44 to 51 in this Annual Report.

The Board engaged the services of Deloitte Touche Tohmatsu Consultores Ltda in Brazil ("Deloitte"), in the fourth quarter of 2021, to establish an internal audit function to mitigate the potential risk of inaccurate financial reporting, financial irregularities or fraud. The Executive Directors have established appropriate reporting and control mechanisms to ensure the effectiveness of the Company's control systems.

**Attendance at Board and committee meetings**

During 2021, the Board held eleven Board meetings. Attendance by each of the Directors at these meetings and meetings of its committees are as set out in the table below. There is no fixed time commitment imposed on each of the Non-executive Directors, however, it is expected that each individual will and is in a position to commit to whatever time requirement is necessary at any time during the year as well as throughout the year.

Director	Board meetings (Attended / Held)	Audit Committee meetings (Attended/Held)	Remuneration Committee meetings (Attended/Held)
Nicolas Bañados	11/11	7/7	3/3
Michael Hodgson	11/11	-	-
Clive Line	11/11	-	-
Aquiles Alegria	11/11	-	-
Luis Azevedo	11/11	-	-
Sean Harvey	10/11	7/7	3/3
Eduardo Rosselot	10/11	-	-
Mark Sawyer	11/11	7/7	3/3

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**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. Biographies of each of the Directors are set out on pages 61 and 62.

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 considers that its members represent a diversity of culture and experience and is 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. 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.

**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 chairman of the Audit Committee whereby that Committee's effectiveness can be considered.

Over a period between November 2021 and February 2022, an independent evaluation was undertaken by Board Excellence, an international board practice. The core objectives were to complete an assessment of the Board's effectiveness, performance and compliance with

- The QCA Corporate Governance Code
- TSX Governance requirements
- Relevant aspects of the UK Corporate Governance Code (2018)
- UK Financial Reporting Council Guidance on Board effectiveness (July 2018)
- Internationally recognised board best practices
- Board Excellence's own experience and board best practices

The report highlighted the need to improve the current system of corporate governance. The recommendation of Board Excellence was that this should be undertaken under the guidance and leadership of an independent chairperson. The Board has acknowledged this and other recommendations made by Board Excellence and has initiated a process for the identification of suitable candidate to be appointed to the role of chairperson. Other areas that the review highlighted for action included

- increased levels of independence and diversity
- a reduction in the size of the Board whilst prioritising gender diversity
- for the Audit Committee to assume a greater role in Group's risk management framework including Cyber risks
- that on at least an annual basis the Board review and agree its strategy and establishes a set of key financial and non-financial KPIs to monitor performance against that strategy on a monthly basis.
- that an annual cycle be established for consideration by the Board of key matters such as risk management, strategy, budget approval and succession planning.
- outsourcing of the Company Secretarial function
- developing templates for the preparation of Board papers
- development of an appropriate succession plan for the senior executives

**Corporate culture**

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:

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- 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 considers 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.

**Board independence**

	Position	Appointed	Status	Audit Committee	Remuneration Committee
Nicolas Bañados	Non-executive Chairman	13 May 2013	Not independent <sup>(1)</sup>	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 <sup>(2)</sup>	–	–
Mark Sawyer	Non-executive Director	23 March 2018	Not independent <sup>(3)</sup>	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' Report

### For the year ended 31 December 2021

The Directors present their report together with the audited financial statements for the year ended 31 December 2021.

#### Results and dividends

The Group profit for the year after taxation amounts to US\$9,949,964 (2020: profit of US\$7,031,025). The Directors do not recommend the payment of a dividend.

The results for the year are set out on page 102 in the statement of comprehensive income.

#### Principal activities and business review

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

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

#### Substantial shareholdings

As at 8 June 2022 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	Per centage
Fratelli Investments Limited	19,318,785	25.5%
Greenstone Resources II LP	19,083,394	25.2%
River and Mercantile Asset Management	5,930,300	7.8%
Premier Miton Group PLC	4,207,784	5.6%

#### 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 Group did not make any share option awards under the Serabi Mining 2011 Share Option Plan to Directors and other employees.

During the period the Group made the following issues of Conditional Share Awards under the 2020 Serabi Gold Restricted Share Plan.

Date of Issue	Performance period	Number issued	Vesting date
7 December 2021	1 January 2020 to 31 December 2022	404,700	6 December 2023
7 December 2021	1 January 2021 to 31 December 2023	459,800	6 December 2024

#### 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

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

## Directors' Report

### For the year ended 31 December 2021

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

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

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

While the Group plans to restrict development activity to a level that can be supported by available financial resources, in order to fund the longer term continued development of Coringa including a gold processing facility, and repay the Group's debt, which comprises a 12 month, US\$5 million bank loan maturing in May 2023, the Group intends to obtain additional funding. This funding may be generated from a variety of sources which could include a combination of bank debt, royalty, streaming of gold and copper revenues, new equity capital and cash flow from the current operations. The Group has been successful in raising funding as and when required in the past and the Directors consider that the Group continues to have strong support from its major shareholders who have been supportive of and provided additional funding when required on previous occasions.

As such, whilst the expenditure on the development of Coringa will be incurred over a period of nine to twelve months it is the intention of management that firm commitments for the majority of this funding must have been secured and there is strong confidence that the balance of any remaining financing requirement is available prior to commencing the full scale development.

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

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

#### **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

## Directors' Report

### For the year ended 31 December 2021

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 52 to 58.

#### **Principal risks and uncertainties**

The principal risks and uncertainties are outlined in the Strategic Report on pages 44 to 51.

#### **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 observes the principles of 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 88 to 92.

#### **Board composition**

The Directors who served during the year are shown on pages 61 and 62.



## Directors' Report

### For the year ended 31 December 2021

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 88 to 92.

#### 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 88 to 92.

#### 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 Audit Committee Report on page 80, during 2021, an investigation into certain unsubstantiated cash withdrawals was commissioned by the Board and by the Audit Committee and was completed. The value of the irregularities relating to the payment of travel advances and expense claims incurred during 2021 was US\$116,000 with further transaction totalling US\$29,000 identified as being improperly documented. Over the review period from January 2015 to March 2021 it was identified that the total of unsupported cash withdrawals was approximately US\$340,000 with irregularities relating to the payment of travel advances and expense claims totalling approximately US\$1,414,000. 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 implemented 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.

#### 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

## Directors' Report

### For the year ended 31 December 2021

entered into at the start of 2022 for a two year period. However, management considers that alternative suppliers and purchasers could be arranged if necessary and do not therefore consider that the Group is unduly reliant on any single contract or supplier.

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

#### **Post balance sheet events**

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

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

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

Except as set out above, there has been no item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the continuing operation of the entity, the results of these operations, or the state of affairs of the entity in future financial periods.

#### **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  
9 June 2022

# Independent Auditor's Report

## Independent auditor's report to the members of Serabi Gold Plc

### Opinion on the financial statements

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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards 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 2021 which comprise the Group Statement of Comprehensive Income/(Loss), the Group and Company Balance Sheets, the Group and Company Statements of Changes in Shareholders' Equity, the Group and Company Cashflow Statement 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 UK adopted international accounting standards 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.

### Material uncertainty related to going concern

We draw your attention to note 1a in the financial statements concerning the Group's ability to continue as a going concern. As detailed in note 1a, in order to fund the continued development of the Coringa mine, and repay the Group's US\$5 million bank loan which matures in May 2023, the Group will need to raise additional funding.

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

Because of the judgements made by the Directors, and the significance of this area, we have determined going concern to be a key audit matter.

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.

Our evaluation of the Director's assessment of the appropriateness of the going concern basis of preparation of these financial statements and in response to the key audit matter included:

## Independent Auditor's Report

- We obtained the Directors' Group cash flow forecast to 31 December 2023. We assessed the reasonableness of underlying assumptions, including forecast levels of expenditure, production and revenue used in preparing these forecasts. To assess the reasonableness and timings of the cash inflows and outflows, we used our knowledge of the business and compared the forecasts to the Directors' approved budgets.
- We verified cash balances used in the forecast close to the date of sign off of these financial statements, which included a \$5million loan facility entered into in May 2022 with a 12 month maturity.
- We obtained the Directors' sensitivity analysis which was performed to determine the impact each sensitivity has on when liquidity breaks which included:
  - increases in operating costs, and
  - reductions in production given the recent operational issues at Sao Chico, and the commencement of processing Coringa ore at the Palito complex.
- We evaluated potential mitigating actions identified by management.
- We assessed the appropriateness of the going concern disclosures included in the financial statements against the requirements of the relevant auditing standards.

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

### Overview

<b>Coverage<sup>3</sup></b>	100% (2020: 100%) of Group profit before tax 100% (2020: 100%) of Group revenue 100% (2020: 100%) of Group total assets		
<b>Key audit matters</b>		2021	2020
	Fraud investigation	x	x
	Going concern	x	-
	Carrying value of the Group's property, plant, and equipment	x	x
	Carrying value of deferred exploration costs (Coringa)	x	-
	Parent company's investment in subsidiaries*	-	x
	<i>*Risk not classified as a key audit matter due to the limited judgement and estimation applied in assessing the recoverability of the investment as of 31 December 2021.</i>		
<b>Materiality</b>	Group financial statements as a whole  \$0.8m (2020: \$0.7m) based on 4% (2020: 4.5%) 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 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.

<sup>3</sup> These are areas which have been subject to a full scope audit by the group and the component team.

## Independent Auditor's Report

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.
- In addition to regular team interactions with the component teams during various stages of the audit, review of key working papers and participation in the component team's planning and closing meetings with local management, the group partner and manager visited BDO Brazil in February 2022 where the key audit issues were discussed.
- 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) that 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. The matters set out below are in addition to the Material Uncertainty related to going concern above which is also a key audit matter. 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 described in the material uncertainty section of our report, we identified the following key audit matters:

Key audit matter		How the scope of our audit addressed the key audit matter
<b>Fraud investigation</b>	<p>As set out in note 1, during 2021 an independent investigation into certain unsubstantiated cash withdrawals and irregularities relating to the payment of travel advances and expense claims was initiated by the board.</p> <p>The investigation covered the period between January 2015 to March 2021 and identified irregularities relating to the payment of travel advances and expense claims. In addition, it identified payments made to third parties including persons connected with individuals who have previously held public office.</p>	<p>In respect of the period to March 2021, which was subject to an independent investigation, 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:</p> <ul style="list-style-type: none"><li>• Assessing the competence, capabilities, and objectivity of the external forensic investigator;</li><li>• Reviewing the investigator's engagement letter and scope;</li><li>• Challenging the evidence identified to determine whether procedures undertaken were sufficient;</li></ul>

## Independent Auditor's Report

	<p>For the period January 2015 to March 2022 the total value of these transactions was \$1,846,000. For the three-month period to March 2021 the total value of these transactions was £145,000.</p> <p>Given the magnitude of the deficiency in the internal controls, we consider this to be a key audit matter that is fundamental to the users' understanding.</p>	<ul style="list-style-type: none"> <li>• Reading the external forensic investigator's final report and assessing their findings;</li> <li>• Considering the impact on other areas of the audit pertaining to management override of control; and</li> <li>• Evaluating the investigation findings and the appropriateness of the disclosures included in the financial statements.</li> </ul> <p>For the remainder of the year, which was not subject to an external forensic examination, we have:</p> <ul style="list-style-type: none"> <li>• Confirmed the individuals that committed the fraud were removed from office.</li> <li>• Examined the Company's legal case filed against the employees, the employees' initial defence and the Company's response to this defence to determine any inconsistencies with the findings of the previously conducted forensic examination.</li> <li>• Used our knowledge of the control environment and the previously committed frauds to identify transaction characteristics that indicated they had an increased risk of being unsubstantiated. We then used data analytics to identify transactions that contained these characteristics and performed tests to confirm that they were valid transactions with a business rationale. This included performing specific tests on payments made directly from cash, as these transactions are outside of the normal purchase to payables cycle.</li> <li>• Obtained a listing of payments to newly created suppliers, and using risk-based criteria, we obtained evidence that payments made to these suppliers were valid, approved, and related to goods or services being acquired on behalf of the Group.</li> </ul> <p><b>Key observation</b> We have not identified any additional unsubstantiated transactions to those communicated in the previous year. Whilst all the unsubstantiated transactions have been 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</p>
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## Independent Auditor's Report

		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.
<p><b>Carrying value of the Group's Property, plant and equipment</b></p>	<p>As at 31 December 2021 the Group's Property, plant and equipment totalled \$27.6m (2020: \$26.2m) and details of these assets and the related critical judgements and estimates are disclosed in notes 1(d) and 9.</p> <p>During Q4 2021 and Q1 2022 the Group identified the presence of intrusive dykes that intersected the Julia vein at Sao Chico. This led to the group reducing its production guidance for 2022 and 2023, and revising the Sao Chico life of mine model. This represented an impairment indicator and as result management undertook an impairment test to determine the recoverable amount of its mining properties. The recoverable amount of each cash generating unit (CGU) is determined in reference to a discounted cash flow which is based on estimates of future cash flows.</p> <p>Given the significant estimates regarding gold prices, reserves and resources, production rates, operating costs and capital expenditure as well as economic variables such as discount rates, and the material value of the mining properties we consider the carrying value of the mining assets to be a significant audit risk and a key audit matter.</p>	<p>Our procedures in relation to management's impairment test included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• We assessed the appropriateness of management's determination of each cash generating unit (CGU) in line with the relevant accounting standard.</li> <li>• We obtained management's discounted cash flow model and performed data integrity and arithmetic checks on the models.</li> <li>• We determined whether the basis of preparation of the models was in line with the applicable accounting standard, our expectations and valuation methodology.</li> <li>• We critically challenged the discounted cash flow model, focussing on the appropriateness of estimates, including commodity price, production, operating costs, capital costs, discount rates, foreign exchange rates and reserves and resources estimates by reference to empirical data and external evidence.</li> <li>• We challenged managements internal assessment of reserves and resources estimates by reviewing the findings of an independent expert that was employed by management to assess the reasonableness of managements internal estimate. Our procedures included assessing the independence, competence and scope of the independent expert.</li> </ul> <p><b>Key Observation</b></p> <p>Based on our procedures we considered the Directors' conclusion that there was no impairment in respect of the Group's Property, plant and equipment as at 31 December 2021 to be reasonable.</p>
<p><b>Carrying value of deferred exploration costs (Coringa)</b></p>	<p>As at 31 December 2021 the Group's deferred exploration costs totalled \$34.9m (2020: \$27.8m) and details of these assets and the related critical judgements and estimates are disclosed in notes 1(e) and 8.</p> <p>Following a public civil lawsuit filed in September 2017 by the Federal Prosecutor's Office ("MPF") against Chapleau Exploração Mineral Ltda ("Chapleau"), the award of the Installation Licence which is required before</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• We obtained and examined management's impairment indicator paper, in line with requirements of IFRS 6 – Exploration and evaluation of mineral resources, and assessed the appropriateness of their conclusion that no potential indicator of impairment was present;</li> </ul>

## Independent Auditor's Report

	<p>construction of the plant and the rest of the site infrastructure is pending.</p> <p>Given the importance of the licence in the continuity of the operations, and therefore, recoverability of the carrying value of the asset, and the magnitude of the impact in the scenario where future licences are not granted, we consider this to be a significant audit risk and a key audit matter.</p>	<ul style="list-style-type: none"> <li>We obtained and reviewed the opinion provided by external legal advisors, which supports management's assessment and concludes certain proper legal processes have not been followed by the courts and confirmed management was taking legal steps for the judge's decision to be reconsidered; and</li> <li>We considered the independence and competence of the legal advisors, noting that the lead partner of the law firm providing the advice is a non executive director of the Company.</li> </ul> <p><b>Key Observation</b> Based on our procedures we considered the Directors' conclusion that there was no impairment trigger in respect of the Group's deferred exploration costs as at 31 December 2021 to be reasonable.</p>
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### 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	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
<b>Materiality</b>	0.80	0.70	0.60*	0.42*
<b>Basis for determining materiality</b>	4% of EBITDA	4.5% of EBITDA	1.5% of assets capped to 75% of group materiality	1.5% of assets capped to 60% of group materiality
<b>Rationale for the benchmark applied</b>	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. Given the substance of the company is to invest in operations in Brazil we determined that assets was the most appropriate benchmark for the Parent company, however this was also capped to a percentage of Group materiality.  <i>* This represents the capped amount.</i>	
<b>Performance materiality</b>	0.4	0.5	0.3	0.3
<b>Basis for determining performance materiality</b>	Performance materiality was set at 50% (prior year: 75%) of the above materiality levels given the increased risk arising as a result of the fraud identified in 2021.			



## Independent Auditor's Report

### *Component materiality*

We set materiality for each component of the Group based on a percentage of between 9% and 75% (2020: 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 \$70,000 to \$600,000 (2020: \$110,000 and \$420,000) In the audit of each component, we further applied performance materiality levels of 50% 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 them all individual audit differences in excess of \$16,000 (2020: \$14,000). We also agreed to report differences below this threshold 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.

<b>Strategic report and Directors' report</b>	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"><li>• 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</li><li>• the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.</li></ul> <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>
<b>Matters on which we are required to report by exception</b>	<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"><li>• 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</li><li>• the Parent Company financial statements are not in agreement with the accounting records and returns; or</li><li>• certain disclosures of Directors' remuneration specified by law are not made; or</li><li>• we have not received all the information and explanations we require for our audit.</li></ul>

## Independent Auditor's Report

### Responsibilities of Directors

As explained more fully in the Directors' responsibilities, 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 the 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; We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered the fraud risk areas to be management override of controls, revenue recognition, impairment of property, plant and equipment, and deferred exploration costs, and unauthorised payments.
- 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, investigating the possibility of related parties and the sources of financial resources supporting the transactions;
- Our procedures in the key audit matters section above relating to the fraud investigation, the carrying value of property, plant and equipment, and the carrying value of deferred exploration costs.
- 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 charges with governance to identify any instances of non-compliance with laws and regulations.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Independent 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.

Peter Acloque (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London United Kingdom  
9 June 2022

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 2021

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

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

Group Balance Sheet  
As at 31 December 2021

Company Number 5131528

	Notes	Group	
		At 31 December	At 31 December
		2021	2020
		US\$	US\$
<b>Non-current assets</b>			
Deferred exploration costs	8	34,857,905	27,778,354
Property, plant and equipment	9	27,575,335	26,235,551
Right of use assets	10	2,600,631	2,573,738
Taxes receivable	13	605,125	696,077
Deferred taxation	5	1,224,360	1,879,158
<b>Total non-current assets</b>		<b>66,863,356</b>	<b>59,162,878</b>
<b>Current assets</b>			
Inventories	12	6,973,207	6,979,438
Trade and other receivables	13	2,307,458	1,936,044
Prepayments	14	2,316,669	1,554,991
Cash and cash equivalents	15	12,217,751	6,603,620
<b>Total current assets</b>		<b>23,815,085</b>	<b>17,074,093</b>
<b>Current liabilities</b>			
Trade and other payables	16	5,624,511	6,846,202
Interest-bearing liabilities	18	290,060	8,726,302
Derivative financial liabilities	19	–	390,456
Accruals		397,400	292,089
<b>Total current liabilities</b>		<b>6,311,971</b>	<b>16,255,049</b>
<b>Net current assets</b>		<b>17,503,114</b>	<b>819,044</b>
<b>Total assets less current liabilities</b>		<b>84,366,470</b>	<b>59,981,922</b>
<b>Non-current liabilities</b>			
Trade and other payables	16	427,663	91,916
Provisions	17	2,581,431	1,467,032
Deferred tax liability	5	861,430	324,519
Derivative financial liabilities	19	165,495	–
Interest-bearing liabilities	18	444,950	350,931
<b>Total non-current liabilities</b>		<b>4,480,969</b>	<b>2,234,398</b>
<b>Net assets</b>		<b>79,885,501</b>	<b>57,747,524</b>
<b>Equity</b>			
Share capital	21	11,213,618	8,905,116
Share premium reserve		36,158,068	21,905,976
Option reserve		1,075,348	1,173,044
Other reserves		13,694,731	10,254,048
Translation reserve		(68,648,170)	(64,004,958)
Retained surplus		86,391,906	79,514,298
<b>Equity shareholders' funds attributable to owners of the parent</b>		<b>79,885,501</b>	<b>57,747,524</b>

The financial statements were approved and authorised for issue by the Board of Directors on 9 June 2022 and signed on its behalf by:

Clive Line  
Finance Director  
9 June 2022

Company Balance Sheet  
As at 31 December 2021

Company Number 5131528

	Notes	Company	
		At 31 December 2021 US\$	At 31 December 2020 US\$
<b>Non-current assets</b>			
Investments in subsidiaries	11	102,623,843	101,832,791
Other receivables	13	9,784,884	9,783,318
<b>Total non-current assets</b>		<b>112,408,727</b>	<b>111,616,109</b>
<b>Current assets</b>			
Trade and other receivables	13	2,274,114	1,885,242
Prepayments and prepaid taxes	14	146,922	280,079
Cash and cash equivalents	15	8,586,734	3,813,957
<b>Total current assets</b>		<b>11,007,770</b>	<b>5,979,278</b>
<b>Current liabilities</b>			
Trade and other payables	16	29,836,667	28,322,731
Interest-bearing liabilities	18	–	8,524,899
Derivative financial liabilities	19	–	390,456
Accruals		237,406	416,935
<b>Total current liabilities</b>		<b>30,074,073</b>	<b>37,655,021</b>
<b>Net current liabilities</b>		<b>(19,066,303)</b>	<b>(31,675,743)</b>
<b>Total assets less current liabilities</b>		<b>93,342,424</b>	<b>79,940,366</b>
<b>Non-current liabilities</b>			
Derivative financial liabilities	19	165,495	–
<b>Total non-current liabilities</b>		<b>165,495</b>	<b>–</b>
<b>Net assets</b>		<b>93,176,929</b>	<b>79,940,366</b>
<b>Equity</b>			
Share capital	21	11,213,618	8,905,116
Share premium reserve		36,158,068	21,905,976
Option reserve		1,075,348	1,173,044
Merger reserve		361,461	361,461
Retained surplus		44,368,434	47,594,769
<b>Equity shareholders' funds attributable to owners of the parent</b>		<b>93,176,929</b>	<b>79,940,366</b>

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 2021 was US\$3,594,662 (2020: loss of US\$8,366,292).

The financial statements were approved and authorised for issue by the Board of Directors on 9 June 2022 and signed on its behalf by:

Clive Line  
Finance Director  
9 June 2022

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

Group	Share capital US\$	Share premium US\$	Share option reserve US\$	Other reserves US\$	Translation reserve US\$	Retained surplus US\$	Total equity US\$
<b>Equity shareholders' funds at 31 December 2019</b>	<b>8,882,803</b>	<b>21,752,430</b>	<b>1,019,589</b>	<b>7,149,274</b>	<b>(48,413,818)</b>	<b>75,208,238</b>	<b>65,598,516</b>
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
<b>Equity shareholders' funds at 31 December 2020</b>	<b>8,905,116</b>	<b>21,905,976</b>	<b>1,173,044</b>	<b>10,254,048</b>	<b>(64,004,958)</b>	<b>79,514,298</b>	<b>57,747,524</b>
Foreign currency adjustments	–	–	–	–	(4,643,212)	–	(4,643,212)
Profit for year	–	–	–	–	–	9,949,964	9,949,964
Total comprehensive income for the year	–	–	–	–	(4,643,212)	9,949,964	5,306,752
Shares issued in period	2,308,502	14,252,092	–	–	–	–	16,560,594
Transfer to taxation reserve	–	–	–	3,440,683	–	(3,440,683)	–
Share options lapsed in period	–	–	(368,327)	–	–	368,327	–
Share option expense	–	–	270,631	–	–	–	270,631
<b>Equity shareholders' funds at 31 December 2021</b>	<b>11,213,618</b>	<b>36,158,068</b>	<b>1,075,348</b>	<b>13,694,731</b>	<b>(68,648,170)</b>	<b>86,391,906</b>	<b>79,885,501</b>

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

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

<b>Share capital</b>	The share capital comprises the issued ordinary shares of the Company at par.
<b>Share premium</b>	The share premium comprises the excess value recognised from the issue of ordinary shares at par.
<b>Share option reserve</b>	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.
<b>Other reserves</b>	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.
<b>Translation reserve</b>	Cumulative gains and losses on translating the net assets of overseas operations to the presentation currency.
<b>Retained surplus</b>	Retained surplus / (accumulated losses) comprise the Group's cumulative accounting profits and losses since inception.

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

Company	Share capital US\$	Share premium US\$	Share option reserve US\$	Merger reserve US\$	Retained surplus US\$	Total equity US\$
<b>Equity shareholders' funds at 31 December 2019</b>	<b>8,882,803</b>	<b>21,752,430</b>	<b>1,019,589</b>	<b>361,461</b>	<b>55,581,252</b>	<b>87,597,535</b>
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	-	-	533,264
<b>Equity shareholders' funds at 31 December 2020</b>	<b>8,905,116</b>	<b>21,905,976</b>	<b>1,173,044</b>	<b>361,461</b>	<b>47,594,769</b>	<b>79,940,366</b>
Loss for the year	-	-	-	-	(3,594,662)	(3,594,662)
Comprehensive loss for year	-	-	-	-	(3,594,662)	(3,594,662)
Shares issued in period	2,308,502	14,252,092	-	-	-	16,560,594
Share options lapsed in period	-	-	(368,327)	-	368,327	-
Share option expense	-	-	270,631	-	-	270,631
<b>Equity shareholders' funds at 31 December 2021</b>	<b>11,213,618</b>	<b>36,158,068</b>	<b>1,075,348</b>	<b>361,461</b>	<b>44,368,434</b>	<b>93,176,929</b>



Cashflow Statements  
For the year ended 31 December 2021

	Notes	Group		Company	
		For the year ended 31 December 2021 US\$	For the year ended 31 December 2020 US\$	For the year ended 31 December 2021 US\$	For the year ended 31 December 2020 US\$
<b>Cash outflows from operating activities</b>					
Profit / (loss) for the period		9,949,964	7,031,025	(3,594,662)	(8,366,292)
Net financial expense		(282,559)	1,903,682	54,607	1,544,508
Depreciation – plant, equipment and mining properties		6,049,628	5,128,895	218,682	–
Taxation expense	5	3,408,581	1,456,464	–	–
Share-based payments		270,631	587,970	270,631	533,264
Loss/(gain) on fixed asset sales		160,219	(245,743)	–	–
Taxation paid		(1,125,382)	(466,604)	–	–
Interest paid		(1,302,708)	(285,567)	(1,260,213)	(262,439)
Foreign exchange (loss) / gain		(104,531)	129,533	40,424	166,748
<b>Changes in working capital</b>					
(Increase) in inventories		(331,400)	(1,843,621)	–	–
(Increase) in receivables, prepayments and accrued income		(1,259,952)	(770,571)	(255,713)	(1,019,281)
(Decrease)/increase in payables, accruals and provisions		(637,285)	1,930,609	(495,355)	(194,219)
Increase in short-term intercompany payables		–	–	1,829,761	14,629,149
<b>Net cash inflow/(outflow) from operations</b>		<b>14,795,206</b>	<b>14,556,072</b>	<b>(3,191,838)</b>	<b>7,031,438</b>
<b>Investing activities</b>					
Acquisition payment for subsidiary	18	(5,500,000)	(6,500,000)	(5,500,000)	(6,500,000)
Acquisition of other property rights	9	(101,106)	(634,594)	–	–
Purchase of property, plant, equipment, and projects in construction	9	(4,132,914)	(2,545,575)	–	–
Mine development expenditure	9	(5,400,933)	(2,952,943)	–	–
Geological exploration expenditure	8	(4,102,530)	(2,425,440)	–	–
Pre-operational project costs	8	(4,354,954)	(1,330,469)	–	–
Proceeds from sale of assets		379,347	627,447	–	–
Investment in subsidiaries	11	–	–	(1,009,734)	(894,994)
Loans to subsidiaries		–	–	–	(300,000)
Interest received and other finance income		–	911	–	911
<b>Net cash outflow on investing activities</b>		<b>(23,213,090)</b>	<b>(15,760,663)</b>	<b>(6,509,734)</b>	<b>(7,694,083)</b>
<b>Financing activities</b>					
Issue of ordinary share capital (net of costs)		16,560,593	–	16,560,593	–
Issue of warrants		333,936	–	333,936	–
Repayment of convertible loan		(2,000,000)	–	(2,000,000)	–
Payment of convertible loan arrangement fee		(300,000)	–	(300,000)	–
Convertible loan note receipts	18	–	2,000,000	–	2,000,000
Repayment of short-term secured loan	18	–	(6,983,492)	–	(6,983,492)
Payment of lease liabilities		(355,836)	(397,490)	–	–
<b>Net cash inflow/(outflow) from financing activities</b>		<b>14,238,694</b>	<b>(5,380,982)</b>	<b>14,594,530</b>	<b>(4,983,492)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>5,820,810</b>	<b>(6,585,573)</b>	<b>4,892,958</b>	<b>(5,646,137)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>6,603,620</b>	<b>14,234,612</b>	<b>3,813,957</b>	<b>9,447,822</b>
<b>Exchange difference on cash</b>		<b>(206,679)</b>	<b>(1,045,419)</b>	<b>(120,181)</b>	<b>12,272</b>
<b>Cash and cash equivalents at end of period</b>		<b>12,217,751</b>	<b>6,603,620</b>	<b>8,586,734</b>	<b>3,813,957</b>

# Notes to the Financial Statements

## For the year ended 31 December 2021

### 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 93.

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 parent and consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into the UK law and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. The group transitioned to UK-adopted international accounting standards in its consolidated financial statements on 1 January 2021. There was no impact or changes in accounting from the transition.

#### Accounting standards, amendments and interpretations effective in 2021

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

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

	<u>Effective date</u>
COVID-19-Related rent Concession (Amendment to IFRS 16)	1 June 2020
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate benchmark Reform – Phase 2	1 January 2021

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

There are a number of standards, amendments to standards, and interpretations which have been issued that are effective in future periods and which the Group has chosen not to adopt early. A new standard Property, Plant and Equipment – Proceeds before Intended Use (amendments to IAS 16) which is effective 1 January 2022 will impact the Group as it develops the Coringa mine. In the event that the Group realises sales revenues prior to a declaration of commercial production it will now be required to recognise the proceeds from sales and the costs of production in profit and loss. Previously the sales would have been treated as a deduction from the cost of bringing an item (or items) of property, plant and equipment to the location and condition necessary to be capable of operating in the manner intended by management.

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

	<u>Effective date</u>
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Reference to Conceptual Framework (Amendments to IFRS 3)	1 January 2022
IFRS 17 Insurance Contracts, including Amendments to IFRS 17	1 January 2023
Classification of Liabilities as Current or Non-current (Amendments to IAS 1) and Classification of Liabilities as Current or Non-current – Deferral of Effective Date	1 January 2023

#### Investigation into unsubstantiated payments

During 2021 an investigation into certain unsubstantiated cash withdrawals and irregularities relating to the payment of travel advances and expense claims was commissioned by the Board and by the Audit Committee and was completed. The value of the irregularities relating to the payment of travel advances and expense claims incurred during 2021 was US\$116,000 with further

## Notes to the Financial Statements

### For the year ended 31 December 2021

transaction totalling US\$29,000 identified as being improperly documented. The total value of all unsubstantiated cash withdrawals identified by the review was US\$349,000 with irregularities relating to the payment of travel advances totalling US\$510,000 and expense claims totalling approximately US\$904,000.

The 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 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 was 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.

#### 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.

#### 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 were 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.

Notes to the Financial Statements  
For the year ended 31 December 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 <sup>(1)</sup>

	2015 US\$	2016 US\$	2017 US\$	2018 US\$	2019 US\$	2020 US\$	2021 US\$	Total US\$
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 US\$ equivalent values at an approximate current exchange rate.

The Company is pursuing appropriate legal remedies in respect of any funds that are considered to have been misappropriated.

**Going concern and availability of finance**

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

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

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

Although the Group's operational plan incorporates the processing of some of the ore recovered from the planned development of the Coringa mine at the Palito complex, the Group's plan is to construct a gold processing plant at Coringa. The estimated cost of the full-scale development of the Coringa project reported in the Coringa PEA, including necessary mine development, the

## Notes to the Financial Statements

### For the year ended 31 December 2021

erection of a gold processing plant and other site infrastructure was estimated to be approximately US\$24.7 million before sustainable positive cash flow is achieved.

While the Group plans to restrict development activity to a level that can be supported by available financial resources, in order to fund the longer term continued development of Coringa including a gold processing facility, and repay the Group's debt, which comprises a 12 month, US\$5 million bank loan maturing in May 2023, the Group intends to obtain additional funding. This funding may be generated from a variety of sources which could include a combination of bank debt, royalty, streaming of gold and copper revenues, new equity capital and cash flow from the current operations. The Group has been successful in raising funding as and when required in the past and the Directors consider that the Group continues to have strong support from its major shareholders who have been supportive of and provided additional funding when required on previous occasions.

As such, whilst the expenditure on the development of Coringa will be incurred over a period of nine to twelve months it is the intention of management that firm commitments for the majority of this funding must have been secured and there is strong confidence that the balance of any remaining financing requirement is available prior to commencing the full scale development.

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

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

#### **(b) 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") 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.

## Notes to the Financial Statements

### For the year ended 31 December 2021

#### (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 2021 was 1.3489 (2020: 1.3607). The Brazilian Real/US Dollar exchange rate at 31 December 2021 was 5.4388 (2020: 5.1961).

#### (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 enhances its value, then such expenditure is added to the carrying value of that asset and amortised over its remaining estimated useful life.

##### (iii) Depreciation

Amortisation of mining property is calculated over the estimated life of the mineable inventory on a unit of production basis. Mineable inventory will 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

## Notes to the Financial Statements For the year ended 31 December 2021

### 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 re-categorised as projects in construction and upon commercial production being achieved, re-categorised as mining property.

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

### (f) 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

## Notes to the Financial Statements For the year ended 31 December 2021

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.

### **(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.



## Notes to the Financial Statements

### For the year ended 31 December 2021

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.

#### **(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.

## Notes to the Financial Statements

### For the year ended 31 December 2021

#### **(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 the 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.

## Notes to the Financial Statements

### For the year ended 31 December 2021

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.

#### **(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**

## Notes to the Financial Statements

### For the year ended 31 December 2021

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 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.

#### (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

## Notes to the Financial Statements

### For the year ended 31 December 2021

estimated future cash receipts/payments through the expected life of the financial asset/liability or, where appropriate, a shorter period.

#### (ii) Derecognition of financial liabilities

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

#### (iii) Derivatives

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

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

The Company has issued warrants to subscribe for shares at a share price of 93 pence per warrant exercisable at any time at the warrant holders election until 22 May 2023. The conversion rights embedded in the warrant notes represent a derivative as the Group's functional currency is United States Dollars but the conversion price is denominated in Pounds Sterling. Therefore, the amount to be released in US Dollars on conversion is variable dependent upon the exchange rate between the US Dollar and GB Pound.

#### (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.

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

## Notes to the Financial Statements

### For the year ended 31 December 2021

- Any penalties payable for terminating the lease, if the term of the lease has been estimated based on the 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 and 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

## Notes to the Financial Statements

### For the year ended 31 December 2021

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 financial statements.

#### *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 to 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.

## Notes to the Financial Statements For the year ended 31 December 2021

### *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 2021.

### *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 that over the last financial year and up to the date of the signing of the financial statements:

- The gold price has since March 2020 been trading at levels which represent an extended period of pricing at five year highs for gold.
- The Brazilian Real has since the end of 2019 generally been at a level of BrR\$5:00 to US\$1:00 or weaker representing an extended period of trading when the currency has been at its weakest for over 10 years. The Company incurs between 82 per cent 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



## Notes to the Financial Statements

### For the year ended 31 December 2021

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 when such debts might be received and any provision that needs to be established against the future recoverability. Recoverable taxes comprise any Federal or State levied input taxes incurred by the Group including taxes levied on the purchase of goods and services that are designated in law as being recoverable either in cash, kind or by way of set-off against other tax liabilities at either a Federal or State level. IFRS 9 requires the Parent Company to make assumptions when implementing the forward-looking expected credit loss model.

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 (s) 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 the financial statements.

#### *Recoverability of deferred exploration expenditure (note 8)*

The recoverability of exploration expenditure capitalised within intangible assets is assessed based on a judgement about the potential of the project to become commercially viable and if there are any facts or circumstances that would suggest the costs should be impaired. In making this judgement management will consider the items noted in the impairment policy in respect of exploration assets as noted in accounting policy 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. Management consider that the issues that they have disclosed with regard to the issue of the Installation Licence for Coringa, are matters that will be resolved and in particular are not expected to create any materials delay to the development of the project. It has reached its conclusion based on advice from the Company's Brazilian lawyers but has also received positive indications from other parties with whom it has discussed the matter.

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*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.

Notes to the Financial Statements  
For the year ended 31 December 2021

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:

	2021			2020		
	Brazil US\$	UK US\$	Total US\$	Brazil US\$	UK US\$	Total US\$
Revenue	37,198,774	25,942,663	63,141,437	40,067,487	15,762,591	55,830,078
Intra-group sales	22,844,572	(22,844,572)	–	14,743,498	(14,743,498)	–
Operating expenses	(33,879,892)	(3,879,426)	(37,759,318)	(28,647,903)	(4,479,745)	(33,127,648)
Provision for impairment of taxes receivable	–	–	–	(1,038,083)	–	(1,038,083)
Depreciation and amortisation	(5,717,229)	(332,399)	(6,049,628)	(5,128,895)	–	(5,128,895)
Gross profit/(loss)	20,446,225	(1,113,734)	19,332,491	19,996,104	(3,460,652)	16,535,452
Administration expenses	(2,950,006)	(2,875,648)	(5,825,655)	(2,465,453)	(3,391,307)	(5,856,760)
Share-based payments	–	(270,631)	(270,631)	–	(533,264)	(533,264)
Proceeds from sale of assets	(160,219)	–	(160,219)	245,743	–	245,743
Operating profit/(loss)	17,335,999	(4,260,013)	13,075,986	17,776,394	(7,385,223)	10,391,171
Foreign exchange (loss)/gain	(51,380)	9,924	(41,456)	(199,472)	(15,373)	(214,845)
Finance expense	–	(261,825)	(261,825)	(141,466)	(1,621,774)	(1,763,240)
Finance income	417,399	168,441	585,840	–	74,403	74,403
Profit/(loss) before taxation	17,702,018	(4,343,473)	13,358,545	17,435,456	(8,947,967)	8,487,489
Income tax expense	(3,408,581)	–	(3,408,581)	(1,456,464)	–	(1,456,464)
Profit/ (loss) for the period	14,293,437	(4,343,473)	9,949,964	15,978,992	(8,947,967)	7,031,025

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 2021 US\$	31 December 2020 US\$
Brazil – operations	30,175,966	28,809,289
Brazil – exploration	34,857,905	27,778,354
Brazil – taxes receivable	605,125	696,077
Brazil – deferred tax	1,224,360	1,879,158
Brazil – total	66,863,356	59,162,878
UK	–	–
	66,863,356	59,162,878

Notes to the Financial Statements  
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An analysis of total assets by location is as follows:

	Total assets	
	31 December 2021 US\$	31 December 2020 US\$
Brazil	79,655,799	70,243,353
UK	11,022,642	5,993,618
	90,678,441	76,236,971

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

	Group	
	For the year ended 31 December 2021 US\$	For the year ended 31 December 2020 US\$
Brazil	8,987,126	3,755,909

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 2021 US\$	For the year ended 31 December 2020 US\$
Brazil	9,533,847	5,498,518

## 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 2021 US\$	31 December 2020 US\$
Brazil	37,198,774	40,067,487
UK	25,942,663	15,762,591
Total	63,141,437	55,830,078

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

	31 December 2021		31 December 2020	
	US\$	%	US\$	%
Customer 1 – sale concluded from Brazil	34,314,048	54.3%	40,067,487	71.8%
Customer 2 – sale concluded from UK	25,942,663	41.1%	15,762,591	28.2%
Other – sale concluded from Brazil	2,884,726	4.6%	–	–
Total	63,141,437	100.0%	55,830,078	100.0%

Notes to the Financial Statements  
For the year ended 31 December 2021

3 Operating profit

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

	Group For the year ended 31 December 2021 US\$	For the year ended 31 December 2020 US\$
Staff costs	17,038,526	15,548,265
Depreciation (property, plant and equipment)	1,440,728	1,493,867
Amortisation of the mine asset	4,608,900	3,635,028

b. Auditor's remuneration

	Group For the year ended 31 December 2021 US\$	For the year ended 31 December 2020 US\$
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	215,983	196,867 <sup>(1)</sup>
Fees payable to the Group's auditor and its associates for other services:		
- audit of the Group's subsidiaries pursuant to legislation	62,230	49,504
- tax compliance services	13,668	10,463
- audit-related assurance services	-	40,500

(1) The 31 December 2020 fees payable to the Group's auditor have been updated to reflect additional costs incurred as a result of the extension of the prior year audit. The change to 2020 of £35,875 (US\$47,692) reflects a final UK billing raised to cover the additional forensic and audit work.

4 Finance expense and income

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

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5 Taxation

	Group For the year ended 31 December 2021 US\$	For the year ended 31 December 2020 US\$
<b>Current tax</b>		
UK tax	–	–
Foreign tax – Tax on current year profits	2,286,605	1,683,074
Foreign tax – Adjustment to prior year's tax charges	–	306,847
<b>Total current tax</b>	<b>2,286,605</b>	<b>1,989,921</b>
<b>Deferred tax</b>		–
(Increase)/release of deferred tax asset arising from temporary timing differences	543,567	(860,424)
Increase of deferred tax liability arising from temporary timing differences	578,409	326,967
<b>Total deferred tax</b>	<b>1,121,976</b>	<b>(553,457)</b>
<b>Income tax charge</b>	<b>3,408,581</b>	<b>1,456,464</b>

The tax provision for the current period varies from the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%). The differences are explained as follows:

	Group For the year ended 31 December 2021 US\$	For the year ended 31 December 2020 US\$
Profit on ordinary activities before tax	13,358,545	8,487,489
Tax thereon at UK corporate tax rate of 19.00% (2020: 19.00%)	2,538,124	1,612,623
Factors affecting the tax charge:		
expenses not deductible for tax purposes	916,782	1,208,390
temporary differences (not recognised)	307,428	(61,837)
income not taxable	–	(52,109)
lower rate tax overseas	(952,353)	(1,039,025)
unrecognised tax losses carried forward and similar adjustments	957,017	1,447,659
recognition of untaxed income previously not recognised	–	326,967
recognition of tax losses and expenses previously not recognised	–	(1,893,332)
other movements	(358,417)	(92,872)
<b>Tax charge</b>	<b>3,408,581</b>	<b>1,456,464</b>

<b>Unrecognised gross deferred tax position - 2021</b>	Trading losses	Temporary differences	Total
	US\$	US\$	US\$
Tax losses brought forward	65,573,473	(325,460)	65,248,013
Tax losses not recognised in the period	2,942,510	–	2,942,510
Movement in temporary differences	–	325,460	325,460
<b>Total unrecognised gross deferred tax position at end of period</b>	<b>68,515,983</b>	<b>–</b>	<b>68,515,983</b>

Unrecognised gross deferred tax position - 2020	Trading losses	Temporary differences	Total
	US\$	US\$	US\$
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
<b>Total unrecognised gross deferred tax position at end of period</b>	<b>65,573,473</b>	<b>(325,460)</b>	<b>65,248,013</b>

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	For the year ended 31 December 2021 US\$	For the year ended 31 December 2020 US\$
<b>Unrecognised deferred tax asset</b>		
Tax losses <sup>(1)</sup>	17,128,996	12,458,960
Temporary differences	–	(61,837)
Total unrecognised deferred tax asset	17,128,996	12,397,122
<b>Recognised deferred tax asset</b>		
Tax losses brought forward	1,879,158	1,321,782
Tax losses and untaxed expenses recognised in the period	354,250	1,893,332
Tax losses utilised in the period	(897,817)	(1,032,908)
Exchange	(111,231)	(303,048)
Net recognised deferred tax asset	1,224,360	1,879,158
<b>Recognised deferred tax liability</b>		
Untaxed income brought forward	324,519	–
Untaxed income recognised in the period	578,409	326,967
Exchange	(41,498)	(2,448)
Net recognised deferred tax liability	861,430	324,519

(1) the unrecognised deferred tax asset in respect of UK tax losses has been calculated by reference to the enacted rate of UK corporation tax from 1 April 2023 of 25%. Had the current rate of 19% been applied the deferred tax asset would be reduced to US\$13.02 million.

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 2021 Number	For the year ended 31 December 2020 Number	For the year ended 31 December 2021 Number	For the year ended 31 December 2020 Number
Management and corporate administration	25	24	5	5
Exploration	26	17	–	–
Mine operations and maintenance	492	484	9	11
Mine management and administration	36	29	1	1
Plant and processing	81	83	–	–
Total	660	637	15	17
	For the year ended 31 December 2021 US\$	For the year ended 31 December 2020 US\$	For the year ended 31 December 2021 US\$	For the year ended 31 December 2020 US\$
Staff costs				
Wages and salaries	12,681,207	11,885,263	2,516,660	2,869,862
Cost of incentive scheme shares	270,631	533,264	270,631	533,264
Social security costs	3,594,397	3,046,013	147,141	101,692
Termination costs	468,934	68,783	–	–

Notes to the Financial Statements  
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	Group		Company	
	For the year ended 31 December 2021	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2020
Pension contributions	23,357	14,942	23,357	14,942
Total	17,038,526	15,548,265	2,957,788	3,519,760

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 their respective employees are entitled.

#### Directors' remuneration

The compensation of the Directors is:

	For the year ended 31 December 2021 US\$	For the year ended 31 December 2020 US\$
Salary and other benefits	783,362	714,777
Post-employment benefits	11,004	10,258
Total	794,366	725,035

The remuneration of the highest paid Director during the year was US\$357,421 (2020: US\$329,450). This includes cash contributions made by the Company to his money purchase pension scheme of US\$11,004 (2020: US\$10,258).

During the year ended 31 December 2021, two of the Directors (2020: two) were contractually entitled to accrue retirement benefits under money purchase schemes.

During the years ended 31 December 2021 and 31 December 2020, none of the serving Directors exercised any share options.

#### 7 Earnings per share

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

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

<sup>(2)</sup> 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.



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8 Intangible assets

Deferred exploration costs

	Group	
	31 December 2021 US\$	31 December 2020 US\$
<b>Cost</b>		
Opening balance	27,778,354	29,656,716
Exploration and evaluation expenditure	4,102,530	2,425,440
Pre-operational project costs	4,884,596	1,330,469
Foreign exchange movements	(1,907,575)	(5,634,271)
<b>Total as at end of period</b>	<b>34,857,905</b>	<b>27,778,354</b>

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.

A public civil lawsuit filed in September 2017 by the Federal Prosecutor's Office ("MPF") against Chapleau Exploração Mineral Ltda ("Chapleau"), the National Mining Agency (the "ANM") and the State environmental agency ("SEMAS") regarding confirmation that the needs of the indigenous populations have been properly considered. The Company remains optimistic for the award of the Installation Licence which is required before construction of the plant and the rest of the site infrastructure can be started. Ongoing dialogue with the relevant agencies involved with issuing this licence, continues to be very positive and has not highlighted any concerns with the project design itself. The agencies continue to follow the steps and processes set down by the law to help expedite the issue of the licence. Both ANM and SEMAS have together with Serabi, filed documents of protest with the relevant court authorities and the court judge who is currently reviewing the need for any ongoing intervention given that all proper processes are being followed.

9 Tangible assets

Property, plant and equipment – Group

	Land and buildings – at cost US\$	Mining property – at cost US\$	Projects in construction – at cost US\$	Plant and equipment – at cost US\$	Total US\$
<b>2021</b>					
<b>Cost</b>					
Balance at 31 December 2020	2,148,533	38,187,449	8,962,712	15,869,405	65,168,100
Additions	42,096	5,400,933	2,479,619	1,611,199	9,533,847
Disposals	–	–	–	(1,802,512)	(1,802,512)
Changes in estimates on rehabilitation provision	–	–	1,695,416	–	1,695,416
Foreign exchange movements	(149,177)	(3,690,809)	(218,245)	(1,097,018)	(5,155,249)
<b>At 31 December 2021</b>	<b>2,041,452</b>	<b>39,897,573</b>	<b>12,919,502</b>	<b>14,581,075</b>	<b>69,439,602</b>
<b>Depreciation</b>					
Balance at 31 December 2020	(956,114)	(26,307,071)	–	(11,669,364)	(38,932,549)
Charge for period	(113,832)	(4,528,932)	–	(1,595,256)	(6,238,020)
Released on asset disposals	–	–	–	608,628	608,628
Foreign exchange movements	112,582	1,865,387	–	719,705	2,697,674
<b>At 31 December 2021</b>	<b>(957,364)</b>	<b>(28,970,616)</b>	<b>–</b>	<b>(11,936,287)</b>	<b>(41,864,267)</b>
<b>Net book value at 31 December 2021</b>	<b>1,084,088</b>	<b>10,926,957</b>	<b>12,919,502</b>	<b>2,644,788</b>	<b>27,575,335</b>

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 2021 the Group completed the payments under the terms of the acquisition agreement totalling US\$101,106 (2020: US\$634,594).

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No costs of borrowing have been capitalised during the period (2020: nil).

2020	Land and buildings – at cost US\$	Mining property – at cost US\$	Projects in construction – at cost US\$	Plant and equipment – at cost US\$	Total US\$
<b>Cost</b>					
Balance at 31 December 2019	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)
<b>At 31 December 2020</b>	<b>2,148,533</b>	<b>38,187,449</b>	<b>8,962,712</b>	<b>15,869,405</b>	<b>65,168,100</b>
<b>Depreciation</b>					
Balance at 31 December 2019	(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
<b>At 31 December 2020</b>	<b>(956,114)</b>	<b>(26,307,071)</b>	<b>–</b>	<b>(11,669,364)</b>	<b>(38,932,549)</b>
<b>Net book value at 31 December 2020</b>	<b>1,192,419</b>	<b>11,880,379</b>	<b>8,962,712</b>	<b>4,200,042</b>	<b>26,235,551</b>

10 Right of use assets

	Plant and equipment	
	31 December 2021 US\$	31 December 2020 US\$
<b>Cost</b>		
Opening balance	3,733,675	2,904,085
Additions	508,018	835,848
Foreign exchange movements	(273,655)	(6,258)
<b>Total as at end of period</b>	<b>3,968,038</b>	<b>3,733,675</b>
<b>Depreciation</b>		
Opening balance	(1,159,937)	(906,909)
Charge for period	(297,103)	(254,937)
Foreign exchange movements	89,633	1,909
<b>Total as at end of period</b>	<b>(1,367,407)</b>	<b>(1,159,937)</b>
<b>Net book value at end of period</b>	<b>2,600,631</b>	<b>2,573,738</b>

During the year ended 31 December 2021, the Group acquired assets under right of use assets totalling US\$508,018 (2020: US\$835,848). The net book value of right of use assets at 31 December 2021 was US\$2,600,631 (2020: US\$2,573,738). Depreciation charged on right of use assets for the period was US\$297,103 (2020: US\$254,937).

The Group only leases underground mining equipment. As at 31 December 2021, the future minimum lease payments due in respect of outstanding lease contracts for mining equipment are US\$735,010. The net present value of these lease contracts is US\$682,348.

Notes to the Financial Statements  
For the year ended 31 December 2021

	31 December 2021 US\$	31 December 2020 US\$
<b>Current lease liabilities</b>		
Plant and equipment	290,060	201,403
	<b>290,060</b>	<b>201,403</b>
<b>Non-current lease liabilities</b>		
Plant and equipment	444,950	350,931
	<b>444,950</b>	<b>350,931</b>
<b>Total lease liabilities</b>	<b>735,010</b>	<b>552,334</b>

The Group also has short-term leases which are presented in note 24. During 2021 the Group incurred expenses of US\$63,202 (2020: US\$184,089) on these short-term leases.

Notes to the Financial Statements  
For the year ended 31 December 2021

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% <sup>(1)</sup>
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% <sup>(1)</sup>
Serabi Mining Ltd	British Virgin Islands	Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	Investment	100%
Chapleau Resources Ltd	British Colombia, Canada	Royal Centre, P.O Box 11125, Suite 1750-1055 W Georgia Street, Vancouver, Canada	Investment	100%
Chapleau Resources (USA) Inc	Alaska, USA	1029 West 3 <sup>rd</sup> Avenue Suite 400 Anchorage, Alaska USA	Gold exploration	100% <sup>(1)</sup>
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% <sup>(1)</sup>
Serabi Gold Nominee Limited	England	66 Lincoln's Inn Fields London WC2A 3LH England	Dormant	100%

(1) indirectly held.

Notes to the Financial Statements  
For the year ended 31 December 2021

	Company	
	31 December	31 December
	2021	2020
	US\$	US\$
Cost at start of period	111,617,713	110,722,719
Investment in subsidiary during period	791,052	894,994
Cost at end of period	112,408,765	111,617,713
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	102,623,843	101,832,791

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 2021 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	31 December
	2021	2020
	US\$	US\$
Consumables	3,692,452	3,171,288
Stockpile of mined ore	266,214	349,024
Other material in process	1,094,405	1,233,291
Finished goods awaiting sale	1,920,136	2,225,835
	6,973,207	6,979,438

Further details regarding the nature of the inventories and valuations are provided in the Financial Review on page 41.

## 13 Trade and other receivables

	Group		Company	
	31 December	31 December	31 December	31 December
	2021	2020	2021	2020
	US\$	US\$	US\$	US\$
<b>Current</b>				
Trade receivables	2,261,376	1,874,928	2,261,376	1,874,928
Other receivables	46,082	61,116	12,738	10,314
Trade and other receivables	2,307,458	1,936,044	2,274,114	1,885,242
<b>Non-current</b>				
Taxes receivable	2,071,216	2,270,458	-	-
Amounts owed by subsidiaries	-	-	18,176,606	18,175,040
Gross receivable	2,071,216	2,270,458	18,176,606	18,175,040
Impairment provision	(1,466,091)	(1,574,381)	(8,391,722)	(8,391,722)
Net value of non-current other receivables	605,125	696,077	9,784,884	9,783,318

Notes to the Financial Statements  
For the year ended 31 December 2021

The trade receivables owed to the Group at the balance sheet date are recoverable from parties with which the Group has had long standing relationships and at the balance sheet date none of the amounts owed to the Group were overdue. The Group has not made any provision for any expected credit losses in respect of these trade receivables.

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 2021, 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 2021, Serabi Gold plc has two loans outstanding to subsidiaries that are not fully impaired.

These loans are owed by Chapleau Exploração Mineral Ltda. ("CEML") and Kenai Resources ("Kenai"). Both advances were made on an interest free loan basis and at the time of the initial and each subsequent advance the Company has determined that there was no significant credit risk attaching to each of the loan advances being made.

In determining the credit risk attached to the CEML loan, management has considered different scenarios through which the loan will be recovered.

- a) Scenario 1 – the loan is repaid within the next five years from the successful start up of the Coringa project.
- b) Scenario 2 – the loan is repaid in less than 12 months from the sale of equipment and machinery.

The loan to Kenai is for a total amount of US\$6,515, The credit risk is considered to be immaterial.

#### 14 Prepayments and prepaid taxes

	Group		Company	
	31 December 2021 US\$	31 December 2020 US\$	31 December 2021 US\$	31 December 2020 US\$
Recoverable State and Federal taxes	1,180,388	617,366	–	–
Supplier down payments	827,195	556,128	–	–
Other prepayments and employee advances	309,086	381,497	146,922	280,079
Prepayments	2,316,669	1,554,991	146,922	280,079

#### 15 Cash and cash equivalents

	Group		Company	
	31 December 2021 US\$	31 December 2020 US\$	31 December 2021 US\$	31 December 2020 US\$
Cash and cash equivalents	12,217,751	6,603,620	8,586,734	3,813,957

#### 16 Trade and other payables

	Group		Company	
	31 December 2021 US\$	31 December 2020 US\$	31 December 2021 US\$	31 December 2020 US\$
<b>Current</b>				
Trade payables	3,196,978	3,612,107	525,191	862,887
Property acquisition <sup>(1)</sup>	–	99,646	–	–
Other payables	951,893	728,714	–	–

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	Group		Company	
	31 December	31 December	31 December	31 December
	2021	2020	2021	2020
	US\$	US\$	US\$	US\$
Employee benefits	600,195	758,596	45,596	23,726
Other taxes and social security	875,445	1,647,139	–	–
Amounts due to subsidiaries	–	–	29,265,880	27,436,118
Due in less than one year	5,624,511	6,846,202	29,836,667	28,322,731
<b>Non-current</b>				
(Between one and five years)				
Other taxes and social security	427,663	91,916	–	–
Due in more than one year	427,663	91,916	–	–

<sup>(1)</sup>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 was settled in a series of monthly payments which were completed at the end of February 2021.

## 17 Non-current provisions

### Environmental rehabilitation provision

	Group		Company	
	31 December	31 December	31 December	31 December
	2021	2020	2021	2020
	US\$	US\$	US\$	US\$
Opening balance	1,467,032	2,237,266	–	–
Provided for in year				
as a result of additions on initial recognition	390,043	–	–	–
as a result of changes in estimates	1,305,373	(441,405)	–	–
as a result of variations in discount	(417,399)	141,466	–	–
as a result of exchange variations	(163,618)	(470,295)	–	–
Total provided for in year	1,114,399	(770,234)	–	–
<b>Total non-current provisions</b>	<b>2,581,431</b>	<b>1,467,032</b>	<b>–</b>	<b>–</b>

The environmental rehabilitation provision has been established to cover any asset decommissioning and rehabilitation obligations for the Palito, São Chico and Coringa 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. A provision of US\$390,043 in respect of Coringa has been established during 2021.

Notes to the Financial Statements  
For the year ended 31 December 2021

18 Interest-bearing liabilities

	Group		Company	
	31 December	31 December	31 December	31 December
	2021	2020	2021	2020
	US\$	US\$	US\$	US\$
<b>Current</b>				
Acquisition liability	–	6,495,435	–	6,495,435
Convertible loan stock	–	2,029,464	–	2,029,464
Obligations under right of use leases	290,060	201,403	–	–
Due in less than one year	290,060	8,726,302	–	8,524,899
<b>Non-current</b>				
(Between one and five years)				
Obligations under right of use leases	444,950	350,931	–	–
Due in more than one year	444,950	350,931	–	–

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

Secured loan facility

	Group		Company	
	31 December	31 December	31 December	31 December
	2021	2020	2021	2020
	US\$	US\$	US\$	US\$
<b>Secured loan facility</b>				
Amount outstanding at beginning of period	–	6,903,692	–	6,903,692
Repayment of principal	–	(6,983,492)	–	(6,983,492)
Recognition of variation in effective interest rate of secured loan	–	79,800	–	79,800
<b>Value of secured loan facility at period end</b>	–	–	–	–

During 2020, the Group paid interest of US\$262,439 on the secured loan facility whilst the total interest expense was US\$203,127. There was no interest payment or expense during 2021.

Convertible loan

	Group		Company	
	31 December	31 December	31 December	31 December
	2021	2020	2021	2020
	US\$	US\$	US\$	US\$
<b>Convertible loan</b>				
Amount outstanding at beginning of period	2,029,464	–	2,029,464	–
Drawdown of convertible loan	–	2,000,000	–	2,000,000
Initial fair value of derivative associated with loan	–	(423,479)	–	(423,479)
Repayment of convertible loan	(2,500,455)	–	(2,500,455)	–
Release of derivative associated with loan	423,479	–	423,479	–
Loan arrangement fee	–	300,000	–	300,000
Accrued interest	47,512	152,943	47,512	152,943
<b>Value of secured convertible loan at end of period</b>	–	<b>2,029,464</b>	–	<b>2,029,464</b>

During 2021, the Group incurred an interest expense of US\$47,512 (2020: US\$152,943) on the convertible loan. In accordance with the terms of the convertible loan, interest was capitalised and repaid when the convertible loan notes were repaid or converted. An arrangement fee of US\$300,000 was also incurred in connection with the convertible loan notes. 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.



Notes to the Financial Statements  
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**Deferred mineral property acquisition liability**

	Group		Company	
	31 December 2021 US\$	31 December 2020 US\$	31 December 2021 US\$	31 December 2020 US\$
<b>Mineral property acquisition liability</b>				
Deferred acquisition liability at start of period	6,495,435	12,000,000	6,495,435	12,000,000
Unwinding of fair value discount	–	–	–	–
Interest payable	18,041	1,035,904	18,041	1,035,904
Gain in respect of non-substantial modification	–	(40,469)	–	(40,469)
Loss in respect of non-substantial modification	40,469	–	40,469	–
Repayment of interest	(1,053,945)	–	(1,053,945)	–
Repayment of principal	(5,500,000)	(6,500,000)	(5,500,000)	(6,500,000)
<b>Value of deferred mineral property acquisition liability at end of period</b>	<b>–</b>	<b>6,495,435</b>	<b>–</b>	<b>6,495,435</b>

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 recognised the effect of a non-substantial modification to the previous payment arrangement. Accordingly, the Group initially recognised a benefit arising from the modification totalling US\$40,469 which was fully amortised during 2020.

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 2021, the Group incurred an interest expense of US\$18,041 (2020: US\$1,035,904). Interest charges incurred were accrued and paid at the same time that the final payment was made in respect of the mineral property acquisition. The final interest payment made was US\$1,053,945.

**19 Derivatives**

	Group		Company	
	31 December 2021 US\$	31 December 2020 US\$	31 December 2021 US\$	31 December 2020 US\$
<b>Derivative liability related to warrants in issue</b>				
Fair value at start of period	–	–	–	–
Subscription receipts at date of issue	333,936	–	333,936	–
Fair value adjustment on initial recognition	337,087	–	337,087	–
<b>Initial fair value of financial liability</b>	<b>671,023</b>	<b>–</b>	<b>671,023</b>	<b>–</b>
Decrease in fair value at end of period	(505,528)	–	(505,528)	–
<b>Fair value at end of period</b>	<b>165,495</b>	<b>–</b>	<b>165,495</b>	<b>–</b>

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

The conversion rights embedded in the warrant notes represent a derivative as the Group’s functional currency is United States Dollars but the conversion price is denominated in Pounds Sterling. Therefore, the amount to be released in US Dollars on conversion is variable dependent upon the exchange rate between the US Dollar and GB Pound.

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	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
<b>Conversion rights attaching to convertible loan</b>	US\$	US\$	US\$	US\$
Fair value at start of period	390,456	-	-	-
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)
Write back on settlement of convertible loan	(390,456)	-	(390,456)	-
<b>Fair value at end of period</b>	<b>-</b>	<b>390,456</b>	<b>-</b>	<b>390,456</b>

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 Pounds Sterling therefore the rate of conversion is variable according to the exchange rate between the US Dollar and GB Pound.

## 20 Analysis of changes in liabilities arising from financial activities

	Convertible loan	Current obligations under right of use assets	Non-current obligations under right of use assets	Total
<b>At 1 January 2021</b>	<b>2,029,464</b>	<b>201,403</b>	<b>350,931</b>	<b>2,581,798</b>
Cash flows	(2,500,455)	(355,836)	-	(2,856,291)
Non-cash flows				
- Revaluation of derivative	423,479	-	-	423,479
- Interest	47,512	-	-	47,512
- New lease arrangements	-	307,622	195,268	502,890
- Transfers	-	73,058	(73,058)	-
- Other	-	81,182	-	81,182
- Exchange rate movements	-	(17,369)	(28,191)	(45,560)
<b>At 31 December 2021</b>	<b>-</b>	<b>290,060</b>	<b>444,950</b>	<b>735,010</b>

During 2021, the Group has incurred an interest expense of US\$47,512 (2020: US\$152,943) on the convertible loan. In accordance with the terms of the convertible loan, interest was capitalised and repaid when the convertible loan notes were repaid or converted. An arrangement fee of US\$300,000 was also incurred in connection with the convertible loan notes.

## 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.

	2021		2020	
	Number	\$	Number	\$
<b>Allotted, called up and fully paid</b>				
Ordinary shares in issue at start of period	59,084,551	8,905,116	58,909,551	8,882,803
Shares issued in period	16,650,000	2,308,502	175,000	22,313
<b>Ordinary shares in issue at end of period</b>	<b>75,734,551</b>	<b>11,213,618</b>	<b>59,084,551</b>	<b>8,905,116</b>

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**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 2021.

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 2021 Number	31 December 2021 WAEP UK£	31 December 2020 Number	31 December 2020 WAEP UK£
<b>Outstanding at the beginning of the period</b>	3,711,750	0.974	2,569,250	1.071
Granted during the period	-	-	2,050,000	0.85
Exercised in period	-	-	(125,000)	0.75
Expired during the period	(1,961,750)	1.085	(782,500)	1.000
<b>Outstanding at the end of the period</b>	1,750,000	0.85	3,711,750	0.974
<b>Exercisable at end of the period</b>	1,166,670	0.85	2,345,088	1.047

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	1,166,670	1,750,000	26/05/23

During the year a charge of US\$270,631 (2020: US\$316,332) has been recorded in these financial statements in respect of these options.

**Conditional Share Awards**

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

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

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

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

## Notes to the Financial Statements

### For the year ended 31 December 2021

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

## 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. As of 31 December 2020, US\$5.5 million (plus accrued interest) remained outstanding. Settlement of all outstanding amounts due to Anfield was completed in April 2021 including payment of all outstanding interest of US\$1.09 million.

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 re-classified 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 2021 US\$	31 December 2020 US\$	31 December 2021 US\$	31 December 2020 US\$
<b>Mineral property acquisition liability</b>				
Amount outstanding at beginning of period	–	12,000,000	–	12,000,000
Unwinding of fair value discount	–	–	–	–
Reclassification to interest-bearing liability (note 18)	–	(12,000,000)	–	(12,000,000)
<b>Value of deferred mineral property acquisition liability at end of period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

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.

Notes to the Financial Statements  
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**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 has managed the capital structure of the Group and aligned this with the risk profiles of its underlying assets.

The Group's objectives, when managing its capital are to maintain financial flexibility to achieve its development plans, safeguard its ability to continue to operate as a going concern through management of its costs whilst optimising its access to capital markets by endeavouring to deliver increases in value of the Group for the benefit of shareholders. In establishing its capital requirements, the Group will take account of the risks inherent in its plans and proposed activities and prevailing market conditions.

The Group anticipates that it will seek to raise further finance within the next 12 month period to fund the longer term continued development of Coringa including a gold processing facility, and repay the Group's debt, which comprises a 12 month, US\$5 million bank loan maturing in May 2023, This funding may be generated from a variety of sources which could include a combination of bank debt, royalty, streaming of gold and copper revenues, new equity capital and cash flow from the current operations. The Group has been successful in raising funding as and when required in the past and the Directors consider that the Group continues to have strong support from its major shareholders who been supportive of and provided additional funding when required on previous occasions. The Company will judge the optimum timing for securing any future funding but will try and take advantage of periodic upturns in market sentiment to obtain the optimum conditions available at the time.

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.

**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 (2020: US\$0.04 million).

**Capital Purchases**

At 31 December 2021 the Group had placed orders for and made initial down payments for mining machinery to be acquired under supplier finance arrangements. The Group's obligation under these finance arrangements totals US\$2.28 million over periods of 24 or 36 months beginning in 2022. In addition, the Group had made down payments on other items of Plant and Equipment to be delivered in 2022 with a remaining purchase price of US\$0.46 million to be paid in 2022.

**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 2021 US\$	31 December 2020 US\$	31 December 2021 US\$	31 December 2020 US\$
Commitments falling due:				
Within one year	63,202	40,777	–	–
Between one year and five years	1,634	–	–	–
<b>Total</b>	<b>64,836</b>	<b>40,777</b>	<b>–</b>	<b>–</b>

## Notes to the Financial Statements

### For the year ended 31 December 2021

#### 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.

The Company has taken legal action against a former employee for the recovery of funds that the Company considers had been misappropriated during the period January 2015 to March 2021. The former employee has submitted his defence to the claims made by the Company and submitted counterclaim against the Company for wrongful dismissal for a value of approximately BRL11.0 million (approximately US\$2.2 million). The Company's lawyers consider that the prospect of the counterclaim being granted against the Company as being very remote.

#### 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 was in place the Company could only submit a subscription request in respect of the Loan Notes in the amount of US\$500,000 each month. Following the satisfaction of the Travel Restriction Condition, the Company could 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. Subject to certain conditions the holder of the Loan Notes may 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 an existing 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.

## Notes to the Financial Statements

### For the year ended 31 December 2021

#### Transactions with intergroup entities

During the period the Company made one loan to a subsidiary of US\$1,566 (2020: US\$0.30 million). There were no loans converted into new shares issued by subsidiaries during 2021 (2020: US\$Nil). The balance of these loans at 31 December 2021 was US\$9.78 million (2020: US\$9.78 million).

The Company has loans receivable from subsidiaries totalling US\$18,176,606 (2020: US\$18,175,040) before any provision for the impairment of these loans (see note 13).

The Company has purchased, during the year from its subsidiary SMSA, 1,340 tonnes of copper/gold concentrate for a consideration of US\$22,776,700 (2020: 860 tonnes; US\$14,629,149). At the end of the period the Company owed US\$29,265,880 to its subsidiary SMSA (2020: US\$27,436,118).

#### Key management remuneration

Key management comprises the Executive Directors, Non-executive Directors, the former COO and the former Country Manager only. Their compensation is:

	For the year ended 31 December 2021 US\$	For the year ended 31 December 2020 US\$
Short-term employee benefits	1,046,297	1,037,437
Post-employment benefits	11,004	10,258
Share-based payments	193,889	275,902
Total	1,251,191	1,323,597

## 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 during the year to 31 December 2021 from which financial instrument risk arose or may arise in the future 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
- Derivative

The principal financial instruments by category are as follows:

Notes to the Financial Statements  
For the year ended 31 December 2021

Group financial assets

	Fair value through profit or loss		Amortised cost	
	2021	2020	2021	2020
	US\$	US\$	US\$	US\$
Cash and cash equivalents	–	–	12,217,751	6,603,620
Trade and other receivables	2,307,458	1,936,044	–	–
<b>Total financial assets</b>	<b>2,307,458</b>	<b>1,936,044</b>	<b>12,217,751</b>	<b>6,603,620</b>

Group financial liabilities

	Fair value through profit or loss		Amortised cost	
	2021	2020	2021	2020
	US\$	US\$	US\$	US\$
Trade and other payables	–	–	6,052,174	6,938,118
Convertible loan notes	–	–	–	2,029,464
Other loans and borrowings	–	–	735,010	7,047,769
Derivatives	165,495	390,456	–	–
<b>Total financial liabilities</b>	<b>165,495</b>	<b>390,456</b>	<b>6,787,184</b>	<b>16,015,351</b>

Company financial assets

	Fair value through profit or loss		Amortised cost	
	2021	2020	2021	2020
	US\$	US\$	US\$	US\$
Cash and cash equivalents	–	–	8,586,734	3,813,957
Trade and other receivables	2,274,114	1,885,242	–	–
<b>Total financial assets</b>	<b>2,274,114</b>	<b>1,885,242</b>	<b>8,586,734</b>	<b>3,813,957</b>

Company financial liabilities

	Fair value through profit or loss		Amortised cost	
	2021	2020	2021	2020
	US\$	US\$	US\$	US\$
Trade and other payables	–	–	29,836,667	28,322,731
Convertible loan notes	–	–	–	2,029,464
Other loans and borrowings	–	–	–	6,495,435
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>29,836,667</b>	<b>36,847,630</b>

**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.



## Notes to the Financial Statements

### For the year ended 31 December 2021

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 2021, 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.

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 transactions. Interest was chargeable on the convertible loan notes at the rate of US\$ LIBOR plus 13 per cent. A total of US\$2.0 million was 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 1 January 2021, 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 was 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 nor 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\$	
<b>2021</b>						
<b>Financial assets</b>						
Cash	–	–	12,217,751	–	–	12,217,751
Receivables	–	2,307,458	–	–	–	2,307,458
Total	–	2,307,458	12,217,751	–	–	14,525,209
<b>Financial liabilities</b>						
Payables	–	6,445,586	–	–	–	6,445,586
Derivatives	–	165,495	–	–	–	165,495
Interest-bearing liabilities	–	–	–	290,060	444,950	735,010
Total	–	6,611,081	–	290,060	444,950	7,346,091

Notes to the Financial Statements  
For the year ended 31 December 2021

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\$	
<b>Financial assets</b>						
Cash	–	–	6,603,620	–	–	6,603,620
Receivables	–	1,936,044	–	–	–	1,936,044
Total		1,936,044	6,603,620	–	–	8,539,664
<b>Financial liabilities</b>						
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

**Company**

2021	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\$	
<b>Financial assets</b>						
Cash	–	–	8,586,734	–	–	8,586,734
Receivables	–	12,205,920	–	–	–	12,205,920
Total	–	12,205,920	8,586,734	–	–	20,792,654
<b>Financial liabilities</b>						
Payables	–	30,074,073	–	–	–	30,074,073
Derivatives	–	165,495	–	–	–	165,495
Total	–	30,239,568	–	–	–	30,239,568

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\$	
<b>Financial assets</b>						
Cash	–	–	3,813,957	–	–	3,813,957
Receivables	–	11,948,639	–	–	–	11,948,639
Total		11,948,639	3,813,957	–	–	15,762,596
<b>Financial liabilities</b>						
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

**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.

## Notes to the Financial Statements

### For the year ended 31 December 2021

The Group issued US\$2 million of convertible loan notes during 2020, which remained outstanding as at 31 December 2020 and were repaid in full on 19 March 2021.

The Group owed US\$5.5 million, as at 1 January 2021, 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\$1million per month whilst international and domestic travel restrictions exist in Brazil. 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\$0.74 million (2020: US\$0.55 million) (see note 18).

The following table sets out the maturity profile of the financial liabilities as at 31 December 2021:

	Group		Company	
	2021 US\$	2020 US\$	2021 US\$	2020 US\$
Due in less than one month				
Trade payables and accruals	509,571	743,038	2,434,415	2,065,978
Interest-bearing liabilities	24,172	1,016,784	–	1,000,000
<b>Total due in less than one month</b>	<b>533,743</b>	<b>1,759,822</b>	<b>2,434,415</b>	<b>3,065,978</b>
Due in less than three months				
Trade payables and accruals	1,995,179	1,936,101	8,723,855	5,789,627
Interest-bearing liabilities	48,343	2,033,567	–	2,000,000
<b>Total due in less than three months</b>	<b>2,043,522</b>	<b>3,969,668</b>	<b>8,723,855</b>	<b>7,789,627</b>
Due between three months and one year				
Trade payables and accruals	3,517,161	4,459,152	18,915,803	20,884,061
Interest-bearing liabilities	217,545	5,675,951	–	5,524,899
<b>Total due between three months and one year</b>	<b>3,734,706</b>	<b>10,135,103</b>	<b>18,915,803</b>	<b>26,408,960</b>
<b>Total due within one year</b>	<b>6,311,971</b>	<b>15,864,593</b>	<b>30,074,073</b>	<b>37,264,565</b>
Due more than one year				
Trade payables and accruals	423,675	91,916	–	–
Interest-bearing liabilities	444,950	350,931	–	–
<b>Total due more than one year</b>	<b>868,625</b>	<b>442,847</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>7,180,596</b>	<b>16,307,440</b>	<b>30,074,073</b>	<b>37,264,565</b>

### 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 2021 US\$	31 December 2020 US\$
US Dollar	7,050,890	4,600,469
Canadian Dollar	68,748	75,005

Notes to the Financial Statements  
For the year ended 31 December 2021

	Group	
	31 December 2021	31 December 2020
	US\$	US\$
Sterling	1,359,004	112,954
Australian Dollar	4,487	39,785
Euro	106,017	64,954
Brazilian Real	3,628,605	1,710,453
<b>Total</b>	<b>12,217,751</b>	<b>6,603,620</b>

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:

Currency of net monetary asset/(liability)	Functional currency			TOTAL 31 December 2021 US\$
	Brazilian Real 31 December 2021	Canadian \$ 31 December 2021	United States \$ 31 December 2021	
	US\$	US\$	US\$	
US Dollar	–	10,927	9,406,867	9,417,794
Canadian Dollar	–	1,865	66,336	68,201
Sterling	–	–	450,811	450,811
Australian Dollar	–	–	4,487	4,487
Euro	(1,179,960)	–	106,017	(1,073,943)
Brazilian Real	3,116,572	–	–	3,116,572
<b>Total</b>	<b>1,936,612</b>	<b>12,792</b>	<b>10,034,518</b>	<b>11,983,922</b>

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.

The table below shows the impact of changes in exchange rates on the results and financial position of the Group and the Company.

	Against US Dollar US\$
10% weakening of Brazilian Real	(7,587)
10% strengthening of Brazilian Real	9,056
	Against Sterling US\$
10% weakening of US Dollar	(23,033)
10% strengthening of US Dollar	26,719
	Against Euro US\$
10% weakening of Brazilian Real	(117,996)
10% strengthening of Brazilian Real	117,996

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".

## Notes to the Financial Statements For the year ended 31 December 2021

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\$15,813,927 (2020: US\$10,790,732). 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.

During 2021, the Group sold all of its copper/gold concentrate production to a single customer, a publicly quoted metals trading group. Settlement terms were 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 (2020: amount overdue: US\$Nil).

The Company's exposure to credit risk amounted to US\$20,792,654 (2020: US\$15,762,596). Of this amount US\$9,784,884 (2020: US\$9,783,318) is due from subsidiary companies, US\$8,586,734 represents cash holdings (2020: US\$3,813,957) 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 2021 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 19 April 2022, the Company advised that dilution in the Julia Vein which forms part of the Sao Chico deposit and which is being mined by mechanised long hole open stoping was higher than expected as a consequence of the presence of parallel and cross cutting faults and intrusive dykes which post-date the ore. This level of faulting appears to be unique to the Julia Vein. The Company advised that it would introduce selective open stoping, the method used successfully on the Palito orebody, and which over time is expected to improve grades by minimising dilution through greater selectivity in the mining. 1,000 ounces of

## Notes to the Financial Statements

### For the year ended 31 December 2021

production which had been scheduled from São Chico in February by long hole, would now be mined selectively during the second quarter and over the rest of the year.

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

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

Except as set out above, there has been no item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the continuing operation of the entity, the results of these operations, or the state of affairs of the entity in future financial periods.

## Glossary

<b>“Ag”</b>	means silver.
<b>“AISC”</b>	means All-In Sustaining Cost – a non IFRS performance measurement established by the World Gold Council
<b>“ANM”</b>	means the Agencia Nacional de Mineral.
<b>“Au”</b>	means gold.
<b>“assay”</b>	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.
<b>“CIM”</b>	means the Canadian Institute of Mining, Metallurgy and Petroleum.
<b>“CIP” or “Carbon in Pulp”</b>	means a process used in gold extraction by addition of cyanide.
<b>“chalcopyrite”</b>	is a sulphide of copper and iron.
<b>“Cu”</b>	means copper.
<b>“cut-off grade”</b>	the lowest grade of mineralised material that qualifies as ore in a given deposit; rock of the lowest assay included in an ore estimate.
<b>“deposit”</b>	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.
<b>“electromagnetics”</b>	is a geophysical technique tool measuring the magnetic field generated by subjecting the sub-surface to electrical currents.
<b>“garimpeiro”</b>	is a local artisanal miner.
<b>“geochemical”</b>	refers to geological information using measurements derived from chemical analysis.
<b>“geophysical”</b>	refers to geological information using measurements derived from the use of magnetic and electrical readings.
<b>“geophysical techniques”</b>	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.
<b>“gold equivalent”</b>	refers to quantities of materials other than gold stated in units of gold by reference to relative product values at prevailing market prices.
<b>“gossan”</b>	is an iron-bearing weathered product that overlies a sulphide deposit.
<b>“grade”</b>	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).
<b>“g/t”</b>	means grams per tonne.
<b>“hectare” or a “ha”</b>	is a unit of measurement equal to 10,000 square metres.
<b>“indicated mineral resource”</b>	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.
<b>“inferred mineral resource”</b>	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.
<b>“IP”</b>	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.

## Glossary

<b>“measured mineral resource”</b>	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.
<b>“mineralisation”</b>	the concentration of metals and their chemical compounds within a body of rock.
<b>“mineralised”</b>	refers to rock which contains minerals e.g. iron, copper, gold.
<b>“mineral reserve”</b>	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.
<b>“mineral resource”</b>	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.
<b>“mt”</b>	means million tonnes.
<b>“NI 43-101”</b>	means Canadian Securities Administrators’ National Instrument 43-101 – <i>Standards of Disclosure for Mineral Projects</i> .
<b>“ore”</b>	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.
<b>“oxides”</b>	are near surface bed-rock which has been weathered and oxidised by long-term exposure to the effects of water and air.
<b>“ppm”</b>	means parts per million.
<b>“saprolite”</b>	is a weathered or decomposed clay-rich rock.
<b>“sulphide”</b>	refers to minerals consisting of a chemical combination of sulphur with a metal.
<b>“tailings”</b>	are the residual waste material that it is produced by the processing of mineralised rock.
<b>“tpd”</b>	means tonnes per day.
<b>“vein”</b>	is a generic term to describe an occurrence of mineralised rock within an area of non-mineralised rock.
<b>“VTEM”</b>	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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Aquiles Alegria – Non-executive Director  
Luis Azevedo – Non-executive Director  
Sean Harvey – Non-executive Director  
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