SERABI GOLD PLC

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

FOR THE THREE AND SIX MONTHS ENDED
30 JUNE 2022

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 six months ended 30 June 2022 (unaudited)	2021 (unaudited)	For the three months ended 30 June 2022 (unaudited)	2021 (unaudited)
CONTINUING OPERATIONS					
Revenue		**31,200,863**	32,530,473	**18,315,843**	16,701,661
Cost of sales		**(23,268,585)**	(18,357,673)	**(13,995,113)**	(9,381,506)
Depreciation and amortisation charges		**(2,923,245)**	(2,716,607)	**(1,751,357)**	(1,552,805)
Total cost of sales		**(26,191,830)**	(21,074,280)	**(15,746,470)**	(10,934,311)
Gross profit		**5,009,033**	11,456,193	**2,569,373**	5,767,350
Administration expenses		**(2,596,017)**	(3,006,414)	**(1,150,064)**	(1,163,820)
Share-based payments		**(213,922)**	(136,200)	**(101,797)**	(68,100)
Gain on asset disposals		**43,163**	20,154	**44,227**	9,751
Operating profit		**2,242,257**	8,333,733	**1,361,739**	4,545,181
Foreign exchange gain / (loss)		**139,105**	(43,743)	**(37,481)**	(62,757)
Finance expense	2	**(66,525)**	(340,558)	**(64,686)**	(125,015)
Finance income	2	**152,624**	–	**47,844**	–
Profit before taxation		**2,467,461**	7,949,432	**1,307,416**	4,357,409
Income tax expense	3	**(394,522)**	(1,596,779)	**(964,080)**	88,338
Profit after taxation		**2,072,939**	6,352,653	**343,336**	4,445,747
Other comprehensive income (net of tax)					
Exchange differences on translating foreign operations		**1,986,773**	2,227,950	**(6,872,683)**	5,700,308
Total comprehensive profit / (loss) for the period(1)		**4,059,712**	8,580,603	**(6,529,347)**	10,146,055
Profit per ordinary share (basic)	4	**2.74c**	9.06c	**0.45c**	6.34c
Profit per ordinary share (diluted)	4	**2.68c**	8.75c	**0.44c**	6.12c

(1) The Group has no non-controlling interest 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 June 2022 (unaudited)**	As at 30 June 2021 (unaudited)	As at 31 December 2021 (audited)
Non-current assets				
Deferred exploration costs	6	39,608,630	31,956,193	34,857,905
Property, plant and equipment	7	28,254,138	27,277,248	27,575,335
Right of use assets	8	4,801,117	2,951,714	2,600,631
Taxes receivable		961,290	747,499	1,224,360
Deferred taxation		685,650	1,022,227	605,125
Total non-current assets		**74,310,825**	63,954,881	66,863,356
Current assets				
Inventories	9	7,724,300	7,354,165	6,973,207
Trade and other receivables		4,952,331	2,057,413	2,307,458
Prepayments and accrued income		3,883,897	2,376,924	2,316,669
Cash and cash equivalents		9,819,882	18,121,392	12,217,751
Total current assets		**26,380,410**	29,909,894	23,815,085
Current liabilities				
Trade and other payables		**5,626,540**	7,418,052	5,624,511
Interest bearing liabilities	10	**5,726,808**	238,017	290,060
Accruals		**399,970**	298,758	397,400
Total current liabilities		**11,753,328**	7,954,827	6,311,971
Net current assets		**14,627,092**	21,955,067	17,503,114
Total assets less current liabilities		**88,937,917**	85,909,948	84,366,470
Non-current liabilities				
Trade and other payables		**466,292**	91,040	427,663
Interest bearing liabilities	10	**1,152,087**	673,971	444,950
Deferred tax liability		**381,483**	172,837	861,430
Derivative financial liabilities	11	**12,871**	412,669	165,495
Provisions		**2,766,049**	1,534,510	2,581,431
Total non-current liabilities		**4,778,782**	2,885,027	4,480,969
Net assets		**84,159,135**	83,024,921	79,885,501
Equity				
Share capital	14	**11,213,618**	11,213,618	11,213,618
Share premium reserve		**36,158,068**	36,158,068	36,158,068
Option reserve	14	**1,289,270**	1,309,244	1,075,348
Other reserves		**14,472,400**	12,151,873	13,694,731
Translation reserve		**(66,661,397)**	(61,777,008)	(68,648,170)
Retained surplus		**87,687,176**	83,969,126	86,391,906
Equity shareholders' funds		**84,159,135**	83,024,921	79,885,501

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 2021 prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 have been filed with the Registrar of Companies. 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 [1]	Translation reserve	Retained Earnings	Total equity
Equity shareholders' funds at 31 Dec 2020	**8,905,116**	**21,905,976**	**1,173,044**	**10,254,048**	**(64,004,958)**	**79,514,298**	**57,747,524**
Foreign currency adjustments	—	—	—	—	2,227,950	—	2,227,950
Profit for the period	—	—	—	—	—	6,352,653	6,352,653
Total comprehensive income for the period	—	—	—	—	2,227,950	6,352,653	8,580,603
Transfer to taxation reserve	—	—	—	1,897,825	—	(1,897,825)	—
Share Premium	2,308,502	—	—	—	—	—	2,308,502
Share Issued during period	—	14,252,092	—	—	—	—	14,252,092
Share incentives expense	—		136,200	—	—	—	136,200
Equity shareholders' funds at 30 June 2021	**11,213,618**	**36,158,068**	**1,309,244**	**12,151,873**	**(61,777,008)**	**(83,969,126)**	**83,024,921**
Foreign currency adjustments	—	—	—	—	(6,871,162)	—	(6,871,162)
Profit for the period	—	—	—	—	—	3,597,311	3,597,311
Total comprehensive income for the period	—	—	—	—	(6,871,162)	3,597,311	**(3,273,851)**
Transfer to taxation reserve	—	—	—	1,542,858	—	(1,542,858)	—
Share incentives lapsed	—	—	(368,327)	—	—	368,327	—
Share incentives expense	—	—	134,431	—	—	—	**134,431**
Equity shareholders' funds at 31 Dec 2021	**11,213,618**	**36,158,068**	**1,075,348**	**13,694,731**	**(68,648,170)**	**86,391,906**	**79,885,501**
Foreign currency adjustments	—	—	—	—	1,986,773	—	1,986,773
Profit for the period	—	—	—	—	—	2,072,939	2,072,939
Total comprehensive income for the period	—	—	—	—	1,986,773	2,072,939	4,059,712
Transfer to taxation reserve	—	—	—	777,669	—	(777,669)	—
Share incentives expense	—	—	213,922	—	—	—	213,922
Equity shareholders' funds at 30 June 2022	**11,213,618**	**36,158,068**	**1,289,922**	**14,472,400**	**(66,661,397)**	**87,687,176**	**84,159,135**

(1) Other reserves comprise a merger reserve of US$361,461 and a taxation reserve of US$14,110,939 (31 December 2021: merger reserve of US$361,461 and a taxation reserve of US$13,333,270).

SERABI GOLD PLC
Condensed Consolidated Cash Flow Statements

(expressed in US$)	For the six months ended 30 June 2022 (unaudited)	For the six months ended 30 June 2021 (unaudited)	For the three months ended 30 June 2022 (unaudited)	For the three months ended 30 June 2021 (unaudited)
Operating activities				
Post tax (loss) / profit for period	**2,072,939**	6,352,653	**343,336**	4,445,747
Depreciation – plant, equipment and mining properties	**2,923,245**	2,716,607	**1,751,357**	1,552,805
Net financial expense	**(225,204)**	384,301	**54,323**	187,772
Provision for taxation	**394,522**	1,596,779	**964,080**	(88,338)
Gain / (Loss) on Sale	**(43,163)**	(20,154)	**(44,227)**	(9,751)
Share-based payments	**213,922**	136,200	**101,797**	68,100
Taxation Paid	**(131,462)**	(130,701)	**(3,813)**	(130,701)
Interest Paid	**(51,838)**	(1,282,833)	**(31,612)**	(1,071,653)
Foreign exchange (loss) / gain	**(211,323)**	131,590	**(71,395)**	71,968
Changes in working capital				
(Increase)/decrease in inventories	**(394,806)**	(99,292)	**1,504,893**	(199,941)
(Increase) in receivables, prepayments and accrued income	**(3,912,322)**	(845,173)	**(2,164,981)**	(1,603,731)
(Decrease)/increase in payables, accruals and provisions	**(339,994)**	90,892	**(657,737)**	18,195
Net cash inflow from operations	**294,516**	9,030,869	**1,746,021**	3,240,472
Investing activities				
Purchase of property, plant and equipment and assets in construction	**(2,490,502)**	(741,303)	**(1,521,615)**	(364,151)
Mine development expenditure	**(1,849,462)**	(2,558,341)	**(783,577)**	(1,485,188)
Geological exploration expenditure	**(692,980)**	(1,799,969)	**(223,730)**	(999,128)
Pre-operational project costs	**(2,266,252)**	(1,265,891)	**(1,124,670)**	(604,283)
Acquisition payment for subsidiary	**—**	(5,500,000)	**—**	(2,500,000)
Acquisition of other property rights	**—**	(101,386)	**—**	(1,836)
Proceeds from sale of assets	**64,762**	25,081	**51,605**	12,842
Net cash outflow on investing activities	**(7,234,434)**	(11,941,809)	**(3,601,987)**	(5,941,744)
Financing activities				
Issue of Ordinary share capital (net of costs)	**—**	16,560,593	**—**	—
Issue of warrants	**—**	333,936	**—**	333,936
Drawdown of third party loan	**4,923,586**	—	**4,923,586**	—
Repayment of convertible loan	**—**	(2,000,000)	**—**	(2,000,000)
Payment of convertible loan arrangement fee	**—**	(300,000)	**—**	(300,000)
Payment of finance lease liabilities	**(502,225)**	(263,278)	**(314,908)**	(85,545)
Net cash inflow from financing activities	**4,421,361**	14,331,251	**4,608,678**	4,646,034
Net (decrease) / increase in cash and cash equivalents	**(2,518,557)**	11,420,311	**2,752,712**	**1,944,762**
Cash and cash equivalents at beginning of period	**12,217,751**	6,603,620	**6,932,625**	**15,945,065**
Exchange difference on cash	**120,688**	97,461	**134,545**	231,565
Cash and cash equivalents at end of period	**9,819,882**	18,121,392	**9,819,882**	18,121,392

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation

These unaudited interim condensed consolidated financial statements are for the three and six month periods ended 30 June 2022. Comparative information has been provided for the unaudited three and six month periods ended 30 June 2021 and, where applicable, the audited twelve month period from 1 January 2021 to 31 December 2021. 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 2021 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 2021 and those envisaged for the financial statements for the year ending 31 December 2022.

Accounting standards, amendments and interpretations effective in 2021

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

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

	Effective Date
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

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

(i) Going concern

At 30 June 2022, the Group held cash of US$9.8 million with a further receipt of US$1.9 million for a sale of copper/gold concentrate due to be received in early July having been delayed from June following a small delay to sailing schedules. The reduction in cash reflects the continued development expenditure of Coringa during the quarter].

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

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

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

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

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

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

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

(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 2021 annual financial statements.

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

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

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

- (i) a significant deterioration in the spot price of gold
- (ii) a significant increase in production costs

(iii) a significant revision to, and reduction in, the life of mine plan

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

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

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

At each balance sheet date the Company reviews the potential recoverability of investments in subsidiaries and intercompany debts by reviewing the underlying value of the assets of those subsidiaries and the future cash generation of those subsidiaries to determine whether there is any indication that those assets have suffered impairment or the debts may not be repaid. As with the Group each subsidiary is reviewed to determine whether they should be reviewed under the requirements of IFRS 6 - Exploration for and Evaluation of Mineral Resources or IAS 36 - Impairment of Assets and this determination and the indicators of impairment are consistent with those applied to the Group.

(iv) Property, plant and equipment and mining properties

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation

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 include be based on management's judgement as to the recoverability of Measured, Indicated and Inferred Resources and these judgments 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 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 1(d)(i)) or until the properties are sold, allowed to lapse or abandoned, at which time any capitalised costs are written off to the income statement. In addition to the direct costs involved in exploration activity, including sample collection, drilling costs, geophysical surveys and assay expenses, exploration costs are also considered to include technical and administrative overheads directly attributable to the exploration department including the cost of consultants, security, salaries, travel and accommodation but not general overheads of the Group. Deferred exploration costs are carried at cost, less any impairment losses recognised.

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

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

(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 doré produced from both the Palito Mine and the São Chico Mine.

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

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

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

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

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

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

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

(ii) Impairment of financial assets

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

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

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

(iii) Derecognition of financial assets

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

Financial Liabilities

(i) Classification of financial liabilities

The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics.
All purchases of financial liabilities are recorded on trade date, being the date on which the Group becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the Group's financial liabilities approximate to their fair values.

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

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

(ii) Derecognition of financial liabilities

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

(iii) Derivatives

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

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

The Group has issued warrants which confer the right but not the obligation on the holder to acquire additional Ordinary Shares of the Company at a pre-determined price for a period expiring on 26 May 2023. The exercise pirce is set in GB pounds. However, as the functional currency of the Group is US Dollar the value of the option to the Group will vary with the exchange rate. 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.

2. Finance Costs

	6 months ended 30 June 2022 US$	6 months ended 30 June 2021 US$	**3 months ended 30 June 2022 US$**	3 months ended 30 June 2021 US$
Interest expense on convertible loan	—	(47,502)	—	—
Interest expense on mineral property acquisition	—	(23,854)	—	(5,831)
Interest expense on short term loan	**(53,859)**	—	**(53,859)**	—
Interest expense on short term trade loan	**(12,666)**	—	**(10,827)**	—
Loss in respect of non-substantial modification	—	(40,469)	—	(40,469)
Loss on revaluation of warrants	—	(78,733)	—	(78,733)
Amortisation of arrangement fee for convertible	—	(150,000)	—	—
	(66,525)	(340,558)	**(64,686)**	(125,015)
Gain on revaluation of warrants	**152,624**	—	**47,844**	—
Net finance income / (expense)	**86,099**	(340,558)	**(16,842)**	(125,015)

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 deferred tax liability arising on unrealised exchange gains has been eliminated in the six-month period to 30 June 2022 reflecting the stronger Brazilian Real exchange rate at the end of the period and resulting in deferred tax income of US$199,222 (six months to 30 June 2021 – charge of US$1,930,025).

The Group has also incurred a tax charge in Brazil for the six month period of US$593,744 (six months to 30 June 2021 - US$889,802).

4. Earnings per share

	6 months ended 30 June 2022 (unaudited)	6 months ended 30 June 2021 (unaudited)	**3 months ended 30 June 2022 (unaudited)**	3 months ended 30 June 2021 (unaudited)
Profit attributable to ordinary shareholders (US$)	**2,072,939**	6,352,653	**343,336**	4,445,747
Weighted average ordinary shares in issue	**75,734,551**	70,123,225	**75,734,551**	70,123,225
Basic profit per share (US cents)	**2.74c**	9.06c	**0.45c**	6.34c
Diluted ordinary shares in issue (1)	**77,484,551**	72,639,895	**77,484,551**	72,639,895
Diluted profit per share (US cents)	**2.68c**	8.75c	**0.44c**	6.12c

(1) Based on 1,750,000 options vested and exercisable as at 30 June 2022 (30 June 2021: 2,516,670 options vested and exercisable as at 30 June 2021.

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 six month period by management segment is as follows:

	3 months ended 30 June 2022 (unaudited)			3 months ended 30 June 2021 (unaudited)		
	Brazil US$	**UK US$**	**Total US$**	Brazil US$	UK US$	Total US$
Revenue	**9,098,609**	**9,217,234**	**18,315,843**	10,725,293	5,976,368	16,701,661
Intra-group sales/purchases	**7,587,236**	**(7,587,236)**	**—**	5,191,701	(5,191,701)	—
Operating expenses	**(12,914,514)**	**(1,080,599)**	**(13,995,113)**	(8,447,909)	(933,597)	(9,381,506)
Depreciation and amortisation	**(1,686,531)**	**(64,826)**	**(1,751,357)**	(1,494,299)	(58,506)	(1,552,805)
Gross profit / (loss)	**2,084,800**	**484,573**	**2,569,373**	5,974,786	(207,436)	5,767,350
Administration expenses	**(479,239)**	**(670,825)**	**(1,150,064)**	(558,685)	(605,135)	(1,163,820)
Share based payments	**—**	**(101,797)**	**(101,797)**	—	(68,100)	(68,100)
Gain on asset disposals	**44,227**	**—**	**44,227**	9,751	—	9,751
Operating profit / (loss)	**1,649,788**	**(288,049)**	**1,361,739**	5,425,852	(880,671)	4,545,181
Foreign exchange (loss) / gain	**(48,768)**	**11,287**	**(37,481)**	(44,435)	(18,322)	(62,757)
Finance expense	**—**	**(16,842)**	**(16,842)**	—	(125,015)	(125,015)
Profit / (loss) before taxation	**1,601,020**	**(293,604)**	**1,307,416**	5,381,417	(1,024,008)	4,357,409

	6 months ended 30 June 2022 (unaudited)			6 months ended 30 June 2021 (unaudited)		
	Brazil US$	**UK US$**	**Total US$**	Brazil US$	UK US$	Total US$

Revenue	**16,505,552**	**14,695,311**	**31,200,863**	20,107,872	12,422,601	32,530,473
Intra-group sales/purchases	**12,326,528**	**(12,326,528)**	**0**	10,771,031	(10,771,031)	—
Operating expenses	**(21,323,559)**	**(1,945,026)**	**(23,268,585)**	(16,269,658)	(2,088,015)	(18,357,673)
Depreciation and amortisation	**(2,805,356)**	**(117,889)**	**(2,923,245)**	(2,607,348)	(109,259)	(2,716,607)
Gross profit / (loss)	**4,703,165**	**305,868**	**5,009,033**	12,001,897	(545,704)	11,456,193
Administration expenses	**(1,215,806)**	**(1,380,211)**	**(2,596,017)**	(1,356,699)	(1,649,715)	(3,006,414)
Share based payments	**—**	**(213,922)**	**(213,922)**	—	(136,200)	(136,200)
Gain on asset disposals	**43,163**	**—**	**43,163**	20,154	—	20,154
Operating profit / (loss)	**3,530,522**	**(1,288,265)**	**2,242,257**	10,665,352	(2,331,619)	8,333,733
Foreign exchange gain / (loss)	**126,549**	**12,556**	**139,105**	(48,304)	4,561	(43,743)
Finance income / (expense)	**—**	**86,099**	**86,099**	—	(340,558)	(340,558)
Profit / (loss) before taxation	**3,657,071**	**(1,189,610)**	**2,467,461**	10,617,048	(2,667,616)	7,949,432

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

	Total non-current assets		
	30 June 2022 (unaudited) US$	30 June 2021 (unaudited) US$	31 December 2021 (audited) US$
Brazil – operations	**33,055,255**	30,228,962	30,175,966
Brazil – exploration	**39,608,630**	31,956,193	34,857,905
Brazil – taxes receivable	**961,290**	747,499	1,224,360
Brazil – deferred tax	**685,650**	1,022,227	605,125
Brazil - total	**74,310,825**	63,954,881	66,863,356
UK	**—**	—	—
	74,310,825	63,954,881	66,863,356

An analysis of total assets by location is as follows:

	Total assets		
	30 June 2022 (unaudited) US$	30 June 2021 (unaudited) US$	31 December 2021 (audited) US$
Brazil	**89,983,207**	76,370,225	79,655,799
UK	**10,708,028**	17,494,550	11,022,644
	100,691,235	93,864,775	90,678,443

6. Deferred exploration costs

	30 June 2022 (unaudited) US$	30 June 2021 (unaudited) US$	31 December 2021 (audited) US$
Cost			
Opening balance	**34,857,905**	27,778,354	27,778,354
Exploration and evaluation expenditure	**692,280**	1,799,969	4,102,530
Pre-operational project costs	**2,266,252**	1,265,891	4,884,596
Foreign exchange movements	**1,792,193**	1,111,979	(1,907,575)
Total as at end of period	**39,608,630**	31,956,193	34,857,905

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

	30 June 2022 (unaudited) US$	30 June 2021 (unaudited) US$	31 December 2021 (audited) US$
Cost			
Balance at start of period	**69,439,602**	65,168,100	65,168,100
Additions	**4,340,087**	3,299,645	9,533,847
Disposals	**(43,564)**	—	(1,802,512)
Changes in estimates on rehabilitation provision	**—**	—	1,695,416
Foreign exchange movements	**1,811,335**	2,062,977	(5,155,249)
Balance at end of period	**75,547,460**	70,530,722	69,439,602

	30 June 2022 (unaudited) US$	30 June 2021 (unaudited) US$	31 December 2021 (audited) US$
Accumulated depreciation			
Balance at start of period	**(41,864,267)**	(38,932,549)	(38,932,549)
Charge for period	**(2,975,630)**	(2,877,587)	(6,238,020)
Released on asset disposals	**27,846**	—	608,628
Foreign exchange movements	**(2,481,271)**	(1,443,338)	2,697,674
Balance at end of period	**(47,293,322)**	(43,253,474)	(41,864,267)
Net book value at end of period	**28,254,138**	27,277,248	27,575,335

8. Right of use Assets

	30 June 2022 (unaudited) US$	30 June 2021 (unaudited) US$	31 December 2021 (audited) US$
Cost			
Balance at start of period	**3,968,038**	3,733,675	3,733,675
Additions	**2,235,223**	500,202	508,018
Foreign exchange movements	**191,290**	(6,256)	(273,655)
Balance at end of period	**6,394,551**	4,227,621	3,968,038

	30 June 2022 (unaudited) US$	30 June 2021 (unaudited) US$	31 December 2021 (audited) US$
Amortisation			
Balance at start of period	**(1,367,407)**	(1,159,937)	(1,159,937)
Charge for period	**(140,905)**	(117,879)	(297,103)
Foreign exchange movements	**(85,122)**	1,909	89,633
Balance at end of period	**(1,593,434)**	(1,275,907)	(1,367,407)
Net book value at end of period	**4,801,117**	2,951,714	2,600,631

9. Inventories

	30 June 2022 (unaudited) US$	30 June 2021 (unaudited) US$	31 December 2021 (audited) US$
Consumables	**4,404,058**	3,840,296	3,692,452
Ore stockpiles	**234,941**	120,188	266,214
Other material in process	**1,649,524**	1,872,378	1,920,136
Finished goods	**1,435,777**	1,521,303	1,094,405
Balance at end of period	**7,724,300**	7,354,165	6,973,207

10. Interest bearing liabilities

	30 June 2022 (unaudited) US$	30 June 2021 (unaudited) US$	31 December 2021 (audited) US$
Current			
Secured loan facility	**4,773,361**	—	—
Obligations under right of use asset leases	**953,447**	238,017	290,060
Due in less than one year	**5,726,808**	238,017	290,060
Non-current			
(Between one and five years)			
Obligations under right of use asset leases	**1,152,087**	673,971	444,950
Due in more than one year	**1,152,087**	673,971	444,950

a) Convertible loan

	30 June 2022 (unaudited) US$	30 June 2021 (unaudited) US$	31 December 2021 (audited) US$
Value of secured convertible loan at start of period	—	2,029,464	2,029,464
Repayment of convertible loan	—	(2,500,455)	(2,500,455)
Release of derivative associated with loan	—	423,479	423,479
Accrued interest	—	47,512	47,512
Value of secured convertible loan at end of period	—	—	—

During the six months to 30 June 2021, the Group incurred an interest expense of US$47,512. In accordance with the terms of the convertible loan, interest was capitalised and repayable when the Convertible Loan Notes were repaid or converted. An arrangement fee of US$300,000 was also incurred in connection with the Convertible Loan Notes. On 19 March 2021, the Group redeemed all of the outstanding Loan Notes together with interest and other fees payable in connection with the Loan Notes.

b) Mineral property acquisition liability

	30 June 2022 (unaudited) US$	30 June 2021 (unaudited) US$	31 December 2021 (audited) US$
Deferred acquisition liability at start of period	**—**	6,495,435	6,495,435
Repayment of principal	**—**	(5,500,000)	(5,500,000)
Repayment of interest	**—**	(1,053,945)	(1,053,945)
Interest payable	**—**	18,041	18,041
Gain in respect of non-substantial modification	**—**	40,469	40,469
Value of deferred acquisition liability at end of period	**—**	—	—

During the six months to 30 June 2021, the Group incurred an interest expense of US$18,041. Interest charges incurred were to be paid at the same time that the final payment was 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 was required to recognise the effect of a non-substantial modification to the previous payment arrangement. Accordingly, the Group initially recognised a benefit arising from the modification totalling US$40,469 which was fully amortised during 2021.

11. Derivatives

Conversion rights attaching to warrant notes	**30 June 2022 (unaudited) US$**	30 June 2021 (unaudited) US$	31 December 2021 (audited) US$
Fair value at start of period	**165,495**	–	–
Subscription proceeds at date of issue	**–**	333,936	333,936
Fair value adjustment on initial recognition	**–**	337,087	337,087
Decrease in fair value during period	**(152,624)**	(258,354)	(505,528)
Fair value of financial liability at end of period	**12,781**	412,669	165,495

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 Great British pounds. 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.

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.

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.

13. Share capital

a) Ordinary shares

	30 June 2022 (unaudited)		30 June 2020 (unaudited)		31 December 2020 (audited)	
	Number	$	Number	$	Number	$
Allotted, called up and fully paid						
Ordinary shares in issue at start of period	75,734,551	11,213,618	59,084,551	8,905,116	59,084,551	8,905,116
Ordinary shares issued during the period	—	—	16,650,000	2,308,502	16,650,000	2,308,502
Ordinary shares in issue at end of period	75,734,551	11,213,618	75,734,551	11,213,618	75,734,551	11,213,618

(b) Stock option reserve

Contributed surplus

	30 June 2022 (unaudited) US$	30 June 2021 (unaudited) US$	31 December 2021 (audited) US$
Balance at start of period	**1,075,348**	**1,173,044**	1,173,044
Share options exercised in period	**—**	**—**	–
Options lapsed in period	**—**	**—**	(368,327)
Options costs for period	**213,922**	**136,200**	270,631
Balance at end of period	**1,289,270**	**1,309,244**	**1,075,348**

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 June 2022 under the 2011 Plan

Issue date	Options outstanding	Options vested	Exercise price	Expiry
27 May 2020	1,750,000	1,750,000	UK£0.85	26 May 2023
	1,750,000	1,750,000		

The average exercise price is UK£0.85

A charge of US$0.13 million has been recorded in respect of the options that are in issue during the six month period to 30 June 2022.

(c) Conditional Share Awards

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

On 7 December 2021 the Board of Directors agreed to award in aggregate 864,500 Conditional Share Awards to employees (including directors) of the Company. The awards were part of the Company's normal annual compensation review.

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.

A charge of US$0.09 million has been recorded in respect of the grants made to date during the six month period to 30 June 2022.

15. Impairment

For the purposes of the preparation of the annual audited financial statements for the year ended 31 December 2021, 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 June 2022 the carrying value of the assets relating to the Palito and Sao Chico Mines has increased to US$33.06 million from US$31.18 million as at 31 December 2021, whilst the carrying value of deferred exploration costs has increased from US$34.86 million at 31 December 2021 to US$39.43 million at 30 June 2022.

Management do not consider that any events have occurred which would give rise to management concluding that there has been any indication of impairment since 31 December 2021.

16. Post Balance Sheet Events

Subsequent to the end of the period, 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 six month periods ended 30 June 2022 were approved by the board of directors on 30 August 2022.

During the first six months of 2020, Serabi Gold plc was reclassified as a Designated Foreign Issuer for the purposes of Canadian Securities Regulations, As a result the Company is no longer required to submit a quarterly Management Discussion and Analysis document ("MD&A") as part of it Continuous Disclosure Obligations under Canadian National Instrument 51-102. The following commentary on the Financial Statements for the six month period to 30 June 2022 and comparison against the same period in 2021 or to the Balance Sheet at 31 December 2021 is provided in lieu of the commentary that would otherwise appear in the MD&A

COMMENTARY ON THE FINANCIAL RESULTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2022 COMPARED TO THE SIX MONTH PERIOD ENDED 30 JUNE 2021

Production for the first six months of 2022 was 15,480 ounces of gold (six months to 30 June 2021: 17,135 ounces) with sales recognised for 16,102 ounces (six months to 30 June 2021: 17,662 ounces).

INCOME STATEMENT

The gross profit for the six month period was US$4,595,784 in comparison with a gross profit of US$11,456,193 for the six months ended 30 June 2021. The comparison between the periods is set out in the table below.

	Six months ended June 2022	**Six months ended June 2021**	**Variance**
Concentrate Sold (Ounces)	7,319	6,542	777
Bullion Sold (Ounces)	8,782	11,120	(2,338)
Total Ounces Sold	**16,102**	**17,662**	**(1,560)**
Average gold sales price achieved	**1,845**	**1,807**	**38**
Revenue from Ordinary Activity	**US$**	**US$**	**US$**
Gold (in Concentrate)	13,147,366	11,246,558	1,900,808
Copper (in Concentrate)	1,478,287	1,103,529	374,758
Silver (in Concentrate)	69,656	72,514	(2,858)
Total Concentrate Revenue	**14,695,309**	**12,422,601**	**2,272,708**
Gold Bullion	16,505,553	20,107,874	(3,602,321)
Total Sales	**31,200,862**	**32,530,475**	**(1,329,613)**
Costs of sales			
Operational costs	21,806,617	17,024,781	4,781,836
Shipping costs	665,376	563,008	102,368
Treatment charges	330,156	246,364	83,792
Royalties	466,435	523,522	(57,087)
Amortisation of Mine Property	2,300,346	1,994,636	305,710
Depreciation of Plant & Equipment	622,899	721,971	(99,072)
Total Operating costs	**26,191,829**	**21,074,282**	**5,117,547**
Gross Profit	**5,009,033**	**11,456,193**	**(6,447,160)**

Revenue

For the six month period ended 30 June 2022, the Group generated US$14.7 million (2021: US$12.4 million) in revenue through sales of an estimated 7,319 ounces of gold sold in the form of a copper/gold concentrate (2021: 6,542 ounces) and 8,782 ounces of gold bullion generating revenue of US$16.5 million (2021: 11,120 ounces for revenue of US$20.1 million)

Production of gold bullion for the six months to 30 June 2022 was 8,653 ounces of gold compared with 11,145 ounces during the same period of the previous year, a decrease of 22 per cent.

During the same six month period 608 wet tonnes of copper/gold concentrate, containing an estimated 6,827 ounces was produced (six months to 30 June 2021: 616 wet tonnes of copper/gold concentrate, containing 5,990 ounces of gold). The unsold material is held as inventory.

Variations in the blend of production between bullion and copper/gold concentrate reflect normal operational variances including the mix of ore-feed from each of the Sao Chico and Palito deposits, the mineralogy of the Palito ore and particularly the levels of copper which vary within the deposit, and general processing activities. The decline in output during the first six months of 2022 from the Sao Chico orebody which produces only gold bullion has resulted in a increase in copper/gold concentrate production as Palito production has increased to compensate.

Operating Costs
Operational costs for the six months ended 30 June 2022 were US$21.81 million (2021: US$17.02 million). Operational costs include mining costs at both the Palito and Sao Chico Mines, plant processing costs, as well as all general site costs on both mine sites

	Six months ended June 2022	Six months ended June 2021	Variance
Tonnes Mined	82,033	83,422	(1,389)
Tonnes Milled	83,672	85,141	(1,469)
Ounces Produced	15,480	17,135	(,655)
Ounces Sold	16,102	17,662	(1,560)

	Six months ended June 2022 US$'000	Six months ended June 2021 US$'000	Variance US$'000
Operating Costs			
Labour	8,832	7,321	1,511
Mining consumables & Maintenance	7,578	5,703	1,874
Plant Consumables	3,216	2,213	1,003
General Site	2,181	1,788	393
	21,807	17,025	4,782

In addition to the small variations in the mining and processing statistics shown in the table, a total of 6,291 metres of horizontal development was completed during the first six months of 2022, a decrease of four per cent compared with the 6,534 metres completed during the same six month period of 2021.

Operating Costs are calculated on a unit of production basis and reflect the relative sales volumes recognised in each period as well as price and usage variances.

During the first six months of 2022 the average exchange rate was BrR$5.08 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 strengthening of approximately six percent.

Labour
The increase in labour costs of 21 per cent reflects the six precent strengthening of the Brazilian Real in comparison to the US dollar and an eight percent salary increase that all staff received during May 2021. During the first six months of 2022 the Group incurred termination costs of approximately US$0.32 million as a result of the reduction in head count during the period.

Mining consumables & maintenance
Mining consumables and maintenance for the six month period ended 30 June 2022 have increased by US$1.87 million in comparison to the same six month period of 2021. This increase in costs is due to a number of reasons including an increase in the amount of underground drilling undertaken during the first six months of 2022 which has increased by 46% in comparison to the same period of the previous year, an increase in power costs with an increase of 41% period on period and the cost of consumables such as explosives, mine infrastructure items and maintenance costs for the underground fleet all of which have been affected by global price increases. Costs also reflect the six per cent strengthening of the Brazilian Real compared to the US dollar.

Plant consumables
Plant costs have increased by US$1.0 million for the six month period ended 30 June 2022 compared with the same period in the previous year. The increase is primarily due to an increase in diesel unit costs for the generators and vehicles used in the plant as well as plant consumable costs such as cyanide, mill liners and grinding materails. One off maintenance costs have been required on the gravity recovery plant and higher levels of maintenance for the mills and ore-sorter. Reported costs are also affected by the six per cent strengthening of the Brazilian Real against the US dollar.

General site costs
General site costs for the six month period ended 30 June 2022 increased by 22 per cent compared with the same period in the previous year. This primarily relates to a general increase in unit costs for power as well as additional rental costs on heavy vehicles which are being used for routine monthly work related to the tailings dams at the Palito complex.

Shipping costs
Shipping costs are 18 percent higher than the previous year reflecting increases in the unit cost of logistics of concentrate freight as well as the six per cent strengthening of the Brazilian Real in comparison to the US dollar and the small increase in the volume of concentrate shipped. In the first six months of 2022, 660 tonnes of copper gold concentrate were shipped compared with 640 tonnes for the same period of the previous year.

Treatment charge
Treatment charges have increased by US$0.08 million between the first half of 2021 compared with the same period during 2022. This results from the 12 per cent higher volume of ounces sold in the form of copper concentrate in the period.

Royalties
Royalty payments of US$0.47 million have decreased by 11 percent in comparison to the same period of the previous year (US$0.52 million) and comprise statutory levies payable in Brazil and royalties payable to prior owners of the Sao Chico deposit. Government royalty rates are uniform across all mining operations with a rate of 1.5 per cent being applied to gold production and the royalty on copper production being 2.0 per cent. The decrease in royalty payments reflects the nine per cent decrease in total volume of ounces sold, and the reduced level of production derived from Sao Chico in the period.

Amortisation
Charges for the amortisation of mine property are calculated by reference to the depletion, during the quarter, of the total estimated mineable resource at each of the Palito and Sao Chico orebodies. In each case the base carrying cost of the asset is adjusted to include a provision for future mine development costs for each of these ore bodies. The Group reviews, on an annual basis, the expected future life of the mine based on the mineral resources and the mine development costs that will be capitalised to achieve this estimated life-of-mine plan. The total amortisation charge relating to the Palito and Sao Chico ore bodies for the three month period ended 30 June 2022 is approximately US$2.30 million compared with US$2.00 million for the same period of the previous year. The increase is due to the reduced level of mineral resources being considered in the life of mine plans.

Depreciation
A depreciation charge of US$0.62 million was recorded during the six month period ended 30 June 2022 on plant and equipment used in the mining and processing, (six months to 30 June 2021: US$0.72 million).

Operating profit
The Group has recognised an operating profit before interest and other income of US$2.24 million, (2021: operating profit of US$8.33 million) reflecting the decrease of US$6.86 million in the gross gross profit from operations and after incurring US$2.60 million (2021: US$3.01 million) in administrative expenses as well as US$0.21 million (2020: US$0.14 million) on share based incentive costs. The deemed value assigned to these share incentives is amortised over the expected incentive life. The Group also reported a profit of US$0.04 million from the disposal of assets (2021: US$0.02 million).

Administration costs of US$2.60 million for the six month period ended 30 June 2022 are approximately US$0.39 million lower than for the same period in 2021 (US$3.01 million). Administration costs were higher in 2021 as a result of legal fees relating to the issue of new shares and warrants undertaken during the first six months of 2021.

The Company recorded a foreign exchange gain of US$0.14 million for the six months ended 30 June 2022 which compares with a foreign exchange loss of US$0.04 million recorded for the six months ended 30 June 2021. These foreign exchange losses are primarily incurred in respect of the cash holdings of the Company in currencies other than US Dollars as at the period end and do not necessarily reflect actual realised profits or losses. The Company holds funds in certain currencies in anticipation of future expenditures that are anticipated to be settled in those currencies.

Net finance income for the six month period to 30 June 2022 was US$0.09 million compared with a net finance charge of US$0.34 million for the same six month period of 2021. An analysis of the composition of these charges is set out in the table below:

	6 months ended 30 June 2022 (unaudited) US$	6 months ended 30 June 2021 (unaudited) US$
Interest expense on convertible loan	—	(47,502)
Interest expense on mineral property acquisition liability	—	(23,854)
Interest expense on short term loan	**(53,859)**	—
Interest expense on short term trade loan	**(12,666)**	—
Loss in respect of non-substantial modification	—	(40,469)
Loss on revaluation of warrants	—	(78,733)

Amortisation of arrangement fee for convertible loan	—	(150,000)
	(66,525)	(340,558)
Gain on revaluation of warrants	**152,624**	—
Net finance income /(expense)	**86,099**	(340,558)

On 19 May 2022 the Group drew down approximately US$4.92 million (BR$25.00 million) from Itau bank in Brazil and the have accrued an interest charge of US$53,859 during the period.

The Group has a trade finance arrangement with the refinery that purchases the Group's copper/gold concentrate and incurred an interest charge on this arrangement totalling US$12,666 for the period.

During the first six months of 2021 the interest on the convertible loan of US$47,502 is the interest cost on funds advanced under the US$12 million convertible loan note facility subscribed for by Greenstone of which US2.0 million had been drawn down. The convertible loan notes and all associated fees and interest were redeemed on 19 March 2021. There has been no similar charge in 2022.

During the first six months of 2021 the interest expense of US$0.02 million on the property acquisition payment is the interest accrued on the outstanding purchase price obligation for the Coringa gold project). Interest charges incurred were paid at the same time that the final payment was made in respect of the mineral property acquisition. The balance outstanding on the original purchase obligation of US$5.5 million as well as all accrued interested charges was completed during 2021 with the final payment being made on 29 April 2021.

The Group incurred an arrangement fee in respect of the convertible loan note facility of US$300,000. The arrangement fee was being amortised over the 16 month life of the loan. During the first six months of 2021, US$150,000 of the fee was amortised. There has been no similar charge during the six month period ended 30 June 2022.

On 27 May 2021, the Group issued 4,003,527 warrants at a price of £0.06 giving the buyers the rights to purchase shares at £0.9375 at any time over the next two years. Subscription proceeds from the sale of the warrants totalled US$333,936. Whilst the warrants are convertible into a fixed number of shares, as the Parent Company's functional currency is US Dollars and the exercise price denominated in Pounds Sterling, the future exercise of the warrants would result in a variable amount of US Dollars. The warrants are therefore required to be classified as a financial liability. The fair value of the warrants at 31 December 2021 was S$165,495 and were revalued to US$12,871 on 30 June 2022 and the decrease in the fair value of US$152,624 recognised as a gain in the income statement. There was an expense to the income statement of US$78,733 during the same period of the previous year.

COMMENTARY ON THE BALANCE SHEET

Non-current assets

On 30 June 2022, the Group's non-current assets amounted to US$74.31 million, which compares to US$66.86 million as reported at 31 December 2021.

Deferred exploration costs have increased by US$4.75 million during the first half of 2022. The Group spent US$2.27 million on pre-operating expenditure at the Coringa mine as well as US$0.69 million on exploration expenditure. In addition to this US$1.79 million relates to movement in the exchange rate with the Brazilian Real strengthening by six per cent against the dollar from an exchange rate of BrR$5.58 to US$1.00 at 31 December 2021 compared with an exchange rate of BR$5.24 to US$1.00 at 30 June 2022.

Capital expenditure on the existing Palito Complex operations during the six months to 30 June 2022 was US$4.34 million which includes US$1.85 million of capitalised mine development expenditure, with work on upgrade and improvements to the leaching circuit of the process plant costing a further US$1.31 million. In addition, US$1.18 million has been spent on the purchase of underground fleet and other mine related equipment. A further US$2.24 million of underground fleet has been acquired under leasing arrangements.

The Group has a long-term receivable in respect of state taxes due in Brazil of US$0.96 million (31 December 2021: US$1.22 million).

The Group has estimated that it has a deferred tax asset amounting to US$0.69 million (31 December 2021: US$0.61 million) comprising the benefit of timing differences on the recognition of exchange rate losses.

Working Capital

The Group had a positive working capital position of US$14.63 million at 30 June 2022 compared to a positive working capital position of US$17.50 million at 31 December 2021.

	30 June 2022 US$	31 December 2021 US$	Variance US$
Current assets			
Inventories	7,724,300	6,973,207	751,093
Trade and other receivables	4,952,331	2,307,458	2,644,873
Prepayments	3,883,897	2,316,669	1,567,228
Cash and cash equivalents	9,819,882	12,217,751	(2,397,869)
Total current assets	**26,380,410**	**23,815,085**	**2,565,325**
Current liabilities			
Trade and other payables	5,626,540	5,624,511	2,029
Equipment leases and unsecured loan	5,726,808	290,060	5,436,748
Accruals	399,970	397,400	2,570
Total current liabilities	**11,753,318**	**6,311,971**	**5,441,347**
Working capital	**14,627,092**	**17,503,114**	**(2,876,022)**
Non-current liabilities			
Trade and other payables	466,292	427,663	38,629
Provisions	2,766,049	2,581,431	184,618
Secured loan	381,483	861,430	(479,947)
Fair value of warrant liability	12,871	165,495	(152,624)
Equipment leases	1,152,087	444,950	707,137
Total non-current liabilities	**4,778,782**	**4,480,969**	**297,813**

Current Assets

Inventory
Inventory on hand at the end of the period was valued at US$7.72 million representing an increase of US$0.75 million compared to 31 December 2021. This represents an increase in holdings of consumable items acquired in connection with the development activities at Coringa.

	30 June 2022 US$	31 December 2021 US$	Variance US$
Stockpile of mined ore	234,941	266,214	(31,273)
Finished goods awaiting sale	1,649,524	1,920,136	(270,612)
Other material in process	1,435,777	1,094,405	341,372
	3,135,508	**3,280,755**	**39,487**
Consumables	4,404,058	3,692,452	711,606
Total Inventory	**7,724,300**	**6,973,207**	**751,093**

Trade and other receivables.
Trade and other receivables representing outstanding sums for the sales of bullion and concentrate of US$4.95 million have increased by US$2.64 million since 31 December 2021. This is primarily related to a receipt of US$1.94 million for a sale of copper/gold concentrate which was sold during the last week of June 2022 and for which the initial contractual payment was only due and paid in the first week of July 2022.

Prepayments and accrued income
Prepayments and accrued income primarily comprise prepaid taxes and deposit payments paid to suppliers. The total value of US$3.88 million compared with US$2.32 million at 31 December 2021 million has increased by US$1.57 million comprising US$1.41 million in increased taxes recoverable and the balance in increase deposits for equipment orders.

Cash at Bank

Between 31 December 2021 and 30 June 2022, cash balances have decreased by approximately US$2.40 million. The Group drew down a loan from Itau bank in Brazil on 19 May 2022 for approximately US$4.92 million (BR$25.00 million). There was a net outflow of cash from operations of US$0.11 million and the Group also spent US$0.69 million on exploration, US$2.49 million on the purchase of plant and equipment and US$1.85 million on mine development. The Group also spent US$2.09 million on pre-operating costs on the Coringa project.

Current liabilities

Trade and other payables
Trade and other payables at 30 June 2022 of US$5.63 million is almost unchanged from the balance of US$5.62 million at 31 December 2021. Trade creditors of US$2.78 million are US$0.42 million less than at 31 December 2021, whilst other provisions of US$1.4 million have increased by US$0.49 million and sales and state tax liabilities of US$1.4 million have decreased by US$0.07 million.

Interest bearing liabilities
Short-term interest-bearing liabilities of US$5.73 million at 30 June 2022 have increased by US$5.44 million in comparison to the balance of US$0.77 million at 31 December 2021 reflecting the loan of approximately US$4.92 million (BR$ 25.00 million) from Itau bank in Brazil.

Long-term interest-bearing liabilities of US$1.15 million at 30 June 2022 have increased by US$0.71 million from US$0.44 million at 31 December 2021. During the first six months of 2022 the Group entered into five new leases for underground equipment.

Non-current liabilities

Derivative financial liabilities
The derivative financial liabilities relate to warrants which were issued on 27 May 2021. As part of the issue of new equity undertaken in March 2021, the Company also issued approximately 4 million share purchase warrants exercisable at a price of UK£0.9375. The warrants are exercisable at any time for a period of two years from the date of issue. As the Parent Company's functional currency is US Dollars and the exercise price denominated in Pounds Sterling, the future exercise of these warrants would result in a variable amount of US Dollars on exercise. They are therefore classified as a financial liability. The liability of US$12,871 at 30 June 2022 represents the estimated fair value of the warrants at 30 June 2022.

Provisions
Provisions of US$2.77 million represent the estimated fair value of the future liability for closure of costs of the Company's current operations. Movements since the 31 December are attributable to exchange rate variations.

Exchange rate
The Brazilian Real strengthened by six per cent from 31 December 2021 when the exchange rate was BrR$5.58 to US$1.00 to the rate of BrR$5.24 to US$1.00 at 30 June 2022.