



**SERABI GOLD PLC**

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

**FOR THE THREE AND NINE MONTHS ENDED  
30 SEPTEMBER 2020**

**NOTICE**

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

**SERABI GOLD PLC**  
**Condensed Consolidated Statements of Comprehensive Income**

(expressed in US\$)	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		<b>2020</b> (unaudited)	2019 (unaudited)	<b>2020</b> (unaudited)	2019 (unaudited)
<b>CONTINUING OPERATIONS</b>					
<b>Revenue</b>		<b>15,941,963</b>	14,353,771	<b>45,403,793</b>	43,939,510
Cost of sales		<b>(8,487,475)</b>	(8,496,884)	<b>(24,908,688)</b>	(28,161,873)
Release of provision for impairment of inventory		—	—	—	500,000
Depreciation and amortisation charges		<b>(1,484,715)</b>	(2,204,030)	<b>(4,716,809)</b>	(6,454,531)
<b>Total cost of sales</b>		<b>(9,972,190)</b>	(10,700,914)	<b>(29,625,497)</b>	(34,116,404)
<b>Gross profit</b>		<b>5,969,773</b>	3,652,857	<b>15,778,296</b>	9,823,106
Administration expenses		<b>(1,042,013)</b>	(1,174,204)	<b>(4,705,158)</b>	(3,973,168)
Share-based payments		<b>(182,740)</b>	(65,484)	<b>(344,578)</b>	(196,455)
Gain / (loss) on disposal of fixed assets		<b>56,158</b>	(8,717)	<b>211,075</b>	117,718
<b>Operating profit</b>		<b>4,801,178</b>	2,404,452	<b>10,939,635</b>	5,771,201
Foreign exchange gain / (loss)		<b>51,642</b>	(169,113)	<b>(99,032)</b>	(235,216)
Finance expense	2	<b>(484,457)</b>	(735,003)	<b>(1,583,318)</b>	(1,871,914)
Finance income	2	<b>16,547</b>	—	<b>737,705</b>	175,129
<b>Profit before taxation</b>		<b>4,384,910</b>	1,500,336	<b>9,994,990</b>	3,839,200
Income tax expense	3	<b>(712,966)</b>	(370,635)	<b>(2,166,581)</b>	(989,859)
<b>Profit after taxation</b>		<b>3,671,944</b>	1,129,701	<b>7,828,409</b>	2,849,341
<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		<b>(1,259,213)</b>	(5,187,377)	<b>(18,873,162)</b>	(4,695,527)
<b>Total comprehensive profit /(loss) for the period<sup>(1)</sup></b>		<b>2,412,731</b>	(4,057,676)	<b>(11,044,753)</b>	(1,846,186)
<hr/>					
Profit per ordinary share (basic)	4	<b>6.23c</b>	1.92c	<b>13.28c</b>	4.84c
Profit per ordinary share (diluted)	4	<b>5.80c</b>	1.85c	<b>12.36c</b>	4.67c

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

**SERABI GOLD PLC**  
**Condensed Consolidated Balance Sheets**

(expressed in US\$)	Notes	As at 30 September 2020 (unaudited)	As at 30 September 2019 (unaudited)	As at 31 December 2019 (audited)
<b>Non-current assets</b>				
Deferred exploration costs	6	25,583,666	28,439,970	30,686,652
Property, plant and equipment	7	27,788,820	36,704,931	37,597,100
Right of use assets	8	2,207,297	2,102,183	1,997,176
Taxes receivable		828,083	1,549,463	848,845
Deferred taxation		229,464	1,542,803	1,321,782
<b>Total non-current assets</b>		<b>56,637,330</b>	70,339,350	72,451,555
<b>Current assets</b>				
Inventories	9	5,308,012	6,610,477	6,577,968
Trade and other receivables		2,076,263	872,325	802,275
Prepayments and accrued income		2,329,770	4,390,107	3,473,288
Cash and cash equivalents		10,968,059	13,440,173	14,234,612
<b>Total current assets</b>		<b>20,682,104</b>	25,313,082	25,088,143
<b>Current liabilities</b>				
Trade and other payables		4,573,988	7,158,839	6,113,789
Acquisition payment outstanding	10	8,909,397	11,810,372	12,000,000
Other interest-bearing liabilities	11	2,060,558	6,949,152	6,952,542
Derivative financial liabilities		411,123	–	–
Accruals		293,062	344,502	319,670
<b>Total current liabilities</b>		<b>16,248,128</b>	26,262,865	25,386,001
<b>Net current assets</b>		<b>4,433,976</b>	(949,783)	(297,858)
<b>Total assets less current liabilities</b>		<b>61,071,306</b>	69,389,567	72,153,697
<b>Non-current liabilities</b>				
Trade and other payables		82,261	564,524	183,043
Other interest-bearing liabilities	11	181,348	–	–
Provisions		1,598,625	1,364,487	2,237,266
<b>Total non-current liabilities</b>		<b>1,862,234</b>	1,929,011	2,420,309
<b>Net assets</b>		<b>59,209,072</b>	67,460,556	69,733,388
<b>Equity</b>				
Share capital	14	8,905,116	8,882,803	8,882,803
Share premium reserve		21,905,976	21,752,430	21,752,430
Option reserve	14	984,358	1,171,501	1,019,589
Other reserves		9,970,276	6,464,152	7,149,274
Translation reserve		(63,152,108)	(45,502,650)	(44,278,946)
Retained surplus		80,595,454	74,692,320	75,208,238
<b>Equity shareholders' funds</b>		<b>59,209,072</b>	67,460,556	69,733,388

The interim financial information has not been audited and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. Whilst the financial information included in this announcement has been compiled in accordance with International Financial Reporting Standards ("IFRS") this announcement itself does not contain sufficient financial information to comply with IFRS. The Group statutory accounts for the year ended 31 December 2019 prepared under IFRS as adopted in the EU and with IFRS and their interpretations adopted by the International Accounting Standards Board have been filed with the Registrar of Companies following their adoption by shareholders at the 2020 Annual General Meeting. The auditor's report on these accounts was unqualified. The auditor's report did not contain a statement under Section 498 (2) or 498 (3) of the Companies Act 2006.

**SERABI GOLD PLC**  
**Condensed Consolidated Statements of Changes in Shareholders' Equity**

(expressed in US\$)

(unaudited)	Share capital	Share premium	Share option reserve	Other reserves <sup>(1)</sup>	Translation reserve	Retained Earnings	Total equity
<b>Equity shareholders' funds at 31 December 2018</b>	<b>8,882,803</b>	<b>21,752,430</b>	<b>1,363,367</b>	<b>4,763,819</b>	<b>(40,807,123)</b>	<b>73,154,991</b>	<b>69,110,287</b>
Foreign currency adjustments	—	—	—	—	(4,695,527)	—	(4,695,527)
Profit for the period	—	—	—	—	—	2,849,341	2,849,341
Total comprehensive income for the period	—	—	—	—	(4,695,527)	2,849,341	(1,846,186)
Transfer to taxation reserve	—	—	—	1,700,333	—	(1,700,333)	—
Share options lapsed in period	—	—	(388,321)	—	—	388,321	—
Share option expense	—	—	196,455	—	—	—	196,455
<b>Equity shareholders' funds at 30 September 2019</b>	<b>8,882,803</b>	<b>21,752,430</b>	<b>1,171,501</b>	<b>6,464,152</b>	<b>(45,502,650)</b>	<b>74,692,320</b>	<b>67,460,556</b>
Foreign currency adjustments	—	—	—	—	1,223,704	—	1,223,704
Profit for the period	—	—	—	—	—	983,643	983,643
Total comprehensive income for the period	—	—	—	—	1,223,704	983,643	2,207,347
Transfer to taxation reserve	—	—	—	685,122	—	(685,122)	—
Share options lapsed in period	—	—	(217,397)	—	—	217,397	—
Share option expense	—	—	65,485	—	—	—	65,485
<b>Equity shareholders' funds at 31 December 2019</b>	<b>8,882,803</b>	<b>21,752,430</b>	<b>1,019,589</b>	<b>7,149,274</b>	<b>(44,278,946)</b>	<b>75,208,238</b>	<b>69,733,388</b>
Foreign currency adjustments	—	—	—	—	(18,873,162)	—	(18,873,162)
Profit for the period	—	—	—	—	—	7,828,409	7,828,409
Total comprehensive income for the period	—	—	—	—	(18,873,162)	7,828,409	(11,044,753)
Shares issued in the period	22,313	153,546	—	—	—	—	175,859
Transfer to taxation reserve	—	—	—	2,821,002	—	(2,821,002)	—
Share options exercised in period	—	—	(31,752)	—	—	31,752	—
Share options lapsed in period	—	—	(348,057)	—	—	348,057	—
Share option expense	—	—	344,578	—	—	—	344,578
<b>Equity shareholders' funds at 30 September 2020</b>	<b>8,905,116</b>	<b>21,905,976</b>	<b>984,358</b>	<b>9,970,276</b>	<b>(63,152,108)</b>	<b>80,595,454</b>	<b>59,209,072</b>

(1) Other reserves comprise a merger reserve of US\$361,461 and a taxation reserve of US\$9,608,815 (31 December 2019: merger reserve of US\$361,461 and a taxation reserve of US\$6,787,813).

**SERABI GOLD PLC**  
**Condensed Consolidated Cash Flow Statements**

	For the three months ended 30 September		For the nine months ended 30 September	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
(expressed in US\$)				
<b>Operating activities</b>				
Post tax profit for period	3,671,944	1,129,701	7,828,409	2,849,341
Depreciation – plant, equipment and mining properties	1,484,715	2,204,030	4,716,809	6,454,531
Net financial expense	416,268	904,116	944,645	1,932,001
Inventory impairment expense	—	—	—	(500,000)
Taxation expense	712,966	370,635	2,166,581	989,859
Share-based payments	182,740	65,484	399,284	196,455
Foreign exchange (loss) / gain	(79,732)	22,685	(125,537)	(360,116)
<b>Changes in working capital</b>				
Decrease/(increase) in inventories	55,650	(193,156)	(733,883)	1,972,184
(Increase)/decrease in receivables, prepayments and accrued income	(997,396)	119,905	(1,997,572)	(993,117)
Increase in payables, accruals and provisions	277,539	461,603	220,307	1,979,991
<b>Net cash inflow from operations</b>	<b>5,724,694</b>	<b>5,085,003</b>	<b>13,419,043</b>	<b>14,521,129</b>
<b>Investing activities</b>				
Purchase of property, plant and equipment and projects in construction	(860,020)	(1,138,120)	(2,049,973)	(2,599,412)
Mine development expenditure	(784,203)	(1,342,675)	(2,005,880)	(2,835,238)
Geological exploration expenditure	(267,338)	(290,503)	(1,352,610)	(1,087,027)
Pre-operational project costs	(149,457)	(433,526)	(627,097)	(1,277,048)
Acquisition of mining project	(2,500,000)	—	(3,500,000)	—
Acquisition of other property rights	(150,789)	(196,037)	(483,302)	(1,352,112)
Proceeds from sale of assets	72,188	16,741	400,047	169,822
Interest received	—	—	911	2,217
<b>Net cash outflow on investing activities</b>	<b>(4,639,619)</b>	<b>(3,384,120)</b>	<b>(9,617,904)</b>	<b>(8,978,798)</b>
<b>Financing activities</b>				
Drawdown of convertible loan	500,000	—	2,000,000	—
Repayment of secured loan	—	—	(6,983,492)	—
Payment of finance lease liabilities	(203,080)	(125,804)	(249,354)	(588,025)
Interest paid and other finance costs	(2,753)	(117,308)	(265,751)	(421,241)
<b>Net cash (outflow) / inflow from financing activities</b>	<b>294,167</b>	<b>(243,112)</b>	<b>(5,498,597)</b>	<b>(1,009,266)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>1,379,242</b>	<b>1,457,771</b>	<b>(1,697,458)</b>	<b>4,533,065</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>9,627,412</b>	<b>12,366,683</b>	<b>14,234,612</b>	<b>9,216,048</b>
Exchange difference on cash	(38,596)	(384,281)	(1,569,095)	(308,940)
<b>Cash and cash equivalents at end of period</b>	<b>10,968,059</b>	<b>13,440,173</b>	<b>10,968,059</b>	<b>13,440,173</b>

**SERABI GOLD PLC**  
**Report and condensed consolidated financial statements for the three and nine month periods ended 30 September 2020**

**Notes to the Condensed Consolidated Financial Statements**

**1. Basis of preparation**

These interim condensed consolidated financial statements are for the three and nine month periods ended 30 September 2020. Comparative information has been provided for the unaudited three and nine month periods ended 30 September 2019 and, where applicable, the audited twelve month period from 1 January 2019 to 31 December 2019. These condensed consolidated financial statements do not include all the disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2019 annual report.

The condensed consolidated financial statements for the periods have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the accounting policies are consistent with those of the annual financial statements for the year ended 31 December 2019 and those envisaged for the financial statements for the year ending 31 December 2020.

**Accounting standards, amendments and interpretations effective in 2020**

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

The following Accounting standard that has come into effect as of 1 January 2020 is

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

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

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

IAS 1 Presentation of Financial Statements

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

These financial statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006.

**(i) Going concern**

As at 30 September 2020 the Group had cash in hand of US\$10.97 million and net assets of US\$59.21 million.

The occurrence of the Coronavirus (COVID-19) pandemic has created significant uncertainty for all business sectors including Serabi. Whilst unable to operate at expected production levels during the second and third quarters of 2020, the Group has nonetheless maintained its gold mining operations without interruption. The levels of workforce at site were reduced as a pre-cautionary measure to improve social distancing whilst additional accommodation and other facilities could be put in place prior to a return to full workforce numbers. Whilst production levels during the second and third quarters of 2020 have been below the levels that the Group had originally forecast, the weakness of the Brazilian Real and the increased gold price that prevailed during the same period, resulted in strong cash flow being generated by the Group. In addition to paying off a US\$6.9 million secured loan during 2020, the Group has also made payments totalling US\$5.5 million (as at 12 November 2020) to Equinox Gold Inc. ("Equinox") for the outstanding sum due for the acquisition of the Coringa project.

At the current time the Directors have assumed that mining operations and gold production will continue at the Palito Complex at similar levels of production for the fourth quarter and expect that, with a return to a full workforce during the fourth quarter and the reintroduction of surface and underground drilling crews for mine planning purposes that production can be expected to improve during the early part of 2021. There is no evidence, at this time, to suggest that the authorities in Brazil have any intention to try and close down or suspend mining activities as a result of the current Coronavirus pandemic. On 20 March 2020, it was stipulated in Decree 10,282/20 that mineral activity was considered an essential business sector and further actions have subsequently been invoked to prevent any restrictive measures being applied to the supplies required by the mining industry including transportation of supplies, availability of materials required for processing, and the sale and transportation of the mineral products.

The Group has renegotiated the terms relating to the settlement of a final acquisition payment of US\$12 million due to Equinox in respect of the purchase of Chapleau Resources Limited and its Coringa gold project (the "Coringa Deferred Consideration"). Under the revised arrangement the Group began paying monthly instalments commencing 1 May 2020 of US\$500,000 per month, increasing to US\$1 million per month from 1 August 2020 and payable thereafter ("the "Deferral Period") until such time as certain conditions relating to travel into and within Brazil are lifted (the "Travel Restriction Conditions"). Within 6 weeks of the satisfaction of the Travel Restriction Conditions the remaining portion of the Coringa Deferred Consideration will become payable.

The Company announced on 22 January 2020 that it had entered into an agreement with Greenstone Resources II LP ("Greenstone") for the issue of and subscription by Greenstone of US\$12 million of Convertible Loan Notes the proceeds of which would be used to satisfy the Coringa Deferred Consideration. However, due to the uncertainties created by the impact of the Coronavirus, the Company and Greenstone agreed to extend the period for the satisfaction of the conditions required for completion of the subscription by Greenstone. On 24 April 2020 the Company announced that it had agreed certain amendments to the original agreement with Greenstone (the "Amended Subscription Deed").

Under the Amended Subscription Deed and a further subsequent amendment agreed with Greenstone

(a) the Company may, prior to the satisfaction of the Travel Restriction Condition only submit a subscription request in respect of Convertible Loan Notes in the amount of US\$500,000 each month. Following the satisfaction of the Travel Restriction Condition, the Company may then issue further subscription request for amounts of not less than US\$100,000 and not exceeding an amount equal to US\$12,000,000 less the sum of the aggregate principal amount of all Notes outstanding at that time.

(b) the Convertible Loan Notes were initially unsecured and subordinated to the Sprott Loan. Following the completion of the repayment of the Sprott Loan on 30 June 2020, the security interests of Sprott have been discharged and the Company has granted to Greenstone the security package as originally envisaged save that a pledge of the shares of Chapleau Resources Limited ("CRL") will continue to be held by Equinox until such time as the Coringa Deferred Consideration is settled in full. CRL holds 100% of the shares of Chapleau Exploração Mineral Ltda which in turn holds the exploration licences for the Coringa gold project

(d) The period during which the Company may issue an Issue Notice to Greenstone expires on 30 September 2021

(e) Subject to Greenstone not having exercised its option to convert the amount outstanding into Conversion Shares, the Convertible Loan Notes are due to be repaid 16 months after the first Issue Date which was 30 April 2020.

The Balance Sheet of the Group shows a net current asset position of US\$4.43 million at 30 September 2020 including the fair value of a cash liability (including accrued interest) of US\$8.9 million in respect of Coringa Deferred Consideration of which a further US\$2.0 million has been settled subsequent to the period end. The Group plans to try to continue to finance this liability as much as possible from its operational cash flow but can also obtain additional working capital through the issue of the balance of the US\$12 million of Convertible Loan Notes to Greenstone which will not be repayable until 31 August 2021. As at the current date, US\$2.0 million has been drawn down against the Convertible Loan Notes and US\$6.5 million remains outstanding in respect of the Coringa Deferred Consideration.

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

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

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

## **(ii) Use of estimates and judgements**

There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the 2019 annual financial statements.

During the second and third quarter of 2020, the Group has issued US\$2.0 million of Convertible Loan Notes which carry conversion rights at a fixed price of UK£0.76 per share and subject to certain conditions may be exercised at any time prior to the repayment date of 31 August 2021. The Group has valued the underlying conversion rights using the Black Scholes methodology and estimated rates for share price volatility, risk free interest rates and other factors consistent with the accepted practise.

## **(iii) 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 of impairment reviews, the significant cash generating units are assessed to determine whether they should be reviewed under the requirements of IFRS 6 - Exploration for and Evaluation of Mineral Resources or IAS 36 - Impairment of Assets. Such determination is by reference to the stage of development of the project and the level of reliability and surety of information used in calculating value in use or fair value less costs to sell. Impairment reviews performed under IFRS 6 are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise; typically when one of the following circumstances applies:

- (i) sufficient data exists that render the resource uneconomic and unlikely to be developed
- (ii) title to the asset is compromised
- (iii) budgeted or planned expenditure is not expected in the foreseeable future
- (iv) insufficient discovery of commercially viable resources leading to the discontinuation of activities

Impairment reviews performed under IAS 36 are carried out when there is an indication that the carrying value may be impaired. Such key indicators (though not exhaustive) to the industry include:

- (i) a significant deterioration in the spot price of gold
- (ii) a significant increase in production costs
- (iii) a significant revision to, and reduction in, the life of mine plan

If any indication of impairment exists, the recoverable amount of the asset is estimated, being the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Such impairment losses are recognised in profit or loss for the year.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss for the year.

## **(iv) Property, plant and equipment and mining properties**

### **(i) Owned assets**

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

### **(ii) Subsequent costs**

Costs relating to maintenance and upkeep of the Group's assets, once such assets have been commissioned and entered into commercial operations, will generally be expensed as incurred. In the event, however, that the costs demonstrably result in extending the original estimated life of such asset or 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**



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

The Group reviews the economic lives at the end of each annual reporting period.

The residual value, if not insignificant, is reassessed annually. Gains and losses on disposal are determined by comparing proceeds with carrying values and are included in profit or loss.

#### **(v) 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 (iv)(i)) or until the properties are sold, allowed to lapse or abandoned, at which time any capitalised costs are written off to the income statement. Costs incurred include appropriate technical and administrative overheads but not general overheads. Deferred exploration costs are carried at cost, less any impairment losses recognised.

At such time as commercial viability 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.

#### **(vi) 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.

#### **(vii) Revenue**

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

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

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

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

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

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

### (viii) Currencies

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

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

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

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

### (ix) 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.

### (x) Derivatives

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

## 2. Finance Costs

	<b>3 months ended 30 September 2020 (unaudited) US\$</b>	3 months ended 30 September 2019 (unaudited) US\$	<b>9 months ended 30 September 2020 (unaudited) US\$</b>	9 months ended 30 September 2019 (unaudited) US\$
Interest expense on secured loan	—	(173,637)	<b>(203,127)</b>	(474,177)
Interest expense on convertible loan	<b>(33,899)</b>	—	<b>(72,806)</b>	—
Interest expense on mineral property acquisition liability	<b>(239,071)</b>	—	<b>(823,361)</b>	—
Unwinding of discount on mineral property acquisition liability	—	(280,344)	—	(812,615)
Expense in respect of non-substantial modification	<b>(155,237)</b>	(39,900)	<b>(390,274)</b>	(53,212)
Amortisation of arrangement fee for convertible loan	<b>(56,250)</b>	—	<b>(93,750)</b>	—
Loss on revaluation of derivatives	—	(241,122)	—	(531,910)
	<b>(484,457)</b>	(735,003)	<b>(1,583,318)</b>	(1,871,914)
Gain in respect of non-substantial modification	—	—	<b>724,438</b>	172,912
Gain on revaluation of derivatives	<b>16,547</b>	—	<b>12,356</b>	—
Interest income	—	—	<b>911</b>	2,217
Net finance expense	<b>(467,910)</b>	(735,003)	<b>(845,613)</b>	(1,696,785)

## 3. Taxation

The Group has recognised a deferred tax asset to the extent that the Group has reasonable certainty as to the level and timing of future profits that might be generated and against which the asset may be recovered. The Group has released the amount of US\$794,044 as a deferred tax charge during the nine month period to 30 September 2020.

The Group has also incurred a tax charge in Brazil for the nine month period of US\$1,372,537.

#### 4. Earnings per share

	<b>3 months ended 30 September 2020 (unaudited)</b>	3 months ended 30 September 2019 (unaudited)	<b>9 months ended 30 September 2020 (unaudited)</b>	9 months ended 30 September 2019 (unaudited)
Profit attributable to ordinary shareholders (US\$)	<b>3,671,944</b>	1,129,701	<b>7,828,409</b>	2,849,341
Weighted average ordinary shares in issue	<b>58,981,290</b>	58,909,551	<b>58,946,229</b>	58,909,551
Basic profit per share (US cents)	<b>6.23c</b>	1.92c	<b>13.28c</b>	4.84c
Diluted ordinary shares in issue <sup>(1)</sup>	<b>63,362,694</b>	60,997,145	<b>63,327,628</b>	60,997,145
Diluted profit per share (US cents)	<b>5.80c</b>	1.85c	<b>12.36c</b>	4.67c

(1) Based on 2,345,088 options vested and exercisable as at 30 September 2020 and 2,036,316 shares that could be issued pursuant to any exercise of conversion rights attaching to the Convertible Loan Notes as at 30 September 2020 (30 September 2019: 2,087,594 options)

#### 5. Segmental analysis

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

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

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

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

	<b>3 months ended 30 September 2020 (unaudited)</b>			3 months ended 30 September 2019 (unaudited)		
	Brazil US\$	UK US\$	Total US\$	Brazil US\$	UK US\$	Total US\$
Revenue	<b>9,760,989</b>	<b>6,180,974</b>	<b>15,941,963</b>	12,426,438	1,927,333	14,353,771
Intra-group sales/purchases	<b>5,225,110</b>	<b>(5,225,110)</b>	—	(1,723,178)	1,723,178	—
Operating expenses	<b>(7,352,154)</b>	<b>(1,135,321)</b>	<b>(8,487,475)</b>	(7,448,263)	(1,048,621)	(8,496,884)
Depreciation and amortisation	<b>(1,448,207)</b>	<b>(36,508)</b>	<b>(1,484,715)</b>	(2,158,710)	(45,320)	(2,204,030)
Gross profit / (loss)	<b>6,185,738</b>	<b>(215,965)</b>	<b>5,969,773</b>	1,096,287	2,556,570	3,652,857
Administration expenses	<b>(516,184)</b>	<b>(525,829)</b>	<b>(1,042,013)</b>	(662,695)	(511,509)	(1,174,204)
Share based payments	—	<b>(182,740)</b>	<b>(182,740)</b>	—	(65,484)	(65,484)
Profit on sale of fixed assets	<b>56,158</b>	—	<b>56,158</b>	(8,717)	—	(8,717)
Operating profit / (loss)	<b>5,725,712</b>	<b>(924,534)</b>	<b>4,801,178</b>	424,875	1,979,577	2,404,452
Foreign exchange (loss) / gain	<b>54,792</b>	<b>(3,150)</b>	<b>51,642</b>	(145,088)	(24,025)	(169,113)
Finance expense	—	<b>(467,910)</b>	<b>(467,910)</b>	—	(735,003)	(735,003)
Profit / (loss) before taxation	<b>5,780,504</b>	<b>(1,395,594)</b>	<b>4,384,910</b>	279,787	1,220,549	1,500,336

	9 months ended 30 September 2020 (unaudited)			9 months ended 30 September 2019 (unaudited)		
	Brazil US\$	UK US\$	Total US\$	Brazil US\$	UK US\$	Total US\$
Revenue	32,345,356	13,058,437	45,403,793	33,674,845	10,264,665	43,939,510
Intra-group sales/purchases	11,115,486	(11,115,486)	—	(8,013,655)	8,013,655	—
Operating expenses	(21,434,321)	(3,474,367)	(24,908,688)	(24,586,582)	(3,575,291)	(28,161,873)
Release of impairment provision	—	—	—	—	500,000	500,000
Depreciation and amortisation	(4,604,897)	(111,912)	(4,716,809)	(6,307,746)	(146,785)	(6,454,531)
Gross profit / (loss)	17,421,624	(1,643,328)	15,778,296	(5,233,138)	15,056,244	9,823,106
Administration expenses	(1,810,400)	(2,894,758)	(4,705,158)	(2,150,218)	(1,822,950)	(3,973,168)
Share based payments	—	(344,578)	(344,578)	—	(196,455)	(196,455)
Profit on sale of fixed assets	211,075	—	211,075	117,718	—	117,718
Operating profit / (loss)	15,822,299	(4,882,664)	10,939,635	(7,265,638)	13,036,839	5,771,201
Foreign exchange (loss)/gain	(88,244)	(10,788)	(99,032)	(245,678)	10,462	(235,216)
Finance expense	—	(845,613)	(845,613)	—	(1,696,785)	(1,696,785)
Profit / (loss) before taxation	15,734,055	(5,739,065)	9,994,990	(7,511,316)	11,350,516	3,839,200

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

	Total non-current assets		
	30 September 2020 (unaudited) US\$	30 September 2019 (unaudited) US\$	31 December 2019 (audited) US\$
Brazil – operations	29,996,117	28,439,970	39,594,276
Brazil – exploration	25,583,666	38,807,114	30,686,652
Brazil – taxes receivable	828,083	1,549,463	848,845
Brazil – deferred tax	229,464	1,542,803	1,321,782
Brazil - total	56,637,330	70,339,350	72,451,555
UK	—	—	—
	56,637,330	70,339,350	72,451,555

An analysis of total assets by location is as follows:

	Total assets		
	30 September 2020 (unaudited) US\$	30 September 2019 (unaudited) US\$	31 December 2019 (audited) US\$
Brazil	69,308,358	85,300,809	87,212,205
UK	8,011,076	10,351,623	10,327,493
	77,319,434	95,652,432	97,539,698

## 6. Deferred exploration costs

	<b>30 September 2020 (unaudited) US\$</b>	30 September 2019 (unaudited) US\$	31 December 2019 (audited) US\$
<b>Cost</b>			
Opening balance	<b>30,686,652</b>	27,707,795	27,707,795
Exploration and evaluation expenditure	<b>1,352,610</b>	1,087,027	2,249,338
Pre-operational project costs	<b>627,097</b>	1,277,048	1,634,647
Foreign exchange movements	<b>(7,082,693)</b>	(1,631,900)	(905,128)
<b>Total as at end of period</b>	<b>25,583,666</b>	28,439,970	30,686,652

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

	<b>30 September 2020 (unaudited) US\$</b>	30 September 2019 (unaudited) US\$	31 December 2019 (audited) US\$
<b>Cost</b>			
Balance at start of period	<b>83,160,693</b>	81,238,029	81,238,029
Additions	<b>4,055,854</b>	5,441,728	7,855,362
Reclassifications on adoption of IFRS 16	<b>—</b>	(2,904,085)	(2,904,085)
Disposals	<b>(147,187)</b>	(200,549)	(258,164)
Foreign exchange movements	<b>(21,236,642)</b>	(4,944,773)	(2,770,449)
<b>Balance at end of period</b>	<b>65,832,718</b>	78,630,350	83,160,693

	<b>30 September 2020 (unaudited) US\$</b>	30 September 2019 (unaudited) US\$	31 December 2019 (audited) US\$
<b>Accumulated depreciation</b>			
Balance at start of period	<b>(45,563,593)</b>	(38,895,927)	(38,895,927)
Charge for period	<b>(4,674,745)</b>	(6,155,257)	(8,798,835)
Reclassified on adoption of IFRS 16	<b>—</b>	554,723	554,723
Released on asset disposals	<b>—</b>	59,271	90,504
Foreign exchange movements	<b>12,194,440</b>	2,511,772	1,485,942
<b>Balance at end of period</b>	<b>(38,043,898)</b>	(41,925,419)	(45,563,593)
<b>Net book value at end of period</b>	<b>27,778,820</b>	36,704,931	37,597,100

## 8. Right of use Assets

	<b>30 September 2020 (unaudited) US\$</b>	30 September 2019 (unaudited) US\$	31 December 2019 (audited) US\$
<b>Cost</b>			
Balance at start of period	<b>2,904,085</b>	—	—
Reclassified on adoption of IFRS 16	—	2,904,085	2,904,085
Additions	<b>427,906</b>	—	—
Foreign exchange movements	<b>(42,953)</b>	—	—
<b>Balance at end of period</b>	<b>3,289,038</b>	2,904,085	2,904,085

	<b>30 September 2020 (unaudited) US\$</b>	30 September 2020 (unaudited) US\$	31 December 2019 (audited) US\$
<b>Amortisation</b>			
Balance at start of period	<b>(906,909)</b>	—	—
Reclassified on adoption of IFRS 16	—	(554,723)	(554,723)
Charge for period	<b>(194,158)</b>	(264,140)	(359,579)
Foreign exchange movements	<b>19,326</b>	16,960	7,393
<b>Balance at end of period</b>	<b>(1,081,741)</b>	(801,903)	(906,909)
<b>Net book value at end of period</b>	<b>2,207,297</b>	2,102,183	1,997,176

## 9. Inventories

	<b>30 September 2020 (unaudited) US\$</b>	30 September 2019 (unaudited) US\$	31 December 2019 (audited) US\$
Consumables	<b>2,528,530</b>	3,486,316	3,478,886
Ore stockpiles	<b>112,953</b>	370,276	331,775
Finished Goods	<b>1,207,581</b>	1,456,777	1,391,302
Other material in process	<b>1,458,948</b>	1,297,108	1,376,005
<b>Balance at end of period</b>	<b>5,308,012</b>	6,610,477	6,577,968

## 10. Mineral property acquisition liability

	<b>30 September 2020 (unaudited) US\$</b>	30 September 2019 (unaudited) US\$	31 December 2019 (audited) US\$
Deferred acquisition liability at start of period	<b>12,000,000</b>	10,997,757	10,997,757
Unwinding of fair value discount	—	812,615	1,002,243
Accumulated Interest Payable	<b>823,361</b>	—	—
Gain in respect of non-substantial modification	<b>(724,438)</b>	—	—
Expense in respect of non-substantial modification	<b>310,474</b>	—	—
Repayment of principal	<b>(3,500,000)</b>	—	—
<b>Value of deferred acquisition liability at end of period</b>	<b>8,909,397</b>	11,810,372	12,000,000

During 2020, the Group incurred an interest expense of US\$823,361. Interest charges incurred will be paid at the same time that the final payment is made in respect of the mineral property acquisition.

At the start of the second quarter of 2020, the Group agreed revised repayment terms for the mineral property acquisition allowing for a series of staged payments replacing the single lump sum payment that was otherwise then due. In accordance with IFRS 9, the Group is required to recognise the effect of a non-substantial modification to the previous payment arrangement. Accordingly, the Group initially recognised a benefit arising from the modification totalling US\$724,438 which is being amortised over the remaining life of the loan as a variation in the effective interest rate of the loan. The amount of US\$310,474 has been amortised in the period.

## 11. Interest bearing liabilities

### a) Secured loan

	<b>30 September 2020 (unaudited) US\$</b>	30 September 2019 (unaudited) US\$	31 December 2019 (audited) US\$
Secured loan outstanding at start of period	<b>6,903,692</b>	6,060,606	6,060,606
Repayment of principal	<b>(6,983,492)</b>	—	—
Exercise of Gold Call options	—	922,886	922,886
Gain on non-substantial modification	—	(172,912)	(179,912)
Amortisation of gain on non-substantial modification	<b>79,800</b>	53,212	100,112
<b>Value of secured loan outstanding at end of period</b>	<b>—</b>	<b>6,863,792</b>	<b>6,903,692</b>

During 2020, the Group made capital repayments of US\$6,983,492 and incurred an interest expense of US\$203,127. Interest payments of US\$262,439 have been made in the period including payment of US\$59,518 for interest accrued as at 31 December 2019. Following final settlement of this loan, which occurred on 30 June 2020, the security in favour of the lender was released.

### b) Convertible loan

	<b>30 September 2020 (unaudited) US\$</b>	30 September 2019 (unaudited) US\$	31 December 2019 (audited) US\$
Value of secured convertible loan at start of period	—	—	—
Drawdown of convertible loan	<b>2,000,000</b>	—	—
Initial fair value of derivative associated with loan	<b>(411,123)</b>	—	—
Loan Arrangement Fee	<b>300,000</b>	—	—
Accumulated interest Payable	<b>72,806</b>	—	—
Revaluation of Derivative Provision	<b>(12,356)</b>	—	—
<b>Value of secured convertible loan at end of period</b>	<b>1,949,327</b>	<b>—</b>	<b>—</b>

During 2020, the Group has incurred an interest expense of US\$72,806. In accordance with the terms of the convertible loan, interest is being capitalised and will be repaid when the Convertible Loan Notes are repaid or converted. An arrangement fee of US\$300,000 has also been incurred in connection with the Convertible Loan Notes. Following the settlement of the Secured Loan on 30 June 2020, the Convertible Loan Notes became secured and a security package in favour of the holder of the Convertible Loan Notes has been put in place.

### c) Interest bearing lease liability

	<b>30 September 2020 (unaudited) US\$</b>	30 September 2019 (unaudited) US\$	31 December 2019 (audited) US\$
Interest bearing lease liability at start of period	<b>48,850</b>	424,454	424,454
Interest bearing lease liability entered into during period	<b>518,819</b>	—	—
Repayments in period	<b>(249,354)</b>	(299,037)	(340,196)
Foreign exchange movement	<b>(25,736)</b>	(40,057)	(35,408)
<b>Interest bearing lease liabilities at end of period</b>	<b>292,579</b>	85,360	48,850
Short-term interest-bearing lease liability at end of period	111,231	85,360	48,850
Long-term interest-bearing lease liability at end of period	181,348	—	—
<b>Total interest-bearing lease liabilities at end of period</b>	<b>292,579</b>	85,360	48,850
<b>Total short-term interest-bearing liabilities at end of period</b>	<b>2,060,558</b>	6,949,152	6,952,542
<b>Total long-term interest-bearing liabilities at end of period</b>	<b>181,348</b>	—	—

### 12. Contingencies

Employment legislation in Brazil allows former employees to bring claims against an employer at any time for a period of two years from the date of cessation of employment and regardless of whether the employee left the company voluntarily or had their contract terminated by the company. The Group considers that it operates in compliance with the law at all times but is aware that claims are made against all companies in Brazil on a regular basis. Whilst not accepting legal liability, the Group makes provision or accrues for all known claims. Further claims may arise at any time.

### 13. Related party transactions

As Greenstone Resources II LP (“Greenstone”) is currently interested in more than 10 per cent. of the issued ordinary share capital of the Company, the subscription for and issue to Greenstone of up to US\$12 million of Convertible Loan Notes (“the Loan Notes”) is a related party transaction for the purposes of Rule 13 of the AIM Rules (“Rule 13”). The original terms of the Loan Notes were announced on 22 January 2020 and approved by shareholders of the Company on 26 February 2020. On 23 April the Company agreed certain amendments and signed an amendment deed which varied the original Subscription Deed (the “Amended Subscription Deed”).

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

Whilst the Sprott Loan was outstanding the Loan Notes were unsecured and subordinated to the Sprott Loan. Following settlement of the Sprott Loan, the security interests of Sprott have been discharged and the Company has granted to Greenstone the security package as originally envisaged save that a pledge of the shares of Chapleau Resources Limited (“CRL”) will continue to be held by Equinox until such time as the Coringa Deferred Consideration is settled in full. CRL holds 100% of the shares of Chapleau Exploração Mineral Ltda which in turn holds the exploration licences for the Coringa gold project.

For the purposes of the AIM Rules, the independent directors of the Company (being the Directors other than Mark Sawyer) considered, having consulted with the Company’s nominated adviser, Beaumont Cornish, that the Amendment was fair and reasonable insofar as the other shareholders of Serabi are concerned.

As a result of Greenstone’s shareholding in the Company, the subscription for the Convertible Loan Notes is a related party transaction for the Company under Canadian securities laws pursuant to Multilateral Instrument 61-101 –



Protection of Minority Security Holders in Special Transactions (“MI 61-101”). In accordance with MI 61-101, the Company relied on the exemption from the requirement to obtain a formal valuation for the Convertible Loan Notes transaction contained in section 5.5(c) of MI 61-101 on the basis that the transaction is a distribution of securities for cash consideration and neither the Company, nor to the knowledge of the Company after reasonable inquiry, Greenstone has knowledge of any material information concerning the Company or its securities that has not been generally disclosed. The Company has obtained minority shareholder approval for the issue of the Convertible Loan Notes in accordance with MI 61-101.

As of the date of these interim condensed consolidated financial statement and In accordance with the amended terms of the Subscription Deed, the Company has issued and Greenstone has subscribed for US\$500,000 of Convertible Loan Notes on each of 30 April 2020, 31 May 2020, 30 June 2020 and 31 July 2020.

## 14. Share capital

### a) Ordinary shares

	30 September 2020 (unaudited)		30 September 2019 (unaudited)		31 December 2019 (audited)	
	Number	\$	Number	\$	Number	\$
<b>Allotted, called up and fully paid</b>						
Ordinary shares in issue at start of period	58,909,551	8,882,803	58,909,551	8,882,803	58,909,551	8,882,803
Ordinary shares issued during the period	175,000	22,313	—	—	—	—
Ordinary shares in issue at end of period	59,084,551	8,905,116	58,909,551	8,882,803	58,909,551	8,882,803

### (b) Stock option reserve

#### Contributed surplus

	<b>30 September 2020 (unaudited) US\$</b>	30 September 2019 (unaudited) US\$	31 December 2019 (audited) US\$
Balance at start of period	<b>1,019,589</b>	1,363,367	1,363,367
Options exercised in period	<b>(31,752)</b>	—	—
Options lapsed in period	<b>(348,057)</b>	(388,321)	(605,718)
Options costs for period	<b>344,578</b>	196,455	261,940
<b>Balance at end of period</b>	<b>984,358</b>	1,171,501	1,019,589

Under the Company’s Stock Option Plan (the “2011 Plan”), stock options may be granted only to directors, officers, employees and consultants of the Company or to their permitted assignees and may be granted for a term not exceeding 10 years. The Ordinary Shares to be purchased upon exercise of each option must be paid for in full by the grantee at the time of exercise. Unless otherwise directed by the Board of Directors at the date of the grant, each award shall vest as to one third on the date of grant, one third on the first anniversary of grant and the balance vesting on the second anniversary of the date of grant. The Board of Directors shall also be entitled to establish performance criteria, which may affect the vesting of the options or the rights of the holder to exercise the options. The 2011 Plan reserves for issuance, pursuant to its terms, up to 10 per cent of the number of Ordinary Shares issued or issuable and outstanding from time to time.

The following summarises the outstanding options in issue at 30 September 2020 under the various plans that have been operated by the Company:

Issue date	Options outstanding	Options vested	Exercise price	Expiry
27 May 2020	2,050,000	683,338	UK£0.85	26 May 2023
2 July 2018	1,575,000	1,575,000	UK£0.75	01 July 2021
28 January 2011	64,250	64,250	UK£8.20	27 January 2021
28 January 2011	22,500	22,500	UK£7.40	27 January 2021
	3,711,750	2,345,088		

The approximate weighted average exercise price is UK£0.97

## 15. Impairment

For the purposes of the preparation of the annual audited financial statements for the year ended 31 December 2019, management undertook an impairment review of the Group's exploration, development and production assets. At that time, it was concluded there were no indicators of impairment.

As at 30 September 2020 the carrying value of the assets relating to the Palito and Sao Chico Mines has decreased to US\$29.53 million from US\$39.59 million as at 31 December 2019, whilst the carrying value of deferred exploration costs has decreased from US\$30.69 million at 31 December 2019 to US\$25.83 million at 30 September 2020.

The Group's mines have remained operational throughout the COVID-19 pandemic and whilst for the last two quarters the mines have operated at lower outputs than originally forecast, the Group has put in place measures which are allowing operations to return to the levels of activity forecast prior to the outbreak of COVID-19. Management therefore do not consider that the outbreak of COVID-19 represents any indication of impairment. Management also do not consider that any other events have occurred which would give rise to management concluding that there has been any indication of impairment since 31 December 2019.

## 16. Post Balance Sheet Events

Subsequent to the end of the quarter, 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.

## 17. Approval of the interim condensed consolidated financial statements

These unaudited interim condensed consolidated financial statements for the three and nine month periods ended 30 September 2020 were approved by the board of directors on 12 November 2020.