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# Serabi Gold plc Annual Report 2022

COMPANY NUMBER – 5131528

**We are Serabi Gold plc:**  
**A 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 Group's primary interests are its 100 per cent owned Palito Complex and the Coringa gold project where initial mine development commenced during 2021 leading to initial gold production commencing in July 2022. Both interests are located in the Tapajós region of Brazil.**

**With little past systematic exploration undertaken in the region, the Tapajós 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**



## KEY FIGURES

Revenue \$58.7 million	Cash Flow from Operations \$1.9 million
Gold Production 31,819 ounces	Average Grade processed 6.14 g/t
Cash Held at 31 December 2022 \$7.2 million	Bank Borrowings at 31 December 2022 \$5.0 million
Cash Costs per Ounce \$1,322	AISC per Ounce \$1,615

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# Strategic Report

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## Strategic Report Chair's Statement

Dear Shareholders

I am very pleased to introduce this Annual Report, the first since I took on the role of Chair of Serabi in August 2022. These first nine months have served to reinforce my belief in Serabi's potential to deliver strong growth for its shareholders. We have seen initial gold production being generated from the Coringa mine as development of this mine continues. Gold production from Coringa was more than 2,000 ounces during the first quarter of 2023 and the grades being mined and the continuity of these high-grade areas have, so far, exceeded our expectations. This bodes well for the future, and we remain hopeful that the completion of the licencing process later this year will provide the opportunity to secure financing and allow the Group to develop Coringa to its full potential.

The indigenous impact report ("ECI") that has been undertaken on behalf of the Group in relation to Coringa, was finalised at the end of April 2023, and is now being reviewed by the indigenous communities and will then be passed to FUNAI, the government agency responsible for the Brazilian indigenous people, for their final approval. We expect that these approvals will unlock the delay in the award of the Installation Licence by SEMAS, the state environmental authority. In the meantime, we are separately progressing the renewal of the existing trial mining licence ("GUIA") under which the current mining activities are authorised, to ensure that mine development and ore production can continue. With the ECI completed and therefore the requirement of the Brazilian court order satisfied, we believe the legal departments of SEMAS and the ANM will not be restricted in their ability to issue new licences for the project.

After a difficult start to 2022, it was pleasing to see that management were able to deliver on and in fact exceed the revised production guidance for 2022. The Palito deposit continues to grow, and it seems that every month the geological team identifies a new vein either through mine development or from underground drilling for mine planning purposes. From the information available to us today, we anticipate that the Palito deposit will continue to be able to successfully produce in the region of 30,000 ounces per annum potentially for many years to come, as the ore body remains open at depth and along strike. The ability to start gold production from Coringa so early in its development has helped offset the ongoing mining and development costs and will help take up some of the shortfall in production that will arise from the plan to focus on growing the mineable resource at Sao Chico over the next twelve to eighteen months, during which time the mining activities at Sao Chico will be suspended.

The strategy to initially install only a crushing plant and ore sorter at Coringa, and trucking the upgraded ore for processing at Palito, will significantly reduce the upfront capital requirements for the project. We have all become aware of significant cost inflation affecting all industry sectors over the past two years, and this provides a solution with a much reduced financial and operational risk compared with building a full-scale process plant from the outset. We want to retain the optionality to construct a full plant in the future, but this strategy will nonetheless allow the Group's gold production to expand to approximately 60,000 ounces over the next couple of years as output from Coringa grows. Depending on how further evaluation of Sao Chico and Coringa develops during this time, an optimised decision can be made and, with an expanded production base and therefore cash flow, this should make financing of any new plant easier.

Whilst I and the rest of your Board will continue to work closely with management on the operational and financial aspects of the business, I will also be focussed on enhancing some other aspects and in particular to ensure that the Board is closely monitoring the Group's Health and Safety obligations and also improving its level of ESG reporting and seeking to ensure that it is meeting best practice. Increasingly we are seeing institutional investors adopting stricter mandates for their qualifying investments and we need to ensure that Serabi continues to attract the widest possible investor audience. We have recently established a Sustainability Committee and its scope is summarised later in this Annual Report. It will investigate ways in which the Group can improve its environmental performance, monitor our tailings dam exposure and our commitments to local communities. Serabi is already in the lower half for gold producers for greenhouse gas emissions and reduced its CO<sub>2</sub> levels per gold ounce by 10% between 2021 and 2022. However, we will look at ways in which we can continue to improve, in particular given the sensitivities that we face in operating in this part of Brazil.

I am aware that the last couple of years have been challenging for Serabi and it has faced some difficult headwinds in being able to move forward with the development of Coringa. Whilst I have no doubt regarding the challenges ahead, I do believe that there are many reasons to have optimism for the future. I would like to convey my thanks to my predecessor, Nicolas Bañados, for his work in helping to guide Serabi through this period and leaving the Group in a position where it is now able to capitalise on the opportunities that are presented. I hope that over the coming months I will have the opportunity to meet in person with some of our shareholders and look forward to sharing the challenges and rewards that the next 12 months present.

Michael D Lynch-Bell  
Chair  
2 May 2023

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## Strategic Report

### Chief Executive Officer's Review

**2022 has been a transformational year for Serabi. Production at the Palito Complex was stabilised following issues arising because of the COVID-19 pandemic, development of the Coringa project continued to progress with excellent results and first gold produced in July 2022 and three successful discovery holes drilled into the previously untested Matilda target, identified a very exciting copper-molybdenum-gold porphyry discovery.**

Serabi's continued success is dependent on our loyal workforce and positive relationships with the communities within which we operate. The health and safety of our employees remains our top priority and I am delighted that the training and initiatives we have put in place continue to deliver positive results. Many of our employees come from the communities neighbouring our operations with 70% resident in the State of Para. Additionally, we procured 45% of goods and services from the State of Para, further benefitting the local community. With the small footprint of our high-grade underground mines, we minimise our impact on the environment. Our greenhouse gas emissions, at 0.37 tCO<sub>2</sub>e/Au oz, are in the lower quartile for gold producers and initiatives such as the use of ore sorting, reduce the volume of tailings we produce. We continue to monitor biodiversity within our operating sites and protect primary rainforest in areas under our control.

During 2023 we will continue to work on our social and environmental programmes alongside our planned production growth with the objective of delivering value for all our stakeholders.

#### Production Results 2022

Gold production for 2022 of 31,819 ounces, ahead of revised guidance.

The Palito mine continued to perform extremely well, contributing significantly to the Group's gold production and later in the year first gold was produced from Coringa with ore being trucked and processed through the Palito process plant. During 2023 we expect Coringa to continue to supplement the ore produced from Palito and keep that process plant utilised to the fullest extent. The gold production from Coringa did to some extent offset the production issues encountered at the São Chico orebody, which resulted in the reduction in production guidance announced during the first quarter of 2022.

Production from the Palito orebody continued to be predominately from the Chico da Santa sector where exceptional grades were, and continue to be, encountered. Combined with opening-up of additional production areas, the grade and continuity of the orebody facilitated an increase in production, in part also offsetting the shortfall from São Chico.

Targeted at growing the Group's mineral resource inventory, extending mine life and allowing the establishment of a robust longer term mine plan, an extensive underground exploration drilling programme was embarked on during 2022. Over 17,000 metres of drilling was completed, much of this being within the Palito orebody, the results of which have further extended a number of key sectors. Large step-outs have been tested on the veins of Chico de Santa, G3 Central, G3 North and Senna at depth.

The issues encountered at São Chico resulted from a number of factors, compounded by the challenges of operating during the COVID-19 pandemic. The focus of production at São Chico was on the Julia Vein with mechanised long hole open stoping, the methodology used successfully in the Main Vein at São Chico, being employed. However, dilution was significantly higher than anticipated due to the presence of extensive faults and intrusive dykes, not seen elsewhere at São Chico, which disrupted the orebody. These faults and intrusive dykes frequently cross-cut the orebody and are therefore parallel to the drilling direction and so not identified from drilling. In addition, with significant mine development which we had to curtail during the COVID-19 pandemic, there was insufficient flexibility within the mine plan to begin mining in other sectors of São Chico. The mining methodology was immediately changed to shrinkage stoping which is successfully used at Palito and, being more selective, reduces dilution. During the remainder of the year and with the prospect of higher grade production from Coringa, mining activity has been steadily reduced with mining crews and equipment being moved to Coringa to assist with the initial underground mine development and the focus at São Chico was on mining defined blocks from the existing development. In-fill and step-out drilling at São Chico will be undertaken to improve the confidence across a number of sectors prior to further development activity.

The development of the Coringa mine, which began in the second half of 2021, made excellent progress during 2022 with the ramp being extended to the 290mRL and total development reaching 1,791 metres with more than 1,000 meters being in ore. The continuity of the Coringa orebody exceeded expectations and made rescue mining, also known as split blasting, possible whereby ore and waste in the ore drives are separately blasted and removed reducing dilution within development ore. High grade development ore from Coringa was trucked to the Palito processing plant during the year and with development now on three levels, stoping will begin in 2023 generating increasing volumes of high grade ore for trucking to Palito. Coringa ore was also tested through the Palito ore sorter, which confirmed its amenability to optical sorting. The results have been so positive, with

## Strategic Report

### Chief Executive Officer's Review

batch samples delivering a three-fold increase in grade within a third of the mass and with very minimal gold losses, that the decision was made to amend the Coringa processing flow sheet and incorporate an ore sorter at the front end. With trucking costs remaining highly competitive, the initial development plan for Coringa is to install a crusher and ore sorter and continue trucking upgraded ore to Palito for further processing. This has the advantages of significantly reducing the initial capital expenditure and consolidating all gold production and tailings at a single site, whilst at the same time maintaining the original Coringa production ramp-up. The amenability of the Coringa ore to upgrading through the ore sorter was a further factor in the decision to reduce activity at São Chico where the ore is not amenable to ore sorting. Management estimates that the Palito plant has sufficient capacity to process upgraded ore from Coringa and Palito and generate up to 65,000 ounces per year. With exploration success or a restart at São Chico, a modest plant expansion, such as installing additional milling capacity, could support a further production increase. Alternatively, the full plant could be built at Coringa, freeing up space in the Palito plant.

While the final permit for the full development of Coringa has been delayed, progress continues to be made. Following the appeal by the Public Prosecutor in Para state (as previously announced on 9 December 2021 and 23 August 2022), the additional indigenous study requested by the authorities has now been completed and submitted to the authorities for review. Support and co-operation from the indigenous communities throughout this process has been very positive. This additional study had not initially been requested or required as part of the application process and would normally have formed part of the studies required in advance of the successful public hearing which took place in February 2021. Management considers that as the report concluded that there were no significant implications of the Coringa project for the indigenous communities, the acceptance by the authorities of the findings of this study remains the final impediment to the award of the Installation Licence ("LI") required for the construction of a full processing plant. It is therefore hoped that this LI will be awarded during the middle of 2023.

<b>SUMMARY PRODUCTION STATISTICS FOR 2022 AND 2021</b>											
		<b>Qtr 1</b>	<b>Qtr 2</b>	<b>Qtr 3</b>	<b>Qtr 4</b>	<b>Full Year</b>	<b>Qtr 1</b>	<b>Qtr 2</b>	<b>Qtr 3</b>	<b>Qtr 4</b>	<b>Full Year</b>
		<b>2022</b>	<b>2022</b>	<b>2022</b>	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>
<b>Group</b>											
Gold production <sup>(1)(2)</sup>	Ounces	7,062	8,418	8,542	7,798	<b>31,819</b>	8,087	9,048	9,035	7,678	33,848
Mined ore	Tonnes	40,606	44,008	46,863	42,264	<b>173,741</b>	40,371	43,051	42,240	44,599	170,261
	Gold grade (g/t)	5.95	6.26	6.22	6.01	<b>6.12</b>	6.27	7.12	7.18	5.81	6.59
Milled ore	Tonnes	41,357	43,488	44,867	42,692	<b>172,404</b>	41,462	43,679	41,995	43,663	170,799
	Gold grade (g/t)	5.72	6.43	6.34	6.05	<b>6.14</b>	6.27	7.09	7.20	5.90	6.61
<b>Palito Complex</b>											
Gold production <sup>(1)(2)</sup>	Ounces	7,062	8,418	7,972	7,355	<b>30,807</b>	8,087	9,048	9,035	7,678	33,848
Mined ore	Tonnes	40,606	44,008	43,180	38,293	<b>166,087</b>	40,371	43,051	42,240	44,599	170,261
	Gold grade (g/t)	5.84	6.26	6.28	6.20	<b>6.15</b>	6.27	7.12	7.18	5.81	6.59
Milled ore	Tonnes	41,357	43,488	42,257	39,573	<b>166,675</b>	41,462	43,679	41,995	43,663	170,799
	Gold grade (g/t)	5.72	6.43	6.30	6.17	<b>6.16</b>	6.27	7.09	7.20	5.90	6.61
Horizontal development	Metres	2,938	3,353	2,458	2,245	<b>10,994</b>	3,573	2,961	2,842	3,318	12,694
<b>Coringa</b>											
Gold production <sup>(1)(2)</sup>	Ounces			570	443	<b>1,013</b>					
Mined ore	Tonnes			3,683	3,971	<b>7,654</b>					
	Gold grade (g/t)			5.46	4.15	<b>4.78</b>					
Milled ore	Tonnes			2,610	3,119	<b>5,729</b>					
	Gold grade (g/t)			7.00	4.58	<b>5.68</b>					
Horizontal development	Metres	212	302	632	645	<b>1,791</b>					

### Exploration

The Group has enjoyed significant success, during 2022, extending the Palito orebody laterally, on strike and at depth. An independent 43-101 technical report has been commissioned to provide an updated mineral reserve and resource estimate for

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## Strategic Report

### Chief Executive Officer's Review

Palito and São Chico, together the Palito Complex. The technical report and revised mineral reserve and resource estimate are expected to be issued during the second quarter of 2023.

Following a number of years of regional exploration across the Palito Complex tenement package, including extensive mapping and geophysical and geochemical surveys, a number of high priority targets have been identified. These include the Matilda prospect, a four kilometre by four kilometre geochemical anomaly with a two kilometre by two kilometre Au-Cu-Mo-W core and a coincident area of anomalous high magnetic susceptibility. The prospect was drilled during 2022 confirming the discovery of a Cu-Au-Mo porphyry system with anomalous mineralisation encountered along the entire length of each of the three holes (more than 200 metres for each hole) with average grades of each hole over 0.2% copper equivalent. The Group engaged a number of experienced independent porphyry experts to assist with analysing the results of the first three drill holes and developing the subsequent phase of exploration. Given the scale of the target and success of the initial three drill holes, Matilda represents an extremely exciting prospect. Further, Matilda represents one of five compelling, zoned multi-element, soil geochemical anomalies defined by the exploration team in recent years. Follow-up exploration at Matilda and the other high priority targets is planned for 2023 with drill rigs arriving on site during April 2023 and activity starting before the end of that month.

The lower than initially planned level of gold production for 2022, impacted on the cash flow generation for the year and with the desire to prioritise spending on growing the production mineral resources, other significant regional exploration activity that had originally been planned for 2022 was deferred.

I would like to convey my thanks to all of Serabi's staff for all their efforts and dedication over the past year. We regularly receive visitors to our operations, including other mining companies and broker's analysts, who have all been very complementary regarding the professionalism and unity of the team. It is that collective effort which will help the Group achieve its goals going forward.

Michael Hodgson  
Chief Executive  
2 May 2023



## Strategic Report

### Mineral Reserves and Resources

The Group completes in-house mineral resource and reserve estimates on a regular basis 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 Group 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 Group 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.

A new estimate effective as of 31 December 2022 of the mineral resources and mineral reserves of the Palito and São Chico orebodies is being prepared and will be included in an independent third party technical report to be produced, in compliance with Canadian National Instrument 43-101, during 2023. There has been no additional exploration work undertaken on the Coringa orebodies since June 2019, the effective date of the last mineral resource estimation and no new estimate will be made as part of the 2023 independent third party technical report.

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

*During 2022, Serabi mined 116,301 tonnes of mineral resources at an average grade of 6.75g/t from the Palito orebody. Management estimates that new mineral resources identified by the underground drilling programme completed during 2022 will have more than offset this depletion from production of the mineral resource.*

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 Group 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.*

## Strategic Report

### Mineral Reserves and Resources

**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

During 2022, Serabi mined 47,205 tonnes of mineral resources at an average grade of 4.67g/t from the São Chico orebody. Management also estimates that infill drilling at depth on the Main Vein and considering the effects of intrusive dykes that were encountered on the Julia Vein have together combined to reduce the mineral resources at São Chico. Management estimates that the mineral resource set out above may have been reduced by a further 60,000 and 65,000 ounces.

#### 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 Group 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 Group expects that the remaining mineral resource estimated for the Julia Vein, will continue to be available to be mined using selective mining techniques. The Group engaged an independent consultant to support management's opinion that the geological setting of Julia was confined only to this part of the São Chico deposit. The consultant also reported that in his opinion the effect on the mineral resource estimation for São 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

During 2022, Serabi mined 116,301 tonnes of mineral resources at an average grade of 6.75g/t from the Palito orebody. Management estimates that new mineral resources identified by the underground drilling programme completed during 2022 will have more than offset this depletion from production of the mineral resource.

## Strategic Report

### Mineral Reserves and Resources

#### 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 Group 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 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
Total Reserves	47,709	5.99	9,188

During 2022, Serabi mined 47,205 tonnes of mineral resources at an average grade of 4.67g/t from the São Chico orebody. Management also estimates that infill drilling at depth on the Main Vein and considering the effects of intrusive dykes that were encountered on the Julia Vein have together combined to reduce the mineral resources at São Chico. . Management estimates that the mineral resource set out above may have been reduced by a further 60,000 and 65,000 ounces.

#### 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 Group 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
	000't	g/t	Gold 000' oz
Indicated Resources	735	8.24	195
Inferred Resources	1,645	6.54	346

During 2022, Serabi mined 10,235 tonnes of mineral resources at an average grade of 5.17g/t from the Coringa orebody

#### 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.

Serabi has been present in the Tapajos region of Brazil for over 20 years during which time it has established a loyal and committed work force and developed strong relationships with local communities and government agencies.

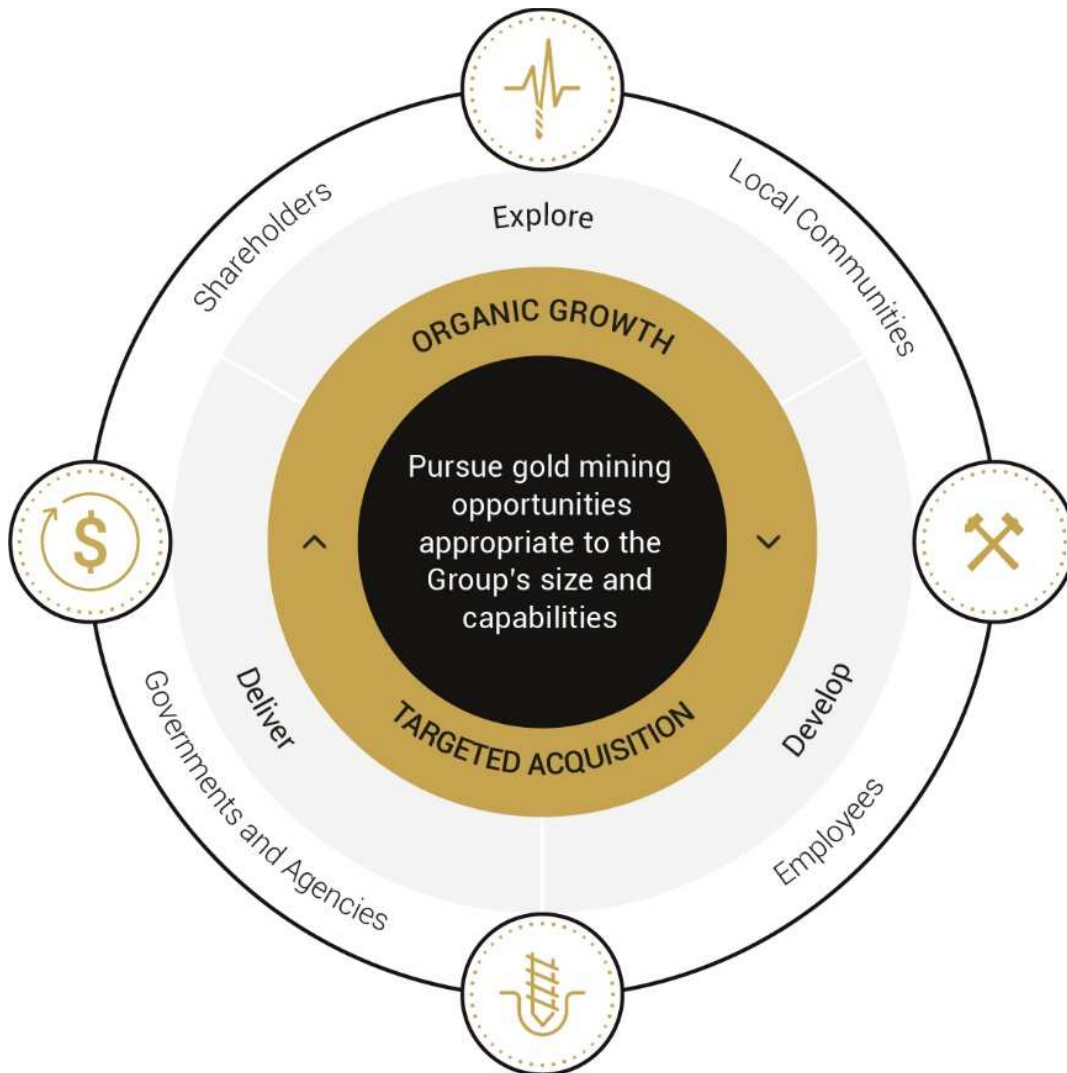
Management wants to build on this base to grow Serabi’s gold production and resource inventory in a measured and sustainable manner, minimising financial, environmental and social risk as much as possible.

STRATEGY	LINK TO PRINCIPAL RISKS
<b>1. Sustainable production</b>	2, 3, 5, 6, 7, 8, 9
Producing operations provide the foundation for longer term growth	
Cash flow from current operations provides funding for exploration and improves debt capacity for new projects	
<b>2. Exploration</b>	1, 2, 5, 6
Identify high-quality opportunities through exploration within the Group’s highly prospective tenement holdings	
The Tapajos region remains one of the most under-developed gold districts in the world given historic production records. It therefore presents an excellent opportunity for hosting significant gold deposits which with Serabi existing infrastructure are capable of being rapidly developed into producing operations	
<b>3. Development</b>	1, 2, 4, 5, 6
Leverage off an experienced work force, strong community and regional support to bring new opportunities into production	
The Group has already commenced gold production at Coringa whilst full permitting approvals are sought. This has been possible through the support of local communities and government agencies	
<b>4. Acquisition</b>	1, 4, 7, 8
The São Chico and Coringa projects are a demonstration of Serabi’s ability to acquire complimentary development projects offering attractive financial returns and maintaining a focused gold production company	
The Group continues to evaluate other projects that it believes can boost Serabi’s production potential whilst maintain geographical focus and building on its existing operational base and relationships.	

Strategic Report  
 Strategy and Business Model

The Group’s current focus remains the successful development of its Coringa project. Gold production is already underway with run of mine ore (“ROM”) being transported to the process plant at Palito. Ore sorting technology has been proven to work extremely well with the ore currently being produced at Coringa. Management consider that the installation of an ore sorter at Coringa can negate any immediate need for a full scale plant at Coringa and instead use plant capacity that currently exists at Palito.

The Group’s São Chico mining operation has been suspended to allow the ROM from Coringa, which has a higher average grade, to be processed and maximise the production capability of the existing process plant. This allows time for management to grow the mineral resource at São Chico and prove up new areas for future mining activities. The decision to restart São Chico operations will require either an expansion of the existing Palito plant or construction of a dedicated plant at Coringa. In the meantime, management anticipates that the current strategy will allow Serabi to grow its production from Coringa at a much lower initial capital cost and with significantly lower financial and development risk.



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.

**Growth opportunities from mine development and exploration activities**

The Group’s successful initial development of the Serra orebody of the Coringa gold project, is the first stage of this new mine which is projected to reach its full production potential over the coming years as production from the Serra ore body increases

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## Strategic Report

### Strategy and Business Model

and the Group develops the Meio and Galena sectors which form the rest of the project as it has currently been identified. Whilst the Group needs to secure additional finance to achieve the next stages of development, work today has identified that ore recovered from the Serra deposit is very amenable to ore-sorting. Test work demonstrates the mass of the material that would otherwise be processed can be reduced by between 45 per cent and 50 per cent. This significantly reduces the process plant requirements and the level of mine tailings that will be generated. During 2022, ore recovered from Coringa has been transported to the Palito Complex for processing and this will continue during 2023. Management envisages the installation of a crusher and ore-sorter at Coringa and continuing to transport a higher-grade product to Palito for processing for the next few years. This will significantly reduce the upfront capital costs of the project and eliminate significant build, performance and cost over-run risk involved with the construction of a full independent plant. Management has estimated that making efficient use of ore-sorting of Coringa and Palito ore would allow Coringa to achieve its originally projected gold production levels without the requirement for any significant modification of the current 500 tpd plant at Palito.

At the current time mining operations at São Chico have been suspended and the Group will focus on rebuilding the mineral inventory and identifying additional deposits in the immediate vicinity of São Chico. São Chico ore cannot currently be beneficiated using ore-sorting and consequently the feed-grade of São Chico ore will always be lower than that from Coringa and Palito and therefore of lower priority, particularly whilst the operations of the Group are limited by the capacity of the processing plant. Mining operations will be re-established once the mineral inventory has been built up, but may require an expansion to the processing plant to accommodate this additional ore-feed.

With enhanced cash flow anticipated from the increased production to be generated from the development of Coringa, it is expected that such a modular expansion could be funded from cash flow. The Group already owns two additional ball mills that could be integrated into its existing process plant as part of an expansion of capacity.

The Group also anticipates on-going evaluation of its prospective exploration tenements and development of some of the discoveries that it has made to date. The recent discovery of the Matilda Cu-Mo-W deposit close to São Chico is extremely exciting but as a copper porphyry deposit may be beyond the near-term financial resources of the Group. It has attracted the interest of a variety of major mining groups and management will pursue options to evaluate this discovery which may help reduce the financial burden on the Group's resources, without compromising the Group's desire to grow its portfolio of gold opportunities which it will continue to progress with its own resources.

Both the potential development of existing assets and the acquisition of new assets will be carefully assessed considering the risks involved in each case, the necessary funding requirements, and the potential value opportunity for the Group and its shareholders.

## Meeting the needs of all stakeholders

The delivery of our strategy is reliant on the support and commitment of our stakeholders

### Key Stakeholder Groups

EMPLOYEES	SHAREHOLDERS	FINANCIERS
<b>Why we engage</b>	<b>Why we engage</b>	<b>Why we engage</b>
Serabi's employees, their welfare and working conditions are fundamental to our business. To drive the success of the business, we need to have a motivated workforce. Alignment with our staff on working practices is fundamental to providing good health and safety practices and maintaining our commitment to sustainable development.	Having invested risk capital in the business, we have a duty to engage with our shareholders and keep them informed of our strategic plans and progress towards these. Regular and open communication encourages confidence and continued long term support.	The Group intends to obtain debt finance to provide additional capital required for the development and construction of its Coringa project. Management therefore engages regularly with banks, credit funds, development financial institutions, streaming and royalty companies and off-take financiers.
<b>How we engage</b>	<b>How we engage</b>	<b>How we engage</b>
Employees are encouraged, at all levels, to provide feedback directly to management and senior management. There is an open dialogue at all levels. At operational level there are operational and safety briefings before the start of each shift. The Group provides welfare workshops to assist and raise awareness of physical and mental health issues and communicates each week with its employees on the Group's activities and industry related matters.	<p><u>Substantial shareholders:</u> Both Fratelli and Greenstone have the right to appoint up to two Directors under the terms of their respective Relationship Agreements with the Company. Other substantial shareholders have periodic meetings with the Chair, CEO and CFO.</p> <p><u>Prospective and existing investors:</u></p> <ul style="list-style-type: none"> <li>• The AGM and Annual and Quarterly Reports.</li> <li>• Investor roadshows and presentations.</li> <li>• One-on-one investor meetings with the CEO and CFO.</li> <li>• Access to the Company's brokers and advisers.</li> <li>• Regular news and project updates.</li> <li>• Social media accounts.</li> </ul>	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 Group's activities and in particular its Coringa project. These meeting keep providers of financing solutions appraised of progress with the Coringa project as well as updates on the Group's other operations.
<b>How the Board engaged</b>	<b>How the Board engaged</b>	<b>How the Board engaged</b>
Executive Board members are present in-country every month and meeting with a variety of personnel during this time, obtaining feedback on new operational ideas and concerns. Other Board members undertake periodic site visits to familiarise themselves with the Group's operations and directly engage with management in Brazil at these times.	The AGM and other general meetings are key opportunities for shareholders to meet, whether virtually or in person, with Executive and non-executive Directors. In addition to investor conferences, the executive Directors provide regular interviews to supplement regulatory news announcements.	Direct engagement of the Board with non-equity providers of finance has not been necessary with no new significant financing facility put in place. Management provides regular feedback to the Board on discussions.

Strategic Report  
Stakeholder Engagement

GOVERNMENTAL AGENCIES AND REGULATORS	CONTRACTORS AND SUPPLIERS	LOCAL COMMUNITIES
<b>Why we engage</b>	<b>Why we engage</b>	<b>Why we engage</b>
<p>Engagement with government bodies and regulators preserves our operational licences, provides a forum for discussion of potential regulatory change and encourages support for new licence applications.</p>	<p>We value the role our trusted contractors and suppliers play in delivering products and services and supporting our teams. We also need to ensure that our suppliers adhere to our values of ethics and sustainability whilst seeking to promote and support local enterprises wherever practical.</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 Group’s mining operations is vital for the Group’s social licence to operate. Engagement helps build trust and assist with better decision making. Dissemination of accurate information regarding both the Group’s existing and future projects, and the early and ongoing engagement with community leaders, form a cornerstone of the Group’s ESG policies. More than 70% of the Group’s workforce reside within the State of Para and the Group sources many of its support services from local businesses.</p>
<b>How we engage</b>	<b>How we engage</b>	<b>How we engage</b>
<p>Agencies and regulators are encouraged and assisted with visits and inspections of the Group’s activities. Key management staff hold regular meetings with relevant officials and the Group provides regular monitoring and other reports as required.</p>	<p>The Group has a dedicated procurement department and a formal process for adding new suppliers on to its approved list. 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 Group’s dedicated HSE department have regular dialogue with community leaders working with them to understand ways in which the Group can assist the communities to improve quality of life and receive feedback on concerns or issues. Specialist advisers and consultants are used to conduct independent assessment and reports for government. The Group 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 them as a result of the Group’s operations.</p>
<b>How the Board engaged</b>	<b>How the Board engaged</b>	<b>How the Board engaged</b>
<p>In addition to assistance from the executive Directors, one of the Non-executive Directors, resident in Brazil, is in regular dialogue with representatives of government bodies on behalf of the Group and also assists with the development of strategy and regulations for the mining industry in Brazil. Together they provide regular feedback to the Board.</p>	<p>Engagement with contractors and suppliers is carried out by members of the management team, with feedback provided to the Board.</p>	<p>Reports from the HSE department are summarised and received by the Board on a monthly basis and any significant community plans approved by the Board.</p>



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## Strategic Report

### Stakeholder Engagement

As noted in the Strategy and Business Model, the Group considers its employees, local communities, shareholders and government agencies to be key stakeholders in the long-term success of the Group's activities. In addition, the Group considers that its potential financing partners and its contractors and suppliers will be significant stakeholders in the Group's growth and development. Whilst there are many potential customers in the form of refineries for the Group's gold production these are less critical to the Group's strategy and are therefore not considered to be key stakeholders.

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## Strategic Report

### Section 172 Statement (Companies Act 2006)

#### 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 2022.**

#### Promoting the success of the Group 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.

Earlier in this Strategic Report section of this Annual Report, the Group has set out its overall goal and its strategic priorities for attaining it.

The Board and each Director acknowledge that the success of Company's and Group's strategy is dependent on the support and commitment of all of the Group's stakeholders. The Board, when necessary, engages directly with stakeholders.

However, considering the relative geographical locations of the operations and the Board members, much of the stakeholder engagement mainly takes place at an operational level and the Board is therefore reliant on management to help it fully understand the impact of the Group's operations on its stakeholders.

During the year in review, the Board considered information from across the Group's business and received presentations from management, working groups and Board advisers. In addition to this, the Board reviewed papers and reports and took part in discussions which considered, where relevant, the impact of the Group's activities on its key stakeholders. These activities, together with direct engagement by the Board and individual Directors with some of the Group's key stakeholders and shareholders, helped to inform the Board in its decision-making processes.

The Board recognises that balancing the needs and expectations of stakeholders is important, but it often has to make difficult decisions based on competing priorities where the outcome is not positive for all of the Group's stakeholders. Decisions are not taken lightly, and the decision-making process has been structured to enable Directors to evaluate the merit of proposed business activities and the likely consequences of its decisions over the short, medium and long term, with the aim of safeguarding the Company and the Group so that it can continue in existence, fulfilling its purpose and creating value for stakeholders.

During 2022, the Group was required to consider change to its operational plans resulting from unexpected geological events encountered at its São Chico deposit and also continued delay in obtaining the necessary operational licence to allow construction of a process plant at its Coringa project. The Group engaged in dialogue with certain key stakeholders on these key strategic matters, including how these events would affect future cash-flows and earnings projections.

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## Strategic Report

### Section 172 Statement (Companies Act 2006)

The nature of these discussions included the following:

#### Communities

- Confirmation with the Sao Chico community that Serabi would continue to assist with the provision of power, fresh water and other support for the community.
- Discussions with the Novo Progresso administration regarding on going support for community programmes and road maintenance.

#### Human resources

- Discussion with staff regarding options for transfer to other employment opportunities within the Group including transfer to the Coringa mine.

#### Government authorities

- Continuing dialogue to ensure that the need for changes to the Group's operations were fully understood and agreed and that all requests or expectations of governmental and other agencies were being complied with.

#### Shareholders and Financiers

- Communication through prompt and regular news releases
- One to one discussion with financing groups and significant shareholders where requested

The Group has developed plans that have addressed these matters and allowed the Group to exceed its re-stated production guidance for 2022 and commence gold production from its Coringa project using the existing licences held by the Group and with the support of key governmental agencies and bodies.

The changes in operational plans and the licencing delays with Coringa have impacted on the local communities and Serabi has sought to keep them informed of progress whilst providing on-going support and assistance. Further information on some of the initiatives that the Group has supported are set out in the ESG section of the report.

The Group maintains an active dialogue with relevant governmental agencies and similar regulatory bodies both in support of its existing operations and for the development of its Coringa project.

The Group continuously interacts with a variety of other 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. Details of the reasons for its engagement with different stakeholders and the manner in which the Group engages are set out within this 2022 Annual Report

#### **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 41 to 75.

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## Strategic Report

### Chief Financial Officer's Review

#### Overview

The last twelve month period was always planned to be a year of investment as the Group continued its work on the development of the Coringa project that had started midway through 2021. The ability to process and sell gold from the development ore being mined from Coringa was not originally planned for but with approximately 1,000 ounces of gold produced in the second six months of 2022 the additional cash flow that this has generated has helped offset the operating costs of the initial mine development.

The year was also one when we needed to push ahead with rebuilding the mineral resource inventory particularly for the Palito deposit. During the pandemic period of 2020 and 2021, with at times a significantly reduced work force at site, resource drilling was reduced or halted impacting the ability to maintain required resource replenishment rates. It was essential that this situation be reversed, and the Board agreed to a significant programme during 2022 to meet this objective. US\$2.1 million has been spent on this programme in 2022 and before the end of the second quarter of 2023, the results from this will be confirmed in a new NI 43-101 mineral resource estimate for the Palito and Sao Chico deposits. We anticipate that there should be a significant increase in the reported mineral resources at Palito which will more than offset the expected reduction in the level of mineral resources at Sao Chico a result of the mining issues encountered there in the first quarter of 2022.

We were successful in generating US\$5 million of short-term loan funding through a Brazilian bank to provide some additional working capital which was necessary to compensate for the lower than forecast production levels that became apparent towards the end of the first quarter of 2022, resulting from the mining problems encountered at the Sao Chico deposit.

We have not yet secured longer term funding that will be needed for the full mine development requirements of Coringa. This will be conditional upon securing the longer-term licences for the project and completion of the updated mineral resource estimate as the cash flows from the Palito operations will be made available to support and reduce the funding needs for Coringa.

#### Revenue

For the year ended 31 December 2022, the Group generated US\$29,185,137 (2021: US\$25,942,663) in revenue through sales of an estimated 15,443 ounces of gold sold in the form of a copper/gold concentrate (2021: 13,658 ounces) and 16,368 ounces of gold bullion generating revenue of US\$29,524,191 (2021: 20,731 ounces for revenue of US\$37,198,774)

The average gold price received during 2022 was US\$1,785 compared with a price of US\$1,776 received during 2021.

Production of gold bullion for the year to 31 December 2022 was 16,820 ounces of gold compared with 19,675 ounces during the same period of the previous year, a decrease of 15 per cent.

During the same 12 month period 1,316 wet tonnes of copper/gold concentrate, containing an estimated 14,999 ounces, was produced (12 months to 31 December 2021: 1,357 wet tonnes of copper/gold concentrate, containing 14,173 ounces of gold). The unsold material is held as inventory.

Revenue was US\$4.4 million less than the preceding financial year a direct consequence of the lower gold production which was 2,029 ounces less than in 2021, with sales levels at 31,811 ounces being 2,578 ounces less than in 2021. The shortfall was in sales of gold bullion a consequence of lower production levels from the Sao Chico deposit whilst with increased output from the Palito deposit sales of gold contained in the copper/gold concentrate increased by 1,785 ounces. Shipments of copper/gold concentrate at 1.340 tonnes over the year were identical to the level for 2021, but of a higher grade.

	12 months ended December 2022 US\$	12 months ended December 2021 US\$	Variance US\$
Concentrate Sold (Ounces)	15,443	13,658	1,785
Bullion Sold (Ounces)	16,368	20,731	(4,363)
<b>Total Ounces Sold</b>	<b>31,811</b>	<b>34,389</b>	<b>(2,578)</b>
<b>Average gold sales price achieved</b>	US\$1,785	US\$1,776	US\$9

Strategic Report  
Chief Financial Officer's Review

	12 months ended December 2022 US\$	12 months ended December 2021 US\$	Variance US\$
<b>Revenue from Ordinary Activity</b>			
Gold (in Concentrate)	26,576,214	23,361,409	3,214,805
Copper (in Concentrate)	2,478,897	2,453,920	24,977
Silver (in Concentrate)	130,026	127,334	2,692
<b>Total Concentrate Revenue</b>	<b>29,185,137</b>	<b>25,942,663</b>	<b>3,242,474</b>
Gold Bullion	29,524,191	37,198,774	(7,674,583)
<b>Total Sales</b>	<b>58,709,328</b>	<b>63,141,437</b>	<b>(4,432,109)</b>
<b>Costs of sales</b>			
Operational costs	40,210,382	34,961,235	5,249,147
Provision for impairment of State taxes receivable	1,151,899	—	1,151,899
Shipping costs	1,351,120	1,189,931	161,189
Treatment charges	701,303	591,714	109,589
Royalties	848,065	1,016,438	(168,373)
Amortisation of mine property	4,660,861	4,608,900	51,961
Depreciation of plant & equipment	1,911,600	1,440,728	470,872
<b>Total operating costs</b>	<b>50,835,230</b>	<b>43,808,946</b>	<b>7,026,284</b>
<b>Gross profit</b>	<b>7,874,098</b>	<b>19,332,491</b>	<b>(11,458,393)</b>

**Costs of sales**

As already noted, the Group embarked on a significant underground drilling programme in 2022, the costs of which have been treated as an operational cost. For much of the year the Group had two contractor operated rigs on site and it remains the intention that one contractor operated rig will remain at site for much of 2023. These rigs supplement the two company owned and operated rigs that were operational during 2021 and 2022.

	12 months ended December 2022	12 months ended December 2021	Variance	Variance %
Tonnes mined	173,741	170,262	3,479	2%
Tonnes milled	172,404	170,800	1,604	1%
Ounces produced	31,819	33,848	(2,029)	(6%)
Ounces sold	31,811	34,389	(2,578)	(7%)
	<b>12 months ended December 2022 US\$'000</b>	<b>12 months ended December 2021 US\$'000</b>	<b>Variance US\$'000</b>	<b>Variance %</b>
<b>Operating Costs</b>				
Labour	17,290	15,820	1,471	9%
Mining consumables & maintenance	13,672	10,751	2,921	27%
Plant consumables	5,428	4,720	709	15%
General site	3,820	3,671	149	4%
	<b>40,210</b>	<b>34,961</b>	<b>5,249</b>	<b>15%</b>

During 2022 the average exchange rate was BrR\$5.16 to US\$1.00 compared with an average exchange rate of BrR\$5.39 to US\$1.00 during the same period of the previous year, a weakening of approximately four per cent. This has had the effect of increasing the reported US dollar costs on a comparative basis.

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## Strategic Report

### Chief Financial Officer's Review

Operational costs for 2022 also include, from 1 July 2022, some of the costs relating to the Coringa mining operations. Costs incurred for Coringa since 1 July 2022 are approximately BrR\$8.71 million (approximately US\$1.69 million). Whilst the operation is still in pre-production, accounting rules require that revenues being generated from pre-production operations be reported through the Income Statement together with the associated costs of production.

The increase in labour costs of nine per cent reflects a seven per cent salary increase that all staff received effective from May 2022. Overall head count numbers for the Palito Complex have however reduced from an average headcount of 650 staff and contractors in 2021 to a headcount of 592 in 2022. At the end of 2022 the Company also employed 54 employees at its Coringa project. During 2022, the Group incurred termination costs of approximately US\$0.56 million as a result of the reduction in head count during the period.

Whilst costs of diesel and electricity remain controlled in Brazil, as with other countries they have nonetheless risen year on year which has impacted on the plant operating costs particularly the costs of power generation but also vehicle running costs for the annual dam recycling programmes. We have also seen cost inflation affecting key consumables such as cyanide, mill liners and grinding materials. One off maintenance expenditure has been required on the gravity recovery plant and higher levels of maintenance for the mills and ore-sorter.

#### Recoverable taxes

The Brazilian tax system is complex with a variety of taxes levied at both federal and state levels. Serabi exports all its gold production and therefore its revenues are not subject to sales taxes which would be the normal method for offsetting taxes incurred on the purchase of goods and services required for its operations. It is instead reliant on offsets against other taxes that it collects to recover taxes owed at a federal or state level or using other approved schemes to facilitate the recovery of its tax debts. The use of such schemes is however conditional on the relevant authorities agreeing the level of taxes that the Group can recover.

During 2022, the authorities for Para approved the recovery of approximately BrR\$8 million (US\$1.5 million) of ICMS (state sales tax incurred on goods purchased) relating to the period 2016 to 2019. An additional BrR\$14 million (US\$2.67 million) of ICMS incurred over the same period is still being audited by the authorities. Further amounts owed to the Group, totalling BrR\$13.0 million (US\$2.98 million), in respect of taxes paid in 2020 and 2021 are also still to be reviewed and audited by the authorities. In 2020, the Company made a provision of approximately BrR\$8.2 million against the recoverability of these taxes and during 2022 has made a further provision of BrR\$5.95 million (US\$1.15 million) in light of the continued uncertainty over the time period over which these taxes will be recovered. A finance cost has also been recorded arising from these same ICMS taxes although, having been set off against amounts owed to the Company, this has had no cash impact. Whilst the authorities confirmed the approval of BrR\$8.2 million of taxes and allowed these to be set off against tax liabilities owed to the State of Para they determined that interest and penalties should be assessed on taxes owed to the State whilst refusing to recognise the Company's claims for interest on amounts due to Serabi. Whilst this matter remains subject to legal appeal, the Company has reported a US\$1.82 million charge in respect of the fines and interest levied.

The Group has also been subject to a review process with the Brazilian Federal Revenue Commission relating to the Groups PIS/COFINS tax returns for the period 2006-2012. PIS and COFINS are federal taxes and are generally imposed on any Brazilian entity (the user of goods or services) and should apply to the purchase of goods and services at the rates of 1.65% and 7.6%, respectively. The PIS (Program of Social Integration) and COFINS (Contribution for the Financing of Social Security) are also chargeable on the revenues generated by the Brazilian entity but as an exporter Serabi does not levy any PIS and COFINS on its sales. The Group has determined based on its latest legal advice that it is likely this process will be subject to a lengthy judicial process which might take up to five years to be concluded. The initial tax credit claimed by the Group was BrR\$1.96 million (US\$0.38 million). Whilst the Group has submitted electronic evidence of its entitlement to recover this tax, the authorities are demanding physical paper copies which given the time period are no longer readily available. The Group has estimated the total accumulated interest and fines are estimated at BrR\$3.66 million (US\$0.7 million) and recorded a provision as a financial expense for 2022.

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## Strategic Report

### Chief Financial Officer's Review

#### Income and Deferred Taxes

During 2022 the Group has incurred an Income Tax liability of US\$890,176 which has been assessed on the profits generated from the Brazilian operations of its subsidiary Serabi Mineracao SA. There is no equivalent of group relief operating in Brazil so the operational losses relating to the startup of the Coringa mine ,which is held in a separate subsidiary, are being accumulated and will be set against the future profits from that operation.

The Group has recorded Deferred tax assets and liabilities arising from timing differences on certain transactions relating to the Group's activities in Brazil including the unrealised gains and losses arising from exchange rates fluctuations. The strengthening of the BRL since 31 December 2021 has given rise to an increase in the Deferred tax asset recognised in the year.

#### Hedging Activities

The Group has to date elected not to hedge its gold production, but in anticipation of further investment being required for Coringa, on 14 February 2023, the Group entered into hedging contracts with HSBC Bank plc whereby it acquired sell options over monthly quantities of gold over the period March 2023 to February 2024 totalling 10,215 ounces of gold at a price of US\$1,800. At the same time, it sold to the bank options in favour of the bank to buy the equivalent monthly quantities of gold at prices ranging between US\$2,000 and US\$2,065 per ounce. It also acquired options to sell monthly receipts of US Dollars ranging between US\$2.3 million and US\$1.15 million for Brazilian Real at an exchange rate of BRL5.10 to USD1.00. At the same time, it sold to the bank options in favour of the bank to buy from the Group the equivalent Brazilian Real receipts at exchange rates ranging from 5.325 to 5.800 over the same 12 month period. In this way the Group has secured a minimum equivalent gold price in Brazilian Real of BRL9,180 per ounce in respect of 10,215 ounces and sold options in favour of the bank of future prices ranging between BRL10,650 per ounce and BRL11,997 per ounce depending on the option expiry date. Since January 2021 the BRL price for gold peaked at BRL10,340 in November 2021 and was at a low of BRL8,556 in October 2022. The hedging arrangements are unsecured and not subject to margin calls.

#### Debt

In May 2022, the Group received US\$5 million of short-term loan funding through a Brazilian bank to provide some additional working capital. The nature of this arrangement is such that it must be physically repaid through the Brazilian Central Bank. In February 2023 the Group was offered a further similar unsecured loan arrangement for US\$5.0 million with Santander Bank in Brazil. The loan is repayable as a bullet payment on 22 February 2024 and carries an interest coupon of 7.96 per cent. The proceeds raised from the loan will be used for working capital and secure adequate liquidity to repay the initial loan which is due to be repaid on 12 May 2023. The Group has also secured during the year an unsecured facility with a major bank allowing the Group to enter into leasing of precious metals for up to 12 months at a time. The Group has not utilised this facility, but it provides a further opportunity for accessing short-term working capital.

Clive Line  
Finance Director  
2 May 2023

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## Strategic Report

### Going Concern and Longer-Term Prospects

The Group's business activities, together with factors likely to affect its future development, performance and position are set out in this Strategic Report. At 31 December 2022, the Group held cash of US\$7.2 million with a further receipt of US\$2.2 million for a sale of copper/gold concentrate due to be received in early January. It has subsequently reported that at 31 March 2023 it held cash of US\$13.2 million (including the proceeds of a US\$5 million working capital loan facility received in February 2023).

Further details of the financial position of the Group, its cash flows and liquidity position are described in the Chief Financial Officer's Review, with details of its balance sheet commitments set out in notes 16 to 20 of the Group Financial Statements. The Group Financial Statements includes commentary in note 22 regarding the Group's objectives, policies, and processes for managing its capital; whilst details regarding the Group's objectives concerning its financial risk management objectives; details of its financial instruments; and its exposures to credit, market and liquidity risk are set out in note 25. The Group monitors its capital position and its liquidity risk regularly throughout the year, updating as required cash flow models and forecasts taking into account revised production estimates, foreign exchange rates and metal price estimates as well as any variations in capital or operating cost estimates. Sensitivities are prepared that reflect the key operational and financial parameters.

Whilst each of the risks outlined in the Principal Risks section below has a potential impact on the business, the Directors focussed on those that are the most critical to the Group's prospects, which are considered to be:

- Geological risk (risk 2)
- Mining risk (risk 3);
- Licensing and environmental risk (risk 5) and
- Gold price and exchange rate risk (risk 7).

The Group's base case going concern assessment assumed the following:

- average gold price of US\$1,650 per ounce in 2023 and 2024;
- average exchange rate of BRL5.00 to USD1.00 in 2023 and 2024;
- gold production in line with published guidance;
- ore recovered from mining operations at Coringa continuing to be transported to the Palito Complex for processing;
- mining activities at São Chico being suspended;
- further development of the Coringa project including deepening of the ramp being deferred and funded from additional debt or other financing source but with renewed ramp development anticipated to commence in the fourth quarter of 2023; and
- exploration activity for new projects would be restricted with drilling programmes conducted by the Group using its own personnel and equipment.

Under the base case scenario, and following the Group securing a new US\$5 million working capital facility in February 2023, the Group had sufficient liquidity to fully repay the US\$5 million loan maturing in May 2023 with sufficient headroom thereafter for a period of at least 12 months from the date of this report to fund ongoing working capital requirements subject to the Group being able to renew or replace the February 2023 working capital of US\$5 million when it falls due in February 2024. The Group currently has access to an undrawn, unsecured lending facility with a major international bank that could replace this US\$5 million loan. In addition, the Group has flexibility to restrict some of its capital plans and exploration activity to liberate additional working capital.

Subsequent to the preparation of the base case assessment, the Group has completed hedging arrangements in respect of 10,215 ounces of gold over the period March 2023 to February 2024, securing a price of US\$1,800 in respect of that production increasing anticipated cash flow by approximately US\$1.5 million. This increased revenue would allow the Group to sustain a gold price reduction to US\$1,585 per ounce on its remaining gold sales (approximately 13.5% below current levels) or to absorb a shortfall in production of 900 ounces without significantly affecting its working capital position.

The Group operations are subject to a variety of licences issued by differing governmental bodies. At the current time management consider that the Group is in compliance with its licence obligations and there is no expectation that any existing licence will be withdrawn or may not be renewed when appropriate. The withdrawal or suspension of any licence may restrict or result in a suspension of the current operations. In recent years legislation and/or regulations have been amended at short notice in reaction to events at other mining operations. The Group has been able to react and fund the costs of complying with such changes in the past and management anticipate, given the nature and size of its operations, that the Group would continue to be able to do so in the future.



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## Strategic Report

### Going Concern and Longer-Term Prospects

#### **Conclusion**

The Directors have concluded that, based on the current operational projections, it remains appropriate to adopt the going concern basis of accounting in the preparation of these audited financial statements. The Directors acknowledge that the Group remains subject to operational and economic risks and any unplanned interruption or reduction in gold production or unforeseen changes in economic assumptions may adversely affect the level of free cash flow that the Group can generate on a monthly basis and its ability to secure further finance as and when required. The Directors consider that the Group will be able to secure the necessary external finance for the development of its Coringa project but that the timing of this may be dependent on the receipt of further permits and licences. The Directors have received no indications that the necessary permits and licences will not be awarded.

#### **Assessment of the Group's longer-term prospects**

The longer-term prospects of the Group are driven by its strategy and business model, as outlined on pages 11 to 13, whilst factoring in the Group's principal risks and uncertainties (pages 27 to 32). Assessment of the business is performed over a number of different time periods for differing reasons, which include an annual budget cycle (with reforecasts made as appropriate during the year) and a long-term corporate model which incorporates the latest annual budget and provides forecast cash flow detail for each of the Group's mining operations.

Extending the base case assessment (using long term gold prices of US\$1,650 per ounce and an exchange rate of BRL5.00 to USD1.00), and assuming that Coringa production ramps up in a similar manner to that originally projected in the 2018 Pre-feasibility study, the Group is projected to continue generating positive cash flows from operations sufficient to repay the anticipated debt requirements for development of Coringa. Thereafter, the Group intends to use cash generated from operations to develop other opportunities that it identifies from successful exploration and seek attractive investment opportunities, focused on the gold sector in Brazil and South America to grow the underlying value of the Group and build a broader base to develop in the future.

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## Strategic Report

### Risks and Controls

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. When assessing the Group's operations, the Board and management are conscious that the Group can elect to assume or tolerate a risk, introduce controls and processes that are intended to mitigate that risk, transfer the risk to third parties through insurance or other means or not pursue certain activities or actions to eliminate the risk entirely.

#### **Risk Framework**

In addition to management of risks inherent in mining and development operations, 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 Board and management consider the principal business and financial risks have been identified and appropriate 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 determines the Group'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.

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

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 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.

The Audit Committee is responsible, inter alia, for:

- Reviewing the Group'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 Group faces.
- Ensuring that the material business risks do not exceed the risk appetite determined by the Board.
- Overseeing the Group's risk management systems, practices and procedures to ensure effective risk identification and management, and compliance with internal guidelines and external requirements.
- 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.
- The Audit Committee reviews the adequacy of accounting and financial controls together with the implementation of any associated recommendations of the external auditor.

## Strategic Report

### Risks and Controls

The Board considers that the following risks are those which present the most significant uncertainty for the Group at the current time and could have the most serious adverse effect on its performance and reputation.

Risk		Link to going concern assessment	Link to Strategy and Business Model			
			Sustainable production	Exploration	Development	Acquisition
1	Capital and funding requirements for development of new projects			●	●	●
2	Geological risk	●	●	●	●	
3	Mining risk	●	●			
4	Project development risk				●	●
5	Licensing and environmental risk	●	●	●	●	
6	Personnel and expertise		●	●	●	
7	Gold prices and exchange rates	●	●			●
8	Bribery and corruption		●			●
9	Litigation		●			

Further details of these are set out below in the section Principal Risks and Uncertainties.

#### Internal Controls

The Group 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 considering ongoing assessments of the significant risks facing the Group.


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.


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.

The Board is responsible for ensuring that a sound system of internal control exists in order to safeguard shareholders' interests and the Group'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.


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Risks and Controls  
Principal Risk and Uncertainties


1. Capital and funding requirements for development of new projects		
<p>The Group requires access to capital in order to develop its Coringa project and other future potential projects. Uncertainty over the future returns from these projects and other macroeconomic factors may constrain ability to raise external finance. Reliance on cash flow from the Group's operations may not provide sufficient cash flow to fund development projects organically.</p>		<p><b>Change in risk level</b></p> 
<b>Potential Impact</b>	<b>Mitigation</b>	<b>Risk Movement</b>
<p>Impairment of development assets.</p> <p>Impairment of exploration assets.</p> <p>Ability to replace and grow mineral resource inventory.</p> <p>Loss of value for stakeholders.</p>	<p>Major new project developments need to have certainty of being fully funded at the time of any construction and development decision being taken.</p> <p>Delays in start up are unlikely to result in revocation of licences or other authorisations.</p> <p>Establishing annual budgets for exploration activity funded from operational cash flow. Exploration obligations can be spread over the licence period improving the likelihood of extension or conversion into mining licences for the most prospective areas.</p> <p>Active engagement with providers of finance including current and potential shareholders. Brokers, banks and other financing institutions.</p> <p>Looking at opportunities for joint ventures particularly for exploration activity which may significantly reduce funding risk whilst retaining significant upside optionality.</p>	<p>Improvement in the gold price has provided improved potential for cash generation both from existing and new projects reducing risk for lenders.</p> <p>Interest rate changes have increased borrowing costs.</p> <p>Recent governmental change is not considered to have significantly changed the long-term political and economic risk rating for Brazil.</p>

2. Geological risk		
<p>The Group's production and development projects are underground narrow vein gold deposits. By their nature such ore bodies can be erratic in the grade of gold within the vein and also the widths of these veins. Geological interpretations and therefore mine plans can be subject to change as additional data becomes available and greater understanding regarding the nature of the veins and their origins is established.</p>		<p><b>Change in risk level</b></p> 
<b>Potential Impact</b>	<b>Mitigation</b>	<b>Risk Movement</b>
<p>Reduction in gold production and associated cash flow.</p> <p>Impairment of development assets.</p> <p>Impairment of exploration assets.</p> <p>Ability to replace and grow mineral resource inventory.</p>	<p>The Group undertakes significant and systematic exploration activity before evaluating an ore body as an economic mineable resource and commissions independent technical experts to prepare reports to support the Group's internal assessments.</p> <p>Independent accredited laboratories are used to confirm assay data from samples recovered from exploration activity and confirm results from the Group's own laboratory facilities.</p> <p>As part of its on-going daily operational expenditure the Group actively undertakes exploration activity to assist</p>	<p>In the first quarter of 2022, the Group encountered unexpected geological interference to its production activity in the Julia Vein of the São Chico ore body. Whilst the occurrence of these intrusive dykes is confined to this westerly extension of deposit, the lack of immediately available alternate working areas necessitated increased mining activity at the Palito deposit and a higher level of focus on securing medium term production for the Palto deposit.</p> <p>In July 2021 the Group commenced development of the Serra Vein system which form part of the Coringa gold project. Until that time geological data</p>

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2. Geological risk		
	<p>its medium and long-term mine planning.</p> <p>The Group seeks to maintain a number of mining faces at any one time to minimise the risk of unforeseen geological events significantly impacting production.</p>	<p>to support indicative mine planning was confined to results obtained from core drilling of the deposit. Mine development has established three development levels extending north and south from the main access ramp providing significantly enhanced understanding of the ore body. Results to date have not varied management's assessment of the viability of the deposit.</p>

3. Mining risk		
<p>The Group's production and development projects are underground narrow vein gold deposits. Underground mines have inherent risks including those resulting from geological faults or varying rock types which may ultimately compromise certain areas from being mined on the basis of safety.</p>		<p><b>Change in risk level</b></p> 
Potential Impact	Mitigation	Risk Movement
<p>Reduction in gold production and associated cash flow</p> <p>Cessation or suspension of mine activity.</p>	<p>The Group employs personnel with significant experience and understanding of similar deposits and mining operations.</p> <p>Mining methods consider the ground conditions and competency of the host rock and appropriate and recognised measures taken to provide support in areas where the integrity of the host rock may be compromised.</p> <p>The ground conditions at the Group's various operations have historically been very good with limited occurrences of faulting or other features that may present significant challenges to working conditions and employee safety.</p> <p>The Group uses remote controlled equipment in any areas that are considered to present any potential hazard.</p>	<p>The continued development of the Coringa mine during 2022 has allowed management to understand better the prevailing ground conditions and evaluate and mitigate any potential problems that could impact the safety of mining operations of this new deposit.</p> <p>Whilst new areas continue to be identified and mined at the Palito deposit there has been no identifiable change in the competency of the host rock.</p> <p>At the São Chico deposit whilst the existence of intrusive dykes reduced the payability of the Julia Vein, they did not compromise the safety of the mining operation.</p>

4. Project development risk		
<p>The Group's Coringa project was originally scoped to include the construction of a full scale gold processing and production plant. With any engineering project there is always the potential for delays, cost-overruns or under-performance which can significantly impact economic viability or result in increased financial resources being required.</p>		<p><b>Change in risk level</b></p> 
Potential Impact	Mitigation	Risk Movement


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4. Project development risk		
<p>Inability to secure funding because of perceived construction and development risks</p> <p>Reduction in forecast gold production and associated cash flow</p> <p>Inability to repay debt obligations resulting in breaches of covenants or other undertakings leading to security undertakings and other guarantees being enforced against the Group.</p> <p>Higher operational costs than forecast.</p>	<p>The Group's operations are based in Brazil, a country with a long and successful mining history and with a well-established and experienced network of contractors, fabricators and engineering expertise.</p> <p>The Group has an established and skilled workforce and access to engineering and fabrication specialists with experience of designing, building and operating similar mines and gold process plants.</p> <p>The Group owns and operates a gold process plant at its Palito Complex which has been processing gold ore recovered from Coringa since July 2022.</p> <p>The Group has successfully developed three mining levels over the past eighteen month period.</p> <p>The Group has trialed successfully ore sorting on ore recovered from the Serra deposit at Coringa. Ore sorting test work has significantly reduced the levels of waste that would otherwise be processed and increased the underlying average grade of the resulting material that remains to be processed.</p>	<p>The Group has identified that using ore sorting technology, there is adequate capacity to process Coringa gold ore at the existing Palito Complex process plant. This will allow for significantly reduced development risk, lower capital costs and therefore financing needs. Operating cash flows will be impacted by costs of transportation of ore between the Coringa and Palito sites.</p> <p>Future process capacity can be established by further expansion of the Palito Complex plant or a dedicated Coringa plant as originally envisaged but can be financed on the back on higher production levels and free cash flow.</p>

5. Licencing and environmental risk		
<p>The Group's mining, development and exploration projects are subject to a variety of licencing conditions including environmental permits. The ability to continue mining operations, undertake construction and development activities or exploration is dependent on obtaining the necessary licences in good time, and maintaining these in good order.</p>		<p><b>Change in risk level</b></p> 
<p><b>Potential Impact</b></p> <p>Mining operations may be suspended or subject to other enforcements notices.</p> <p>Construction and development of new projects may be delayed whilst permits are obtained and permits and licences that have been granted may still be subject to legal appeals or other disruptive actions by other interested parties.</p> <p>Exploration activities may be delayed or cancelled if authorisations to obtain access or environmental permissions are delayed or denied.</p>	<p><b>Mitigation</b></p> <p>The Group has operated in the Tapajos region of Para, where its projects and exploration activities are located, for over 20 years. During this time, it has established strong relationships with the various governmental agencies and local communities and obtained excellent understanding of the necessary procedures and policies to be followed.</p> <p>The Group's operations have a small footprint, the mines are underground, and with high-grade ore. The volume of material required to be mined is low compared with surface mining operations and therefore have a relatively low environmental impact.</p> <p>The Group has established processes for monitoring and reporting and updates</p>	<p><b>Risk Movement</b></p> <p>In December 2021, a court of appeal ruled in favour of the office of the Brazilian public prosecutors ("MPF") denying the ANM and SEMAS from issuing new licenses until appropriate consultations had been made with indigenous communities. The decision was appealed by the Group, the ANM and SEMAS as not being in accordance with Brazilian law. However, the initial decision was upheld in August 2022 as being in accordance with international practice and therefore in the best interests of those indigenous communities. An indigenous impact report that has been undertaken on behalf of the Group in relation to Coringa, was finalised at the end of April 2023, and is now being reviewed by the indigenous communities and will</p>


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5. Licencing and environmental risk		
	<p>these as required to meet changing legislative and other requirements.</p>	<p>then be passed to FUNAI, the government agency responsible for the Brazilian indigenous people, for their final approval.</p> <p>Prior to the court decision in December 2021, in the fourth quarter of 2021 SEMAS and FUNAI had requested, and the Group had agreed, to undertake an indigenous impact study ("ECI") notwithstanding that this had not previously been a licencing requirement.</p> <p>The Group has not received any notices of a breach of any of its other licencing obligations and all other renewals and applications during 2022 were processed in a timely manner.</p> <p>Climate change considerations continue to increase as well as the awareness of the potential for environmental damage arising from mining operations. The Groups ability to reduce its carbon footprint to meet increasing requirements from investors and global initiatives will be challenging in light of the restrictions imposed by its geographical location and the limitations of local infrastructure both current and anticipated.</p>

6. Personnel and expertise		
<p>The Group's is reliant of a small number of senior individuals who manage the day to day activities. In addition, the specialised nature of the Group's mining operations means that it is dependent on an operational team that has specific skills and experience in the mining of narrow vein underground deposits. These skills are not readily available in Brazil and the Group has trained its personnel in the particular skills and understanding relevant to its mining operations. Although there is no significant similar mining operation expected to be developed in the near vicinity, other gold mining projects are being developed nearby resulting in increased competition for personnel and there is no guarantee that the Group will be able to attract and retain all personnel necessary for the operation and development of its business. Mining professionals are accustomed to relocating for the purposes of progressing their careers and therefore the Group's employees may be attracted to employment opportunities both in other parts of Brazil and in other countries.</p>		<p><b>Change in risk level</b></p> 
<p><b>Potential Impact</b></p> <p>Increased staffing costs as a result in increased salary levels required for staff retention.</p> <p>Reduced productivity as a result of higher staff turnover, unfilled vacancies and reduced experience and skill levels.</p>	<p><b>Mitigation</b></p> <p>The Group seeks to provide attractive remuneration and benefits arrangements for its staff, designed to attract and retain key employees.</p> <p>The Group has established a loyal group of senior employees who have responsibility for planning and strategy.</p> <p>Bonus schemes in place to incentivise key employees.</p>	<p><b>Risk Movement</b></p> <p>The Group has been a significant employer in the region for a number of years with little competition from other mining companies. In the last 12 months the development of the Tocantinzinho gold project located approximately 60 kms from the Palito Complex has commenced and the Group's staff increasingly approached to work with this new project. As mining operations have not yet started opportunities have tended to be in administrative and project planning roles but should</p>


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6. Personnel and expertise		
		progress continue this risk is likely to increase.

7. Gold prices and exchange rates		
<p>The Group sells all of its product into the international market and receives prices for its gold and other metals linked to world market prices. Whilst revenues are denominated in US Dollars the Group estimates that 85 per cent of its expenditures are undertaken in Brazilian Real. It is therefore exposed to any adverse correlation between the gold price denominated in US Dollars and the Brazilian Real exchange rate with the US Dollar.</p>		<p><b>Change in risk level</b></p> 
<b>Potential Impact</b>	<b>Mitigation</b>	<b>Risk Movement</b>
<p>Reduced operating margins and cash flow generation.</p> <p>Reduced ability to raise finance because of perceived risk.</p> <p>Restrictions on cash flow may require that discretionary expenditure for project development or exploration be reduced or delayed.</p>	<p>The Group monitors the gold price in Brazilian Real to ascertain its exposure to gold price and exchange rate movements. Over the past 3 years the average price per ounce has not declined below BRL•••• for any significant period providing an element of stability for planning purposes.</p> <p>The Group has available finance facilities that allow it to hedge some of its exposure to gold price and exchange rate fluctuations for a period of time.</p> <p>The Group has hedged approximately 10,000 ounces of gold production at a price of USD1,800 for the 12 month period from March 2023 to February 2024 and also hedged its BRL exposure by hedging the receipts to guarantee a minimum exchange rate of BRL5.10 to USD1.00 on the sale proceeds.</p>	<p>Gold prices in BRL were broadly similar between 2021 and 2022 with the average price of BRL9,218 per ounce being 4% lower than the average price for 2021</p> <p>The price has fluctuated between BRL9,300 and BRL10,300 per ounce since 1 January 2023.</p> <p>The market price for gold appears relatively strong supported by uncertainty over inflationary effects and higher interest rates. The current projections by economic forecasters are for the Brazilian Real to remain at or below current levels with some local banks projecting a rate of BRL5.50 by the end of 2023.</p>



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8. Bribery and corruption		
<p>The Group 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. Any licence or permit that the Group 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><b>Change in risk level</b></p> 
Potential Impact	Mitigation	Risk Movement
<p>Loss of licences may lead to cessation of production, inability to develop projects or limit exploration opportunities.</p> <p>Engagement in bribery is likely to limit the Group's competitiveness in the market place going forward, resulting in loss of value for stakeholders.</p>	<p>The Group's code of corporate governance specifies the measures the Group 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>	<p>There have been no recent new high-profile proven cases of corruption, though the recent elections have generated accusations against various figures.</p>

9. Litigation		
<p>The Group is subject, as a matter of course, to various actions both as defendant and plaintiff. Actions against the Group are often brought by former employees seeking additional compensation related to their employment. The court process in Brazil can be lengthy with a number of stages of appeal as cases progress from Municipal to State to Federal levels. As a result, claims may take many years to be resolved</p>		<p><b>Change in risk level</b></p> 
Potential Impact	Mitigation	Risk Movement
<p>Uncertainty over the level of potential compensations claims as actions may be vexatious or frivolous.</p> <p>Litigation can be time consuming and detract management focus from core activities.</p> <p>Contingent liabilities arising from litigation may impact on the Balance Sheet of the Group and its ability to raise finance.</p>	<p>The Group has robust recruitment and HR measures, medical monitoring and accident recording and prevention to minimise the potential for spurious accident or medically related claims.</p> <p>The Group employs specialist lawyers to manage the day to day court processes with the Group's HR personnel providing supporting documents and records as required.</p> <p>The Group seeks a negotiated settlement if and when it considers that the claimant has any justified claim.</p>	<p>The Group has not experienced any significant increase or decrease in claims in the past 12 month period.</p> <p>The Group dismissed a senior member of its Brazilian management in 2021 on suspicion of fraud against the Group. The individual has counterclaimed for wrongful dismissal. The court has continued to gather evidence and expert witness reports and received submissions from the parties. A formal hearing before the judge calling witnesses from both sides has not yet been held.</p>

Key



Risk has decreased



No change



Risk has increased

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## Strategic Report

### Environmental and Social

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 excellent track record from an environmental perspective although continually strives to improve.

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. The following summarises the actions that Serabi has taken, and the performance achieved during the 2022 calendar year.

#### Key highlights

- Compliance with all **legal, environmental and regulatory** requirements to operate
- Steady **improvement in health & safety** record with ~30% compound annual decrease in lost time injuries and total reportable injuries since 2017 following continued focus on training and oversight
- Responsible **environmental stewardship** with
  - small footprint from underground mines with no conventional tailings dams
  - zero activity in primary rain forest
  - continuous monitoring of air and water quality
  - maximising recycling of water and waste materials
  - remediation of sites degraded by artisanal mining activity
  - monitoring of biodiversity and on site nursery for cultivation of indigenous plants and trees
  - 62% of waste recycled or repurposed
- **Greenhouse Gas Emissions** well below industry average emissions of 0.37t CO<sub>2</sub> equivalent per ounce of gold produced, compared with 0.41t CO<sub>2</sub> e/ oz in 2021 (Scope 1&2)
- **Supporting the local economy:**
  - 70% of employment sourced from Para State (79% in 2021)
  - 45% of procurement of goods and services sourced from Para State (64% in 2021)
- **Community & stakeholder support and engagement:**
  - 131 community/ stakeholder meetings held
  - investment of US\$500,000 in community programmes
  - clean water and electricity to local communities
  - road and infrastructure maintenance
  - support for local indigenous communities
  - 2,073 school children supported with the donation of musical instruments, support for sports events and awareness campaigns, in addition to help with infrastructure and equipment
  - 405 people passed through environmental education programmes
  - 351 people received medical support
  - 60 people participated in Young Apprentice programme
- Establishment of a committee of the Board of Directors with specific responsibility for monitoring ESG performance

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## Strategic Report

### Environmental and Social

Serabi has been operating for 21 years in the Tapajós region in the State of Pará and has close cooperation with the local communities around its mines, Jardim do Ouro, Moraes d'Almeida, Novo Progresso and Itaituba. The Group'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.

#### Legal, environmental and regulatory compliance

During 2022, Serabi remained in compliance with all legal, environmental and regulatory requirements. Other than for planned maintenance downtime or power outages, the Company was required to stop the plant on only a single occasion due to unplanned maintenance on the plant discharge systems. There were no reportable environmental incidents during the year.

#### Occupational Health and Safety

Serabi has made a significant investment in personal health and safety at work. The Group 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 the Daily Health, Safety and Environment initiative ("DSSMA"). These programmes help make employees aware of safety issues and best practices to reduce the risk of accidents. During 2022 a total of 9,251 hours of safety training was provided to employees, an average of 14 hours per employee.

Injury rates remained low during the year with a single Lost-Time Injury ("LTI") reported and five Total Reportable Injuries ("TRIs") compared with zero and eight respectively in 2021. Since 2017, LTIs have shown a 29.9% compound annual decline and TRIs have declined by a compound annual rate of 31.1%.



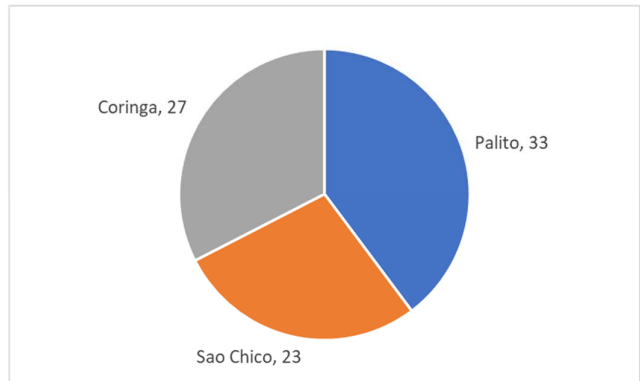
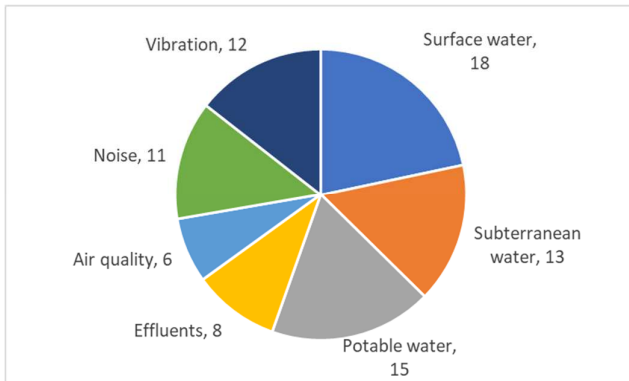


The Group undertakes regular health initiatives for all its staff covering matters such as mental health, stress management sexually transmitted diseases and breast and prostate cancer awareness. These group sessions involving specialist health professionals, are aimed at improving understanding, prevention and treatment of these and other health problems.

**Environmental Stewardship**

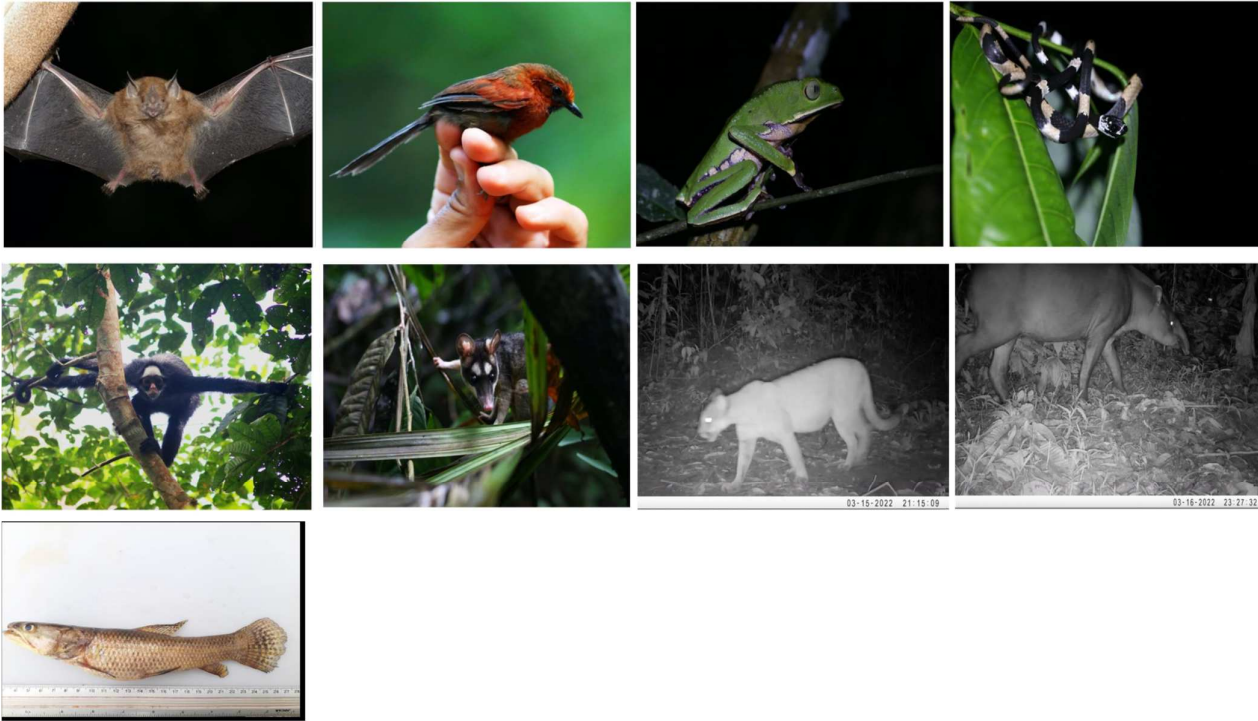
Operating within the Amazon basin brings additional responsibility on Serabi as well as added scrutiny. The Company welcomes this scrutiny and at all times seeks to minimise its impact on the environment and maintains a policy of undertaking zero activity within primary rain forest.

Continuous monitoring of any impacts the Company may have ensure adherence to the required standards and also allows the Company to identify any issues that may arise and address them. Eighty three environmental monitoring stations are established across each of the Group’s operating sites, measuring the quality of air and surface, underground and potable water , whilst measuring noise and vibration levels and controlling the risk of effluent leakage.



## Strategic Report Environmental and Social

In addition to the monitoring described above, the Company undertakes annual surveys of biodiversity at its operating sites. This is both to monitor the general health of biodiversity but also identify any endangered or threatened species. With the tight controls on suppression of vegetation and protection of wildlife, Serabi's operating sites are typically more densely forested than the surrounding area which is frequently cleared for farming. As such, the operating sites become havens for wildlife with a broad spectrum of mammals, birds, amphibians and reptiles identified. Mammal species in particular were found to be in higher concentrations than expected.



Serabi has a nursery in which it grows native trees for rehabilitating deforested areas including areas impacted by historic artisanal mining activity and areas licenced for suppression by the Company to undertake exploration activities.

During 2023, a programme has been initiated to plant 1,400 native trees around the Palito mine site, whilst we anticipate that approximately 6,800 square meters will be revegetated across the three mining areas.



Serabi aims to maximise the amount of process plant water it recycles to minimise its fresh water demand. In total 32% of process water was recycled during 2022, down from 51% during 2021 due to modifications in the process plant although the overall water usage declined by almost 10% from 331,000m<sup>3</sup> in 2021 to 302,000m<sup>3</sup> in 2022.

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## Strategic Report

### Environmental and Social

In addition, the Company has a policy of recycling as much waste material as possible, achieving a level of 62% during the year.

#### Greenhouse Gas Emissions

With a small footprint and high grade deposit, Serabi sits well below the industry average for greenhouse gas emissions with 0.37 tonnes of carbon dioxide equivalent emitted per ounce of gold produced (compared with the industry average of 0.8t CO<sub>2</sub> e/oz from 2019) based on Scope 1 & 2 (direct emissions and indirect emissions from energy consumption respectively).

The Company relies on diesel generators for power during the day and for all its mining fleet, using grid power, mainly hydro-electric ("HEP"), to run the plant at night. As the grid power infrastructure and reliability improves, the Company will increase its usage of HEP and thereby further reduce its greenhouse gas emissions.

#### Supporting the local economy:

Serabi seeks to ensure its activity maximises the benefits to the local region. 70% of employees come from Para State and 32% are from the immediate communities. Year on year we continue to try and increase the numbers of staff recruited from both the neighbouring communities and the wider State of Para. In addition, the Company tries to maximise its procurement of goods and services locally, with 45% of its requirements sourced from Para State and 32% sourced from within 100km of its operating sites.

#### Community programmes

The Group's community and social relations professionals undertake regular meetings with the neighbouring communities to understand the needs of the local residents, 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. Of a total of 58 requests the Group is pleased that it was able to provide assistance to satisfy a total of 42 of these requests. In total approximately US\$500,000 was provided to community support programmes during 2022.

Our staff have also run health awareness campaigns in the local communities, provided environmental educational programmes including waste disposal and recycling facilities, and provided continued support for local vaccination programmes.



We have also established partnerships with key groups including the City Hall of Novo Progresso and Lions Club International for road maintenance activities and health projects respectively. We are also providing financial support to an educational, and training initiative in Novo Progresso supporting a school of jewellery manufacture and craftsmanship and developing new skills and opportunities for residents in the community.



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. At school level we have established a partnership with the schools in Moraes Almeida to stimulate and improve the reading skills of students, created a young apprentices programme providing an opportunity for young people to prepare for working life, and are developing a technical training programme for young adults.

#### Community health

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 Group provides an ambulance to take patients to hospitals.



#### Indigenous population

Interaction with indigenous communities is strictly controlled by legislation, and Serabi has worked with government agencies to bring about improvements in the levels and quality of water supply to the Kayapó community. During 2022, the Group, through its consultants and in collaboration with FUNAI the

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## Strategic Report

### Environmental and Social

government agency for indigenous communities, undertook an impact assessment study for the Group's Coringa project. During this process we have continued to receive very positive support and encouragement from the indigenous communities.

#### Diversity

The following table summarises the levels of staff, by gender, employed by the Group at the end of 2022.

	Male		Female	
	Number	(per cent)	Number	(per cent)
Board	6	100%	—	0%
Administrative offices	9	50%	9	50%
Palito Mine	542	95%	30	5%
Sao Chico Mine	16	80%	4	20%
Coringa Mine	38	84%	7	16%

This Strategic Report was approved by the Board on 2 May 2023  
By order of the Board

Clive Line  
Company Secretary  
2 May 2023



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# Corporate Governance

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## CORPORATE GOVERNANCE

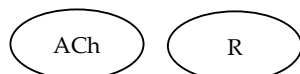
### Board of Directors

#### **Michael Lynch-Bell, Non-Executive Chair**

Michael spent a 38-year career with Ernst & Young (EY), having led its Global Oil and Gas, UK IPO and Global Oil and Gas and Mining transaction advisory practices. He was a member of EY's Assurance Practice from 1974 to 1996, when he transferred to the Transaction Advisory Practice. He was also UK Alumni sponsor and a member of the firm's Europe, Middle East, India, and Africa and Global Advisory Councils. He retired from EY as a partner in 2012 and continued as a consultant to the firm until November 2013. He is also a non-executive director of London-listed Gem Diamonds Limited, and independent non-executive chairman of ASX-listed Little Green Pharma.

Mr Lynch-Bell (FCA) graduated with a BA Hons Economics and Accountancy (University of Sheffield) and is a member of the Institute of Chartered Accountants in England and Wales.

#### **Committee membership:**



#### **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.

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## CORPORATE GOVERNANCE

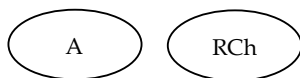
### Board of Directors

#### **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.

#### **Committee membership:**



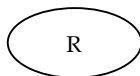
#### **Carolina Margoizni, Non-Executive**

Carolina is Principal of Private Equity & Venture Capital at Megeve Investments ("Megeve"), where she is focused on direct private equity investments in Mining and Energy within Latin America, and technology investments globally. Megeve is an investment adviser to Fratelli. She currently serves as Board Member at Haldeman Mining Company, a copper and gold producer in Chile, and at Colgener, a Colombian Energy Company. Previously, she was Head of Research and Financial Analysis at Blumar, a fishery and salmon farming company. She started her career in Investment Banking at the local branch of Citibank, where she gained experience in M&A, Equity, and Debt Capital Markets.

Carolina has a bachelor's degree in Business and Administration with a

Major in Finance from Universidad Católica de Chile.

Committee membership:

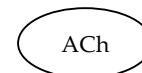


#### **Luis Azevedo, Non-Executive**

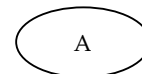
Luis is a resource industry professional with significant international experience. He is both a licensed lawyer and geologist with over 27 years of business and mining experience, specifically in Brazil. He is currently the Managing Partner at FFA Legal Ltda, a legal firm he founded with its main office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

*Audit Committee Chair*



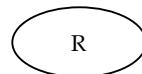
*Audit Committee Member*



*Remuneration Committee  
Chair*



*Remuneration Committee  
Member*



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## CORPORATE GOVERNANCE

### Governance Report

#### Introduction from the Chair

Dear Shareholders

I assumed the role of Non-Executive Chair on 8 August 2022, the appointment of an independent Chair having been a key recommendation arising from an independent assessment of the Board and its operation completed for the Group in February 2022. My approach towards governance, alongside that of my fellow directors, is that we all recognise the importance and value of sound governance practices and support the principles of continuing to develop appropriate and good corporate governance which can underpin Serabi's operations. In this section we set out the Group's governance arrangements and provide further information on how the Board and its Board Committees operate. The year in review was challenging for Serabi but prompt action by management supported by the Board has ensured that it is in a considerably stronger position than some might have anticipated a year ago. It has some exciting growth opportunities during 2023 and important strategic decisions to maximise returns to stakeholders.

Whilst I and the rest of your Board will continue to work closely with management on the operational and financial aspects of the business, I will also be focussed on enhancing some other aspects and in particular to ensure that the Board is closely monitoring the Group's health, safety, social and environmental obligations and also improving its level of ESG reporting and seeking to ensure that it is meeting best practice. Increasingly we are seeing institutional investors adopting stricter mandates for their qualifying investments and we need to ensure that Serabi continues to attract the widest possible investor audience. We have now established a Sustainability Committee and its initial scope is summarised in this Annual Report. The remit of the Audit Committee will be expanded to include risk and compliance matters during this year, ensuring that the Board is fully compliant with its governance obligations.

The Board has overall responsibility for setting the Group's strategic aims, defining the business plan and strategy and managing the financial and operational resources of the Group. The delivery and implementation of the business plan and strategy resides with the Executive Directors and the executive team (senior management) who in turn are supported by a range of functional teams, and external service providers as required. As Serabi continues to pursue its growth objectives, good corporate governance and culture continue to be of the utmost importance, I look forward to engaging with all of our stakeholders, as we seek to create value and operate ethically and responsibly.

Michael D Lynch Bell  
Chairman  
2 May 2023

#### Corporate Governance Statement

**This Governance Report incorporates the Audit Committee Report on page 51, the Remuneration Committee Report on page 57, the Directors' Remuneration Report on page 65 and the Directors' Report on page 72**

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 Group 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 Group has instituted corporate governance practices that also, where practical, take consideration of these guidelines. The Group 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. The table below sets out the ten principles and how the Company has applied them, together with further references on where more detailed information can be found in this report and on the website. Details of how the Company applies each of the principles can be located at <http://www.serabigold.com/corporate/corporate-governance>.

Governance principles	Compliance /Application
Establish a strategy and business model to promote long-term value for stakeholders	The Group is <ul style="list-style-type: none"><li>is focussed on pursuing gold mining opportunities in Brazil appropriate to the Group's size and capabilities,</li><li>will identify and evaluate high quality opportunities through exploration or acquisition,</li></ul>

CORPORATE GOVERNANCE  
Governance Report

Governance principles	Compliance /Application
	<ul style="list-style-type: none"> <li>• expects to plan, finance and build new mines in a timely and cost-effective manner, and</li> <li>• will seek continuous operational improvements to maximise value.</li> </ul> <p>Further details are set out in the section Strategy and Business Model earlier in this Annual Report.</p>
Understanding Shareholder Needs and Expectation	<p>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.</p> <p>The Group 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.</p> <p>The Board maintains a regular dialogue with the Group’s major institutional investors, providing them with such information on the Group’s progress as commercial confidentiality, market abuse rules and other legal requirements permit.</p> <p>The Group 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 Group 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.</p>
Considering Wider Stakeholder and Social Responsibilities	<p>The Group has staff dedicated to ensuring that it has active relationships with local communities who are within the vicinity of its operations to understand their concerns and expectations, thereby seeking to ensure mutually beneficial co-operation for both sides. The Group is subject to oversight by a number of different governmental and other bodies who directly or indirectly are involved with the licensing and approval process of mining operations in Brazil. Additionally, given the nature of the Group’s business, there are other parties who, whilst not having regulatory power, nonetheless have interest in seeing that the Group conducts its operations in a safe, responsible, ethical and conscientious manner. The Group makes all reasonable efforts, directly or through its advisers, to engage in and maintain active dialogue with each of these governmental and non-governmental bodies, to ensure that any issues faced by the Group, including but not limited to regulations or proposed changes to regulations, are well understood and ensuring to the fullest extent possible that the Group is in compliance with all appropriate regulation, standards and specific licensing obligations, including environmental, social and safety, at all times.</p> <p>Further details are set out in the Stakeholder Engagement section of the Strategic Report.</p>
Risk Management	<p>The Board of Directors and the members of the Audit Committee and Senior Management consider that they have identified and assessed the principal risks and uncertainties and the actions required to mitigate against these. Significant decisions are deliberated by the Board following robust consideration of any exposure to identified risks, and the associated risk tolerance and appetite.</p> <p>Details of the Board’s assessment of the Risks and Controls are set out on pages 25 to 32.</p>

CORPORATE GOVERNANCE  
Governance Report

Governance principles	Compliance /Application
A well-functioning and balanced Board of Directors	<p>The Board comprises two members of the executive management, two shareholder representatives and three other independent non-executives including the Chair. The Board meets regularly and receives monthly operational financial and other reports from the executive management. Whilst two of the non-executive directors are not considered to be independent by virtue of their relationship with significant shareholders, nonetheless the Board considers that as a whole it is able to exercise independent judgment and the role of a Directors is restricted in the event of any potential conflict of interest.</p> <p>The Board meets on a regular basis and during 2022 met a total of 15 times. The frequency of Board meetings, as well as the nature of agenda items, varies depending on the state of the Group's affairs and in light of opportunities or risks which the Group faces.</p> <p>See pages 43 to 50 of the Governance Report for further information on our Governance Framework, how the Board functions, the number of meetings held and the work carried out by the Board and its committees throughout the year in review.</p>
Appropriate Skills and Experience of the Directors	<p>The current balance of skills in the Board as a whole reflects a broad range of commercial and professional skills across geographies and the natural resources industry and each of the Directors has previous experience in public markets. Of its seven members, its membership covers three nationalities, and includes two Directors with strong technical mining and geological expertise, two Directors with financial backgrounds, one Director with a legal background specialising in the natural resources sector in Brazil and two Directors bringing investment banking and corporate finance experience.</p> <p>See pages 41 to 42 for further details on each of the Directors.</p>
Evaluation of Board Performance	<p>Over a period between November 2021 and February 2022, an independent evaluation was undertaken by Board Excellence, an international board consultancy practice. The core objectives were to complete an assessment of the Board's effectiveness, performance and compliance with</p> <ul style="list-style-type: none"> <li>• The QCA Corporate Governance Code</li> <li>• TSX Governance requirements</li> <li>• Relevant aspects of the UK Corporate Governance Code (2018)</li> <li>• UK Financial Reporting Council Guidance on Board effectiveness (July 2018)</li> <li>• Internationally recognised board best practices</li> <li>• Board Excellence's own experience and board best practices</li> </ul> <p>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 who was appointed in August 2022. Other areas that the review highlighted for action includedJ</p> <ul style="list-style-type: none"> <li>• increased levels of independence and diversity</li> <li>• a reduction in the size of the Board whilst prioritising gender diversity</li> <li>• for the Audit Committee to assume a greater role in Group's risk management framework including Cyber risks</li> <li>• 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.</li> </ul>

CORPORATE GOVERNANCE  
Governance Report

Governance principles	Compliance /Application
	<ul style="list-style-type: none"> <li>• that an annual cycle be established for consideration by the Board of key matters such as risk management, strategy, budget approval and succession planning.</li> <li>• outsourcing of the Group Secretarial function</li> <li>• developing templates for the preparation of Board papers</li> <li>• development of an appropriate succession plan for the senior executives</li> </ul>
Corporate Culture	<ul style="list-style-type: none"> <li>• 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:</li> <li>• 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;</li> <li>• 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;</li> <li>• 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;</li> <li>• 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</li> <li>• 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</li> </ul>
Maintenance of Governance Structures and Processes	<p>Ultimate authority for all aspects of the Group’s activities rests with the Board, with the responsibilities of the Executive Directors arising as a consequence of delegation by the Board.</p> <p>The Board has adopted appropriate delegations of authority which set out matters which are reserved to the Board.</p> <p>The Chairperson is responsible for the effectiveness of the Board, while management of the Group’s business and primary contact with shareholders has been delegated by the Board to the Chief Executive Officer and the Finance Director.</p> <p>The Board has established an Audit Committee, a Remuneration Committee and a Project Steering Committee who undertake certain oversight responsibilities on behalf of and report back to the Board .</p>
Shareholder Communication	<p>The Board reports to the shareholders on its stewardship of the Group through the publication of quarterly operational updates and quarterly and full year financial results. News releases are issued throughout the year and the Group maintains a website (<a href="http://www.serabigold.com">www.serabigold.com</a>) on which press releases, corporate presentations and the Report and Financial Statements are available to view. Additionally, this Report and Financial Statements contains extensive information about the Group’s activities. Enquiries from individual shareholders on matters relating to the business of the Group are welcomed. Shareholders and other interested parties can subscribe to receive notification of news updates and other</p>

CORPORATE GOVERNANCE  
Governance Report

Governance principles	Compliance /Application
	<p>documents from the Group via email. In addition, the Executive Directors meet with major shareholders to discuss the progress of the Group and provide periodic feedback to the Board following meetings with shareholders.</p> <p>The Annual General Meeting, and other meetings of shareholders that may be called by the Group from time to time, provide an opportunity for communication with all shareholders and the Board encourages the shareholders to attend and welcomes their participation. The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Group has close ongoing relationships with its private shareholders. Institutional shareholders and analysts can discuss issues and provide feedback at meetings with the Group. In addition to its Annual Report the Group provides detailed quarterly reports outlining operational and financial performance in each quarter.</p> <p>The outcome and detailed results of shareholder votes are reported following each meeting of shareholders. There has been no instance in any recent shareholder meeting whereby the votes cast have not been substantially in favour of the resolutions proposed by the Board. If a significant number of the independent votes cast (greater than 20%) were not cast in favour of a resolution, the Board and management would seek to better understand that vote and consider taking actions as a result of that vote.</p>

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

The Board is currently comprised of the Chief Executive, Mr Mike Hodgson, the Financial Director, Mr Clive Line and five Non-executive Directors. Of the Non-executive Directors, Mr Michael Lynch-Bell, Mr Luis Azevedo and Mr Aquiles Alegria are considered to be independent, whilst Ms Carolina Margozzini and Mr Mark Sawyer, under the QCA Code, by virtue of being appointed representatives of significant shareholders, are not considered to be independent. Biographical details of the current Directors are set out on the Group's website and on page 41 and 42 of this report.

Board composition during the year under review

Name	Role	Independent	Period of service at 31 Dec 2022	Date of appointment	Date of resignation
<b>Executives</b>					
Michael Hodgson	CEO	No	15 yrs 11 mths	1 February 2007	
Clive Line	CFO	No	17 yrs 9 mths	14 March 2005	
<b>Non executives</b>					
Michael Lynch-Bell	Non-executive Chairperson	Yes	5 mths	8 August 2022	
Aquiles Alegria	Non-executive Director	Yes	8 yrs 6 mths	7 July 2014	10 March 2023
Luis Azevedo	Non-executive Director	Yes	2 yrs 8 mths	27 April 2020	
Nicolas Bañados <sup>(1) (3)</sup>	Non-executive Director	No	9 yrs 7 mths	13 May 2013	24 January 2023
Mark Sawyer <sup>(2)</sup>	Non-executive Director	No	4 yrs 9 mths	23 March 2018	
T Sean Harvey	Non-executive Director	Yes	N/A	30 March 2011	28 June 2022
Eduardo Rosselot <sup>(1)</sup>	Non-executive Director	No	N/A	2 October 2012	8 August 2022

(1) Shareholder nominated Director representing Fratelli Investments Limited.

(2) Shareholder nominated Director representing Greenstone Resources II LP.

(3) On 24 January 2023, Ms. Carolina Margozzini was appointed to the Board as the representative of Fratelli Investments Limited replacing Mr Nicolas Bañados.

The Board has established an Audit Committee and a Remuneration 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



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can be discharged by the Remuneration Committee currently or, if the circumstances so dictate, the Board as a whole. The Board is in the process of establishing a Sustainability Committee. At the present time the Board takes collective responsibility for all other aspects of Corporate Governance.

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.

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.

#### **Board function and activities during the year**

The Board is collectively responsible for the long-term success of the Group and is therefore responsible for setting the strategic objectives and ensuring they are properly pursued. In addition, the Board ensures that major business risks are actively monitored and managed and to be accountable to the all the Group's stakeholders. Principal decisions of the Board are those which potentially have a long-term strategic impact and are material to the Group, and/or are significant to 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 Group:

**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) Continuation of the Coringa mine development and processing of ore recovered at Palito.**

In July 2021, the Group commenced work to establish the mine portal for the Serra Vein. Initially undertaken to expose the veins and obtain better understanding of the ore body. The Board approved the continued development of Coringa during 2022, and management's recommendation to start processing of ore being recovered using the gold plant located at Palito.

**3) 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. 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.

**4) Adjustment of 2022 production plan and underground drilling programmes to prioritise securing long term production at Palito.**

Following the first quarter production issues at São Chico, management recommended that underground drilling be focussed at Palito to build the mineral resource inventory and secure medium-term options to sustain production. Underground drilling at São Chico was deferred and management recommended using development of Coringa to provide additional gold production to replace gold production lost from São Chico.

**5) Temporary suspension of mining activities at São Chico.**

Management have identified that for 2023, the process plant can be kept at close to capacity with the processing of ore from the Palito and Coringa deposits. Ore from both these deposits is amenable to ore-sorting and therefore the resultant feed grade is projected to be higher than can be recovered from the São Chico deposit. Management have therefore recommended a temporary suspension of mining activity from the São Chico deposit. This allows adequate time to

## CORPORATE GOVERNANCE

### Governance Report

undertake both surface and underground drilling programme at São Chico to increase the mineral inventory and evaluate other potential nearby areas for future mining.

#### 6) Temporary suspension of further ramp development at Coringa.

Final approval allowing plant and additional site infrastructure construction to commence at Coringa, which is also considered a catalyst for securing debt funding, continues to be delayed whilst additional reports and procedures beyond those originally requested are prepared and finalised. The Board has therefore agreed with management to cease further ramp development until these approvals and external funding are available. Gold production for 2023 will not be affected by this decision.

#### 7) Securing short-term working capital bank facilities.

Following the reduced levels of production in the first quarter of 2022 and the expectation of lower levels of gold production than previously forecast, the Board approved the Group obtaining a short-term working capital loan in May 2022. They approved a further facility in February 2023 ensuring that the Group has adequate liquidity to repay the initial 2022 loan at maturity.

#### 8) Hedging of gold prices and exchange rates

Management has negotiated unsecured hedging facilities with a major financial institution allowing it to undertake hedging transactions with a prescribed credit limit. The Board approved, in February 2023, management's recommendation to use hedging arrangement over the sales proceeds from approximately 10,000 ounces of production over a 12 month period to secure some of the cash flow for 2023 allowing the Group to commit to capital expenditure programmes.

### Attendance at Board and committee meetings

During 2022, the Board held 15 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 and throughout the year.

Director	Board meetings (Attended / Held)	Audit Committee meetings (Attended/Held)	Remuneration Committee meetings (Attended/Held)
Michael Hodgson	15/15	–	–
Clive Line	15/15	–	–
Aquiles Alegria	10/15	–	–
Luis Azevedo	14/15	–	–
Nicolas Bañados	12/15	4/4	1/1
Michael Lynch-Bell	5/5 <sup>(1)</sup>	2/2 <sup>(1)</sup>	0/0 <sup>(1)</sup>
Mark Sawyer	13/15	4/4	1/1
Sean Harvey	8/9 <sup>(2)</sup>	2/2 <sup>(2)</sup>	1/1 <sup>(2)</sup>
Eduardo Rosselot	10/10 <sup>(2)</sup>	–	–

(1) Following date of appointment

(2) Up to date of resignation

### Election and re-election of Directors

Executive and Non-executive Directors are subject to re-election usually at the Company's Annual General Meeting ("AGM"), at intervals of no more than three years. Any Director appointed by the Board during the year shall automatically be subject to re-election at the next AGM following their appointment. At the forthcoming Annual General Meeting, it is expected that Mr Michael Hodgson and Mr Luis Azevedo will retire and being eligible put themselves forward for re-election. In addition, Mr Michael Lynch-Bell and Ms Carolina Margozzini, who were both appointed to the Board during the period since the last Annual General Meeting, are required to submit themselves for re-election by the shareholders in accordance with the Company's Articles.

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## CORPORATE GOVERNANCE

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#### **Board Independence and Conflicts of Interest**

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 Group on SEDAR on 9 April 2020 and available on the Group’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 Chair. 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 Chair 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.

#### **Service contracts**

No Director has any service contract, consultancy agreement or other such arrangement with a notice period in excess of one year.

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## CORPORATE GOVERNANCE

### Audit Committee Report

I am pleased to present this report on the activities of the Audit Committee (“the “AC”) for the year ended 31 December 2022. 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..

The AC was chaired during the first half of the year by T Sean Harvey up until his resignation from the Board on 28 June 2022. Sean had recent and relevant financial experience by virtue of his experience as an investment banker, heading up the mining sector for BMO Nesbitt Burns for a number of years and also his activities both managing as CEO and also sitting on the Boards of various mining companies. Following my appointment as Chair of the Group in August 2022, I assumed the role of Interim Chair of the AC. I am Chartered Accountant with a 38-year career with Ernst & Young (EY), having led its Global Oil and Gas, UK IPO and Global Oil and Gas and Mining transaction advisory practices. I was also a member of EY’s assurance Practice from 1974 to 1996, when I transferred to the Transaction Advisory Practice. The other members of the AC who served during 2022 have been Mr Sawyer and Mr Bañados.

The AC is considered, as a whole, to have the required competence relevant to the mining sector in which the Group operates. Mr Sawyer and Mr Bañados have the appropriate financial experience and are the best qualified of the Non-executives Directors to be members of the AC, However, as both individuals are shareholder appointed representatives this means the Committee’s composition did not, during 2022, meet best practice guidelines under the QCA Code. The Board anticipates that during 2023 there will be the appointment of a further independent Non-executive Director who will also assume the position of the AC Chair.

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.

The principal responsibilities of the AC are

- monitor the integrity of the Financial and Narrative Statements of the Group including results and other announcements of financial performance;
- review significant financial reporting issues and judgements;
- review and, where necessary, challenge the consistency of accounting policies and whether appropriate accounting standards have been used;
- review the contents of the Annual Report and Group Financial Statements and advise the Board on whether it is fair, balanced and understandable and provides the information necessary for shareholders and stakeholders to assess the Group’s position, performance, business model and strategy;
- review the effectiveness of the Group’s internal controls (including the Group’s internal financial controls) and risk management systems;
- consider the need for an internal audit function and make a recommendation to the Board;
- review the Group’s whistle-blowing system and procedures for detecting fraud and make recommendations to the Board;
- review the Group’s procedures for the prevention of bribery and receive reports on non-compliance;
- oversee the relationship with the external auditor, assessing its independence and objectivity, and approval of auditor remuneration including the level of audit and non-audit fees;
- review and make recommendations to the Board on the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- review and approve the annual audit plan, and review the effectiveness and findings of the audit; and
- report to the Board on the proceedings of the AC and make recommendations to the Board on any area within the AC’s remit.

AC meetings are held at least four times a year, and the Finance Director is usually invited to attend. The AC has the right to request other Executive Directors and senior management to attend its meetings. Other advisers of the Group also attend meetings if requested by the AC. The external auditor is requested to attend the meetings on an ad hoc basis, and they have direct access to the Chair of the AC. Following each meeting the Chair of the AC reports formally to the Board on the main issues discussed by the AC

During the period, four meetings of the Committee were held, and the following significant operational issues were considered during the course of the year.

CORPORATE GOVERNANCE  
Audit Committee Report

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>Management prepares a detailed report for consideration and challenge by the AC and the external auditor, supported by cash flow projections for the Group derived from the corporate cash flow model developed by management. The main assumptions made in the 2022 year-end cash flow forecasts which support the going concern basis were operational and production performance gold price and foreign exchange rates. These key judgements and estimates made by management were challenged and assessed by the AC. The AC was satisfied that under the base case presented the Group would be able to continue in operational existence throughout the going concern period.</p> <p>The AC has reviewed the going concern statement on pages 23 and 24 and concluded it is fair and balanced.</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 Group 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 2022 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 derived from laboratory analysis of metal content at the time of sale and these estimations are subject to change when the final levels of metal content are agreed based on further laboratory assessments conducted by both the buyer and the seller. Revenue is therefore subject to amendment at a future date.</p> <p>In the case of gold bullion any adjustments are currently agreed within a few days of the initial</p>	<p>Management report monthly sales of gold to the Board and the Board reviews the protocols implemented by management for accurate timing of the recognition of revenue in accordance with the provisions of IFRS.</p> <p>Management regularly report to the AC the level and reasons for any adjustment between the value of any sale at the time of initial recognition and the final agreed value of that sale. The AC reviews the level of any adjustment that</p>

CORPORATE GOVERNANCE  
Audit Committee Report

Significant issue	Summary of significant issue	Actions and conclusion
	<p>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 four months from the initial laboratory assessment and three to four months from the date of the initial recognition of the sale.</p>	<p>management may recommend from time to time to minimise such variations.</p> <p>One sale of gold concentrate made during 2022 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>The Board has considered the information prepared by management regarding the depletion, replacement and losses of mineral resources during 2022 at both the Palito and São Chico deposits and the judgments they have used to derive these estimates.</p> <p>The Directors consider that the mineral resource estimates used by management are reasonable.</p>
Future mine development capital	<p>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>	<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 December 2021 a court judge in Brazil announced that future licences required for the Group's Coringa project could only be issued</p>	<p>The Group has determined that the Palito, São Chico and Coringa operations comprise a single cash generating unit ("CGU"), being the Tapajós Operations. on the basis that all ore produced from these mines is treated through a single common processing plant owned by the Group and there is no alternative processing facility that would provide a viable economic option.</p> <p>The AC and the Board have considered the decisions of the Brazilian court regarding</p>

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Audit Committee Report

Significant issue	Summary of significant issue	Actions and conclusion
	<p>once adequate evidence had been presented regarding further consultation with and the impact (if any) on the neighbouring indigenous populations. This decision overturned two previous decisions rendered by the Brazilian courts which concluded that the Group was not required to produce such a study as this was not formally a licencing requirement under prevailing Brazilian law. The decision was upheld in August 2022, following a joint appeal by the Group, the ANM and SEMAS. Since September 2021, the Group had been in discussion with SEMAS and FUNAI over the merits of producing an indigenous study to avoid future objections. The report of the independent experts was issued in the first quarter of 2023 and is the process of being reviewed by the relevant government agencies. The study has not identified any matters which the Group does not consider have already been mitigated against.</p>	<p>Coringa. The Group's existing licences permit the Group to operate Coringa and build certain infrastructure. The AC is satisfied that the full permitting of the project will be approved but in the meantime are satisfied that the planned operations for Coringa can be continued under the existing licencing arrangements.</p> <p>Management has 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>
Carrying value of exploration costs	<p>Management is required to assess, at least annually, whether there is any indication that the Group's exploration assets may be impaired.</p> <p>Management is required to assess whether there are any indicators that an asset may be impaired in accordance with IFRS 6 at the end of each reporting period. If any such indicators are identified a full impairment test in line with the requirements of IAS 36 is necessary.</p>	<p>Management 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 IFRS 6.</p> <p>Based on review work presented by management, the Directors agree with management's conclusion that there are no indicators of impairment.</p>
<b>Other financial reporting matters</b>	<p>In the preparation of the Financial Statements, management are required to make certain judgements and estimates. Details are set out in Note 1 (y) to the Financial Statements.</p>	<p>The AC also considered other judgements and areas of estimation in addition to those matters detailed above, that had an impact on the Financial Statements; alternative performance measures; recognition and measurement of deferred tax assets; and the estimates and assumptions used in calculating mine rehabilitation provisions. The Committee agreed with management's treatment in each case.</p>
<b>New accounting issues arising in the year.</b>	<p>As detailed in Note 1a to the Financial Statements certain accounting standard became effective in 2022.</p>	<p>The AC agreed with management's assessment of the impact of the adoption of these standards by the Group and their potential impact for the Group in the future.</p>

**Audit tender and appointment of new external auditor**

During 2022, the Group elected to undertake an audit tender process recognising that the incumbent firm had been auditor since 2005. The tender process comprised submission of a written proposal, and interview with the selection panel. The selection criteria for the audit tender comprised:

- how well the tendering audit firm understood Serabi's business, issues and wider industry;

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## CORPORATE GOVERNANCE

### Audit Committee Report

- the tendering audit firm's experience in providing audit and other services to other AIM and TSX-listed mining companies;
- experience of the tendering audit firm's partner and proposed team members;
- ability of the tendering audit firm to be flexible and reactive on timings and changes to reporting timetables and requirements.
- the tendering audit firm's proposed audit approach and methodology;
- ability of the tendering audit firm to provide value for money;
- technical expertise of the tendering audit firm and access to resources and industry authorities; and

Whilst fees were considered by the panel as part of the proposals, the Company was under no obligation to accept the lowest offer submitted.

Following completion of the evaluation, the selection panel recommended to the Board the appointment of PKF Littlejohn LLP, the panel being of the opinion that PKF Littlejohn LLP had put forward a strong audit team with suitable skills and experience to provide robust and rigorous challenge to management during the audits. The Board duly selected PKF Littlejohn LLP as Serabi's auditor for the financial year ended 31 December 2022. Their appointment was approved by shareholders at a General Meeting held on 19 December 2022.

The AC also approved the appointment of KPMG Auditores Independentes to undertake the statutory audits of each of the Group's subsidiaries in Brazil for 2022, and to support the audit work of PKF Littlejohn LLP.

#### **Fees of the external auditor**

There was no significant non-audit work carried out by PKF Littlejohn LLP. 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 PKF Littlejohn LLP and the Group have appropriate policies and procedures in place to ensure that these requirements are not compromised.

#### **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 PKF Littlejohn LLP is compatible with the general standard of independence for auditors and does not give rise to any conflict of interest.

#### **Re-appointment of external auditor**

The Committee recommends to the Board the re-appointment of PKF Littlejohn LLP as auditor at the forthcoming Annual General Meeting (AGM).

#### **Reviewing and monitoring the effectiveness of internal controls**

The internal control framework is based on the Board's assessment of risk. The effectiveness of the internal control system is monitored by executive management. Exceptions are reported and reviewed by the Committee. During 2021 and the early part of 2022 an external review of the Group's key internal controls at its operations in Brazil was undertaken by Deloitte Touche Tohmatsu Consultores Ltda in Brazil ("Deloitte"). The review observed that whilst management had implemented a number of additional procedures and processes, there continued to be areas for improvement and additional financial and operational controls that could be implemented. During 2022 management has been working to implement these additional recommendations.

#### **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 initial assessment undertaken by Deloitte and once management have completed the implementation of their recommendations the Board expects to request Deloitte to undertake a further external review and, if appropriate, establish or make recommendations for the establishment of an internal audit department based in Brazil reporting directly to the Audit Committee.



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## CORPORATE GOVERNANCE

### Audit Committee Report

#### **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 Group. It is intended that future independent reviews of the effectiveness of the AC are undertaken to provide assurance that the Committee remains effective and any future recommendations and feedback will be disclosed in future Annual Reports as appropriate.

Michael D Lynch-Bell  
Chair of the Audit Committee  
2 May 2023

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## CORPORATE GOVERNANCE

### Remuneration Committee Report

#### **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 Group 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 Group'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 Group's policies remain appropriately flexible not only to meet the needs of the Group and shareholders, but also to ensure that, as needed, the Group can provide remuneration structures and incentive arrangements that meet the needs and expectations of the international labour community from which the Group can draw its talent. The Group has resolved to comply with the QCA Code so far as is practicable given the Group's size, nature and stage of development.

The objective of the Remuneration Committee is to meet 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 Remuneration Committee convened once during the period to set the KPIs to be used for the measurement of the Annual Bonus incentives for the 2022 calendar year and to recommend that no Annual Bonus incentive should be paid in respect of the 2021 calendar year.

Mark Sawyer  
Chair of the Remuneration Committee  
2 May 2023

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## CORPORATE GOVERNANCE

### Remuneration Committee Report

#### PART 2 – Committee activities during the period

##### Committee Compliance

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

During the year REMCO was comprised of Mark Sawyer as Chair, joined by Nicolas Bañados and T Sean Harvey. Following Mr Harvey’s decision to step down from the Board on 28 June 2022, his position on REMCO was filled by Mr Lynch-Bell following his appointment as a Non-executive Director on 8 August 2022.

##### Role

The Committee’s primary objectives are to:

- ensure that reward packages (including salary, benefits, bonus and pension entitlements, and participation in share and other incentive schemes) for Executive Directors and key senior management are competitive in order to recruit, attract and retain the best talents to deliver the Group’s strategic priorities;
- ensure that these reward packages are directly linked to the achievement of performance targets in pursuit of strategy; and
- align the interests of the Directors with those of shareholders and stakeholders.

REMCO determines the framework and policy for the remuneration of the Executive Directors and is responsible for reviewing them annually for appropriateness and relevance. It is also responsible for determining the specific elements of the Executive Directors’, and senior managers’ remuneration, their contractual terms and their compensation arrangements. REMCO also reviews the framework and policy for remuneration for all staff to ensure that it is fairly and appropriately administered and ensures the alignment of incentives and rewards with culture, taking these into account when setting the policy for Executive Director remuneration. Any bonuses awarded to other staff depends on corporate performance against performance targets in pursuit of strategy and the level and allocation is undertaken by the Executive Directors against staff performance appraisal.

##### Independent Advisers

During 2022, the Group has not used the services of any external remuneration advisers. The last independent external review was undertaken for the Group in 2020.

#### PART 3 - Remuneration policy

**The Group’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.**

**The Board remains committed to transparency and, through this report, aims to continue to provide information to shareholders and other stakeholders about the details of Serabi’s remuneration policies and how they underpin the Group’s operations and strategy. This Annual Statement gives an overview of the Directors’ Remuneration Policy; how it was implemented in the year under review (2022) and how we plan to implement it in 2023.**

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## CORPORATE GOVERNANCE

### Remuneration Committee Report

#### Directors' Remuneration Policy framework

Following industry practice and best practice corporate governance guidelines, Serabi's Executive Directors' Remuneration Policy has been comprised of fixed and variable annual compensation to drive delivery of near-term targets, with an additional overarching long-term incentive plan to maintain a longer-term focus on generating value for shareholders and stakeholders. A significant proportion of each Director's total remuneration package is structured to link rewards to the attainment of performance targets, both short-term and long-term.

Our Remuneration Policy was updated in 2020 to align with developing changes practices in corporate governance and remuneration reporting, including greater transparency on performance criteria, improved alignment of performance criteria to shareholder and stakeholder interests, the introduction of malus and clawback for LTIP awards and the introduction of CSAs to replace share options as the preferred form of share-incentive award.

Our Policy continues to ensure there are no rewards for failure, by providing clarity around REMCO's discretion under the Policy. This includes committee powers to override formulaic outcomes if pay-outs do not reflect overall business or individual performance, as well as discretion to pay some or all of the bonus in shares and/or to require deferral of a portion of the bonus.

#### Implementing the Director's Remuneration Policy

The elements of compensation earned by the executives of the Group for the financial year ended 31 December 2022 consist 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 Serabi Gold Restricted Share Plan (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.

Performance measures are determined by REMCO each year and may vary to ensure that they promote the Group's business strategy and shareholder and stakeholder value. REMCO always ensures it takes into consideration the complexity of the business, market and economic competitiveness, the increased responsibilities of the Executive Directors and the salary levels for the wider workforce when setting the remuneration of the Executive Directors. During 2022, the remuneration packages for Executive Directors consisted of a base salary, benefits (such as pension, and private medical cover), and participation in a discretionary and performance-linked cash bonus award. During 2022 there were no conditional share awards made to any of the Executive Directors under the 2020 Plan. No share options issued under the 2011 stock option plan were exercised by any Executive Director and no conditional share awards previously issued under the 2020 Plan vested to any Executive Director.

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.

#### Salary

The Committee ensures it takes into consideration the complexity of the business, market and economic competitiveness, the respective responsibilities of the Executive Directors and the salary levels for the wider workforce when setting the remuneration of the Executive Directors. There will be no changes to other benefits nor pension arrangements over this period. See page 65 to 70 for more information of the remuneration received by the Executive Directors during the year.

Policy Area	Opportunity	How we implemented the Policy during the year	How we plan to implement the Policy in 2023
<b>Annual Cash Bonus</b> The performance measures and targets for the annual bonus are selected annually to align with the business strategy and the key drivers of performance set under the regulatory framework.	Annual bonuses are specific to each individual and range between 30% and 75% of base salary.	There were no bonuses paid during 2022 to the Executive Directors in respect of individual or corporate performance for the financial year ended 31 December 2021 or for the financial year ended 31 December 2022.	REMCO during the first quarter of 2023 will assess the level of any bonuses earned during 2022 and these if any will be paid and will form part of the remuneration for 2023. REMCO will continue to review the policy (including the bonus opportunity) during the year

CORPORATE GOVERNANCE  
Remuneration Committee Report

			in line with the business and strategic direction. When determining the outcomes for bonuses, if and where appropriate, REMCO will use its discretion to make any adjustments necessary to ensure the outcomes are fair and reasonable in light of the Group's performance.
<b>Share-based incentive plans</b> Conditional Share Awards ("CSAs") under the 2020 Plan reward delivery of sustained long-term improvements in shareholder returns by aligning performance directly with an increase in the fundamental measure of the generation of shareholder value.	The Board seeks to award 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.	No CSA awards were made during the year either to the Directors or other employees.	REMCO intend that annual CSA awards are made, recognising that the last award was made in December 2021. The first awards in respect of the 2020 calendar year will vest in December 2023 and REMCO will assess according to the previously agreed performance criteria the level of vesting, if any, that will occur.

Benefits and pension

Serabi offers health care benefits to its Executive Directors and employees. In Brazil this also extends to dental care. 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 REMCO may, at its election, approve single lump sum payments which can increase the overall level of retirement benefit provided for any individual. To the extent that a Director exceeds their annual allowance or lifetime allowance, they receive no additional remuneration in lieu of pension.

Performance measures under the 2020 Plan

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% or more)

Exceptional performance would be where TSR exceeds 1.4, ROCE premium exceeds 1.4, or ROS exceeds 1.3.

Performance measures for annual bonus award in respect of 2022

Annual performance continues to be measured against a set of agreed key corporate performance measures, which included aspects of health and safety, production, permitting and cost management The Group's KPIs will be extended to incorporate ESG criteria and will continue to be anchored by a focus on safe and responsible working practices.

The 2020 Plan

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

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## CORPORATE GOVERNANCE

### Remuneration Committee Report

be limited so that the total number of shares issued and issuable pursuant to rights granted under any employee share scheme operated by the Company in any rolling ten year period is restricted to ten (10) per cent of the Company's shares in issue calculated at the relevant time excluding any lapsed awards or those that are no longer capable of exercise. Awards may be granted subject to performance conditions which will be specified at the time of grant. All awards under the 2020 Plan are subject to malus and clawback provisions.

#### Executive Share Option Plan

*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.*

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.

#### **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:

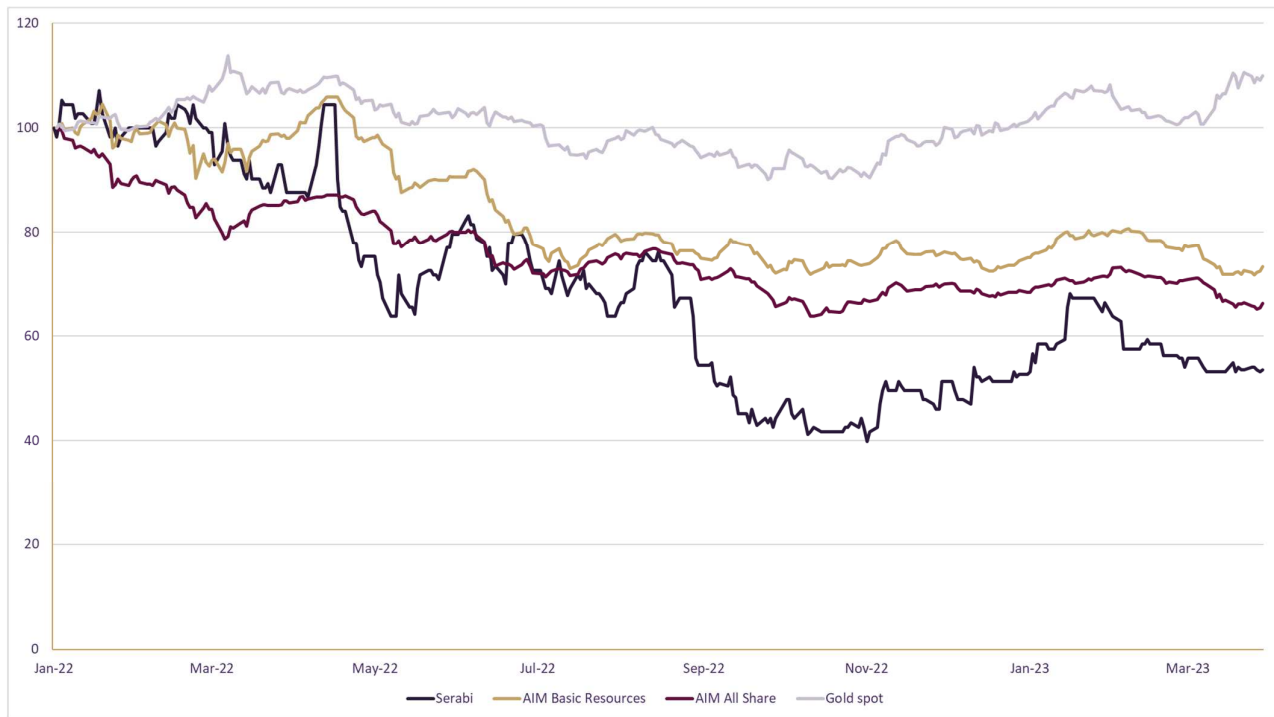
- Appointing a Remuneration Committee comprised of independent Directors to oversee the executive compensation programme;
- The use of deferred equity compensation to encourage a focus on long-term corporate performance as opposed to short-term results;
- Disclosure of executive compensation to stakeholders;
- 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 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



One year share price graph compared with AIM peer group

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Remuneration Committee Report



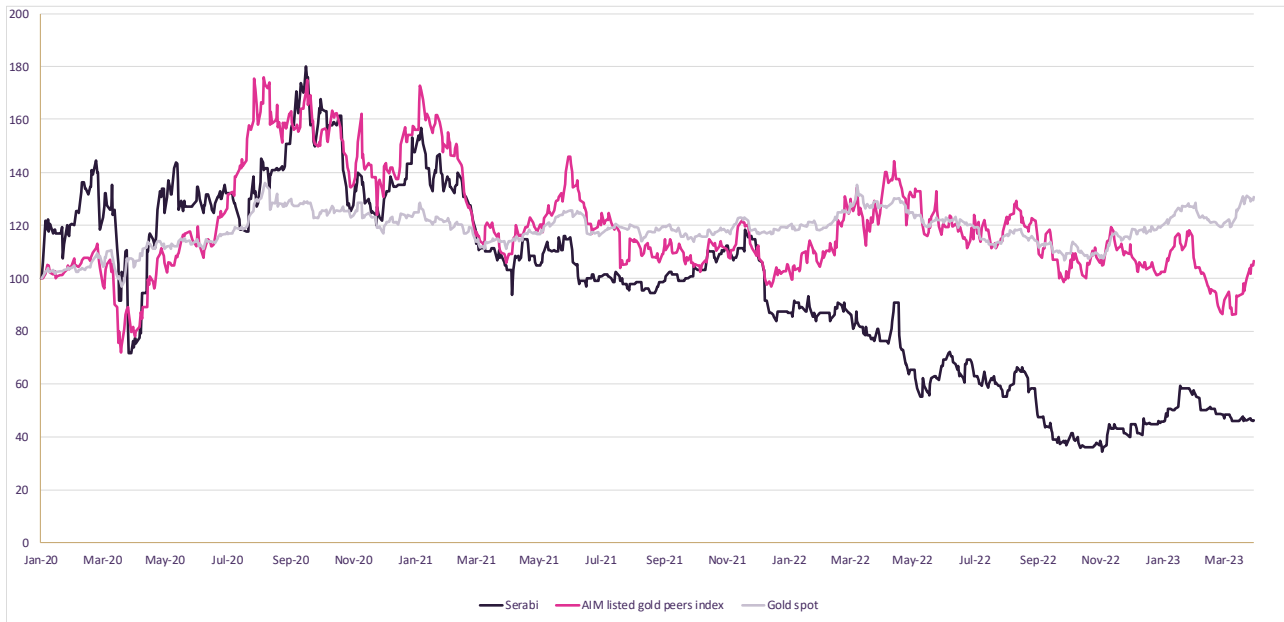
One year share price graph compared with Brazilian peer group



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



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Remuneration Committee Report



Three year share price graph compared with AIM peer group



Three year share price graph compared with Brazilian peer group

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Directors Remuneration Report

Directors and their interests

Remuneration

Director	Year to 31 December 2022						IFRS 2 charge for options granted	Other	For the year to 31 December 2022 Total
	Salary US\$	Fees as Director US\$	Other fees US\$	Bonus US\$	Pension US\$		US\$	US\$	
Michael Hodgson	277,000	–	–	–	9,752	26,389	5,285	318,426	
Clive Line	205,000	–	–	–	–	18,472	4,404	227,876	
Aquiles Alegria	–	26,569	–	–	–	5,278	–	31,847	
Luis Azevedo <sup>(1)</sup>	–	28,496	–	–	–	5,278	–	33,774	
Nicolas Bañados <sup>(5)</sup>	–	21,618	–	–	–	–	–	21,618	
Michael Lynch-Bell <sup>(2)</sup>	–	44,610	–	–	–	–	–	44,610	
T Sean Harvey <sup>(3)</sup>	–	19,069	–	–	–	–	–	19,069	
Eduardo Rosselot <sup>(4)</sup>	–	17,526	60,000	–	–	–	–	77,526	
Mark Sawyer <sup>(5)</sup>	–	19,271	–	–	–	5,278	–	24,549	
<b>Total</b>	<b>482,000</b>	<b>177,159</b>	<b>60,000</b>	<b>–</b>	<b>9,752</b>	<b>60,695</b>	<b>9,689</b>	<b>799,296</b>	

(1) Mr Azevedo is the owner of FFA Legal which provides legal services to the Group and its Brazilian subsidiaries. During 2022 charges issued by FFA Legal BrR\$2.61 million (US\$0.51 million at the average exchange rate for the 2022 calendar year of BrR\$5.16 to US\$1.00).

(2) Mr Michael Lynch-Bell was appointed on 8 August 2022

(3) Mr T Sean Harvey stood down from the Board on 28 June 2022

(4) Mr Eduardo Rosselot stood down from the Board on 8 August 2022

(5) Fratelli Investments Ltd and Greenstone Resources II LP agreed they would waive any fees due in respect of their nominee directors with effect from 1 July 2022 until further notice.

Subsequent to the year end, the Board, on 20 April 2022, confirmed and approved cash bonus payments under the Group's Short Term Incentive Plan in respect of performance during 2022. Mr Hodgson is entitled to receive a cash payment of £35,250 and Mr Line £21,240, representing 15% of the total award that each of them could have received. These entitlements are not included in the above table.

Director	Year to 31 December 2021						IFRS 2 charge for options granted	Other	For the year to 31 December 2021 Total
	Salary US\$	Fees as Director US\$	Other fees US\$	Bonus US\$	Pension US\$		US\$	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).

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Directors Remuneration Report

**Ordinary shares and options**

The Directors of the Company, who held office during the year and as of 31 December 2022, had the following interests in the ordinary shares of the Company according to the register of Directors' interests:

	Shares held at 31 December 2022	Shares held at 31 December 2021	Conditional Share Awards held at 31 December 2022	Conditional Share Awards held at 31 December 2021	Share options held at 31 December 2022	Share options held at 31 December 2021	Option price	Option exercise period
Michael Hodgson	70,066	70,066	355,500	355,500	500,000	500,000	UK£0.85	27 May 20 to 26 May 23
Clive Line	73,332	73,332	266,600	266,600	350,000	350,000	UK£0.85	27 May 20 to 26 May 23
Michael Lynch-Bell	-	-	-	-	-	-	-	-
Aquiles Alegria	5,000	5,000	-	-	100,000	100,000	UK£0.85	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	UK£0.85	27 May 20 to 26 May 23
Mark Sawyer <sup>(2)</sup>	-	-	-	-	100,000	100,000	UK£0.85	27 May 20 to 26 May 23

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

(2) Mr Sawyer is a partner of Greenstone Resources II LP which as at 31 December 2022 was interested in 19,083,394 ordinary shares.

During the year ended 31 December 2022 the Company's shares have traded between 22.5 pence and 60.5 pence.

No Conditional Share Awards were made by the Company during 2022. Subsequent to the year end the Board has approved, in principle, and subject to the Company being in a suitable Open Period for trading by the Executive Directors, the issue of a further Conditional Shares ("CS") to the Executive Directors in respect of the annual Long Term Incentive Plan awards for the calendar year 2022. In accordance with the terms of the Serabi 2020 Restricted Share Plan (the "2020 Plan"), Mr Hodgson and Mr Line will each receive an entitlement equivalent in value to 50% of their respective salaries for the calendar year 2022. The awards will vest, subject to the achievement of the stipulated performance criteria, on the second anniversary of the award.

At the same time the Board also approved, in principle, and subject to the Company being in a suitable Open Period for trading by the Executive Directors, the issue of CS to the Executive Directors in respect of the annual Long Term Incentive Plan awards for the calendar year 2023. In accordance with the terms of the Serabi 2020 Restricted Share Plan (the "2020 Plan"), Mr Hodgson and Mr Line will each receive an entitlement equivalent in value to 50% of their respective salaries for the calendar year 2022. The awards will vest, subject to the achievement of the stipulated performance criteria, on the third anniversary of the award.

**Remuneration Committee discretion**

RESCO will operate all incentive plans according to the rules and discretions contained therein to ensure that the implementation of the Remuneration Policy is fair, both to the individual director, shareholders and stakeholders. The discretions cover aspects such as:

- selection of participants;
- timing of grant and vesting of awards;
- size of awards (subject to the Policy limits);
- choice of measures, weightings and targets;
- determining level of pay-out or vesting based on an assessment of performance and to override formulaic outcomes where appropriate;
- determining whether and, if so, the proportions at which the bonus will be payable in cash, deferred cash, shares or deferred shares and the terms applying to such shares and deferrals;

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## CORPORATE GOVERNANCE

### Remuneration Committee Report

#### Directors Remuneration Report

- treatment of awards on termination of employment and change of control;
- adjustment of awards in certain circumstances, e.g., changes in capital structure;
- adjustment of performance conditions in exceptional circumstances; and
- application of malus and/or clawback.

Any such use of discretion will be fully disclosed in the subsequent Annual Report.

#### Performance Measures and target setting

The committee reviews annually performance measures and target weightings. Performance measures used under the annual bonus and long-term incentives are selected and reviewed annually to reflect the Group's main short and long-term objectives and reflect both financial and non-financial priorities. These will typically include a mix of strategic, financial, operational and personal metrics with a link to health, safety and in the future ESG performance. Performance measures are set to be stretching but achievable, taking into account a range of internal and external reference points, having regard to the particular strategic priorities and economic environment in a given year.

#### Recruitment policy for Executive Directors

In the case of a new externally appointed Executive Director, the REMCO may make use of all existing components under the Remuneration Policy applying to existing Executive Directors, including salary, pension, benefits, annual bonus and LTIP awards. The current maximum limits under the existing Policy will apply similarly on recruitment, except that the maximum annual bonus opportunity will be pro-rated to reflect the proportion of employment during the year. Depending on the timing of appointment, it may be appropriate to operate different performance measures for the remainder of that bonus period. Where appropriate and necessary to facilitate the recruitment of an individual, REMCO may consider using other remuneration tools and may exercise discretion, as appropriate, to make awards using a different structure.

#### Diversity and inclusion

Serabi supports and respects the benefits of having diversity within its workforce and further information on Serabi's commitment to diversity and inclusion can be found in the Environmental and Social section of the Strategic Report.

#### Directors' service contracts and termination policy

The Executive Directors have rolling-term Service Agreements with the Group. The Executive Directors' Service Agreements each include the ability for the Group, at its discretion, to pay basic salary only in lieu of any unexpired period of notice. Payments may be made as either a lump sum or in equal monthly instalments until the end of the notice period at the discretion of the Group. REMCO will seek to ensure that there are no unjustified payments for failure. For the current Executive Directors, where the appointment is terminated by reason of the executive's death, redundancy, injury, ill health or disability, the Executive Director shall be entitled to participate in such bonus scheme arrangements of the Group applicable to Directors of the Group, in line with the Group's bonus policy. Any bonus awarded to the executives is entirely discretionary and may at the Group's discretion be paid to the executive as a combination of shares and cash.

The contractual remuneration payable to the Executive Directors for the calendar year ended 31 December 2022 was'

Name	Salary (GBP)	Pension (GBP)	Total (GBP)	Percentage increase over preceding period
Michael Hodgson	306,000	8,000	314,000	10.5%
Clive Line	220,000	-	220,000	7.3%

The increases awarded to the Executive Directors effective 1 January 2022 were determined following an independent benchmarking survey. The average pay increase awarded to other staff employed by the Group in 2022 was seven per cent.

On 20 April 2023, the remuneration committee approved an increase in the remuneration of the Executive Directors of five per cent effective 1 January 2023.

CORPORATE GOVERNANCE  
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Directors Remuneration Report

The Service Agreements contain provisions enabling the Group to place the Executive Director on gardening leave during the period of notice.

Name	Date of Service Agreement	Notice by Group/Individual
Michael Hodgson	1 February 2007	12/6 months
Clive Line	14 March 2005	12/6 months

When considering exit payments, REMCO reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants. The table below summarises how incentive awards are typically treated in specific circumstances. Whilst REMCO retains overall discretion on determining good leaver status, it typically defines a good leaver in circumstances such as death, redundancy, injury, ill health or disability, retirement with the agreement of the Group and personal circumstances affecting immediate family preventing the individual working for the Group. Other leavers may include those leaving employment for any other reason as well as those leaving due to misconduct, wilful failure to perform duties and any action that would entitle the Group to terminate employment without notice or payment in lieu of notice:

Component	Good leaver reasons	Other leaver reasons	Change of control
Annual bonus	Paid at the same time as continuing employees, to the extent that the performance conditions are achieved and pro-rating for the proportion of the financial year served, unless REMCO determines otherwise	No bonus payable unless REMCO determines otherwise (as set out above).	Paid immediately on the effective date of change of control, subject to the achievement of the performance conditions and pro-rated for the proportion of the year served to the date of change of control, unless REMCO determines otherwise.
Conditional Share Awards	May retain their awards which will vest in accordance with the original terms and whilst continuing to be subject to performance conditions and pro-rating for the time elapsed since grant. These provisions may be over-ridden at the sole discretion of the Board	Shall cease to have any entitlements including the right to exercise any vested but unexercised options	All awards that have not vested shall vest on the date of the event and any Option must be exercised within 30 days (or such other period as the Board agrees) of the event.  In certain circumstances the Board with the consent of the acquiring company may agree to exchange the awards for equivalent awards in the new company provided that the terms of the awards are not modified in any significant way .

The Committee reserves the right to make any other payments in connection with termination of employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of a compromise or settlement of any claim arising in connection with the cessation of a director's office or employment. Any such payment may include, but is not limited to, paying reasonable fees for outplacement assistance and/or the director's legal or professional advice fees in connection with their cessation of office or employment.

CORPORATE GOVERNANCE  
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Directors Remuneration Report

**External appointments**

The Executive Directors are restricted under the terms of their Service Agreements from assuming any responsibilities or duties in any person without written Board consent. The Board may agree to such external appointments at its discretion, provided that any such external appointments do not and are unlikely to interfere with the Executive Director's duties to the Group. The Policy is for the individual to retain any fee earned in relation to an external appointment.

**Chair and Non-Executive Directors' fees and letters of appointment**

Fees for the Chair are determined by the Remuneration Committee, and fees for Non-Executive Directors are determined by the Chair and Executive Directors.

Element	Link to strategy	Operation	Maximum limit	Performance assessment
Fees	To recruit and retain Non-Executive Directors of a suitable calibre for the role and duties required.	<p>Fees are normally reviewed annually, taking into account the time commitment required, the responsibilities assumed and comparative market rates. Fees are paid in monthly instalments and may be paid in cash and/or arrangements can be made for net cash proceeds after all deductions to be used to purchase shares in the Company.</p> <p>The Chair receives a total annual fee in respect of Board duties. Non-Executive Directors receive an annual Board fee, and may receive additional fees for extra responsibilities undertaken, such as for participation on certain committees. In exceptional circumstances, fees may also be paid for additional time spent on the Company's business outside of normal duties.</p> <p>Directors will be reimbursed for any reasonable business expenses incurred in the course of their duties, including the tax payable thereon.</p> <p>Non-executive Directors do not participate in any variable remuneration or receive any benefits.</p>	There is no maximum limit but fees are assessed taking into account the size and nature of the Group.	Not applicable

There is no fixed term in respect of each Non-executive Director appointment. Appointments can be terminated by either party on reasonable notice (usually three months') with no compensation in the event of such termination, other than accrued fees and expenses. The Non-Executive Directors are subject to re-election by rotation by shareholders at least once every three years. No Director plays a part in any decision about their own remuneration.

**Consideration of employment conditions elsewhere in the Group**

In making decisions on Executive Director remuneration, the committee considers pay and conditions of other employees across the Group, and considers any informal feedback received. The Group does not formally consult with employees on executive remuneration as the size and scope of Serabi's operations at this stage in its development would make any consultation process ineffectual.

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CORPORATE GOVERNANCE  
Remuneration Committee Report  
Directors Remuneration Report

**Dilution**

The Company has, at all times, complied with the dilution limit contained within the rules of each share plan (principally an aggregate limit of 10% of the issued share capital of the Company in any ten-year period), and the Committee reviews the position before any proposed grant to ensure this limit is not breached.

As at 31 December 2022, there were 2,614,500 share options and/or conditional shares outstanding under the Company's performance share schemes, equating to less than 3.5% of the issued Ordinary Shares of the Company at that date.

**Shareholder views**

The Company has not, to date, sought formal shareholder approval for its Remuneration Policy.

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## CORPORATE GOVERNANCE

### Sustainability Committee

The Board has established a Sustainability Committee to enhance Serabi's social licence to operate by supporting and monitoring the sustainable development of Serabi's business and the communities in which it operates, and overseeing the integrity of its sustainability reporting.

It is considered that the Committee will have oversight of the following areas

- (a) Safety, including:
  - (i) major hazards, including underground mines, tailings and water storage;
  - (ii) critical risk management; and
  - (iii) safety maturity;
- (b) Health, including:
  - (i) occupational health; and
  - (ii) mental health and well-being in the workforce;
- (c) Environment, including:
  - (i) water management;
  - (ii) air emissions, including dust;
  - (iii) land stewardship and biodiversity;
  - (iv) waste management; and
  - (v) mine closure and legacy management,
- (d) Climate change, including compliance with the Task-force on Climate-related Financial Disclosure (*TCFD*) requirements and decarbonisation initiatives and targets
- (e) Communities and social performance, including:
  - (i) community relations, including with traditional owners and other indigenous peoples on whose lands Serabi operates and local politicians;
  - (ii) the economic, cultural and social development of the communities in which Serabi operates, including employment, training and development, and local supply chain development;
  - (iii) sustainable development issues as they relate to suppliers and supply chains, including modern slavery;
  - (iv) security (being the security of the Group's people and assets, including business resilience); and
  - (v) human rights monitoring (including oversight of equality, diversity and inclusion initiatives) and issue management.

The Committee will comprise three or more directors of the Company including the Chief Executive Officer and at least two independent non-executive directors who shall be appointed by the Board and it is expected that it should meet at least four times each year.



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## CORPORATE GOVERNANCE

### Directors Report

The Directors present their report together with the audited financial statements for the year ended 31 December 2022.

#### Results and dividends

The Group loss for the year after taxation amounts to US\$983,047 (2021: profit of US\$9,949,964). The Directors do not recommend the payment of a dividend.

The results for the year are set out on page ● 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. The Company does not have any branches outside of the UK and the operations in Brazil are conducted through wholly owned subsidiaries incorporated in Brazil.

A detailed review of activities, future developments and the Group's projects is included in the Chair's Statement and the Strategic Report.

#### Substantial shareholdings

As at 28 April 2023, 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%
Premier Miton Group PLC	4,207,784	5.6%
River and Mercantile Asset Management	3,622,550	4.8%

#### Share capital

Details of the share capital and movements in share capital during the period are disclosed in note 21 to the financial statements. The Company did not undertake any purchases of its own shares during the period.

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 has not made any issues of Conditional Share Awards under the 2020 Serabi Gold Restricted Share Plan.

As at 31 December 2022, there were 4,003,527 warrants in issue. Each warrant entitles the holder to acquire one new ordinary shares at an exercise price of 93.75 pence per shares. The exercise period for the warrants expires on 23 May 2023.

#### Company's listings

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

#### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Group Strategic Report. The financial position of the Group, its cash flows, and liquidity position are described in the Chief Financial Officer's Review and set out in the Group Financial Statements. Further details of the Group's commitments and maturity analysis of financial liabilities are set out in note 23 and 25 respectively of the Group Financial Statements. In addition, note 22 to the Group Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Directors have a reasonable expectation that, after taking into account reasonably possible changes in trading performance, and the current macroeconomic situation, the Group has adequate resources to continue in operational existence for the

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## CORPORATE GOVERNANCE

### Directors Report

foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the Financial Statements. Further details are provided in Going Concern section of the Group Strategic Report on pages 23 and 24.

#### 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 Group'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 Group'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 are outlined in the Strategic Report on pages 14 to 16.

#### Principal risks and uncertainties

The principal risks and uncertainties are outlined in the Strategic Report on pages 25 to 32.

#### Management of financial risks

Capital management and financial risk disclosures are provided within notes 22 and 25 of the financial statements.

#### Corporate governance

The Directors have responsibility for the overall corporate governance of the Group 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 Group 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 43 to 50.

#### Board composition

The Directors who served during the year are shown on pages 47.

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 43 to 50.

#### Committees

The Company has established an Audit Committee, a Remuneration Committee, a Sustainability Committee, and an Executive Committee. Details of these committees are set out in the Report on Corporate Governance on pages 41 to 75.

#### 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 Group 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.

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## CORPORATE GOVERNANCE

### Directors Report

#### Internal controls

Details of the Board's responsibilities and actions regarding internal controls are set out within the Risks and Control section of the Strategic Report

#### 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 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 14 February 2023, the Group entered into hedging contracts with an international bank whereby it acquired sell options over monthly quantities of gold over the period March 2023 to February 2024 totalling 10,215 ounces of gold at a price of US\$1,800. At the same time, it sold to the bank options in favour of the bank to buy the equivalent monthly quantities of gold at prices ranging between US\$2,000 and US\$2,065 per ounce. It also acquired options to sell monthly receipts of US Dollars ranging between US\$2.3 million and US\$1.15 million for Brazilian Real at an exchange rate of BRL5.10 to USD1.00. At the same time, it sold to the bank options in favour of the bank to buy from the Group the equivalent Brazilian Real receipts at exchange rates ranging from 5.325 to 5.800 over the same 12 month period. In this way the Group has secured a minimum equivalent gold price in Brazilian Real of BRL9,180 per ounce in respect of 10,215 ounces and sold options in favour of the bank of future prices ranging between BRL10,650 per ounce and BRL11,997 per ounce depending on the option expiry date. Since January 2021 the BRL price for gold peaked at BRL10,342 in March 2023 and was at a low of BRL8,507 in November 2022. The hedging arrangements are unsecured and not subject to margin calls.

On 28 February 2023, the Group completed a US\$5.0 million unsecured loan arrangement with Santander Bank in Brazil. The loan is repayable as a bullet payment on 22 February 2024 and carries an interest coupon of 7.96 per cent. The proceeds raised from the loan will be used for working capital and secure adequate liquidity to repay a similar arrangement which is due to be repaid on 12 May 2023.

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.

#### Political donations

No political donations were made in 2022.

#### Auditor

The auditor, PKF Littlejohn LLP, who was appointed during the calendar year, has confirmed its willingness to remain as auditor to the Company. A resolution to appoint PKF Littlejohn 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.

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## CORPORATE GOVERNANCE

### Directors Report

#### **Directors' responsibilities statement**

The Directors are responsible for preparing the Strategic Report, the Director's Report and the Financial Statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Company law requires the Directors to prepare Group and Company Financial Statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group Financial Statements in accordance with United Kingdom ("UK") adopted international accounting standards ("UK IAS")

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 and profit or loss of the Company and Group for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK IAS and regulations have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and 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 and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the Financial Statements, and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- So far as each Director is aware, there is no relevant audit information of which the Group's auditor is unaware, and
- The Directors have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given pursuant to section 418 of the Companies Act 2006 and should be interpreted in accordance with and subject to those provisions.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Clive Line  
Company Secretary  
2 May 2023

## Financial Statements

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## FINANCIAL STATEMENTS

### Independent Auditor's Report

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

#### Opinion

We have audited the financial statements of Serabi Gold Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the Group Statement of Comprehensive Income/(Loss), the Group Balance Sheet, the Company Balance Sheet, the Group and Company Statements of Changes in Equity, the Group and Company Statements of Cash Flows and notes to the financial statements, including 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.

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 2022 and of the group's loss 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.

#### Basis for opinion

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

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining the group cash flow forecast and assessing the reasonableness of underlying assumptions, including forecast levels of expenditure 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 and challenged the inputs used;
- assessing whether a liquidity shortfall arises at any point during management's assessment;
- comparing forecast sales with recent historical financial information to consider accuracy of forecasting;
- verifying cash balances used in the forecast close to the date of sign off of these financial statements;
- performing sensitivity analysis thereon and evaluating potential mitigating factors that could be actioned by management; and
- assessing the appropriateness of the going concern disclosures included in the financial statements against the requirements of the relevant auditing standards.

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

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

#### Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. At the planning stage materiality is used to determine the financial statement areas that are included within the scope of our audit.

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## FINANCIAL STATEMENTS

### Independent Auditor's Report

Materiality for the group financial statements as a whole was \$881,000 with performance materiality set at \$528,000, being 60% of group materiality. Materiality for the financial statements as a whole was based upon 1.5% of the group's revenues.

In determining materiality, we considered the Key Performance Indicators ("KPIs") used in the Annual Report and Accounts. We consider revenue to be the primary measure used by the shareholders in assessing the performance of the group, driving profitability within the group and revenue is expected to provide a more stable measure year on year. The percentage applied to this benchmark has been selected to bring into scope all significant classes of transactions, account balances and disclosures relevant for the shareholders, and also to ensure that matters that would have a significant impact on the reported profit were appropriately considered.

In determining performance materiality, the significant judgements made were in respect of the prior year's identified fraud investigation and the fact that 2022 represented the first year of our appointment as auditors to the group.

We agreed with the audit committee that we would report all individual audit differences identified for the group during the course of our audit in excess of \$44,000 together with any other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Materiality applied to the company's financial statements was \$735,000 with performance materiality set at \$441,000, being 60% of the company materiality.

The benchmark for materiality of the company was 0.6% of the company's gross assets. The significant judgements used by us in determining this were that total assets are the primary measure used by the shareholders in assessing the performance of the company. The percentage applied to this benchmark has been selected to bring into scope all significant classes of transactions, account balances and disclosures relevant for the shareholders, and also to ensure that matters that would have a significant impact on the reported profit were appropriately considered.

In determining performance materiality, the significant judgements made were in respect of the prior year's identified fraud investigation and the fact that 2022 represented the first year of our appointment as auditors to the company.

We agreed with the Audit Committee that we would report all individual audit differences identified for the company during the course of our audit in excess of \$36,000 together with any other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

#### **Our approach to the audit**

Our audit is risk based and is designed to focus our efforts on the areas at greatest risk of material misstatement, aspects subject to significant management judgement as well as greatest complexity, risk and size.

As part of designing our audit, we determined materiality, as above, and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgement by the directors and considered future events that are inherently uncertain. These areas of estimate and judgement included:

- Quantification of mineral resources
- Revenue recognition
- Inventory valuation
- Impairment of mining assets and other property, plant and equipment
- Recoverability of debts including recoverable taxes
- Recoverability of investments in subsidiaries and inter-company debts
- Restoration, rehabilitation and environmental provisions

#### **Key audit matters**

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

FINANCIAL STATEMENTS  
Independent Auditor's Report

Key Audit Matter	How our scope addressed this matter
<p><b>Valuation of capitalised exploration costs (Note 8)</b></p> <ul style="list-style-type: none"> <li>As at 31 December 2022, the Group's Deferred exploration assets are valued at \$18.6m (2021: \$34.9m) and are key to the long-term success of the Group. Details of these assets and the related critical judgements and estimates are disclosed in notes [1] and [8].</li> <li>Significant judgement and estimation is required by management to assess the recoverability of the balances and as a result there is the risk that these balances are incorrectly valued.</li> </ul>	<p>Our work in this area included:</p> <p>Reviewing the exploration and evaluation expenditures to assess their eligibility for capitalisation under IFRS 6 by corroborating spend to original source documentation;</p> <p>Obtaining the current exploration licences and ensured that they remain valid during the year and at the year end;</p> <p>Challenging management over the future plans for each license including obtaining cashflow projections for each licence where necessary;</p> <p>A consideration of any impairment indicators set out in IFRS 6 &amp; IAS 36; and</p> <p>A review of key external reports for indicators of impairment.</p>
<p><b>Carrying value of Mining assets (Note 9)</b></p> <p>As at 31 December 2022 the Group's Mining Assets totalled \$48.4m (2021: \$27.6m) and details of these assets and the related critical judgements and estimates are disclosed in notes [1] and [9].</p> <p>Management assess the recoverable amounts of these balances on a cash generating unit (CGU) basis using a management prepared discounted cash flow model.</p> <p>Given the significant judgements and estimates used by management in determining the valuation of these assets there is the risk that the valuation of the mining assets is incorrect.</p>	<p>Our work in this area included:</p> <p>Obtaining, reviewing &amp; challenging management's discounted cash flow model;</p> <p>Assessing &amp; challenging the appropriateness of management's inputs and assessment of each cash generating unit;</p> <p>Assessing and reviewing indicators of impairment as per IAS 36 and considering whether any apply to the Group;</p> <p>Ensuring that the basis of preparation of the model is in line with applicable accounting standards;</p> <p>Assessing &amp; challenging the appropriateness of estimates and inputs;</p> <p>A visit to the mine site to confirm existence of the assets; and</p> <p>Ensuring inputs into the model are in line with third party expert's opinion of total mineral resources available at each site.</p>
<p><b>Valuation of investments and Intercompany receivables (Plc only) – (Note 11)</b></p> <p>As at 31 December 2022, the carrying value of investments in subsidiaries is \$102.9m (2021: \$102.6m). This value is ultimately dependent on the value of the underlying assets. The carrying value of these investments is material to the parent company financial statements.</p> <p>A significant portion of the underlying assets are exploration mining assets making it difficult to definitively determine their value.</p> <p>Valuations for these projects are therefore based on judgments and estimates made by the Directors - which leads to a risk of misstatement.</p>	<p>Our work in this area included:</p> <p>Confirming ownership of investments held by the Parent Company to underlying documentation;</p> <p>Obtaining the impairment review for all investments prepared by management and challenging management in respect of the assumptions &amp; judgements made;</p> <p>Reviewing the value of the net investment in subsidiaries against the underlying assets to assess the recoverability of investments;</p> <p>Reviewing and challenging management's assumption that the operation in Brazil is one cash generating unit (CGU); and</p> <p>Obtaining and testing management's cash flow forecast for the CGU which underpins the value held as investments by Serabi Gold plc.</p>



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## FINANCIAL STATEMENTS

### Independent Auditor's Report

#### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company 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.

#### Opinions on other matters prescribed by the Companies Act 2006

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

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

#### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

#### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the group and parent company 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 group and parent company financial statements, the directors are responsible for assessing the group 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.

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:

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## FINANCIAL STATEMENTS

### Independent Auditor's Report

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research and experience of the sector etc.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from the Companies Act 2006, UK-adopted international accounting standards, the AIM Rules for Companies, as well as local laws and regulations in the jurisdiction in which the group and parent company operate.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
  - conducting enquiries of management regarding potential instances of non-compliance;
  - reviewing RNS announcements;
  - reviewing legal and professional fees ledger accounts; and
  - reviewing board minutes and other correspondence from management.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, whether key management judgements could include management bias was identified in relation:
  - Valuation of capitalised exploration costs
  - Carrying value of Mining assets
  - Valuation of investments and Intercompany receivables

We addressed these as outlined in the Key audit matters section above. The potential for management bias also existed in the recognition and recoverability of current & deferred tax assets, valuation of inventory and share-based payments recognised in the year. Audit procedures were performed in this regard to recalculate the charge with reference to the underlying agreements.

- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.
- Compliance with laws and regulations at the subsidiary level was ensured through enquiry of management, communication with component auditors and correspondence for any instances of non-compliance

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

#### Use of our report

This report is made solely to the 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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Joseph Archer (Senior Statutory Auditor)**  
**For and on behalf of PKF Littlejohn LLP**  
**Statutory Auditor**

*2 May 2023*

15 Westferry Circus  
Canary Wharf  
London E14 4HD

FINANCIAL STATEMENTS  
Group Statement of Comprehensive Income/(Loss)  
For the year ended 31 December 2022

	Notes	Group	
		For the year ended 31 December 2022 US\$	For the year ended 31 December 2021 US\$
<b>Revenue</b>	2	58,709,328	63,141,437
Cost of sales		(43,110,870)	(37,759,318)
Provision for impairment of taxes receivable		(1,151,899)	–
Depreciation and amortisation charges		(6,572,461)	(6,049,628)
<b>Total cost of sales</b>		<b>(50,835,230)</b>	<b>(43,808,946)</b>
<b>Gross profit</b>		<b>7,874,098</b>	<b>19,332,491</b>
Administration expenses		(5,447,224)	(5,825,655)
Share-based payments		(249,210)	(270,631)
Gain/(loss) on disposal of fixed assets		33,993	(160,219)
<b>Operating profit</b>	3	<b>2,211,657</b>	<b>13,075,986</b>
Foreign exchange (loss)/gain		131,938	(41,456)
Finance expense	4	(3,411,784)	(261,825)
Finance income	4	291,885	585,840
<b>(Loss) / profit before taxation</b>		<b>(776,304)</b>	<b>13,358,545</b>
Income tax expense	5	(206,743)	(3,408,581)
<b>(Loss) / profit for the period<sup>(1)</sup></b>		<b>(983,047)</b>	<b>9,949,964</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		2,371,399	(4,643,212)
<b>Total comprehensive profit for the period<sup>(1)</sup></b>		<b>1,388,352</b>	<b>5,306,752</b>
<b>Earnings per ordinary share (basic)<sup>(1)</sup></b>	7	<b>(1.30c)</b>	<b>13.85c</b>
<b>Earnings per ordinary share (diluted)<sup>(1)</sup></b>	7	<b>(1.30c)</b>	<b>12.92c</b>

- (1) The Group has no non-controlling interests and all profits are attributable to the equity holders of the Parent Company.  
(2) Notes to the Accounts on pages xx to xx form an integral part of these financial statements

FINANCIAL STATEMENTS

Group Balance Sheet

As at 31 December 2022

Company Number 5131528

	Notes	Group	
		At 31 December	At 31 December
		2022	2021
		US\$	US\$
<b>Non-current assets</b>			
Deferred exploration costs	8	18,621,180	34,857,905
Property, plant and equipment	9	48,482,519	27,575,335
Right of use assets	10	5,374,042	2,600,631
Taxes receivable	13	3,446,032	605,125
Deferred taxation	5	1,545,684	1,224,360
<b>Total non-current assets</b>		<b>77,469,457</b>	<b>66,863,356</b>
<b>Current assets</b>			
Inventories	12	8,706,351	6,973,207
Trade and other receivables	13	5,291,924	2,307,458
Prepayments	14	1,572,149	2,316,669
Cash and cash equivalents	15	7,196,313	12,217,751
<b>Total current assets</b>		<b>22,766,737</b>	<b>23,815,085</b>
<b>Current liabilities</b>			
Trade and other payables	16	5,830,872	5,624,511
Interest-bearing liabilities	18	6,111,126	290,060
Accruals		461,857	397,400
<b>Total current liabilities</b>		<b>12,403,855</b>	<b>6,311,971</b>
<b>Net current assets</b>		<b>10,362,882</b>	<b>17,503,114</b>
<b>Total assets less current liabilities</b>		<b>87,832,339</b>	<b>84,366,470</b>
<b>Non-current liabilities</b>			
Trade and other payables	16	3,800,886	427,663
Provisions	17	1,190,175	2,581,431
Deferred tax liability	5	480,922	861,430
Derivative financial liabilities	19	–	165,495
Interest-bearing liabilities	18	837,293	444,950
<b>Total non-current liabilities</b>		<b>6,309,276</b>	<b>4,480,969</b>
<b>Net assets</b>		<b>81,523,063</b>	<b>79,885,501</b>

**Equity**

Share capital	21	11,213,618	11,213,618
Share premium reserve		36,158,068	36,158,068
Option reserve		1,324,558	1,075,348
Other reserves		14,459,255	13,694,731
Translation reserve		(66,276,771)	(68,648,170)
Retained surplus		84,644,335	86,391,906
<b>Equity shareholders' funds attributable to owners of the parent</b>		<b>81,523,063</b>	<b>79,885,501</b>

Other reserves comprise a merger reserve of US\$361,461 and a taxation reserve of US\$14,097,794 (2021: merger reserve of US\$361,461 and taxation reserve of US\$13,333,270).

The financial statements were approved and authorised for issue by the Board of Directors on 2 May 2023 and signed on its behalf by:

Clive Line  
Finance Director  
2 May 2023

FINANCIAL STATEMENTS

Company Balance Sheet

As at 31 December 2022

Company Number 5131528

Company

At 31 December 2022 US\$      At 31 December 2021 US\$

	Notes	At 31 December 2022 US\$	At 31 December 2021 US\$
<b>Non-current assets</b>			
Investments in subsidiaries	11	102,950,962	102,623,843
Other receivables	13	9,786,036	9,784,884
<b>Total non-current assets</b>		<b>112,736,998</b>	<b>112,408,727</b>
<b>Current assets</b>			
Trade and other receivables	13	5,244,841	2,274,114
Prepayments and prepaid taxes	14	163,737	146,922
Cash and cash equivalents	15	4,156,908	8,586,734
<b>Total current assets</b>		<b>9,565,487</b>	<b>11,007,770</b>
<b>Current liabilities</b>			
Trade and other payables	16	30,773,071	29,836,667
Accruals		231,278	237,406
<b>Total current liabilities</b>		<b>31,004,349</b>	<b>30,074,073</b>
<b>Net current liabilities</b>		<b>(21,438,862)</b>	<b>(19,066,303)</b>
<b>Total assets less current liabilities</b>		<b>91,298,136</b>	<b>93,342,424</b>
<b>Non-current liabilities</b>			
Derivative financial liabilities	19	–	165,495
<b>Total non-current liabilities</b>		<b>–</b>	<b>165,495</b>
<b>Net assets</b>		<b>91,298,136</b>	<b>93,176,929</b>
<b>Equity</b>			
Share capital	21	11,213,618	11,213,618
Share premium reserve		36,158,068	36,158,068
Option reserve		1,324,558	1,075,348
Merger reserve		361,461	361,461
Retained surplus		42,240,431	44,368,434
<b>Equity shareholders' funds attributable to owners of the parent</b>		<b>91,298,136</b>	<b>93,176,929</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 2022 was US\$2,128,003 (2021: loss of US\$3,594,662).

The financial statements were approved and authorised for issue by the Board of Directors on 2 May 2023 and signed on its behalf by:

Clive Line  
Finance Director  
2 May 2023

## FINANCIAL STATEMENTS

### Statements of Changes in Shareholders' Equity

For the year ended 31 December 2022

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 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>
Foreign currency adjustments	-	-	-	-	-	(983,047)	(983,047)
Profit for year	-	-	-	-	2,371,399	-	2,371,399
Total comprehensive income for the year	-	-	-	-	2,371,399	(983,047)	1,388,352
Transfer to taxation reserve	-	-	-	764,524	-	(764,524)	-
Share option expense	-	-	249,210	-	-	-	249,210
<b>Equity shareholders' funds at 31 December 2022</b>	<b>11,213,618</b>	<b>36,158,068</b>	<b>1,324,558</b>	<b>14,459,255</b>	<b>(66,276,771)</b>	<b>84,644,335</b>	<b>81,523,063</b>

Other reserves comprise a merger reserve of US\$361,461 and a taxation reserve of US\$14,097,794 (2021: merger reserve of US\$361,461 and taxation reserve of US\$13,333,270).

#### 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.

FINANCIAL STATEMENTS

Statements of Changes in Shareholders' Equity

For the year ended 31 December 2022

Company	Share capital US\$	Share premium US\$	Share option reserve US\$	Other reserve US\$	Retained surplus US\$	Total equity US\$
<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>
Loss for the year	-	-	-	-	(2,128,003)	(2,128,003)
Comprehensive loss for year	-	-	-	-	(2,128,003)	(2,128,003)
Share option expense	-	-	249,210	-	-	249,210
<b>Equity shareholders' funds at 31 December 2022</b>	<b>11,213,618</b>	<b>36,158,068</b>	<b>1,324,558</b>	<b>361,461</b>	<b>42,240,431</b>	<b>91,298,136</b>

FINANCIAL STATEMENTS  
Cashflow Statements  
For the year ended 31 December 2022

	Notes	Group		Company	
		For the year ended 31 December 2022 US\$	For the year ended 31 December 2021 US\$	For the year ended 31 December 2022 US\$	For the year ended 31 December 2021 US\$
<b>Cash outflows from operating activities</b>					
(Loss)/profit for the period		(983,047)	9,949,964	(2,128,003)	(3,594,662)
Net financial expense		2,987,961	(282,559)	(12,712)	54,607
Depreciation – plant, equipment and mining properties		6,572,461	6,049,628	–	218,682
Provision for impairment of taxes receivable		1,151,899	–	–	–
Taxation expense	5	206,743	3,408,581	–	–
Share-based payments		249,210	270,631	249,210	270,631
(Gain)/loss on fixed asset sales		(33,993)	160,219	–	–
Taxation paid		(129,426)	(1,125,382)	(23,140)	–
Interest paid		(208,592)	(1,302,708)	35,384	(1,260,213)
Foreign exchange (loss)/gain		(191,328)	(104,531)	–	40,424
<b>Changes in working capital</b>					
Increase in inventories		(1,435,025)	(331,400)	–	–
Increase in receivables, prepayments and accrued income		(6,465,608)	(1,259,952)	(2,987,542)	(255,713)
Increase/(decrease) in payables, accruals and provisions		234,314	(637,285)	(262,720)	(495,355)
Increase in short-term intercompany payables		–	–	1,159,973	1,829,761
<b>Net cash inflow/(outflow) from operations</b>		<b>1,955,569</b>	<b>14,795,206</b>	<b>(3,969,552)</b>	<b>(3,191,838)</b>
<b>Investing activities</b>					
Acquisition payment for subsidiary		–	(5,500,000)	–	(5,500,000)
Acquisition of other property rights		–	(101,106)	–	–
Purchase of property, plant, equipment, and projects in construction	9	(4,447,588)	(4,132,914)	–	–
Mine development expenditure	9	(3,629,505)	(5,400,933)	–	–
Geological exploration expenditure	8	(855,607)	(4,102,530)	–	–
Pre-operational project costs	8	(2,328,113)	(4,354,954)	–	–
Proceeds from sale of assets		171,824	379,347	–	–
Investment in subsidiaries	11	–	–	(327,119)	(1,009,734)
Interest received and other finance income		126,390	–	2,090	–
<b>Net cash outflow on investing activities</b>		<b>(10,962,599)</b>	<b>(23,213,090)</b>	<b>(325,029)</b>	<b>(6,509,734)</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
Receipt of short-term loan	18	4,917,775	–	–	–
Repayment of convertible loan		–	(2,000,000)	–	(2,000,000)
Payment of convertible loan arrangement fee		–	(300,000)	–	(300,000)
Payment of lease liabilities		(1,027,151)	(355,836)	–	–
<b>Net cash inflow/(outflow) from financing activities</b>		<b>3,890,624</b>	<b>14,238,694</b>	<b>–</b>	<b>14,594,530</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(5,116,406)</b>	<b>5,820,810</b>	<b>(4,294,581)</b>	<b>4,892,958</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>12,217,751</b>	<b>6,603,620</b>	<b>8,586,734</b>	<b>3,813,957</b>
<b>Exchange difference on cash</b>		<b>94,968</b>	<b>(206,679)</b>	<b>(135,245)</b>	<b>(120,181)</b>
<b>Cash and cash equivalents at end of period</b>		<b>7,196,313</b>	<b>12,217,751</b>	<b>4,156,908</b>	<b>8,586,734</b>



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FINANCIAL STATEMENTS  
Notes to the Financial Statements  
For the year ended 31 December 2022

**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 72.

The consolidated financial statements are presented in 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. The consolidated financial statements 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 (UK IAS) 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 prepares its consolidated financial statements in accordance with UK IAS.

**Accounting standards, amendments and interpretations effective in 2022**

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

The following accounting standards came into effect as of 1 January 2022

	<u>Effective Date</u>
Property, Plant and Equipment – Proceeds before Intended Use (amendments to IAS 16)	1 January 2022
Onerous Contracts- Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Reference to Conceptual Framework (Amendments to IFRS 3)	1 January 2022

The adoption of these standards has had no effect to date on the financial results of the Group. The updated standard Property, Plant and Equipment – Proceeds before Intended Use (amendments to IAS 16) which is effective 1 January 2022 will impact the Group as it develops the Coringa mine. At such time as the Group generates revenues from the processing of ore from Coringa in future periods, this will be reflected as operational revenue of the business and the Group will account for the costs incurred in relation to this income as a cost of sale. Previously, under IAS16, the sales would have been treated as a deduction from the cost of bringing an item (or items) of property, plant and equipment to the location and condition necessary to be capable of operating in the manner intended by management.

There are a number of standards, amendments to standards, and interpretations which have been issued that are effective in future periods and which the Group has chosen not to adopt early.

IFRS 17 Insurance Contracts, including Amendments to IFRS 17	1 January 2023
Classification of Liabilities as Current or Non-current (Amendments to IAS 1) and Classification of Liabilities as Current or Non-current – Deferral of Effective Date	1 January 2023

**Going concern and availability of finance**

The Group’s business activities, together with the factors likely to affect its future development, performance and position, are set out in the Group Strategic Report. The financial position of the Group, its cash flows, and liquidity position are described in the Chief Financial Officer’s Review and set out in the Group Financial Statements. Further details of the Group’s commitments and maturity analysis of financial liabilities are set out in note 23 and 25 respectively of the Group Financial Statements. In addition,

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FINANCIAL STATEMENTS  
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For the year ended 31 December 2022

note 22 to the Group Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Directors have a reasonable expectation that, after taking into account reasonably possible changes in trading performance, and the current macroeconomic situation, the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the Financial Statements. Further details are provided in Going Concern section of the Group Strategic Report on pages 23 and 24.

**(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.

**(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 2022 was 1.2055 (2021: 1.3489). The Brazilian Real/US Dollar exchange rate at 31 December 2022 was 5.2171 (2021: 5.4388.).

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FINANCIAL STATEMENTS  
Notes to the Financial Statements  
For the year ended 31 December 2022

**(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	3 – 7 years
Other plant and assay equipment	2 – 10 years
Heavy vehicles	8 years
Light vehicles	3 years
Buildings	10 – 20 years
Mining properties	unit of production

**Other assets**

Furniture and fittings	4 years
Office equipment	4 years
Communication installations	5 years
Computers	3 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

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FINANCIAL STATEMENTS  
Notes to the Financial Statements  
For the year ended 31 December 2022

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 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.

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FINANCIAL STATEMENTS  
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For the year ended 31 December 2022

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.

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.

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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.

**(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.

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**(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 the Palito and São Chico ore bodies and the Coringa 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.

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

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

**(p) Financing expenses**

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

**(q) Taxation**

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

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

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

**(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

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CODM is considered to be the Board of Directors. The Group has only one primary business activity namely the conduct of gold mining and exploration in Brazil. For management purposes, however, the Group recognises two separate segments, Brazil and UK. Copper/gold concentrate is produced in Brazil and sales routed through the UK, whilst sales of gold bullion are conducted directly from Brazil. The operating segments are reported in a manner consistent with the internal reporting provided to the CODM.

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

#### (s) Investments in subsidiaries

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

#### (t) Financial instruments

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

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

#### Financial assets

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

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

##### (i) Classification of financial assets

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

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

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

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

##### (ii) Impairment of financial assets



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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 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

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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
- 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.

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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**

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 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) Earnings per share**

Basic earnings per share is calculated by dividing profit after tax attributable to members of the holding company by the weighted average number of shares in issue during the year. Any shares held by nominees of the Company in respect of any employee share trust arrangements are eliminated from the weighted average number of shares. Diluted earnings per share is calculated by dividing the profit after tax attributable to members of the holding company by the weighted average number of shares in issue during the year, adjusted for potentially dilutive share options, warrants or other instruments that can be converted into shares of the Company and to the extent that these share options, warrants and other instruments have vested and are exercisable at the end of the year. Where there is a loss, and therefore the effect of dilution would be to increase the loss per share such dilutive effect is ignored and the basic measure is used.

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**(z) Hedging activities**

In order to reduce its exposure to foreign exchange and commodity price, the Group may from time to time enter into forward, option or other contracts. These derivatives, if classified as cash flow hedges, will initially be recognised at fair value and then re-measured at fair value at the end of each reporting date. For hedging instruments that are not classified as a cash flow hedge these derivative financial instruments will be accounted for at fair value through the profit and loss (FVTPL) Hedging instruments will be documented at inception and effectiveness will be tested throughout their duration.

Changes in the value of cash flow hedges will be recognised in other comprehensive income and any ineffective portion is immediately recognised in the income statement. If the firm commitment or forecast transaction that is the subject of a cash flow hedge results in the recognition of a non-financial asset or liability, then at the time the asset is recognised, the associated gains or losses on the derivative that had been previously recognised in other comprehensive income are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or liability, amounts deferred in other comprehensive income are recognised in the statement of comprehensive income in the same period in which the hedged item affects net profit.

To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that hedging relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually uses to hedge that quantity of hedged item.

At inception of the hedge relationship, the group will document the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group will also document its risk management objective and strategy for undertaking its hedge transactions.

Hedge ineffectiveness may occur due to:

- Fluctuation in volume of hedged item caused due to operational changes • Index basis risk of hedged item vs hedging instrument
- Credit risk as a result of deterioration of credit profile of the counterparties

The Group has had no hedging instruments in place during years ended 31 December 2022 or 31 December 2021.

**(aa) Critical accounting estimates and judgements**

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

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

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

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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 – see statement of Mineral resources and reserves in the Strategic Report*

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 or mineral resources between Mineral Reserves, Measured and Indicated Mineral Resources and Inferred Mineral Resources. Only Mineral Reserves have been established to have economic viability and only at the time that such estimation is undertaken, and any change in the underlying factors under which the economic assessment was made may give rise to management making a judgement as to the continuing economic viability of such Mineral Reserves and how they should be used for the purpose of forecasts. This would, in turn, affect certain amounts in the financial statements such as depreciation, which is calculated on projected life of mine figures, and carrying values of mining property and plant which are tested for impairment by reference to future cash flows based on projected life of mine figures.

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. A summary of the Group's mineral resources is set out in the Strategic Report in the section Mineral Reserves and Resources.

#### *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.

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*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\$1,125 would have been required before there was any requirement to impair any valuation of work in progress inventory at 31 December 2022.

*Impairment of mining assets and other property, plant and equipment (note 9)*

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

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

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

As described in note 1(d) (iii), the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Further details regarding the annual review that has been undertaken is set out in Note 10.

*Recoverability of debts including recoverable taxes (notes 13 and 14)*

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

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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 (note 11)***

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, during 2022 and 2023 to date, 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 material delay to the development of the project. It has reached its conclusion based on advice from the Group's Brazilian lawyers but has also received positive indications from other parties with whom it has discussed the matter.

***Utilisation of historic tax losses and recognition of deferred tax assets (note 6)***

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.

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*Recoverability of ICMS tax debts (note 14)*

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. The Group has made provision for recoverable ICMS that is not anticipated to be recovered within the next five years.



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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:

	2022			2021		
	Brazil US\$	UK US\$	Total US\$	Brazil US\$	UK US\$	Total US\$
Revenue	29,524,191	29,185,137	58,709,328	37,198,774	25,942,663	63,141,437
Intra-group sales	25,058,005	(25,058,005)	–	22,844,572	(22,844,572)	–
Operating expenses	(39,299,976)	(3,810,894)	(43,110,870)	(33,879,892)	(3,879,426)	(37,759,318)
Provision for impairment of taxes receivable	(1,151,899)	–	(1,151,899)	–	–	–
Depreciation and amortisation	(6,335,957)	(236,504)	(6,572,461)	(5,717,229)	(332,399)	(6,049,628)
Gross profit/(loss)	7,794,364	79,734	7,874,098	20,446,225	(1,113,734)	19,332,491
Administration expenses	(2,860,672)	(2,586,552)	(5,447,224)	(2,950,006)	(2,875,648)	(5,825,655)
Share-based payments	–	(249,210)	(249,210)	–	(270,631)	(270,631)
Proceeds from sale of assets	33,993	–	33,993	(160,219)	–	(160,219)
Operating profit/(loss)	4,967,685	(2,756,028)	2,211,657	17,335,999	(4,260,013)	13,075,986
Foreign exchange (loss)/gain	134,665	(2,727)	131,938	(51,380)	9,924	(41,456)
Finance expense	(3,351,842)	(59,942)	(3,411,784)	–	(261,825)	(261,825)
Finance income	124,299	167,586	291,885	417,399	168,441	585,840
Profit/(loss) before taxation	1,874,807	(2,651,111)	(776,304)	17,702,018	(4,343,473)	13,358,545
Income tax expense	(206,743)	–	(206,743)	(3,408,581)	–	(3,408,581)
Profit/ (loss) for the period	1,668,064	(2,651,111)	(983,047)	14,293,437	(4,343,473)	9,949,964

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 2022 US\$	31 December 2021 US\$
Brazil – operations	52,556,952	30,175,966
Brazil – exploration	19,920,789	34,857,905
Brazil – taxes receivable	3,446,032	605,125
Brazil – deferred tax	1,545,684	1,224,360
Brazil – total	77,469,457	66,863,356
UK	–	–
	77,469,457	66,863,356

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An analysis of total assets by location is as follows:

	Total assets	
	31 December 2022 US\$	31 December 2021 US\$
Brazil	90,659,109	79,655,799
UK	9,577,085	11,022,642
	100,236,194	90,678,441

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

	Group	
	For the year ended 31 December 2022 US\$	For the year ended 31 December 2021 US\$
<b>Brazil</b>	3,183,720	8,987,126

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 2022 US\$	For the year ended 31 December 2021 US\$
<b>Brazil</b>	8,175,423	9,533,847

**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 2022 US\$	31 December 2021 US\$
Brazil	29,524,191	37,198,774
UK	29,185,137	25,942,663
Total	58,709,328	63,141,437

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

	31 December 2022		31 December 2021	
	US\$	%	US\$	%
Customer 1 – sale concluded from Brazil	29,185,137	49.7%	34,314,048	54.3%
Customer 2 – sale concluded from UK	28,305,378	48.2%	25,942,663	41.1%
Other – sale concluded from Brazil	1,218,812	2.1%	2,884,726	4.6%
Total	58,709,328	100.0%	63,141,437	100.0%

**3 Operating profit**

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

	Group	
	For the year ended 31 December 2022	For the year ended 31 December 2021
	US\$	US\$
Staff costs	18,433,319	17,038,526
Depreciation (property, plant and equipment)	1,911,600	1,440,728
Amortisation of the mine asset	4,660,861	4,608,900

**b. Auditor's remuneration**

	Group	
	For the year ended 31 December 2022	For the year ended 31 December 2021
	US\$	US\$
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	261,576	215,983
Fees payable to the Group's auditor and its associates for other services:		
- audit of the Group's subsidiaries pursuant to legislation	31,946	62,230
- tax compliance services	–	13,668
- audit-related assurance services	–	–

(1) It should be noted that the audit fee for 2021 was paid to BDO LLP in the UK and BDO RCS Auditores Independentes in Brazil whereas the audit fee for 2022 is payable to PKF Littlejohn LLP in the UK and KPMG Auditores Independentes Ltda in Brazil.

**4 Finance expense and income**

	Group	
	12 months ended December 2022	12 months ended December 2021
	US\$	US\$
Interest and fines on state sales tax	(1,819,909)	–
Provision for interest on disputed tax refunds claimed	(1,090,586)	–
Interest on short term unsecured bank loan	(211,793)	–
Interest in finance leases	(148,650)	–
Interest on short term trade loan	(59,942)	–
Variation on discount on rehabilitation provision	(80,904)	–
Interest expense on property acquisition payment	–	(23,854)
Interest expense on convertible loan	–	(47,502)
Loss in respect of non-substantial modification	–	(40,469)
Amortisation of arrangement fee for convertible loan	–	(150,000)

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	Group	
	12 months ended December 2022	12 months ended December 2021
Total finance expense	(3,411,784)	(261,825)
Gain on revaluation of warrants	165,495	168,441
Variation on discount on rehabilitation provision	—	417,399
Interest income	126,390	—
Total finance income	291,885	585,840
Net finance (expense)/income	(3,119,899)	324,015

5 Taxation

	Group For the year ended 31 December 2022 US\$	For the year ended 31 December 2021 US\$
<b>Current tax</b>		
UK tax	—	—
Foreign tax – Tax on current year profits	890,176	2,286,605
Foreign tax – Adjustment to prior year’s tax charges	—	—
<b>Total current tax</b>	890,176	2,286,605
<b>Deferred tax</b>		
(Increase)/release of deferred tax asset arising from temporary timing differences	(238,569)	543,567
(Decrease)/increase of deferred tax liability arising from temporary timing differences	(444,864)	578,409
<b>Total deferred tax</b>	(683,433)	1,121,976
<b>Income tax charge</b>	206,743	3,408,581

The tax provision for the current period varies from the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%). The differences are explained as follows:

	Group For the year ended 31 December 2022 US\$	For the year ended 31 December 2021 US\$
(Loss)/profit on ordinary activities before tax	(776,304)	13,358,545
Tax thereon at UK corporate tax rate of 19.00% (2021: 19.00%)	(147,498)	2,538,124
Factors affecting the tax charge:		
expenses not deductible for tax purposes	150,778	916,782
temporary differences (not recognised)	34,563	307,428
lower rate tax overseas	(53,764)	(952,353)
unrecognised tax losses carried forward and similar adjustments	461,233	957,017
other movements	(238,569)	(358,417)
<b>Tax charge</b>	206,743	3,408,581

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<b>Unrecognised gross deferred tax position - 2022</b>	Trading losses US\$	Temporary differences US\$	Total US\$
Tax losses brought forward	68,515,983	–	68,515,983
Tax losses not recognised in the period	3,856,404	–	3,856,404
Movement in temporary differences	–	–	–
<b>Total unrecognised gross deferred tax position at end of period</b>	<b>72,372,386</b>	<b>–</b>	<b>72,372,386</b>

Unrecognised gross deferred tax position - 2021	Trading losses US\$	Temporary differences US\$	Total US\$
Tax losses brought forward	65,573,473	(325,460)	65,248,013
Tax losses not recognised in the period	4,368,726	–	4,368,726
Movement in temporary differences	–	(750,359)	(750,359)
<b>Total unrecognised gross deferred tax position at end of period</b>	<b>69,942,199</b>	<b>(1,075,819)</b>	<b>68,866,380</b>

<b>Unrecognised deferred tax asset</b>	For the year ended 31 December 2022 US\$	For the year ended 31 December 2021 US\$
Tax losses <sup>(1)</sup>	18,093,097	17,128,996
Temporary differences	–	–
<b>Total unrecognised deferred tax asset</b>	<b>18,093,097</b>	<b>17,128,996</b>

<b>Recognised deferred tax asset</b>	For the year ended 31 December 2022 US\$	For the year ended 31 December 2021 US\$
Tax losses brought forward	1,224,360	1,879,158
Tax losses and untaxed expenses recognised in the period	237,550	354,250
Tax losses utilised in the period	1,019	(897,817)
Exchange	82,756	(111,231)
<b>Net recognised deferred tax asset</b>	<b>1,545,684</b>	<b>1,224,360</b>

<b>Recognised deferred tax liability</b>	For the year ended 31 December 2022 US\$	For the year ended 31 December 2021 US\$
Untaxed income brought forward	861,430	324,519
Untaxed income recognised in the period	(444,864)	578,409
Exchange	64,355	(41,498)
<b>Net recognised deferred tax liability</b>	<b>480,922</b>	<b>861,430</b>

(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%.

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.

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**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 2022 Number	For the year ended 31 December 2021 Number	For the year ended 31 December 2022 Number	For the year ended 31 December 2021 Number
Management and corporate administration	24	25	5	5
Exploration	22	26	–	–
Mine operations and maintenance	483	492	9	9
Mine management and administration	35	36	1	1
Plant and processing	82	81	–	–
<b>Total</b>	<b>646</b>	<b>660</b>	<b>15</b>	<b>15</b>

	For the year ended 31 December 2022 US\$	For the year ended 31 December 2021 US\$	For the year ended 31 December 2022 US\$	For the year ended 31 December 2021 US\$
<b>Staff costs</b>				
Wages and salaries	14,283,360	12,681,207	4,162,827	2,516,660
Cost of incentive scheme shares	249,210	270,631	249,210	270,631
Social security costs	3,321,560	3,594,397	119,950	147,141
<b>Termination costs</b>	<b>558,194</b>	<b>468,934</b>	<b>–</b>	<b>–</b>
Pension contributions	20,996	23,357	20,996	23,357
<b>Total</b>	<b>18,433,319</b>	<b>17,038,526</b>	<b>4,552,983</b>	<b>2,957,788</b>

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 2022 US\$	For the year ended 31 December 2021 US\$
Salary and other benefits	684,238	783,362
Post-employment benefits	9,752	11,004
<b>Total</b>	<b>693,991</b>	<b>794,366</b>

The remuneration of the highest paid Director during the year was US\$318,426 (2021: US\$357,421). This includes cash contributions made by the Company to his money purchase pension scheme of US\$9,752 (2021: US\$11,004).

During the year ended 31 December 2022, two of the Directors (2021: two) were contractually entitled to accrue retirement benefits under money purchase schemes.

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During the years ended 31 December 2022 and 31 December 2021, none of the serving Directors exercised any share options. Details of share options held by the Directors at 31 December 2022 and other equity related interests are set out in the Remuneration Report on pages 57 to 70.

7 Earnings per share

	For the year ended 31 December 2022	For the year ended 31 December 2021
(Loss) / profit attributable to ordinary shareholders (US\$)	(983,047)	9,949,964
Weighted average ordinary shares in issue	75,734,551	71,829,223
Basic profit per share (US cents)	(1.30)	13.85
Diluted ordinary shares in issue <sup>(1)</sup>	81,488,078	76,999,420
Diluted profit per share (US cents)	(1.30) <sup>(2)</sup>	12.92

- (1) Based on 1,750,000 options vested and exercisable and 4,003,527 unexercised warrants as at 31 December 2022 (31 December 2021: 1,166,670 options and 4,003,527 unexercised warrants)
- (2) As the effect of dilution is to reduce the loss per share, the diluted loss per share is considered to be the same as the basic loss per share

8 Intangible assets

Deferred exploration costs

	Group	
	31 December 2022 US\$	31 December 2021 US\$
<b>Cost</b>		
Opening balance	34,857,905	27,778,354
Exploration and evaluation expenditure	855,607	4,102,530
Pre-operational project costs	2,328,113	4,884,596
Reclassified as tangible assets	(20,287,902)	–
Foreign exchange movements	867,457	(1,907,575)
<b>Total as at end of period</b>	<b>18,621,180</b>	<b>34,857,905</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.

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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>2022</b>					
<b>Cost</b>					
Balance at 31 December 2021	2,041,452	39,897,573	12,919,502	14,581,075	69,439,602
Additions	88,785	3,629,505	1,840,007	2,518,796	8,077,093
Reallocations from projects in construction	321,572	3,128,001	(4,605,572)	1,155,999	–
Reclassified from deferred exploration costs	–	20,287,902	–	–	20,287,902
Disposals	–	(2,833,444)	–	(593,917)	(3,427,361)
Foreign exchange movements	137,858	2,005,451	952,626	437,947	3,533,882
<b>At 31 December 2022</b>	<b>2,589,667</b>	<b>66,114,988</b>	<b>11,106,563</b>	<b>18,099,900</b>	<b>97,911,118</b>
<b>Depreciation</b>					
Balance at 31 December 2021	(957,364)	(28,970,616)	–	(11,936,287)	(41,864,267)
Charge for period	(222,005)	(4,339,961)	–	(1,530,433)	(6,092,399)
Released on asset disposals	–	981,804	–	425,247	1,407,051
Foreign exchange movements	(107,873)	(2,077,703)	–	(693,408)	(2,878,984)
<b>At 31 December 2022</b>	<b>(1,287,242)</b>	<b>(34,406,476)</b>	<b>–</b>	<b>(13,734,881)</b>	<b>(49,428,599)</b>
<b>Net book value at 31 December 2022</b>	<b>1,302,425</b>	<b>31,708,512</b>	<b>11,106,563</b>	<b>4,365,019</b>	<b>48,482,519</b>

No costs of borrowing have been capitalised during the period (2021: nil).

The reclassification of costs from projects in construction relates to the carrying costs of the Coringa project recognising that trial mining operations have commenced and some initial gold production being generated.

A public civil lawsuit was 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. A court decision rendered in December 2021 and upheld in August 2022 following appeals from the Company, the ANM and SEMAS, has required that no new licences should be issued until such time as an appropriate consultation process has been held with the neighbouring indigenous communities or where the licencing agency is satisfied, notwithstanding the completion of any further studies, that the activities authorised under that licence have no impact on any neighbouring indigenous populations. The Group commissioned an indigenous study in January 2022 which was completed in April 2023. The Group remains optimistic for the award of the Installation Licence which is required before construction of a full gold processing plant and the rest of the site infrastructure at Coringa 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.

	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>



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Depreciation					
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
At 31 December 2021	(957,364)	(28,970,616)	–	(11,936,287)	(41,864,267)
Net book value at 31 December 2021	1,084,088	10,926,957	12,919,502	2,644,788	27,575,335

In determining the recoverability of the carrying value of these assets, the Group prepares estimates of future cash flows based on management's best estimates of future production rates, costs and capital expenditure. Production estimates are based on utilisation of current estimates of mineral resources at each ore deposit operated by the Group.

Management used a base price of US\$1,750 per ounce for the duration of its cash flow projection and a fixed exchange rate of BrR\$5:00 to US\$1:00. The projection was for the period to 31 December 2031.

Management considered a range of discount rates and was satisfied that even at a 15% discount rate which is significantly above the current WACC of the Group, there was no indicator of impairments.

Management has assumed *inter-alia* that:

- current production rates from the Palito ore body will be maintained.
- ore production from Coringa will increase as the Serra orebody continues to be developed with an ore sorter and crushing plant being installed and operational during Q4 2023.
- As anticipated in the 2019 PEA, a second ore body at Coringa will need to be developed, which will be operational during 2027 to supplement and in time to replace the Serra ore body. Production levels broadly consistent with the projections set out in the 2019 PEA are achieved from 2027 onwards.
- During 2025, the Group will expand the current Palito process plant to expand capacity using a ball mill that was acquired with the Coringa project. This will increase mill capacity by approximately 33% or 60,000 tpy.
- This expansion will allow production from Sao Chico to be restarted in 2026 with estimated production of 45,000 tonnes per annum.

## 10 Right of use assets

	Plant and equipment	
	31 December 2022 US\$	31 December 2021 US\$
<b>Cost</b>		
Opening balance	3,968,038	3,733,675
Additions	2,985,889	508,018
Foreign exchange movements	246,065	(273,655)
<b>Total as at end of period</b>	<b>7,199,992</b>	<b>3,968,038</b>
<b>Depreciation</b>		
Opening balance	(1,367,407)	(1,159,937)
Charge for period	(367,126)	(297,103)
Foreign exchange movements	(91,417)	89,633
<b>Total as at end of period</b>	<b>(1,825,950)</b>	<b>(1,367,407)</b>
<b>Net book value at end of period</b>	<b>5,374,042</b>	<b>2,600,631</b>

During the year ended 31 December 2022, the Group acquired assets under right of use assets totalling US\$2,985,889 (2021: US\$508,018). The net book value of right of use assets at 31 December 2022 was US\$5,374,042 (2021: US\$2,600,631). Depreciation charged on right of use assets for the period was US\$367,126 (2021: US\$297,103).

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The Group only leases underground mining equipment. As at 31 December 2022, the future minimum lease payments due in respect of outstanding lease contracts for mining equipment are US\$1,946,811 (2021: US\$735,010). The net present value of these lease contracts is US\$1,781,332 (2021: US\$682,348).

	31 December 2022	31 December 2021
	US\$	US\$
<b>Current lease liabilities</b>		
Plant and equipment	1,109,518	290,060
	1,109,518	290,060
<b>Non-current lease liabilities</b>		
Plant and equipment	837,293	444,950
	837,293	444,950
<b>Total lease liabilities</b>	1,946,811	735,010

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**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.

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	Company	
	31 December 2022 US\$	31 December 2021 US\$
Cost at start of period	112,408,765	111,617,713
Investment in subsidiary during period	327,119	791,052
Cost at end of period	112,735,884	112,408,765
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	102,950,962	102,623,843

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 2022 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.

In determining the recoverability of the carrying value of these assets, management has considered the cash flow projections set out in Note 9 above and the value attributed to exploration assets that are not currently considered in the Group's current life of mine operating plans. Following this analysis management considers that there has been no indicator of impairments.

**12 Inventories**

	Group	
	31 December 2022 US\$	31 December 2021 US\$
Consumables	4,015,338	3,692,452
Stockpile of mined ore	812,794	266,214
Other material in process	2,703,297	1,094,405
Finished goods awaiting sale	1,174,922	1,920,136
	8,706,351	6,973,207

**13 Trade and other receivables**

	Group		Company	
	31 December 2022 US\$	31 December 2021 US\$	31 December 2022 US\$	31 December 2021 US\$
<b>Current</b>				
Trade receivables	5,233,976	2,261,376	5,233,975	2,261,376
Other receivables	57,948	46,082	10,866	12,738
Trade and other receivables	5,291,924	2,307,458	5,244,841	2,274,114
<b>Non-current</b>				
Taxes receivable	4,974,687	2,071,216	-	-
Amounts owed by subsidiaries		-	18,177,758	18,176,606
Gross receivable	4,974,687	2,071,216	18,177,758	18,176,606

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Impairment provision	(1,528,655)	(1,466,091)	(8,391,722)	(8,391,722)
Net value of non-current other receivables	3,446,032	605,125	9,786,036	9,784,884

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 2022, 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 2022, 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.

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

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

#### 14 Prepayments and prepaid taxes

	Group		Company	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	US\$	US\$	US\$	US\$
Recoverable State and Federal taxes	486,889	1,180,388	-	-
Supplier down payments	216,941	827,195	-	-
Other prepayments and employee advances	868,319	309,086	163,737	146,922
Prepayments	1,572,149	2,316,669	163,737	146,922

#### 15 Cash and cash equivalents

	Group		Company	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	US\$	US\$	US\$	US\$
Cash and cash equivalents	7,196,313	12,217,751	4,156,908	8,586,734

Funds are primarily held with HSBC Bank plc, Investec Bank plc, BMO in Canada and Bradesco Bank, ITAU SA, and Santander Bank in Brazil. All of the banking institutions have a AAA credit rating.

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16 Trade and other payables

	Group		Company	
	31 December 2022 US\$	31 December 2021 US\$	31 December 2022 US\$	31 December 2021 US\$
<b>Current</b>				
Trade payables	2,701,805	3,196,978	308,899	525,191
Other payables	1,106,393	951,893	–	–
Employee benefits	561,702	600,195	38,318	45,596
Other taxes and social security	1,460,972	875,445	–	–
Amounts due to subsidiaries	–	–	30,425,854	29,265,880
Due in less than one year	5,830,872	5,624,511	30,773,071	29,836,667
<b>Non-current</b>				
(Between one and five years)				
Long term tax payable	3,321,255	–	–	–
Other taxes and social security	479,631	427,663	–	–
Due in more than one year	3,800,886	427,663	–	–

17 Non-current provisions

Environmental rehabilitation provision

	Group		Company	
	31 December 2022 US\$	31 December 2021 US\$	31 December 2022 US\$	31 December 2021 US\$
Opening balance	2,581,431	1,467,032	–	–
Provided for in year				
as a result of additions on initial recognition	–	390,043	–	–
as a result of changes in estimates	(792,737)	1,305,373	–	–
as a result of variations in discount	(407,485)	(417,399)	–	–
as a result of exchange variations	(191,034)	(163,618)	–	–
Total provided for in year	(1,391,256)	1,114,399	–	–
<b>Total non-current provisions</b>	1,190,175	2,581,431	–	–

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.

In calculating the rehabilitation provision, management consider the anticipated date of closure based on the latest available estimations of mineral resources. In addition, the future costs involved in dismantling, earthmoving, on-going monitoring, site clearance and revegetation are based on quotations or management's best estimates, based on historic costs or estimates.

Costs have inflated using an inflation rate of 6 per cent being the current costs inflation in Brazil and discounted to provide a fair value using a discount rate of 12.29 per cent being the Brazilian Government Bond Rate at the time of calculation.

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18 Interest-bearing liabilities

	Group		Company	
	31 December 2022 US\$	31 December 2021 US\$	31 December 2022 US\$	31 December 2021 US\$
<b>Current</b>				
Short term loan	5,001,608	–	–	–
Obligations under right of use leases	1,109,518	290,060	–	–
Due in less than one year	6,111,126	290,060	–	–
<b>Non-current</b>				
(Between one and five years)				
Obligations under right of use leases	837,293	444,950	–	–
Due in more than one year	837,293	444,950	–	–

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

Short term loan

	Group		Company	
	31 December 2022 US\$	31 December 2021 US\$	31 December 2022 US\$	31 December 2021 US\$
<b>Short term loan</b>				
Balance of short term loan at the start of the period	–	–	–	–
Drawdown of short term loan	4,917,775	–	–	–
Accrued Interest	211,793	–	–	–
Impact of exchange rate	(127,960)	–	–	–
<b>Value of short term loan at the end of the period</b>	<b>5,001,608</b>	<b>–</b>	<b>–</b>	<b>–</b>

Reconciliation of net cash flow to movement in net funds

	Group		Company	
	31 December 2022 US\$	31 December 2021 US\$	31 December 2022 US\$	31 December 2021 US\$
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(5,116,406)</b>	<b>5,820,810</b>	<b>(4,294,581)</b>	<b>4,892,958</b>
Change in net funds resulting from cash flows	(5,116,406)	5,820,810	(4,294,581)	4,892,958
Translation movements	94,968	(206,679)	(135,245)	(120,181)
<b>Movement in net funds in the period</b>	<b>(5,021,438)</b>	<b>5,614,131</b>	<b>(4,429,826)</b>	<b>4,710,942</b>
Opening net funds	11,482,741	(2,473,613)	8,586,734	(4,710,942)
<b>Movement in interest bearing loans and borrowings</b>				
Drawdown of loan	(5,001,608)	–	–	–
Loan repayment	–	7,500,000	–	7,500,000
Loan and interest repayments	–	1,024,899	–	1,024,899
<b>Movement in lease liabilities</b>				
Non cash movement	(184,650)	173,160	–	–
Cash movement	(1,027,151)	(355,836)	–	–
<b>Closing Net Funds</b>	<b>247,894</b>	<b>11,482,741</b>	<b>4,156,908</b>	<b>8,586,734</b>

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	Group		Company	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
	US\$	US\$	US\$	US\$
<b>Analysis of net funds:</b>				
Cash and cash equivalents	7,196,313	12,217,751	4,156,908	8,586,734
Interest-bearing liabilities - Current	(6,111,126)	(290,060)	-	-
Interest-bearing liabilities – Long term	(837,293)	(444,950)	-	-
<b>Closing net (debt)/funds</b>	<b>247,894</b>	<b>11,482,741</b>	<b>4,156,908</b>	<b>8,586,734</b>

19 Derivatives

	Group		Company	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
	US\$	US\$	US\$	US\$
<b>Derivative liability related to warrants in issue</b>				
Fair value at start of period	165,495	-	165,495	-
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>165,495</b>	<b>671,023</b>	<b>165,495</b>	<b>671,023</b>
Decrease in fair value at end of period	(165,495)	(505,528)	(165,495)	(505,528)
<b>Fair value at end of period</b>	<b>-</b>	<b>165,495</b>	<b>-</b>	<b>165,495</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.

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 2022</b>	-	<b>290,060</b>	<b>444,950</b>	<b>735,010</b>
Cash flows	-	(1,691,259)	-	(1,691,259)
Non-cash flows	-	-	-	-
- New lease arrangements	-	1,940,476	925,683	2,866,159
- Transfers	-	564,283	(564,283)	-
- Exchange rate movements	-	5,958	30,943	36,901
<b>At 31 December 2022</b>	<b>-</b>	<b>1,109,518</b>	<b>837,293</b>	<b>1,946,811</b>

During 2022, the Group incurred no interest expense on the convertible loan (2021: US\$47,512).



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**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.

	2022		2021	
	Number	\$	Number	\$
<b>Allotted, called up and fully paid</b>				
Ordinary shares in issue at start of period	75,734,551	11,213,618	59,084,551	8,905,116
Shares issued in period	–	–	16,650,000	2,308.502
<b>Ordinary shares in issue at end of period</b>	<b>75,734,551</b>	<b>11,213,618</b>	<b>75,734,551</b>	<b>11,213,618</b>

**Warrants**

As at 31 December 2022, there were 4,003,527 warrants in issue. Each warrant entitles the holder to acquire one new ordinary share at an exercise price of 93.75 pence per shares, The exercise period for the warrants expires on 23 May 2023.

**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 2022.

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	31 December	31 December	31 December
	2022	2022	2021	2021
	Number	WAEP UK£	Number	WAEP UK£
<b>Outstanding at the beginning of the period</b>	1,750,000	0.85	3,711,750	0.974
Expired during the period	–	–	(1,961,750)	1.085
<b>Outstanding at the end of the period</b>	<b>1,750,000</b>	<b>0.85</b>	<b>1,750,000</b>	<b>0.85</b>
<b>Exercisable at end of the period</b>	<b>1,750,000</b>	<b>0.85</b>	<b>1,166,670</b>	<b>0.85</b>

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

During the year a charge of US\$81,805 (2021: US\$270,631) has been recorded in the 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”)

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replaces the Serabi 2011 Share Option Plan. No further awards are being made by the Company under the Serabi 2011 Share Option Plan.

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

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

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

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

During the year a charge of US\$167,405 (2021: US\$Nil) has been recorded in the financial statements in respect of these conditional share awards.

## 22 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, and a further 12 month, US\$5 million bank loan maturing in February 2024. 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. The Group 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.

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**23 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\$0.02 million (2021: US\$0.04 million).

**Capital Purchases**

At 31 December 2022 the Group had not placed orders for or made initial down payments for mining machinery to be acquired under supplier finance arrangements. The Group has placed an order for an ore-sorter for use at its Coringa operation. It has paid a reservation fee of Euros 20,000 as an advance against the total purchase price of Euros 672,000. In the event that the Group does not proceed with the acquisition the reservation fee is not refundable

**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 2022 US\$	31 December 2021 US\$	31 December 2022 US\$	31 December 2021 US\$
Commitments falling due:				
Within one year	–	63,202	–	–
Between one year and five years	–	1,634	–	–
<b>Total</b>	<b>–</b>	<b>64,836</b>	<b>–</b>	<b>–</b>

**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.

**24 Related party transactions**

**Transactions with intergroup entities**

During the period the Company made one loan to a subsidiary of US\$1,151 (2021: US\$1,566). There were no loans converted into new shares issued by subsidiaries during 2022 (2021: US\$Nil). The balance of these loans at 31 December 2022 was US\$9.79 million (2021: US\$9.78 million).

The Company has loans receivable from subsidiaries totalling US\$18,177,758 (2021: US\$18,176,606) before any provision for the impairment of these loans (see note 13).

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The Company has purchased, during the year from its subsidiary SMSA, 1,340 tonnes of copper/gold concentrate for a consideration of US\$25,058,005 (2021: 1,340 tonnes; US\$22,776,700). At the end of the period the Company owed US\$30,425,854 to its subsidiary SMSA (2021: US\$29,265,880).

**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 2022 US\$	For the year ended 31 December 2021 US\$
Short-term employee benefits	832,126	1,046,297
Post-employment benefits	9,752	11,004
Share-based payments	60,695	193,889
<b>Total</b>	<b>902,573</b>	<b>1,251,191</b>

Further details regarding the remuneration of the Executive Directors and the Non-executive Directors is set out in the Remuneration Report and in note 6.

**25 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 2022 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

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The principal financial instruments by category are as follows:

Group financial assets

	Fair value through profit or loss		Amortised cost	
	2022 US\$	2021 US\$	2022 US\$	2021 US\$
Cash and cash equivalents	–	–	7,196,313	12,217,751
Trade and other receivables	5,291,924	2,307,458		–
<b>Total financial assets</b>	<b>5,291,924</b>	<b>2,307,458</b>	<b>7,196,313</b>	<b>12,217,751</b>

Group financial liabilities

	Fair value through profit or loss		Amortised cost	
	2022 US\$	2021 US\$	2022 US\$	2021 US\$
Trade and other payables	–	–	6,310,503	6,052,174
Other loans and borrowings	–	–	6,948,419	735,010
Derivatives	–	165,495	–	–
<b>Total financial liabilities</b>		<b>165,495</b>	<b>13,258,922</b>	<b>6,787,184</b>

Company financial assets

	Fair value through profit or loss		Amortised cost	
	2022 US\$	2021 US\$	2022 US\$	2021 US\$
Cash and cash equivalents		–	4,156,908	8,586,734
Trade and other receivables	5,244,841	2,274,114	–	–
<b>Total financial assets</b>	<b>5,244,841</b>	<b>2,274,114</b>	<b>4,156,908</b>	<b>8,586,734</b>

Company financial liabilities

	Fair value through profit or loss		Amortised cost	
	2022 US\$	2021 US\$	2022 US\$	2021 US\$
Trade and other payables	–	–	30,773,071	29,836,667
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>30,773,071</b>	<b>29,836,667</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.

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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 2022 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.

On 17 May 2022, the Group 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 a fixed interest coupon of 6.6 per cent. On 28 February 2023, the Group completed a further US\$5.0 million unsecured loan arrangement with a different Brazilian bank which carries a fixed interest coupon of 7.96 per cent. This loan is repayable on 22 February 2024.

As a result, neither the Group nor the Company had any material exposure to market rate movements.

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Group

2022	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	–	–	7,196,313	–	–	7,196,313
Receivables	–	5,291,924	–	–	–	5,291,924
<b>Total</b>	–	5,291,924	7,196,313	–	–	12,488,237
<b>Financial liabilities</b>						
Payables	–	6,772,360	–	–	–	6,772,360
Interest-bearing liabilities	6.66%	–	–	6,111,126	837,293	6,948,419
<b>Total</b>	–	–	–	6,111,126	837,293	13,720,779

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	–	–	12,217,751	–	–	12,217,751
Receivables	–	2,307,458	–	–	–	2,307,458
<b>Total</b>	–	2,307,458	12,217,751	–	–	14,525,209
<b>Financial liabilities</b>						
Payables	–	6,449,574	–	–	–	6,449,574
Derivatives	–	165,495	–	–	–	165,495
Interest-bearing liabilities	–	–	–	290,060	444,950	735,010
<b>Total</b>	–	6,615,069	–	290,060	444,950	7,350,079

Company

2022	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	–	–	4,156,908	–	–	4,156,908
Receivables	–	15,194,615	–	–	–	15,039,806
<b>Total</b>	–	15,194,615	4,156,908	–	–	19,196,714
<b>Financial liabilities</b>						
Payables	–	31,004,349	–	–	–	31,004,349
Derivatives	–	–	–	–	–	–
<b>Total</b>	–	31,004,349	–	–	–	31,004,349

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2021	Weighted average effective interest rate %	Non-interest- bearing US\$	Fixed interest maturity		Total US\$	
			Floating US\$	One year or less US\$		Over one to five years US\$
Financial assets						
Cash	–	–	8,586,734	–	–	8,586,734
Receivables	–	12,205,920	–	–	–	12,205,920
<b>Total</b>	–	12,205,920	8,586,734	–	–	20,792,654
Financial liabilities						
Payables	–	30,074,073	–	–	–	30,074,073
Derivatives	–	165,495	–	–	–	165,495
<b>Total</b>	–	30,239,568	–	–	–	30,239,568

### 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.

On 17 May 2022, the Group 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. On 28 February 2023, the Group completed a further US\$5.0 million unsecured loan arrangement with a different Brazilian bank which carries a fixed interest coupon of 7.96 per cent. This loan is repayable on 27 February 2024.

In addition to the above, the Group had obligations under fixed rate right of use asset leases amounting to US\$1.95 million (2021: US\$0.74 million) (see note 18).

The following table sets out the maturity profile of the financial liabilities as at 31 December 2022:

	Group		Company	
	2022 US\$	2021 US\$	2022 US\$	2021 US\$
Due in less than one month				
Trade payables and accruals	652,366	509,571	3,123,563	2,434,415
Interest-bearing liabilities	92,460	24,172	–	–
<b>Total due in less than one month</b>	<b>744,826</b>	<b>533,743</b>	3,123,563	2,434,415
Due in less than three months				
Trade payables and accruals	2,027,529	1,995,179	8,378,113	8,723,855
Interest-bearing liabilities	5,186,528	48,343	–	–
<b>Total due in less than three months</b>	<b>7,214,057</b>	<b>2,043,522</b>	8,378,113	8,723,855
Due between three months and one year				
Trade payables and accruals	3,612,834	3,517,161	19,502,674	18,915,803
Interest-bearing liabilities	832,139	217,545	–	–
<b>Total due between three months and one year</b>	<b>4,444,973</b>	<b>3,734,706</b>	19,502,674	18,915,803
<b>Total due within one year</b>	<b>12,403,855</b>	<b>6,311,971</b>	<b>31,004,349</b>	<b>30,074,073</b>
Due more than one year				
Trade payables and accruals	479,631	427,663	–	–
Interest-bearing liabilities	837,293	444,950	–	–
<b>Total due more than one year</b>	<b>1,316,924</b>	<b>872,613</b>	–	–
<b>Total</b>	<b>13,720,779</b>	<b>7,184,584</b>	<b>31,004,349</b>	<b>30,074,073</b>



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**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 2022	31 December 2021
	US\$	US\$
US Dollar	3,777,903	7,050,890
Canadian Dollar	68,137	68,748
Sterling	253,751	1,359,004
Australian Dollar	17,583	4,487
Euro	202,581	106,017
Brazilian Real	2,876,358	3,628,605
Total	7,196,313	12,217,751

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
	Brazilian Real 31 December 2022	Canadian \$ 31 December 2022	United States \$ 31 December 2022	
	US\$	US\$	US\$	US\$
US Dollar	—	9,787	9,106,941	9,116,728
Canadian Dollar	—	2,642	68,137	70,779
Sterling	—	—	(320,212)	(320,212)
Australian Dollar	—	—	17,583	17,583
Euro	(1,572,303)	—	39,534	(1,532,769)
Brazilian Real	(1,040,501)	—	—	(1,040,501)
Total	(2,612,804)	12,429	8,911,983	6,311,608

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.

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	Against US Dollar US\$
10% weakening of Brazilian Real	(3,176)
10% strengthening of Brazilian Real	3,833
	Against Sterling US\$
10% weakening of US Dollar	20,345
10% strengthening of US Dollar	(24,026)
	Against Euro US\$
10% weakening of Brazilian Real	(157,230)
10% strengthening of Brazilian Real	157,230

The Group's main subsidiaries operate in Brazil with their expenditure being principally in Brazilian Real and their financial statements are maintained in that currency. The Group's policy for dealing with exchange differences is outlined in the statement of Significant Accounting Policies under the heading "Foreign currencies".

The Group does not presently utilise swaps or forward contracts to manage its currency exposures, although such facilities are considered and may be used where appropriate in the future.

The Group seeks to minimise its exposure to currency risk by closely monitoring exchange rates and holding surplus funds in currencies considered most appropriate to their expected future utilisation.

#### Credit risk

The Group's exposure to credit risk is limited to its cash and cash equivalents and trade and other receivables amounting to US\$15,934,269 (2021: US\$15,130,334). 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 2022, the Group sold all except one shipment out of a total of 13 shipments of its copper/gold concentrate production to a single customer, a publicly quoted metals refining 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 (2021: amount overdue: US\$Nil).

The Company's exposure to credit risk amounted to US\$19,351,523 (2021: US\$20,792,654). Of this amount US\$9,786,036 (2021: US\$9,784,884) is due from subsidiary companies, US\$4,156,908 represents cash holdings (2021: US\$8,586,734) 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

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counterparties and their affairs the Group does not consider that it will incur any credit losses in the next 12 month period not 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.

**26 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.

**27 Post balance sheet events**

On 14 February 2023, the Group entered into hedging contracts with an international bank whereby it acquired sell options over monthly quantities of gold over the period March 2023 to February 2024 totalling 10,215 ounces of gold at a price of US\$1,800. At the same time, it sold to the bank options in favour of the bank to buy the equivalent monthly quantities of gold at prices ranging between US\$2,000 and US\$2,065 per ounce. It also acquired options to sell monthly receipts of US Dollars ranging between US\$2.3 million and US\$1.15 million for Brazilian Real at an exchange rate of BRL5.10 to USD1.00. At the same time, it sold to the bank options in favour of the bank to buy from the Group the equivalent Brazilian Real receipts at exchange rates ranging from 5.325 to 5.800 over the same 12 month period. In this way the Group has secured a minimum equivalent gold price in Brazilian Real of BRL9,180 per ounce in respect of 10,215 ounces and sold options in favour of the bank of future prices ranging between BRL10,650 per ounce and BRL11,997 per ounce depending on the option expiry date. Since January 2021 the BRL price for gold peaked at BRL10,342 in March 2023 and was at a low of BRL8,507 in November 2022. The hedging arrangements are unsecured and not subject to margin calls.

On 28 February 2023, the Group completed a US\$5.0 million unsecured loan arrangement with Santander Bank in Brazil. The loan is repayable as a bullet payment on 22 February 2024 and carries an interest coupon of 7.96 per cent. The proceeds raised from the loan will be used for working capital and secure adequate liquidity to repay a similar arrangement which is due to be repaid on 12 May 2023.

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

## Glossary

“Ag”	means silver.
“AISC”	means All-In Sustaining Cost – a non IFRS performance measurement established by the World Gold Council
“ANM”	means the Agencia Nacional de Mineral.
“Au”	means gold.
“assay”	in economic geology, means to analyse the proportions of metal in a rock or overburden sample; to test an ore or mineral for composition, purity, weight or other properties of commercial interest.
“CIM”	means the Canadian Institute of Mining, Metallurgy and Petroleum.
“CIP” or “Carbon in Pulp”	means a process used in gold extraction by addition of cyanide.
“chalcopyrite”	is a sulphide of copper and iron.
“Cu”	means copper.
“cut-off grade”	the lowest grade of mineralised material that qualifies as ore in a given deposit; rock of the lowest assay included in an ore estimate.
“deposit”	is a mineralised body which has been physically delineated by sufficient drilling, trenching, and/or underground work, and found to contain a sufficient average grade of metal or metals to warrant further exploration and/or development expenditures; such a deposit does not qualify as a commercially mineable orebody or as containing ore reserves, until final legal, technical, and economic factors have been resolved.
“electromagnetics”	is a geophysical technique tool measuring the magnetic field generated by subjecting the sub-surface to electrical currents.
“garimpeiro”	is a local artisanal miner.
“geochemical”	refers to geological information using measurements derived from chemical analysis.
“geophysical”	refers to geological information using measurements derived from the use of magnetic and electrical readings.
“geophysical techniques”	include the exploration of an area by exploiting differences in physical properties of different rock types. Geophysical methods include seismic, magnetic, gravity, induced polarisation and other techniques; geophysical surveys can be undertaken from the ground or from the air.
“gold equivalent”	refers to quantities of materials other than gold stated in units of gold by reference to relative product values at prevailing market prices.
“gossan”	is an iron-bearing weathered product that overlies a sulphide deposit.
“grade”	is the concentration of mineral within the host rock typically quoted as grams per tonne (g/t), parts per million (ppm) or parts per billion (ppb).
“g/t”	means grams per tonne.
“hectare” or a “ha”	is a unit of measurement equal to 10,000 square metres.
“indicated mineral resource”	is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.
“inferred mineral resource”	is that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.
“IP”	refers to induced polarisation, a geophysical technique whereby an electric current is induced into the sub-surface and the conductivity of the sub-surface is recorded.

## 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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## Shareholder Information

### Company

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### Company Number

5131528

### Board of Directors

Michael Lynch Bell – Non-executive Chairman  
Mike Hodgson – Chief Executive  
Clive Line – Finance Director  
Luis Azevedo – Non-executive Director  
Carolina Margozzini – Non-executive Director  
Mark Sawyer – Non-executive Director

### Company Secretary

Clive Line

**Nominated Adviser**  
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