



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the three and nine month periods  
ended 30 September 2020**

**12 November 2020**

**SERABI GOLD PLC**  
**Management's Discussion and Analysis**  
**for the three and nine month periods ended 30 September 2020**

## **Introduction**

This Management's Discussion and Analysis ("MD&A") dated 12 November 2020 provides a review of the performance of Serabi Gold plc ("Serabi", the "Company" or the "Group"). It includes financial information from, and should be read in conjunction with, the interim unaudited condensed financial statements of the Group for the three and nine month periods ended 30 September 2020 and also read in conjunction with the Group's annual report and audited consolidated financial statements and the Group's MD&A for the twelve month period ended 31 December 2019.

For further information on the Group, reference should be made to its public filings (including its most recently filed annual information form ("AIF") which is available on SEDAR at [www.sedar.com](http://www.sedar.com). Technical reports, press releases and other information including the AIF are also available on the Group's website [www.serabigold.com](http://www.serabigold.com).

Please refer to the cautionary notes at the end of this MD&A.

The Group reports its financial position, results of operations and cash flows in United States dollars (unless otherwise stated) and in accordance with International Financial Reporting Standards ("IFRS") in force at the reporting date and their interpretations issued by the International Accounting Standards Board ("IASB") and adopted for use within the European Union and with IFRS and their interpretations issued by the IASB. The consolidated financial statements have also been prepared in accordance with those parts of the UK Companies Act 2006 applicable to companies reporting under IFRS.

## **Overview**

The Company is a United Kingdom registered and domiciled gold mining and development company based in London, England. The Group has a current gold operation producing approximately 40,000 ounce per annum in the Tapajos region in the State of Para in Brazil. This is held through its wholly owned subsidiaries Serabi Mineração S.A. and Gold Aura do Brasil Mineração Ltda. On 21 December 2017, the Group acquired the Coringa Gold Project ("Coringa") also located in the Tapajos Region approximately 200 kilometres to the south of the Jardim do Ouro project area ("JDO Project"). This interest is held through a wholly owned subsidiary Chapleau Exploração Mineral Ltda ("Chapleau Brazil").

The current mining operations within the Palito Complex are over the Palito orebody ("Palito") and the Sao Chico orebody ("Sao Chico") and lie within the larger JDO Project which comprises a series of contiguous exploration licences covering an area of approximately 50,000 hectares, and lies on the 50 kilometres wide Tocantinzinho Trend, a major controlling structural feature in the Tapajos region that trends north west to south east. The vast majority of the hard rock mineral resources discovered to date in the Tapajos region lie on this trend.

The Palito operation is fully permitted and has a mining licence, issued in October 2007 and with no fixed expiry covering 1,150 hectares. Remediation work commenced in October 2012, developing the existing underground mine and renovating the process plant. Commissioning of the process plant started in December 2013 with the first consignments of copper/gold concentrate transported from the Palito Mine in February 2014. On 23 July 2014, the Group declared that the Palito Mine had achieved commercial production with effect from 1 July 2014.

The gold at Palito is associated with occurrences of copper and iron and is hosted in quartz veins with bonanza gold grades associated with massive chalcopyrite-pyrite blowouts within the quartz veins. Gold recovery is undertaken by crushing and grinding prior to passing the ore through a flotation plant producing a copper/gold concentrate which can account for up to between 50 per cent to 70 per cent of the gold recovered from the Palito orebody. The residual tailings from the flotation process, which also recovers up to 90 per cent of the copper content of the ore, are then passed to a conventional Carbon in Pulp ("CIP") plant which can recover approximately 65 per cent to 70 per cent of the residual gold. Overall gold recovery from the Palito orebody is approximately 90 to 92 per cent.

The Sao Chico orebody is a high-grade deposit located approximately 30 kilometres, by road, from the Palito deposit. Initial development of the mine portal and ramp was undertaken during 2015 with the Main Vein intersected in January 2015. By the end of December 2015, the ramp development provided access to three development levels and the production of ore from the first stopes was underway. Commercial production at Sao Chico was declared as of 1 January 2016. Ore from the Sao Chico deposit is transported by truck to the central gold process plant located adjacent to the Palito orebody.

The gold of the Sao Chico orebody is hosted within a mineralised alteration zone including moderately high concentrations of pyrite, galena, and sphalerite, although the gold is not directly associated with the latter two minerals. The gold mineralisation is amenable to direct cyanidation. The ore passes initially to a gravity concentrator after milling, with the concentrate produced being passed through the In-Line Leach Reactor ("ILR"), where gold is leached, and then recovered through conventional electro winning and smelting processes to produce bars of gold doré. The ILR is a small but very intensive, closed cyanide leaching process for treating very high gold content material, typically to leach high grade gravity concentrate. The gravity circuit currently recovers up to 60 per cent of the gold. The tailings from this ILR process continue to pass to the CIP recovery plant where they are blended with the flotation tailings generated from the processing of the Palito ore. Overall gold recovery from the Sao Chico orebody is approximately 93 per cent.

On 12 April 2018 the Company completed a Subscription Agreement with Greenstone Resources II LP ("Greenstone"). Greenstone subscribed ("the Subscription") for 297,759,419 Ordinary Shares ("the Subscription Shares") at a price of 3.6 pence per share (the "Subscription Price"). The Subscription Shares issued pursuant to the Subscription rank pari passu with the Ordinary Shares already in issue at that time.

On 15 May 2018 the Company completed the placing of a further 176,678,445 New Ordinary Shares ("Placing Shares") at a price of 3.6 pence per Placing Share (the "Placing Price"), raising gross proceeds of £6.36 million for the Company. The Placing Shares rank pari passu with the Ordinary Shares already in issue at that time.

On 20 June 2018 the Company undertook a consolidation of its share capital whereby one new Ordinary Share with a par value of 10 pence ("New Ordinary Shares") was exchanged for every 20 existing Ordinary Shares with a par value of 0.5 pence each ("Old Ordinary Shares"). Each New Ordinary Share confers upon the holder identical rights to the Old Ordinary Shares.

In January 2018 the Group released a technical report (the NI 43-101 Technical Report Palito Mining Complex, Brazil) prepared by its consultants, SRK Consultants (US) Inc ("SRK") (the "Palito Complex Technical Report") which provided updated estimates of the Mineral Reserves and Mineral Resources for each of the Palito and Sao Chico orebodies. The report estimated, as of 30 June 2017, an NI 43-101 compliant Proven and Probable Reserve for the Palito ore body of 157,000 ounces of gold at an average grade of 7.99 grammes per tonne ("g/t") included within a Measured and Indicated mineral resource of 271,000 ounces of gold and an Inferred mineral resource of 177,000 ounces of gold and for the Sao Chico orebody an NI 43-101 compliant Proven and Probable Reserve of 24,000 ounces of gold at an average grade of 8.43 g/t, included within a Measured and Indicated mineral resource of 36,000 ounces of gold and an Inferred mineral resource of 54,000 ounces of gold.

Coringa was acquired by the Group from Anfield Gold Corp. ("Anfield") on 21 December 2017 (the "Acquisition"). Management considers that Coringa is very much a "carbon-copy" of Palito in terms of the geology, size and mining operations that will be used. Coringa is an advanced development project and a pre-feasibility study prepared by Global Resource Engineering ("GRE"), Serabi's independent engineering consultant, published in September 2019 ("the Coringa PEA") estimated:

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

- The Base Case project payback is estimated to occur within 2.25 years of first gold production;
- Average Life of Mine ("LOM") All-In Sustaining Cost ("AISC") of US\$852<sup>1</sup> per ounce including royalties and refining costs using the Base Case gold price;
- Average gold grade of 8.34 g/t gold producing a total gold production of 288,000 ounces;
- Typical annual production once the project is in full operation averages 38,000 ounces per year<sup>2</sup>;
- Initial capital requirement of US\$24.7 million prior to sustained positive cash-flow;
- Sustaining capital expenditures of US\$9.2 million to be funded from project cash-flow;
- Indicated mineral resource inventory of 125,000 ounces of gold, supported by a further Inferred Resources of 178,000 ounces of gold from a total geological resource of 195,000 indicated ounces of gold and 346,000 inferred ounces of gold, to be produced by underground open stoping using a cut-off grade of 6.00 g/t gold;
- Total Life of Mine of approximately 9 years;
- The Base Case includes a 20 per cent contingency on both operating and capital costs;
- Subject to permitting approvals and project financing, management expects that mine development start-up could occur before the end of 2020, with initial processing of ROM feed set to commence approximately nine months later.

The Coringa PEA also included an update to the previously disclosed geological resource for the project. The results recorded a NI 43-101 compliant Indicated Resource of 195,000 ounces of gold at an average grade of 8.24 grammes per tonne ("g/t") and an Inferred mineral resource of 346,000 ounces of gold at an average grade of 6.54 g/t.

The total consideration for the Acquisition amounts to US\$22 million in aggregate. Serabi made two initial payments to Anfield in respect of the Acquisition each of US\$5 million in cash. A final payment of US\$12 million in cash was due to be paid on 21 December 2019 representing the remaining "Coringa Deferred Consideration". On 20 December 2019, Anfield and Serabi agreed to extend the date for the payment of the Coringa Deferred Consideration for a further three months to 31 March 2020. The Company agreed that it would pay interest on the

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

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

amount of the Coringa Deferred Consideration outstanding at the rate of 10 per cent per annum. As a result of the uncertainty caused by COVID-19, a further extension was agreed, as announced by the Company on 9 April 2020, whereby the date for the payment of the Coringa Deferred Consideration was extended until such time as there are no international travel restrictions imposed by the Brazilian authorities and also no travel restrictions within or into the State of Para, Brazil, (the "Travel Restriction Condition"). Under the terms of the extension the Group started to make instalment payments in respect the Coringa Deferred Consideration of US\$500,000 per month payable on each of 1 May 2020, 1 June 2020 and 1 July 2020 and with effect from the monthly instalment that was paid on 1 August 2020 the payments increased to US\$1 million per month thereafter (the "Deferral Period") until such time as the Travel Restriction Condition is satisfied. In the event that the Travel Restriction Condition is satisfied, the balance outstanding of the Coringa Deferred Consideration is expected to be settled within six weeks of that date.

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

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

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

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

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

On 30 June 2017, the Group entered into a credit facility for US\$5 million with the Sprott Resource Lending Partnership ("Sprott") to provide development and working capital for Palito and Sao Chico replacing a previous facility with Sprott entered into on 26 September 2014 and of which an amount of US\$1.37 million was outstanding. On 19 January 2018, the facility was increased to US\$8 million to provide additional working capital to the Group and in particular to reimburse the funds used to settle the initial US\$5 million payment made to Anfield in respect of the Acquisition. On 19 May 2019, the Group agreed with Sprott a variation in the repayment terms such that the outstanding loan would be repaid in six equal monthly instalments commencing on 31 January 2020. The loan was fully repaid on 30 June 2020.

The Company's shares trade on the Toronto Stock Exchange ("TSX") under the symbol "SBI" and on AIM, a market operated by the London Stock Exchange, under the symbol "SRB". The Company is incorporated under the laws of England and Wales and is a reporting issuer in British Columbia, Alberta and Ontario.

## Key Financial Information

	9 months to 30 September 2020 US\$	3 months to 30 September 2020 US\$	9 months to 30 September 2019 US\$	3 months to 30 September 2019 US\$
Revenue	45,403,793	15,941,963	43,939,510	14,353,771
Cost of sales	(24,908,688)	(8,487,475)	(27,661,873)	(8,496,884)
Gross operating profit	20,495,105	7,454,488	16,277,637	5,856,887
Administration and share based payments	(4,838,661)	(1,168,595)	(4,051,905)	(1,248,405)
EBITDA	15,656,444	6,285,893	12,225,732	4,608,482
Depreciation and amortisation charges	(4,716,809)	(1,484,715)	(6,454,531)	(2,204,030)
Operating profit / (loss) before finance and tax	10,939,635	4,801,178	5,771,201	2,404,452
Profit / (loss) after tax	7,828,409	3,671,944	2,849,341	1,129,701
Earnings per ordinary share (basic)	13.28c	6.23c	4.84c	1.92c
Average gold price received (US\$/oz)	US\$1,707	US\$1,881	US\$1,351	US\$1,472
		As at 30 September 2020 US\$	As at 31 December 2019 US\$	As at 31 December 2018 US\$
Cash and cash equivalents		10,968,059	14,234,612	9,216,048
Net assets		59,209,072	69,733,388	69,110,287
<b>Cash Cost and All-In Sustaining Cost ("AISC")</b>				
	9 months to 30 September 2020	9 months to 30 September 2019	12 months to 31 December 2019	12 months to 31 December 2018
Gold production for cash cost and AISC purposes	24,748 ozs	29,878 ozs	40,101 ozs	37,108 ozs
Total Cash Cost of production (per ounce)	US\$1,013	US\$844	US\$832	US\$821
Total AISC of production (per ounce)	US\$1,298	US\$1,078	US\$1,081	US\$1,093

- (1) See the note *Total Cash Cost and All-In Sustaining Cost* in this report for a reconciliation between non-IFRS Cash Cost and non-IFRS All-In Sustaining Cost to production costs included in cost of sales as disclosed in the consolidated statement of comprehensive income.

## Key Operational Information

SUMMARY PRODUCTION STATISTICS FOR 2020 AND FOR 2019										
		Qtr 1	Qtr 2	Qtr 3	YTD	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total
		2020	2020	2020	2020	2019	2019	2019	2019	2019
Gold production	Ounces	9,020	8,504	7,224	24,478	10,164	9,527	10,187	10,223	40,101
(1) (2)										
Mined ore – Total	Tonnes	42,036	43,519	44,077	129,632	42,609	44,784	44,757	44,092	176,243
	Gold grade (g/t)	6.54	5.85	4.84	5.73	7.47	6.72	7.14	6.69	7.00
Milled ore	Tonnes	40,465	44,235	46,135	130,835	43,451	43,711	45,378	44,794	177,335
	Gold grade (g/t)	6.66	5.91	4.75	5.73	7.69	6.72	6.84	6.81	7.02
Horizontal development – Total	Metres	2,878	3,004	3,037	8,919	1,868	2,419	2,433	2,908	9,628

- (1) Gold production figures are subject to amendment pending final agreed assays of the gold content of the copper/gold concentrate and gold doré that is delivered to the refineries.
- (2) Gold production totals for 2020 include treatment of 30,155 tonnes of flotation tails at a grade of 3.50g/t (Q3 2019: 20,554 tonnes at a grade of 4.13 g/t)
- (3) The table may not sum due to rounding.

## Financial Highlights

- Cash Cost for the year to date of US\$1,013 per ounce.
- All-In Sustaining Cost for the year to date of US\$1,298 per ounce.
- EBITDA for the third quarter of 2020 of US\$6.3 million (Q3 2019: US\$4.6 million) an improvement of 36 per cent.
- EBITDA for the year to date (“ytd”) of US\$15.7 million (2019 ytd: US\$12.1 million) an improvement of 28 per cent.
- Post tax profit for the year to date of US\$7.8 million (2019 ytd: US\$2.8 million) an improvement of 175 per cent.
- Earnings per share for the year to date of 13.28 cents.
- Average gold price of US\$1,707 received on gold sales in 2020.
- US\$5.5 million now paid to date of the remaining US\$12 million consideration for purchase of Coringa, due to Equinox Gold Corp. (“Equinox”). The balance will continue to be paid in monthly instalments, until travel restrictions caused by Coronavirus are lifted. US\$3.5 million has been settled from cash flow with a total of US\$2.0 million drawn down to date of the US\$12 million Convertible Loan Notes (the “Loan Notes”) being subscribed for by Greenstone Resources II LP (“Greenstone”)

## Operational Highlights

- Third quarter gold production of 7,224 ounces, resulting in 24,748 ounces for the year to date.
- 44,077 tonnes of ore mined during the quarter at 4.84 grams per tonne (“g/t”) of gold.
- 46,135 tonnes of run of mine (“ROM”) ore were processed through the plant from the combined Palito and Sao Chico orebodies, with an average grade of 4.75 g/t of gold.
- 3,037 metres of horizontal development completed during the quarter, the second consecutive quarter when more than 3,000 metres of development has been achieved.
- Fourth quarter production guidance of 8,000 oz, with full year guidance of 33,000 oz.

## Exploration and Development Highlights

- The acquisition of two new highly prospective tenements to complement the Sao Chico exploration potential including highly prospective Sao Domingos exploration tenement, immediately to the west of Sao Chico. Sao Domingos hosts multiple past and present artisanal working.
- Licença Prévia (LP) for the Coringa gold project issued by SEMAS on 8 October 2020.
- Regional exploration activities at Calico and Juca prospects resumed during the quarter.

#### **Key Objectives for 2020**

- Continue advancing the licensing process for Coringa along with ongoing engineering studies.
- Advance financing package for the Coringa project to fund plant assembly and other site developments.
- Continue exploration drilling at Sao Chico with a view to producing a new resource estimation.
- Complete exploration discovery drilling programme over the geophysical anomalies to the west and south of Sao Chico.
- Maintain payment programme required to complete acquisition of Coringa gold project.
- The Company hopes to be able to commence an initial drilling programme at Toucano prior to the end of 2020.

#### **2020 Production Guidance**

The impact of COVID-19 pandemic has resulted in production of 24,748 ounces of gold for the first nine months of the year. The third quarter was probably the worst period for the pandemic, to date, in Brazil, with private operations suspended and listed companies reducing operations significantly. However, the Company has managed to keep its mines operational and maintain production and cash flow throughout. By the end of September 2020, with almost a full workforce complement back at the mine sites, many ancillary activities were resumed. We anticipate fourth quarter production being approximately 8,000 ounces resulting in full year production of approximately 33,000 ounces.

#### **Outlook for 2021**

With a successful surface and underground drilling campaign over the next six months to guide a concentrated mine development programme, management are confident that production levels can start to be built to the levels that were expected, prior to the intervention of COVID-19, from the beginning of the second quarter of 2021.

### **OPERATIONS**

The Palito Complex comprises the Palito deposit and adjacent process plant together with the Sao Chico deposit located 25 kilometres to the south west. The Palito deposit is currently operating across four sectors with active development and mining of eight of the 26 veins that comprise the Measured, Indicated and Inferred resources of the Palito Mine. Underground drilling of the Palito orebody is helping to identify mineralisation at depth, making the rate and location of future mine development more efficient and also identifying additional smaller parallel vein structures that could be accessed from existing mine development.

Within the Palito orebody the G3 vein is the most developed of the 26 veins, being developed to a depth of approaching 300 metres and over a strike length of more than 1.5 kilometres. Drill holes now extend that strike length beyond 1.5 kilometres and it remains open to the north and south. Management considers that there is strong potential for the Palito veins to continue both at depth and along strike to the southeast and the northwest, as far as the Currutela and Copper Hill discoveries respectively, opening up a potential four kilometre strike length of mineralisation.

At Sao Chico the mine development has, to date, focused on the central ore shoot of the Main Vein. The Group is driving development galleries east and west towards additional ore shoots that have been identified by surface drilling and management is confident that these ore shoots will provide additional mineable ore at Sao Chico. Underground drilling is being undertaken at Sao Chico for short term operational and mine planning purposes focussing on the deeper part of the mine, and the depth of the central ore zone. Surface drilling and a terrestrial induced polarisation ("IP") geophysics survey have highlighted excellent potential for future resource growth at Sao Chico whilst step out drilling, which is on-going has intersected mineable widths and grades beyond the



current mine limits to the east for 220 metres and west for over 300 metres. The IP survey has highlighted some significant and exciting anomalies to the west and south east which will be drilled during 2020.

The Group has completed extensive test work to assess the benefits of ore-sorting to further enhance ore feed grade and to reduce waste entering the process plant. The ore sorter was acquired and installed during 2019 and was fully commissioned during the first quarter of 2020. The ore sorter 'screens out' waste rock ahead of the milling section allowing improved levels of gold production in 2020 without needing to expand the milling capacity. Management anticipates that the successful commissioning of the ore-sorter will bring feed grade increases as well as liberating much needed process plant capacity and is key to allowing some future organic growth to be realised without needing to expand milling capacity.

#### **Summary of production results for third quarter of 2020.**

Total gold production for the third quarter of 2020 of 7,224 ounces represents a decrease of 29 per cent compared with 2019 when production was 10,187 ounces. Total production for the year to date of 24,478 ounces is 18 per cent lower than that for the same period in 2019 (29,878 ounces). The reduction in production in Q3, which was also experienced in Q2, is a direct result of a reduction in the workforce as a result of measures taken by the Company in light of COVID-19. With the spread of COVID-19, the Company immediately placed the mine site and camp on a lockdown to minimise the potential for the virus to enter the camp and minimise the movement of people into and from the camp. All potentially vulnerable staff were sent home and all contractors removed from site to liberate space within accommodation and other facilities to improve social distancing. Those personnel that remained at site agreed to undertake longer roster patterns but were given additional time off during the roster. Numbers of personnel at site have been approximately 60% to 70% of normal levels during the second and third quarters of 2020. In the first quarter production fell compared to the same period in 2019 primarily as a result of the breakdown of one of the Company's three ball mills for an 18 day period during February 2020 resulting in the loss of approximately 10% of the quarterly throughput.

Total mining rates over the Palito Complex were, for the first nine months of 2020, approximately two per cent below those for the same period in 2019, whilst milling rates at 130,835 tonnes were approximately one per cent lower than for 2019. In addition, the Company was able to process approximately 30,135 tonnes of historic flotations tailings during the first six months representing a 46 per cent improvement compared to the same period in 2019.

#### **Mining**

Mining of the Palito and Sao Chico orebodies had for the last couple of years and up until the start of the second quarter of 2020, been in a steady regime. Nevertheless, the Group realises the importance of maintaining development rates comfortably ahead of stoping and in this way ensure a steady mining rate and ore-grades for the future. Whilst the Group has been able to maintain development rates over the last six months, unavoidably there has been a necessity to shrink and simplify the operation, reducing the number of active faces and in so doing reducing the optionality and in particular the ability to stockpile the lower grade ore whilst still keeping the plant at capacity with the best material.

Mined grades achieved for the first nine months averaged 5.73 g/t, a 19 per cent reduction compared with the average grade achieved for the same period in 2019 reflecting the reduction in available high grade ore that could be mined in the period, and is below the average reserve grade for the two orebodies of just over 8.0 g/t, estimated by SRK in the Palito Complex Technical Report issued in January 2018. Whilst the operation tries to maintain an even grade as much as possible, the various blocks of the different veins being mined at any time give rise to monthly and therefore quarterly variation. The Company has been seeking to maintain adequate levels of development during the second and third quarters of the year to ensure the longer term sustainability of mining activities in the longer term and notwithstanding the lower level of staffing during this same period. Development mining has less selectivity and therefore results in a lower average mined grade. In addition, whilst the Ipe and Mogno vein sets have excellent in-situ grades, these veins are narrower than other parts of the Palito deposit and therefore result in higher levels of dilution. Management considers the recently experienced reduction in grade is purely the result of the necessary operational changes given the reduced work force. Whilst the workforce numbers at site are now returning to the levels of Q1 2020 there remains a six month catch up period to be overcome which will mean that grade improvement is only likely to be seen towards the second half of 2021.

## **Plant operations**

Total gold production for the first nine months of 2020 was 24,478 ounces of gold, generated from the processing of ROM ore from the Palito and Sao Chico orebodies, combined with the surface coarse ore stockpiles and includes 2,535 ounces produced from the stockpiled flotation tailings accumulated from the initial processing of Palito Mine production in 2014.

A total of 130,835 tonnes from the Palito and Sao Chico orebodies with an average grade of 5.73 g/t of gold (nine months to 30 September 2019: 132,540 tonnes at 7.08 g/t of gold) were processed. ROM ore processed in the first nine months was one per cent lower (approximately 1,700 tonnes) compared with the same period in the prior year. In the first three months of 2020 the variance was 3,000 tonnes less than the same period in 2019, with a small improvement being realised during the second and third quarters compared with the same period in 2019. During the same period a total of 30,155 tonnes of reprocessed tailings were passed through the plant, an increase of approximately 9,600 tonnes compared with 2019.

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

Plant performance has otherwise been very good throughout the first nine months of the year and since the end of February, milling rates of crushed ROM have been in line with forecast at approximately 485 tonnes per day, with total volume processed (including reprocessed tailings) averaging approximately 590 tonnes per day. Compared with the average achieved for the 2019 calendar year of approximately 570 tonnes per day. At the end of September 2020, the Company had approximately 2,360 tonnes of coarse ore stockpiled on surface and sufficient stockpile of flotation tails to allow processing at current rates for the remainder of 2020 (with an average grade of around 3.0 g/t of gold). Since the operations began, plant capacity has limited the ability to run down the surface ore stocks, a legacy of the fact that mine production began six months before the ore processing.

Gold production for March 2020 was the highest monthly level achieved to date and resulted from improved average ore feed grades, most notably from Palito, which could, in part, be attributed to the recently commissioned ore sorter. Following the completion of installation at the end of 2019, commissioning and testing of the ore-sorter took place during the first part of the quarter whilst trying to optimise the set up. By the end of September 2020, the sorter had processed approximately 23,900 tonnes of ore with an average grade of approximately 1.68 g/t. This was screened into 2,385 tonnes of product at over 11 g/t gold and 21,500 tonnes of reject at 0.60 g/t Au, representing an improved feed grade of approximately 650 per cent and eliminating virtually all the waste that would otherwise have entered the plant. Including the low grade stockpiled material that was used during the commissioning and initial testing phases, the Company estimates that during the first nine months of the year the ore sorter performance has 'liberated' approximately 75 tonnes per day of capacity (15 per cent) in the plant.

The reduction in work force during the second quarter has however resulted in lower mined tonnages in the latest two quarters than originally planned and the plant has generally been able to process all of the ore mined. Therefore, the requirement to liberate capacity, through the use of the ore sorter, in the second and third quarters has been limited. With the levels of workforce at site now returning to normal levels, the Company expects mining rates to increase and having the ore-sorter returning into full operation. With an expectation that the level of mine development will continue to result in lower grades of ore the overall effect will be less than when the mining operation are expected to return to a more balanced allocation between production and development ores.

The ore sorter has been installed after the main crushing plant and is intended to remove waste material that, despite best efforts to mine selectively, would otherwise, unavoidably, enter the plant feed. This waste will be removed post-crushing but ahead of milling and will reduce process costs per ounce recovered and liberate capacity in a mill constrained operation. In this way it is hoped that, using this technology, the plant can be debottlenecked, mill feed grade elevated as a result, and plant capacity freed up for the future organic growth.

## **Impact of COVID-19 pandemic**

At this time, gold production operations have continued without interruption and the transport and sale of finished product has not been affected. The Company initially locked down the mine site to minimise the movements in and out of the mine site of personnel and sent home personnel not directly involved in gold production, and also older employees and any individuals with the potential to have underlying health issues. Exploration programmes were also temporarily suspended at site. These activities rely heavily on contractors who may not have been able to control their staff movements to the levels required and additionally this liberated accommodation to allow for areas to be set aside for isolation where it was required. Any personnel arriving at site for their work rotation were subject to health screening and COVID19 testing before being securely transported to site. These measures have resulted in a reduction in the workforce at site to 240 people, liberating space and allowing accommodation of these remaining employees under improved social distancing conditions.

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

Many of the Company's operational staff live in the communities between Itaituba to the north and Novo Progresso to the south and the incidence of COVID-19 infections in these areas is now reported to be quite low with none of Serabi's personnel reporting a positive test in recent months. Staff from outside of the state of Para and foreign nationals continue to be tested before arriving at site.

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

### **Palito Complex Licensing**

The Palito operation is fully permitted and has a mining licence issued in October 2007 and with no fixed expiry date, covering 1,150 hectares.

In February 2014, the Final Exploration Report ("FER") for the Sao Chico gold project was completed and submitted to the Departamento Nacional de Produção Mineral ("DNPM"), who issued notification of their approval of this report in November 2014. This represented the first part of the process of transforming the Sao Chico exploration licence into a full mining licence. As the next major step in the conversion procedure, Serabi submitted, in September 2015, the Plano Aprovimientto Economico, a form of economic assessment prepared in accordance with Brazilian legislation. Additionally, the Group engaged MDM from Belem, an Environmental Consultancy to complete a full socio-economic analysis and Environmental Impact Assessment ("EIA") for Sao Chico. This is now complete, however SEMAS, the state Environmental Agency, in the latter half of 2018, informed Serabi that in reference to the already submitted Coringa EIA, they could not process two EIA's from the same company simultaneously. With the public hearing for Coringa, which was convened by SEMAS, having now taken place in February 2020, the Company hopes that SEMAS will now be in a position to undertake their assessment of the Sao Chico EIA during 2020.

The Guia de Utilização (a trial mining licence) was renewed on 9 October 2019 and is valid until 9 October 2022. In addition, an application was submitted for a second trial mining licence, immediately to the west of the existing trial mining licence. This second licence was issued on 16 December 2019 and is valid until 13 December 2022. All mining operations can continue under the trial mining licences, whilst the full mining licence application is progressing. The issuing of the mining licence also requires the submission of a risk assessment and management plan, safety assessments, environmental and social impact studies, closure and remediation plans all of which have been submitted to the relevant government bodies. Any further reports requested or updates to existing reports will be submitted promptly upon request.

## **EXPLORATION**

### **Acquisition of additional tenements**

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

The Sao Domingo tenement hosts a number of historic artisanal workings, with many examples of exceptionally high-grade ore being mined. Two stand out prospects, Toucano and Atacadao, typify this and are of particular interest. Toucano is an artisanal open pit which is reported to have produced exceptional grades, mining a 20 metre wide mineralised zone to depths of 40 metres and extending over a strike length of one kilometre. At Atacadao, a 11 hole drill programme was completed in 2006, testing the mineralisation under the artisanal workings. The results of this modest programme intersected high grade gold mineralization ranging from 3 to 60g/t gold at an average true width of between 0.2 to 0.8 metres. The mineralogy appears very comparable to that at Palito and Sao Chico. Management considers that Toucano is a walk up, drill ready target and considering the reported widths that have been mined, any significant depth extension to this prospect could result in a significant discovery for Serabi. Atacadao has reported gold intersections from previous drilling which reinforces the potential around this area including the Colibri prospect to the south west.

The Company hopes to be able to commence an initial drilling programme at Toucano prior to the end of 2020.

### **Drilling**

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

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

- o Key intercepts at depth include intersections of 34.42 g/t and 114.49 g/t from holes 19-SCUD-284 and 19-SCUD-274 respectively.

- o Key intercepts to the west include intersections grading 21.03 grammes per tonne ("g/t") and 15.39 g/t (holes 19-SCUD-219 and 248 respectively).

- o Key intercepts to the east include intersections of 16.61 g/t and 27.35 g/t (holes 19-SC-143 and 142 respectively).

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

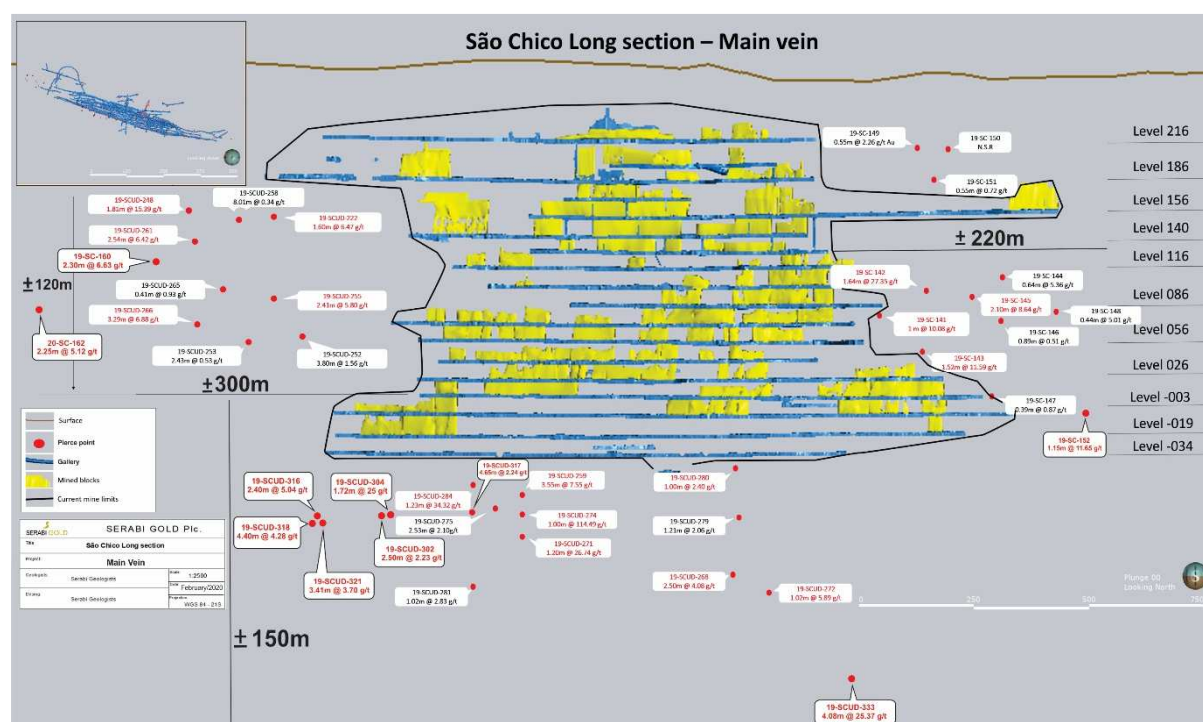
Subsequently, and as announced in a news releases issued on 3 March 2020 and 11 May 2020, drilling to the west was extended to 375 metres beyond the current western limit of the mine, and the intersections recovered continued to indicate of being able to extend the mine limit and contribute to a significant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

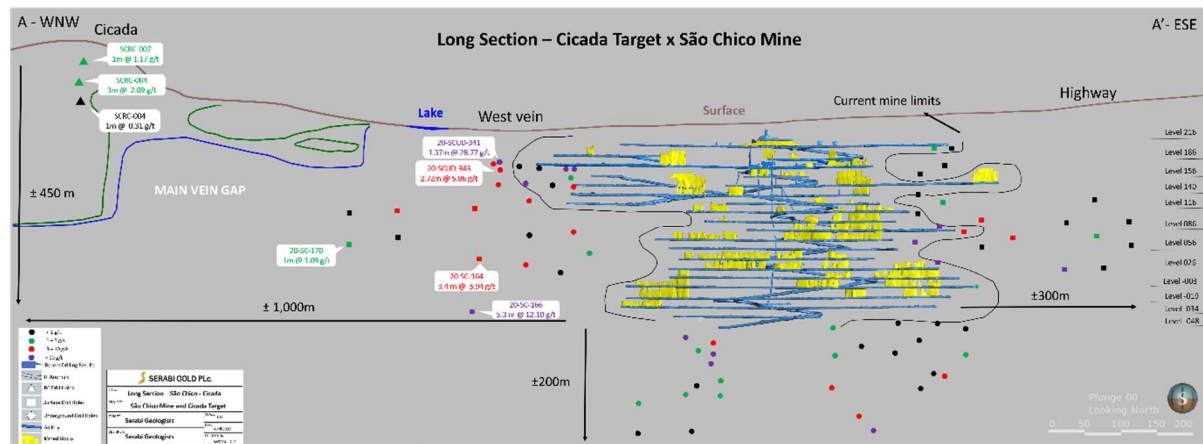
To the east additional drilling was also completed with high grade mineralization intersected in the most easterly hole of 11.7 g/t Au over 1.2 metres. This result is located 220 metres to the east of the current eastern limit of the mine and therefore the orebody remains open to the east and justifies additional step out drilling to test this eastern extension.

Continued drilling from underground, however, yielded the most encouraging result with what is now the deepest intersection at Sao Chico, where hole 19-SCUD-333 has reported a gold grade of 25.37g/t over a width of 4.08 metres. This hole is approximately 200 metres below the current lowest development level in the mine and therefore nearly 500 metres from surface. An intersection of this quality provides strong encouragement of continuity of the Sao Chico orebody at depth and therefore potential further resource growth and extended life of the operation.

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

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





*Long section of Sao Chico underground development and step out drilling to the Cicada anomaly*

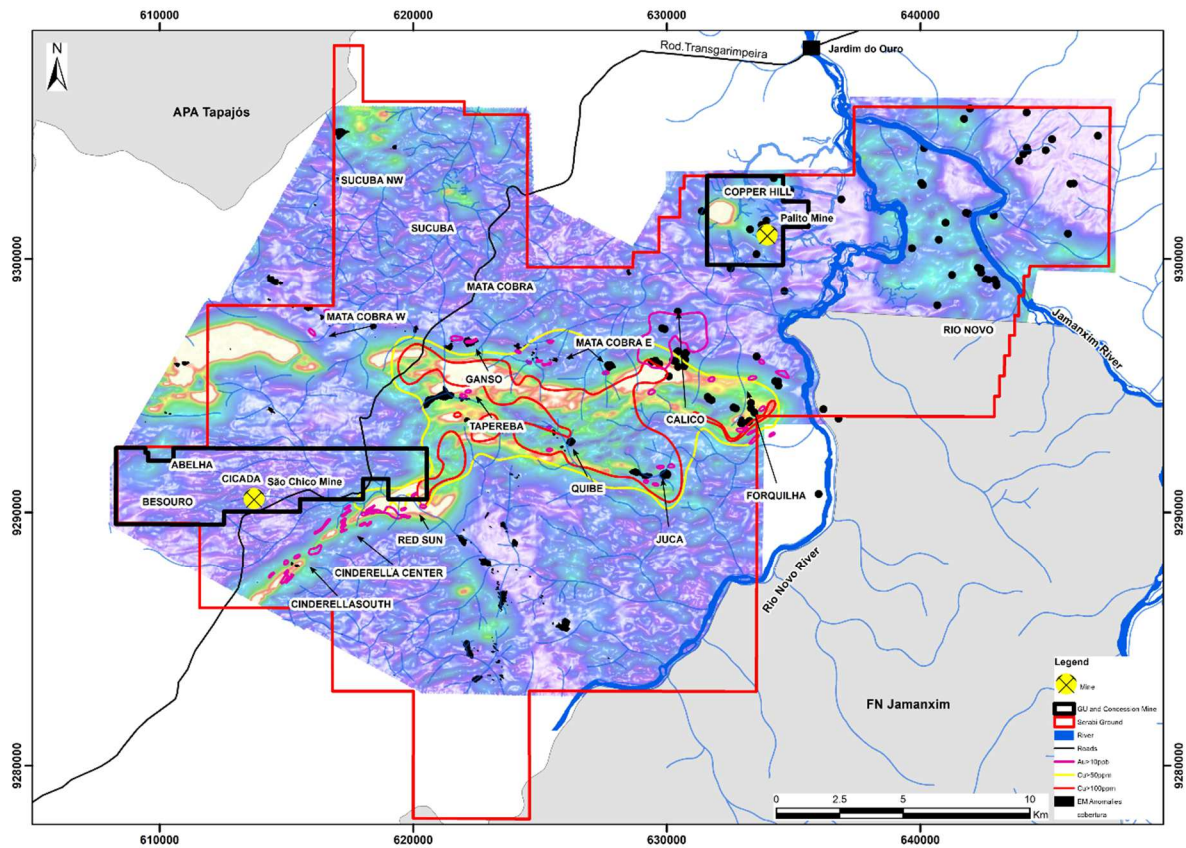
### Ground Geophysics and Geochemistry

Ground geophysics surveys in the vicinity of the Sao Chico orebody were on-going for much of 2018 with some very significant anomalies recorded. Approximately 107 line kilometres of IP geophysical survey was completed, testing extensions to the east, west and south. This complimented an earlier 20 line kilometre IP survey started in 2016, along the Sao Chico strike. With a total of 127 line kilometres now completed, a strike length totalling nine kilometres along the Sao Chico trend has now been covered with IP.

These surveys have highlighted the exploration potential within the area, defining a significant number of IP chargeable anomalies to the south, east and west of the Sao Chico deposit. The results suggest the potential to the west remains very good, and provides a comprehensive electrical resistivity and chargeability map of the Sao Chico district and, together with the detailed airborne electromagnetic and magnetic surveying also completed in 2018, provided the foundation for the Group's exploration activities in 2019.

The Cinderella Shear located to the south east of Sao Chico is a very prominent IP anomaly, coincident with a magnetic high identified from an airborne survey, which now extends for seven kilometres. There has been historical artisanal mining activity around the areas that drain from the anomaly, make this feature extremely significant. A geochemical soil sampling programme has been completed over Cinderella to improve the targeting of the follow-up drilling campaign that is planned to be undertaken in early 2021.





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

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

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

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

All of these prospects will be advanced through to the discovery drilling stage as soon as practicable

## CORINGA PROJECT DEVELOPMENT AND LICENCING

On 8 October 2020, SEMAS issued the Licença Prévia ("LP") for the Coringa project following a positive meeting of State Environmental Council of Para ("COEMA") held on 25 September 2020. Management has already submitted engineering drawings and plans necessary for the application for the Installation Licence ("Licença Instalacao" or "LI"). Management hope that the LI will be issued during the first quarter of 2021 and that all other matters and permits required can be secured to allow mine development and the initial plant and site construction to commence early in the third quarter of 2021. Preparatory work for an initial mine portal and underground ramp at Coringa has already been completed with the area having been cleared and hard rock exposed.

Whilst Serabi has been continuing the work started by Anfield on the permitting and licensing process and has continued to pursue the formal approval of the Environmental Impact Assessment ("EIA") submitted late in 2017 it did, in light of concerns over conventional tailings dams in Brazil and following the failure of the Brumadinho dam in January 2019, elect to install a filtration plant allowing for the dry stacking of tails and eliminate the need for a conventional tailings dam which required amendment to the original submission of the EIA. The amended EIA was submitted and protocoled with SEMAS in early September 2019. A Public Hearing to consider the Coringa project was then held in February 2020, but as a result of COVID-19, all formal meetings of COEMA were suspended until late in August 2020

On 6 September 2019 Serabi released the results of the Coringa PEA prepared by GRE which also included an amended mineral resource estimate for the Coringa project, updating a previous estimation also undertaken by GRE that was issued on 4 March 2019. The new estimation recorded a NI 43-101 compliant Indicated Resource of 195,000 ounces of gold at an average grade of 8.24 grammes per tonne ("g/t") and an Inferred mineral resource of 346,000 ounces of gold at an average grade of 6.54 g/t. The Technical Report was issued on 21 October 2019, and is available to view on the Group's website at [www.serabigold.com](http://www.serabigold.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

Management considers that the PEA mine plan can be better optimised and the ramp-up to full production accelerated by starting up the development of the project earlier than envisaged in the PEA subject to funding being available. Whilst the Group is still seeking to obtain all the necessary permits for the construction of the plant and to allow processing of ore, it has already received a trial mining licence.

Beginning the ramp under the trial mining licence serves a number of purposes. Firstly, the Group will obtain invaluable information about the orebodies in terms of geometry, thickness, and their general nature, which, with vein mining, is very difficult to obtain solely from drill hole data. This has a number of key operational benefits. It will allow de-risking of the project for potential lenders by demonstrating orebody continuity. It will also help ascertain if and to what extent, mechanised mining could be deployed, potentially reducing costs compared with the PEA. Finally, it will allow a bulk ROM ore sample to be obtained and tested for suitability for ore-sorting. The proximity of the ore sorter at Palito, just 200 kilometres to the north, will allow 'in-house' testing to be completed. Whilst the plant that was acquired as part of the acquisition has plenty of capacity, the use of ore sorting could reduce operating costs by treating lower volumes of material, and perhaps more significantly would have the benefit of reducing the volume of tailings generated. Management also considers that an early start up of the project is a critical step to winning support in the permitting process as a demonstration to the community and other local stakeholders of the Group's intent to develop the project.

On 14 August 2017, Anfield announced that it had received key permits required to commence construction of the Coringa project, being (1) the licence of operation for exploration and trial mining, (2) the vegetation suppression permit and (3) fauna capture permit, all issued by the SEMAS. The SEMAS permits contain a list of conditions for the conservation and protection of fauna and flora.

In May 2018 trial mining licences for each of the concessions 850568/1990 and 850567/199, valid until 25 May 2020 and 25 November 2020 respectively, were issued by the DNPM permitting the Group to commence mine development and limited ore production from Coringa. The trial mining licences and the concurrent operating licence authorises mining of up to 50,000 tonnes of ore per year at Coringa. In the absence of the necessary processing permits, any ore recovered at this stage will be stockpiled for future processing. Under applicable regulations, once the mine is operational, Chapleau Brazil may apply to the DNPM and SEMAS to increase the mining and processing limits.

On 23 May 2018, Serabi was informed, following an action brought by the Brazilian Ministério Público Federal ("MPF"), on 27 September 2017, seeking to nullify the operating licence previously granted to Chapleau Brazil by



SEMAS, that the court and judge who presided over the hearing on 26 April 2018, denied the MPF any action against SEMAS, the DNPM and Chapleau Brazil and also denied any right to appeal the decision, thus allowing Chapleau to proceed with advancing the project.

Progress has also been made in several other areas relating to the development of Coringa. Applications for required camp and start-up water were submitted prior to the date of the Acquisition and the tailings storage permit request was submitted on 11 December 2017. Discussions for long-term land access agreements with the Instituto Nacional de Colonização e Reforma Agrária ("INCRA"), a government agency which claims ownership of the surface rights where the project is situated are ongoing and being progressed.

### **Coringa Exploration**

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

## **OTHER EXPLORATION PROSPECTS**

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

### **Sucuba Project**

The Sucuba project is located some 10 kilometres to the northwest of Palito and the Company holds two exploration licences applications totalling 10,449 hectares. The Company has conducted exploration work in the past on this area where the main gold anomaly is centred on a small garimpeiro pit. Initial geochemistry highlighted anomalous gold values over an east-west area of 800 metres by 150 metres and a limited historic drill programme returned a number of gold values associated with structural controls including 0.50metres at 20.42g/t Au. The area would appear to potentially host a polymetallic deposit with high lead, silver and zinc values having been returned.

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

## BACKGROUND TO THE GROUP'S TAPAJOS GOLD PROJECTS

### Palito Gold Project – Para State, Brazil

The Palito Mine is wholly owned by the Group, through its 100 per cent owned subsidiary Serabi Mineração S.A. The Palito Mine and infrastructure lies some 4.5 kilometres south of the village of Jardim do Ouro and approximately 15 kilometres via road. Jardim do Ouro lies on the Transgarimpeira Road some 30 kilometres west/south-west of the town of Moraes de Almeida, located on the junction of the Transgarimpeira and the BR 163 (the Cuiabá - Santarém Federal Highway). Moraes de Almeida is approximately 300 kilometres south-east, by paved road, of the city of Itaituba which is also the municipal capital.

The Palito Mine is a high-grade, narrow vein, underground mining operation which was operated by the Group from late 2003 until the end of 2008. Between the start of 2005 until the end of 2008 the Group processed a total of 480,000 tonnes of ore through the plant at an average gold head grade of 6.76 g/t. Average gold recovery during the period was 90 per cent, with copper recovery around 93 per cent, resulting in total production over this period of approximately 100,000 ounces of gold.

The operation was placed on care and maintenance in 2008, but the main infrastructure was kept intact as much as possible. This included a process plant comprising flotation and CIP gold recovery circuits which had historically been treating up to 600 tonnes per day (200,000 tonnes per year) of ore and a camp that had housed over 200 employees and maintenance and workshop facilities. The site is supplied with mains power sourced from a 25mW hydroelectric generating station located approximately 100 kilometres north-east of the town of Novo Progresso on the Curuá (Irirí) River.

In January 2018, the Group released the Palito Complex Technical Report which estimated an NI 43-101 compliant Proven and Probable Reserve for the Palito ore body of 157,000 ounces of gold at an average grade of 7.99 g/t, included within a Measured and Indicated mineral resource of 271,000 ounces of gold and an Inferred mineral resource of 177,000 ounces of gold.

Since 30 June 2017 the Group had extracted from the Palito orebody, as at 30 September 2020, total contained gold of approximately 65,200 ounces, having mined a total of approximately 302,053 tonnes at an average grade of 6.72g/t.

**Table 1 - Mineral Resource Statement, Palito Mine, Para State, Brazil, as of June 30, 2017**

Classification	Vein Width	Quantity	Grade		Contained Metal	
			Gold	Copper	Gold	Copper
	m	000't	g/t	%	000'oz	t
<b>Underground</b>						
Measured	0.52	274	15.21	0.77	134	2,110
Indicated	0.57	371	10.91	0.57	130	2,115
<b>Surface Stockpiles</b>						
Measured	-	12	3.15	-	1	-
<b>Tailings</b>						
Measured	-	60	2.70	-	5	-
<b>Combined</b>						
Measured	-	346	12.62	0.61	140	2,110
Indicated	-	371	10.91	0.57	130	2,115
<b>Measured and Indicated</b>	-	<b>717</b>	<b>11.74</b>	<b>0.59</b>	<b>271</b>	<b>4,225</b>
<b>Underground</b>						

**Table 1 - Mineral Resource Statement, Palito Mine, Para State, Brazil, as of June 30, 2017**

Classification	Vein Width	Quantity	Grade		Contained Metal	
			Gold	Copper	Gold	Copper
	m	000't	g/t	%	000'oz	t
Inferred	0.77	784	7.02	0.20	177	1,568

Notes to Table 1:

- (1) Mineral Resources have been rounded. Mineral Resources are not Mineral Reserves and have not demonstrated economic viability. Mineral Resources are reported inclusive of Mineral Reserves. All figures are rounded to reflect the relative accuracy of the estimates. Underground Mineral Resources are reported within classification domains inclusive of in-situ dilution at a cut-off grade of 3.10 g/t gold assuming an underground extraction scenario, a gold price of US\$1,500/oz, a 3.5:1 Brazilian Real to U.S. Dollar exchange rate, and metallurgical recovery of 91%. Polygonal techniques were used for mineral resource estimates. Surface stockpiles and tailings are reported at a cut-off grade of 1.65 g/t gold assuming a gold price of US\$1,500/oz, a 3.5:1 Brazilian Real to U.S. Dollar exchange rate, and metallurgical recovery of 78%.
- (2) Serabi is the operator and owns 100% of the Palito Mine such that gross and net attributable mineral resources are the same. The mineral resource estimate was prepared by the Company in accordance with the standard of CIM and Canadian National Instrument 43-101, with an effective date of 30 June 2017, and audited and approved by Mr Glen Cole of SRK Consulting (Canada) Inc., who is a Qualified Person under the Canadian National Instrument 43-101.

**Table 2 - Mineral Reserves Statement, Palito Mine, Para State, Brazil, as of June 30, 2017**

Classification	Quantity	Grade		Contained Metal	
		Gold	Copper	Gold	Copper
	000't	g/t	%	000'oz	T
<b>Underground</b>					
Proven	265	9.77	0.46	83	1,219
Probable	276	7.64	0.39	68	1,076
<b>Surface Stockpiles</b>					
Proven	12	3.15	-	1	-
<b>Tailings</b>					
Proven	60	2.70	-	5	-
<b>Combined</b>					
Proven	337	8.28	0.36	90	1,219
Probable	276	7.64	0.39	68	1,076
<b>Proven and Probable</b>	<b>613</b>	<b>7.99</b>	<b>0.37</b>	<b>157</b>	<b>2,295</b>

Notes to Table 2:

- (1) Mineral Reserves have been rounded to reflect the relative accuracy of the estimates. Proven Underground Mineral Reserves are reported within the Measured classification domain, and Probable Underground Mineral Reserves are reported within the Indicated classification domain. Proven and Probable Underground Mineral Reserves are inclusive of external mining dilution and mining loss and are reported at a cut-off grade of 3.70 g/t gold assuming an underground extraction scenario, a gold price of US\$1,250/oz, a 3.5:1 Brazilian Real to U.S. Dollar exchange rate, and metallurgical recovery of 91%. Proven Mineral Reserves surface stockpiles and tailings are reported at a cut-off grade of 1.95 g/t gold assuming a gold price of US\$1,250/oz, a 3.5:1 Brazilian Real to U.S. Dollar exchange rate, and metallurgical recovery of 78%.
- (2) Serabi is the operator and owns 100% of the Palito Mine such that gross and net attributable mineral reserves are the same. The mineral reserve estimate was prepared by the Company in accordance with the standard of CIM and Canadian National Instrument 43-101, with an effective date of 30 June 2017, and audited and approved by Mr Timothy Olson of SRK Consulting (US) Inc., who is a Qualified Person under the Canadian National Instrument 43-101.

### Sao Chico Gold Project – Para State, Brazil

The Sao Chico property, acquired by the Group in July 2013 as part of the acquisition of Kenai Resources Ltd ("Kenai"), was initially represented by a single exploration licence area (AP 12836). The Sao Chico Mine is a small but high-grade underground gold mining operation some 30 kilometres to the south west, along the Transgarimpeira Highway, from the Palito Mine. The Sao Chico exploration licence was in force until 14 March 2014 and the Group, prior to its expiry, commenced the process of converting the concession to a full mining licence. A trial mining licence has also been issued for the property valid to 6 April 2019. In July 2015, the Group was also awarded exploration licences adjoining AP12836 to the south, east and west, covering approximately 6,400 hectares, which the Group considers to have excellent prospects for hosting extensions of the gold mineralisation identified at the Sao Chico Mine.

The Sao Chico Mine is located within an area of historic garimpo mining operations but exploration over the area has been limited. Prior to the acquisition of the project by the Group, the most significant recent exploration was a 22 hole programme extending to about 3,300 metres of diamond drilling conducted by Kenai during 2011. During 2013 the Group completed an infill and step out diamond drilling programme totalling 4,950 metres to enhance the existing resource in terms of both resource confidence and size. The drill programme was supplemented by ground geophysics, and a further 1,120 metres of diamond drilling to test initial geophysical anomalies. The results from the ground geophysics have established other potential areas of interest within the Sao Chico exploration licence but the Group will undertake other confirmatory exploration work, including geochemistry, over these identified anomalies before embarking on any further drilling activity of these anomalies.

In January 2018 the Group released the Palito Complex Technical Report which estimated an NI 43-101 compliant Proven and Probable Reserve of 24,000 ounces of gold at an average grade of 8.43 g/t, included within a Measured and Indicated mineral resource of 36,000 ounces of gold and an Inferred mineral resource of 54,000 ounces of gold.

Since 30 June 2017 the Group has extracted from the Sao Chico orebody, as at 30 September 2020, total contained gold of approximately 62,800 ounces, having mined a total of approximately 258,410 tonnes at an average grade of 7.56g/t.

**Table 3 - Mineral Resource Statement, Sao Chico Mine, Para State, Brazil, as of June 30, 2017**

Classification	Thickness	Quantity	Grade	Contained Metal
			Gold	Gold
	M	000't	g/t	000'oz
Measured	1.82	60	13.34	26
Indicated	1.79	22	14.70	10
<b>Measured and Indicated</b>	<b>1.81</b>	<b>82</b>	<b>13.70</b>	<b>36</b>
Inferred	1.80	123	13.77	54

Notes to Table 3:

- (1) *Mineral Resources have been rounded. Mineral Resources are not Mineral Reserves and have not demonstrated economic viability. Mineral Resources are reported inclusive of Mineral Reserves. All figures are rounded to reflect the relative accuracy of the estimates. Underground Mineral Resources are reported within classification domains inclusive of in-situ dilution at a cut-off grade of 2.85 g/t gold assuming an underground extraction scenario, a gold price of US\$1,500/oz, a 3.5:1 Brazilian Real to U.S. Dollar exchange rate, and metallurgical recovery of 95%. Polygonal techniques were used for mineral resource estimates.*
- (2) *Serabi is the operator and owns 100% of the Sao Chico Mine such that gross and net attributable mineral resources are the same. The mineral resource estimate was prepared by the Company in accordance with the standard of CIM and Canadian National Instrument 43-101, with an effective date of 30 June 2017, and audited and approved by Mr Glen Cole of SRK Consulting (Canada) Inc., who is a Qualified Person under the Canadian National Instrument 43-101.*

**Table 4 - Mineral Reserves Statement, Sao Chico Mine, Para State, Brazil, as of June 30, 2017**

Classification	Quantity	Grade	Contained Metal
		Gold	Gold
	000't	g/t	000'oz
<b>Underground</b>			
Proven	65	8.15	17
Probable	25	9.15	7
<b>Proven and Probable</b>	<b>90</b>	<b>8.43</b>	<b>24</b>

Notes to Table 4:

- (1) Mineral Reserves have been rounded to reflect the relative accuracy of the estimates. Proven Underground Mineral Reserves are reported within the Measured classification domain, and Probable Underground Mineral Reserves are reported within the Indicated classification domain. Proven and Probable Underground Mineral Reserves are inclusive of external mining dilution and mining loss and are reported at a cut-off grade of 3.45 g/t gold assuming an underground extraction scenario, a gold price of US\$1,250/oz, a 3.5:1 Brazilian Real to U.S. Dollar exchange rate, and metallurgical recovery of 95%
- (2) Serabi is the operator and owns 100% of the Sao Chico Mine such that gross and net attributable mineral reserves are the same. The mineral reserve estimate was prepared by the Company in accordance with the standard of CIM and Canadian National Instrument 43-101, with an effective date of 30 June 2017, and audited and approved by Mr Timothy Olson of SRK Consulting (US) Inc., who is a Qualified Person under the Canadian National Instrument 43-101.

### Coringa Gold Project – Para State, Brazil

Coringa is located in north-central Brazil, in the State of Pará, 70 kilometres southeast of the city of Novo Progresso. Access to the property is provided by paved (National Highway BR-163) and gravel roads. Coringa is in the south eastern part of the Tapajós gold district, Brazil's main source of gold from the late 1970s to the late 1990s. Artisanal mining at Coringa produced an estimated 10 tonnes of gold (322,600 ounces) from alluvial and primary sources within the deep saprolite or oxidised parts of shear zones being mined using high-pressure water hoses or hand-cobbing to depths of 15 metres. Other than the artisanal workings, no other production has occurred at Coringa. Artisanal mining activity ceased in 1991 and a local Brazilian company (Tamin Mineração Ltda.) staked the area in 1990. Subsequently, the concessions were optioned to Chapleau (via its then subsidiary, Chapleau Brazil) in August 2006. On 1 September 2009, Magellan Minerals Ltd. ("Magellan Minerals") acquired Chapleau. Between 2007 and 2013, extensive exploration programmes were completed on the property, including airborne magnetic, radiometric and electro-magnetic surveys; surface IP surveys; stream, soil, and rock sampling; and trenching and diamond drilling (179 holes for a total length of 28,437 meters). On 9 May 2016, Anfield acquired Magellan Minerals. Anfield subsequently completed an infill drill programme (183 holes for a total length of 26,413 meters) for the Serra and Meio veins in 2016 and 2017. Serabi recently completed a ~7,000 metre surface drill programme in February 2019, following which the Mineral Resource estimation summarised below was released on March 2, 2019.

**Table 5 - Mineral Resources Statement, Coringa Gold Project, Para State, Brazil, as of September 6, 2019**

The current Mineral Resource estimates for the **Coringa Mine** (Table 5) are based on data as at **August 31, 2019**.

Classification	Quantity	Grade	Contained Metal
	000't	Gold g/t	Gold 000'oz
<b>Underground</b>			
Indicated	735	8.24	195
<b>Total Indicated</b>			
<b>Underground</b>			
Inferred	1,645	6.54	346

Notes to Table 5:

- (1) *Mineral Resources have been rounded. Mineral Resources are not Mineral Reserves and have not demonstrated economic viability. Mineral Resources are reported inclusive of Mineral Reserves. All figures are rounded to reflect the relative accuracy of the estimates. Mineral Resources are reported within classification domains inclusive of in-situ dilution at a cut-off **grade of 2.0g/t** gold assuming an underground extraction scenario, a gold price of **US\$1,500/troy oz**, an operating **cost of \$100/t**, metallurgical **recovery of 95%**.*
- (2) *Serabi is the operator and owns 100% of the Coringa gold project such that gross and net attributable mineral resources are the same. The mineral resource estimate was prepared by Global Resource Engineering in accordance with the standard of CIM and Canadian National Instrument 43-101, with an effective date of 31 August 2019 by Mr Kevin Gunesch and Dr Hamid Samari, who are both Qualified Persons under the Canadian National Instrument 43-101.*

## SELECTED FINANCIAL INFORMATION

The data included herein is taken from the Company's annual audited financial statements and unaudited interim financial information. The audited financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") in force at the reporting date and their interpretations issued by the International Accounting Standards Board ("IASB") and adopted for use within the European Union and with IFRS and their interpretations adopted by the IASB. The consolidated financial statements have also been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. Whilst the unaudited interim financial statements are compiled in accordance with IFRS, they do not contain sufficient financial information to comply with IFRS.

### Results of Operations

#### Three month period ended 30 September 2020 compared to the three month period ended 30 September 2019

During the third quarter of 2020 the Group produced 7,224 ounces of gold (third quarter of 2019: 10,187 ounces) and recognised sales for 8,260 ounces (third quarter of 2019: 9,802 ounces).

The gross profit of US\$5,969,773 for the financial quarter ended 30 September 2020 can be analysed as follows:

	Three months ended September 2020	Three months ended September 2019	Variance US\$
Concentrate sold (ounces)	3,128	1,440	1,688
Bullion sold (ounces)	5,132	8,362	(3,230)
<b>Total Ounces Sold</b>	<b>8,260</b>	<b>9,802</b>	<b>(1,542)</b>
	US\$	US\$	US\$
<b>Revenue from Ordinary Activity</b>			
Gold (in Concentrate)	5,804,234	1,705,837	4,098,397
Copper (in Concentrate)	342,730	208,114	134,616
Silver (in Concentrate)	28,332	13,385	14,947
<b>Total Concentrate Revenue</b>	<b>6,175,296</b>	<b>1,927,336</b>	<b>4,247,960</b>
Gold Bullion	9,766,667	12,426,435	(2,659,768)
<b>Total Sales</b>	<b>15,941,963</b>	<b>14,353,771</b>	<b>1,588,192</b>
<b>Costs of sales</b>			
Operational costs	7,935,733	7,777,588	158,145
Shipping costs	185,396	206,214	(20,818)
Treatment and handling charges	112,348	110,740	1,608
Royalties	253,998	402,342	(148,344)
Amortisation of Mine Property	1,076,900	1,707,736	(630,836)
Depreciation of Plant & Equipment	407,815	496,294	(88,479)
<b>Total Operating costs</b>	<b>9,972,190</b>	<b>10,700,914</b>	<b>(728,724)</b>
<b>Gross Profit</b>	<b>5,969,773</b>	<b>3,652,857</b>	<b>2,316,916</b>

#### Revenue

For the three month period ended 30 September 2020 the Group generated US\$6,175,296 (2019: US\$1,927,336) in revenue by selling an estimated 3,128 ounces of gold from the sale of 220 tonnes of copper concentrate (2019: 1,440 ounces from 240 tonnes) and also recognised revenue for 5,132 ounces of gold bullion generating revenue of US\$9,766,667 (2019: sale of 8,362 ounces for revenue of US\$12,426,435).

During the three months to 30 September 2020 the Group produced 181 wet tonnes of copper/gold concentrate, containing an estimated 2,646 ounces (three months to 30 September 2019: 265 wet tonnes of copper/gold concentrate, containing 1,595 ounces of gold). The unsold material is held as inventory.

During the three months to 30 September 2020 the Group produced 4,577 ounces of gold in the form of bullion in comparison to 8,592 ounces during the same period of the previous year, a decrease of 47 per cent.

As a result of the difficult challenges that the Group has faced, as a result of the Covid-19 pandemic, gold production of 7,224 ounces during the third quarter of 2020 was below management's initial 2020 estimates. During the second quarter of 2020 the decision was taken by the Group to implement numerous changes to maintain gold production whilst safeguarding the health and wellbeing of staff that were working at the sites. Normally, the operation accommodates approximately 360 people but as a precaution the Group sent home all personal not directly involved in gold production and older employees and any other individuals with the potential to have underlying health issues. These measures necessitated a reduction in the workforce at site to 240 people, liberating space and allowing accommodation of these remaining employees under improved social distancing conditions.

### Operating Costs

Operating costs of US\$7.94 million, (three month period to 30 September 2019: US\$7.78 million), comprise all mining costs at both the Palito and Sao Chico mine, plant processing costs, as well as all general site costs on both mine sites incurred during the period in the production of the final sales products as per the table below. The table below shows a breakdown of operating activities and operating costs.

	Three Months ended September 2020	Three Months ended September 2019	Variance	Variance %
Tonnes Mined	44,077	44,757	(680)	(1%)
Tonnes Milled	46,135	45,378	757	2%
Ounces Produced	7,224	10,187	(2,963)	(29%)
Ounces Sold	8,260	9,802	(1,542)	(16%)
	Three Months ended September 2020	Three Months ended September 2019	Variance	Variance
	US\$'000	US\$'000	US\$'000	%
<b><u>Operating Costs</u></b>				
Labour	4,305	3,684	621	17%
Mining consumables & maintenance	2,036	2,385	(349)	(15%)
Plant consumables	838	984	(146)	(15%)
General site costs	756	725	31	4%
	7,936	7,778	158	2%

During the third quarter of 2020, the Group mined one per cent less tonnes and milled two per cent more tonnes in comparison to the same period in 2019. However, lower grades processed at 4.75 g/t compared with 6.84 g/t in the same period in 2019, a decrease of 30 per cent, resulted in a decrease in gold production of 29 per cent or 2,963 ounces. Total ounces sold were 14 per cent higher than ounces produced, as a result of changes in inventory levels between 30 June 2020 and 30 September 2020.

Mining and processing rates for the three month period ended 30 September 2020 have been consistent with those in the same period of the previous year and operating costs in US dollar terms have remained similar between the two periods. During the third quarter of 2020 the average exchange rate was BrR\$5.38 to US\$1.00 compared with an average exchange rate of BrR\$3.97 to US\$1.00 during the same period of the previous year, a weakening of approximately 36 percent.

### Labour



The increase in labour costs of 17 per cent reflects the increase in the total workforce headcount between the three month period ended 30 September 2020 in comparison to the same period of the previous year reflecting a need to amend shift patterns to accommodate legislative requirements. There was also a three per cent salary increase agreed in September 2020 but backdated to and effective from May 2020 for Brazilian staff as a result of the national collective agreement. These increases were offset by the weakening of the Brazilian Real by 36 per cent in against the US dollar for the three month period ended 30 September 2020 in comparison to the same period of the previous year. In recognition of the extended work rosters undertaken by staff who remained at the mine site for much of the third quarter of 2020, hardship bonuses of up to 20 per cent have also been incurred during the period. the Group estimates that labour costs have increased by approximately BrR\$4.0 million as a result of actions taken during the initial six months of the COVID-19 pandemic.

#### Mining consumables & maintenance

Mining consumables and maintenance for the three month period ended 30 September 2020 have decreased by 15 per cent in comparison to the same period of the previous year, however in local currency the increase was 16 per cent. This is primarily because the Group recommenced in the third quarter of 2020 an underground drilling project using the services of third party contractors. In addition to the cost of the contractors, this activity has also increased consumption of consumables, particularly diesel and spare parts. Maintenance costs have also increased materially as a number of items of underground mining equipment have undergone extensive refurbishment work to extend their useful lives in preference to acquisition of replacement vehicles. These increases in local currency were offset by the weakening of the Brazilian Real by 36 per cent in against the US dollar for the three month period ended 30 September 2020 in comparison to the same period of the previous year.

#### Plant consumables

Plant consumable costs have decreased by 15 per cent for the three month period ended 30 September 2020 in comparison to the same period of the previous year, however in local currency the increase was approximately 15 per cent. The increase in local currency is primarily due to an increase an increase in consumable costs, primarily for power and cyanide, but also for the replenishment of mill balls and replacement of mill liners for the milling circuit. These increases in local currency were offset by the weakening of the Brazilian Real by 36 per cent in against the US dollar for the three month period ended 30 September 2020 in comparison to the same period of the previous year.

#### General site costs

The increase in general site costs of 4 per cent reflects actions taken by the group on site as a result of the global Covid-19 pandemic. The Group incurred an increase in costs on PPE, Covid-19 testing, lab analysis as well as implementing social distancing measures on site to ensure that all staff could continue to operate in a safe and healthy working environment. These increases in local currency were offset by the weakening of the Brazilian Real by 36 per cent in against the US dollar for the three month period ended 30 September 2020 in comparison to the same period of the previous year.

#### Shipping costs

Shipping costs of US\$0.19 million (2019: US\$0.21 million) include all domestic road and river freight in Brazil from the Palito Mine to the international port at Belem and also international sea freight to the end purchaser as well as air transport and insurance for the bullion sold from the Palito Mine to its final destination in Sao Paulo. The cost reduction reflects a decrease in the volume of concentrate shipped during the second quarter of 2020 of 220 tonnes compared with 240 tonnes that was shipped in the same three month period of the previous year.

#### Treatment charges

Treatment charges are similar between the third quarter of 2019 and the same period during 2020. Treatment charges relate to the treatment of copper concentrate and are denominated in US dollar. The volume of concentrate shipped during the third quarter of 2020 of 220 tonnes compares with 240 tonnes that was shipped in the same three month period of the previous year. However, additional treatment charges were incurred during the third quarter of 2020 in comparison to the same period of the previous year due to higher levels of penalties for impurities a consequence of the veins being mined and their varying mineralogy.

#### Royalties

Royalty payments of US\$0.25 million have decreased by US\$0.15 million in comparison to the same period of the previous year and reflect the lower volumes of gold sold in the quarter. Royalty payments 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.

#### 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. During the fourth quarter of 2019 the Group in recognition of an expected longer life of the Palito ore body increased the estimate of future mine development that would be required to exhaust the identified resources in the Life of Mine plan. This directly impacts and increases the level of amortisation charge recognised in any period on a per ounce basis. However, the effect of quarterly production being lower by 29 per cent (7,223 ounces compared with 10,187 ounces in the third quarter of 2019) and the weakening of the BRL against USD of 36 per cent has resulted in the total amortisation charge relating to the Palito and Sao Chico ore bodies for the third quarter of 2020 being approximately US\$1.08 million in comparison to US\$1.71 million during the same period of the previous year.

#### Depreciation

A depreciation charge of US\$0.41 million has been recorded during the third quarter of 2020 on plant and equipment used in the mining and processing, (third quarter of 2019: US\$0.50 million). As most asset values are denominated in Brazilian Real the decrease is primarily due to the 36 per cent weakening of the Brazilian Real against the US dollar for the three-month period ended 30 September 2020 compared with the same period of the previous year.

#### Operating Profit

The Group has recognised an operating profit before interest and other income for the three month period ended 30 September 2020 of US\$4.80 million compared with a profit of US\$2.40 million for the same period of the previous year reflecting the period on period increase in the gross profit of US\$2.32 million.

Administration expenses for the third quarter of 2020 of US\$1.04 million are US\$0.13 million less than the administration expenditure during the same period of the previous year of US\$1.17 million. This is primarily due to the 36 per cent weakening of Brazilian Real in comparison to the US Dollar between the two periods. Approximately 50 per cent of the Groups administration costs were incurred in Brazil during the third quarter of 2020.

The Group also incurred costs of US\$0.18 million on share-based incentive costs (2019: US\$0.07 million). The deemed value assigned to these share options is amortised over the expected option life and is calculated using the Black Scholes model. The charge for the three months to 30 September 2020 is in respect of options granted to employees, directors and officers of the company between September 2017 and September 2020.

The Company recorded a foreign exchange gain of US\$0.05 million in the three month period to 30 September 2020 which compares with a foreign exchange loss of US\$0.17 million recorded for the three months ended 30 September 2019. These foreign exchange gains and losses primarily relate to the settlement of foreign currency liabilities from Brazil and therefore reflect the devaluation of the Brazilian Real and the revaluation of cash holdings of the Company in currencies other than US Dollars as at the period end. The exchange movements on cash holdings do not necessarily reflect actual realised profits or losses. The Company holds funds in certain currencies in anticipation of future expenditures that are anticipated to be settled in those currencies.

Net interest and other finance related costs for the three-month period to 30 September 2020 were US\$0.47 million compared with US\$0.74 million for the same period in the previous year. An analysis of the composition of these charges is set out in the table below:

	Three Months to September 2020 US\$	Three Months to September 2019 US\$
Interest expense on secured loan	–	(173,637)

Interest expense on property acquisition payment	(239,071)	–
Interest expense on convertible loan	(33,899)	–
Amortisation of arrangement fee	(56,250)	–
Expense on non-substantial modification	(155,237)	(39,900)
Loss on revaluation of derivatives	–	(241,122)
Unwinding of discount on acquisition payment	–	(280,344)
	<u>(484,457)</u>	<u>(735,003)</u>
Gain on revaluation of derivatives	16,547	–
Interest income	–	–
Net finance expense	<u>(467,910)</u>	<u>(735,003)</u>

The interest on the secured loan of incurred during 2019 was the cost of three months of interest paid on loan funds advanced under the credit agreement with Sprott Resource Lending Partnership. The Group repaid the full amount of the Sprott loan on 30 June 2020 so as a result there was no interest charge on the Sprott loan for the three month period ended 30 September 2020.

The interest expense of US\$239,071 on the property acquisition payment is the interest accrued on the outstanding purchase price obligation for the Coringa gold project. Interest charges incurred will be paid at the same time that the final payment is made in respect of the mineral property acquisition. There was no similar charge in the previous year. At 30 September 2020 the outstanding purchase obligation was US\$8.5 million and during the quarter payments of US\$2.5 million have been made.

The interest on the convertible loan of US\$0.03 million (2019: US\$Nil) is the cost of three months of interest in relation to funds advanced under the US\$12 million convertible loan note facility being subscribed for by Greenstone. The Group has drawdown US\$2.0 million in four equal instalments of US\$0.5 million each, on 30 April 2020, 29 May 2020, 30 June 2020 and 31 July 2020. Each drawdown of US\$0.5 million carries an option to convert the outstanding principal into ordinary shares at a fixed conversion price of GBP0.76. Subject to certain restriction, the holder of the convertible loan notes can elect to convert all or part of the loan at any time prior to the loan repayment date of 31 August 2021.

The Group has incurred an arrangement fee in respect of the convertible loan note facility of US\$300,000 which is payable to Greenstone. The arrangement fee is being amortised over the 16 month life of the loan resulting in a charge incurred during the period of US\$56,250. There was no similar expense in the previous year.

The expense on the non-substantial modification of US\$155,237, (2019: \$39,900) relates to non-substantial modifications required under IFRS9 following the variation in payments terms of two separate debts owed by the Group

At the start of the second quarter of 2020, the Group agreed revised repayment terms for a mineral property acquisition allowing for a series of staged payments replacing the single lump sum payment that was otherwise then due. In accordance with IFRS 9, the Group is required to recognise the effect of a non-substantial modification to the previous payment arrangement. Accordingly, the Group 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\$155,237 has been amortised in the period.

In May 2019, the Group agreed revised repayment terms for its secured loan whereby the Sprott loan would be repaid in six equal monthly instalments commencing 31 January 2020. In accordance with IFRS 9, whilst the variation in the loan terms was not sufficient to give rise to a derecognition of the existing loan, the Group was required to recognise the effect of a non-substantial modification to the existing loan. Accordingly, the Group has recognised a benefit arising from the modification totalling \$172,900 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\$39,900 was amortised in the three month period ended 30 September 2019 representing three months of amortisation period.. The loan was fully repaid on 30 June 2020 and the initial benefit has now been fully amortised.

The loss on the revaluation of derivatives of US\$241,122 in 2019 related to gold call options that had been granted to Sprott. These call options were exercised in full in July 2019.

The expense on the unwinding of the discount on acquisition in for the three months ended 30 September 2019 is as a result of change in the net present value of the final payment due on the acquisition of Chapleau Resources.

The derivative in 2020 represents the value of the conversion rights attaching to the US\$2.0 million of convertible loan notes that had been issued at 30 September 2020. The Group calculates separately for each drawdown the value of the conversion options associated with each drawdown instalment, creating a value on initial recognition which is then revalued at the end of each quarter. The revaluation at 30 September 2020 has given rise to a reduction in the value of the derivative of US\$16,547. There was no similar charge in the previous year.

#### **Nine month period ended 30 September 2020 compared to the nine month period ended 30 September 2019**

During the first nine months of 2020 the Group produced 24,748 ounces of gold (nine months to 30 September 2019: 29,878 ounces) and recognised sales for 25,820 ounces (nine months to 30 September 2019: 31,778 ounces).

The gross profit of US\$15,778,296 for the nine months ended 30 September 2020 can be analysed in comparison to the gross profit of US\$9,823,106 for the first nine months of 2019 as follows:

	<b>Nine months ended September 2020</b>	<b>Nine months ended September 2019</b>	<b>Variance</b>
Concentrate sold (Ounces)	7,256	7,135	121
Bullion Sold (Ounces)	18,564	24,643	(6,079)
<b>Total Ounces</b>	<b>25,820</b>	<b>31,778</b>	<b>(5,958)</b>
<b>Revenue from Ordinary Activity</b>	<b>US\$</b>	<b>US\$</b>	<b>Variance</b>
Gold (in Concentrate)	12,383,082	9,278,541	3,104,541
Copper (in Concentrate)	788,464	931,696	(143,232)
Silver (in Concentrate)	64,319	54,429	9,890
<b>Total Concentrate Revenue</b>	<b>13,235,865</b>	<b>10,264,666</b>	<b>2,971,199</b>
Gold Bullion	32,167,928	33,674,844	(1,506,916)
<b>Total Sales</b>	<b>45,403,793</b>	<b>43,939,510</b>	<b>1,464,283</b>
<b>Costs of sales</b>			
Operational costs	23,305,008	26,130,013	(2,825,005)
Stock Impairment Provision	–	(500,000)	500,000
Shipping costs	563,729	815,332	(251,603)
Treatment charges	315,272	360,607	(45,335)
Royalties	724,679	855,921	(131,242)
Amortisation of Mine Property	3,551,011	4,870,307	(1,319,296)
Depreciation of Plant & Equipment	1,165,798	1,584,224	(418,426)
<b>Total Operating costs</b>	<b>29,625,497</b>	<b>34,116,404</b>	<b>(4,490,907)</b>
<b>Gross Profit</b>	<b>15,778,296</b>	<b>9,823,106</b>	<b>5,955,190</b>

#### Revenue

For the nine month period ended 30 September 2020 the Group generated US\$13,235,865 (2019: US\$10,264,666) in revenue by selling an estimated 7,256 ounces of gold from the sale of 680 tonnes of copper concentrate (2019: 7,135 ounces from 880 tonnes) and also recognised revenue for 18,564 ounces of gold bullion generating total revenue of US\$32,167,928 during the nine months to 30 September 2020, (nine months to 30 September 2019: sale of 24,643 ounces for revenue of US\$33,674,844).

During the nine months to 30 September 2020 the Group produced 631 wet tonnes of copper/gold concentrate, containing an estimated 6,986 ounces (nine months to 30 September 2019: 757 wet tonnes of copper/gold concentrate, containing 6,117 ounces of gold). The unsold material is held as inventory.

During the nine months to 30 September 2020 the Group produced 17,762 ounces of gold in the form of bullion in comparison to 23,761 ounces during the same period of the previous year, a decrease of 25 per cent.

#### Operating Costs

Operating costs for the nine months ended 30 September 2020 of US\$23.31 million (2019: US\$26.13 million) comprise all mining costs at both the Palito and Sao Chico Mines, plant processing costs, as well as all general site costs on both mine sites incurred during the nine month period in the production of the final sales products as shown in the table below.

In local currency operational costs have increased due to an increase in the number of staff on site primarily due the Group working to increase rates of mine development as well as support staff necessary following the commencement of an underground drilling programme using a third party contractor. During the first nine months of 2020 the average exchange rate was BrR\$5.08 to US\$1.00 compared with an average exchange rate of BrR\$3.89 to US\$1.00 during the same period of the previous year, a weakening of approximately 30 percent.

	Nine months ended September 2020	Nine months ended September 2019	Variance	Variance %
Tonnes Mined	129,632	132,151	(2,519)	(2%)
Tonnes Milled	130,835	132,540	(1,705)	(1%)
Ounces Produced	24,748	29,878	(5,130)	(17%)
Ounces Sold	25,820	31,778	(5,958)	(19%)
	Nine months ended September 2020 US\$'000	Nine months ended September 2019 US\$'000	Variance US\$'000	Variance %
<b><u>Operating Costs</u></b>				
Labour	10,837	11,758	(921)	(8%)
Mining consumables & Maintenance	7,108	8,166	(1,058)	(13%)
Plant Consumables	2,913	3,554	(641)	(18%)
General Site	2,447	2,652	(205)	(8%)
	23,305	26,131	(2,825)	(11%)

During the first nine months of 2020, the Group mined 2 per cent less tonnes and milled 1 per cent less tonnes in comparison to the first nine months of 2019. However, lower grades processed at 5.73g/t for the first nine months of 2020 compared with 7.08 g/t in the same period in 2019, a decrease of 19 per cent, resulted in a decrease in gold production of 17 per cent or 5,130 ounces. Explanation for the variation in production levels are set out in the operational review of this management discussion and analysis.

Due to timing differences in the recognition of sales due to the departure dates of vessels carrying the Groups copper/gold concentrate leaving Brazil and the delivery of gold bullion for final sale, combined with lower levels of gold production resulted in the Group selling 5,958 less ounces during the first nine months of 2020 in comparison to the same period in 2019. In the first quarter of 2019, the Group realised sales from inventory holdings which contributed an additional 2,500 ounces to the sales that would otherwise have been achieved in that period.

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

#### Labour

Labour costs have decreased by 8 per cent compared with the same nine month period in 2019. A three per cent salary increase was agreed in August 2020 but backdated to and effective from May 2020 for Brazilian staff as a result of the national collective agreement, together with an increase in headcount resulting in higher costs in local currency terms. The increased headcount reflected a need to amend shift patterns to accommodate legislative

requirements, support for planned increases in operational and exploration drilling activity and planned increases in mine development in comparison to the same period of the previous year. However, due to the 30 per cent weakening of the Brazilian Real in comparison to the US dollar, the impact of this increase in costs in local currency has been reduced.

#### Mining consumables & maintenance

Mining consumables and maintenance for the nine month period ended 30 September 2020 have decreased by 13 per cent in comparison to the same nine month period of 2019, however in local currency the costs have increased. This is primarily because the Group began an underground drilling project at the start of 2020 using the services of third party drilling contractors. In addition to the costs of the contractors, this activity has also increased consumption of consumables, particularly diesel and spare parts. Maintenance costs have also increased materially as a number of items of underground mining fleet have undergone extensive refurbishment work to extend their useful lives in preference to acquisition of replacement vehicles. These increases in local currency were offset by the weakening of the Brazilian Real by 30 per cent against the US dollar for the nine month period ended 30 September 2020 in comparison to the same period of the previous year.

#### Plant consumables

Plant costs have decreased by US\$0.6 million, or 18 per cent, for the nine month period ended 30 September 2020 in comparison to the same period in the previous year, however in local currency the costs have increased. The increase in local currency is primarily due to an increase in maintenance costs due to repair work carried out on the crusher and milling circuit as well as an increase in consumable costs, primarily for cyanide as well as the replacement of mill balls and the replacement of mill liners for the milling circuit. These increases in local currency were offset by the weakening of the Brazilian Real by 30 per cent against the US dollar for the nine month period ended 30 September 2020 in comparison to the same period of the previous year.

#### General site costs

General site costs for the nine month period ended 30 September 2020 decreased by eight per cent compared with the same period in the previous year, however in local currency the costs have increased. The Group incurred an increase in costs on PPE, Covid-19 testing, lab analysis as well as implementing social distancing measures required at the beginning of the second quarter to ensure that all staff could continue to operate in a safe and healthy working environment. These increases in local currency were offset by the weakening of the Brazilian Real by 30 per cent against the US dollar for the nine month period ended 30 September 2020 in comparison to the same period of the previous year.

#### Shipping costs

Shipping costs of US\$0.56 million (2019: US\$0.82 million) include all domestic road and river freight in Brazil from the Palito Mine to the international port at Belem and also international sea freight to the end purchaser as well as air transport and insurance for the bullion sold from the Palito Mine to its final destination in Sao Paulo. The decrease by comparison to the same period in 2019 reflects the decrease in the volume of concentrate shipped. In the first nine months of 2020, 680 tonnes were shipped in comparison to 880 tonnes for the same period of the previous year.

#### Treatment charges

Treatment charges have decreased by US\$0.05 million between the first nine months of 2019 compared with the same period during 2020. This results from the lower volume of material sold in the period although there have been higher levels of penalties incurred for impurities in the concentrate. The occurrence and level of impurities varies according to the mineralogy of the particular veins being mined.

#### Royalties

Royalty payments of US\$0.73 million (2019: US\$0.86 million) 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 of 15 per cent for the first nine months of 2020 compared with the same period in 2019 reflects the lower level of sales and production offset by the increased gold price and revenues in US dollars.

#### Amortisation

Charges for the amortisation of mine property are calculated by reference to the depletion, during the period, of the total estimated mineable resource at each of the Palito and 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. During the fourth quarter of 2019 the Group in recognition of an expected longer life of the Palito ore body increased the estimate of future mine development that would be required to exhaust the identified resources in the Life of Mine plan. This directly impacts and increases the level of amortisation charge recognised in any period on a per ounce basis. However, the effect of the first nine months production of 2020 being lower than production in the same period of the previous year by 17 per cent (24,748 ounces compared with 29,878 ounces in the first nine months of 2019) and the weakening of the BRL against USD of 30 per cent has resulted in the total amortisation charge relating to the Palito and Sao Chico ore bodies for the first nine months of 2020 being approximately US\$3.55 million in comparison to US\$4.87 million during the same period of the previous year an overall reduction of 27 per cent.

#### Depreciation

A depreciation charge of US\$1.17 million was recorded during the first nine months of 2020 on plant and equipment used in the mining and processing (nine months to 30 September 2019: US\$1.59 million). The decrease of 26 per cent is primarily due to the 30 per cent weakening of the Brazilian Real against the US Dollar as well as the obsolescence and disposal of some of the older underground equipment over the last twelve month period.

#### Operating profit

The Group has recognised an operating profit before interest and other income of US\$10.94 million, (2019: operating profit of US\$5.77 million) reflecting the improvement of US\$5.96 million of gross profit from operations and after incurring US\$4.71 million (2019: US\$3.97 million) in administrative expenses as well as US\$0.34 million (2019: US\$0.20 million) on share based incentive costs. The deemed value assigned to these share options is amortised over the expected option life and is calculated using the Black Scholes model. The charge for the nine months to 30 September 2020 is in respect of options granted between September 2017 and 30 September 2020. The Group also reported a profit of US\$0.21 million from the disposal of assets (2019: US\$0.12 million).

Administration costs of US\$4.71 million for the nine month period ended 30 September 2020 are approximately US\$0.73 million higher than the amount of US\$3.97 million in administration costs incurred during the nine month period ended 30 September 2019. This is primarily due to the increase in legal and professional fees relating to the negotiation and implementation of the US\$12.0 million convertible loan note facility being subscribed for by Greenstone and costs associated with the successful award of the Preliminary Licence for the Coringa gold project. There were no similar costs incurred during the first nine months of 2019.

The Company recorded a foreign exchange loss of US\$0.10 million for the nine months ended 30 September 2020 which compares with a foreign exchange loss of US\$0.24 million recorded for the nine months ended 30 September 2019. 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 interest charges for the nine month period to 30 September 2020 were US\$0.85 million compared with US\$1.70 million for the same nine month period of 2019. An analysis of the composition of these charges is set out in the table below:

	Nine months ended 30 September 2020 US\$	Nine months ended 30 September 2019 US\$
Interest on secured loan	(203,127)	(474,177)
Interest expense on property acquisition payment	(823,361)	–
Interest expense on convertible loan	(72,806)	–
Expense in respect of non-substantial modification	(390,274)	(53,212)
Amortisation of arrangement fee	(93,750)	–
Loss on revaluation of derivatives	–	(531,910)
Unwinding of discount on acquisition payment	–	(812,615)
	(1,583,318)	(1,871,914)
Gain in respect of non-substantial modification	724,438	172,912
Gain on revaluation of derivatives	12,356	–
Interest income	911	2,217
Net finance expense	(845,613)	(1,696,785)

The interest on the secured loan of US\$0.20 million (2019: US\$0.47 million) is the cost of nine months of interest on loan funds advanced under the credit agreement with Sprott Resource Lending Partnership, with the reduction reflecting the lower average levels of loan principal outstanding during the period. This loan was fully repaid on 30 June 2020.

The interest expense of US\$0.82 million on the property acquisition payment is the interest accrued on the outstanding purchase price obligation for the Coringa gold project. Interest charges incurred will be paid at the same time that the final payment is made in respect of the mineral property acquisition. There was no similar charge in the previous year. At 31 December 2019 the purchase obligation was US\$12 million and during the period payments totalling US\$3.5 million were made. There was no similar charge in the previous year.

The interest on the convertible loan of US\$72,806 (2019: US\$Nil) is the cost of six months of interest in relation to funds advanced under the US\$12 million convertible loan note facility being subscribed for by Greenstone. During the year the Group has drawn down four equal instalments of US\$0.5 million each, on 30 April 2020, 29 May 2020, 30 June 2020 and 31 July 2020. Each drawdown of US\$0.5 million carries an option to convert the outstanding principal into ordinary shares at a fixed conversion price of GBP0.76. Subject to certain restriction, the holder of the convertible loan notes can elect to convert all or part of the loan at any time prior to the loan repayment date of 31 August 2021.

The Group has incurred an arrangement fee in respect of the convertible loan note facility of US\$300,000 which is payable to Greenstone. The arrangement fee is being amortised over the 16 month life of the loan resulting in a charge incurred during the period of US\$93,750. There was no similar expense in the previous year.

The expense on the non-substantial modification of US\$390,274, (2019: US\$53,212) relates to non-substantial modifications required under IFRS9 following the variation in payments terms of two separate debts owed by the Group

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



In May 2019, the Group agreed revised repayment terms for its secured loan whereby the loan would be repaid in six equal monthly instalments commencing 31 January 2020. In accordance with IFRS 9, whilst the variation in the loan terms was not sufficient to give rise to a derecognition of the existing loan, the Group was required to recognise the effect of a non-substantial modification to the existing loan. Accordingly, the Group has recognised a benefit arising from the modification totalling \$172,912 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\$53,212 was amortised in the nine month period ended 30 September 2019. The loan was fully repaid on 30 June 2020 and the initial benefit has now been fully amortised.

The loss on the revaluation of derivatives of US\$531,910 in 2019 related to gold call options that had been granted to Sprott. These call options were exercised in full in July 2019.

The expense on the unwinding of the discount on acquisition of US\$812,615 is as a result of change in the net present value of the final payment due in December 2019 for the acquisition of Chapleau Resources.

The derivative in 2020 represents the value of the conversion rights attaching to the US\$2.0 million of convertible loan notes that had been issued at 30 September 2020. The Group calculates separately for each drawdown the value of the conversion options associated with each drawdown instalment establishing a value on initial recognition which is then revalued at the end of each quarter. The aggregate value of derivatives on initial recognition was US\$423,513. The revaluation at 30 September 2020 to US\$411,157 has given rise to a reduction in the value of the derivative of US\$12,356. There was no similar charge in the previous year.

Summary of quarterly results	Quarter ended 30 September 2020 US\$	Quarter ended 30 June 2020 US\$	Quarter ended 31 March 2020 US\$	Quarter ended 31 December 2019 US\$
Revenues	15,941,963	16,364,143	13,097,687	16,008,582
Operating expenses	(8,487,475)	(8,188,157)	(8,233,056)	(8,825,050)
Provision for impairment of taxes receivable	–	–	–	(716,522)
Amortisation of mine property	(1,076,900)	(1,143,967)	(1,330,144)	(2,363,157)
Depreciation of plant and equipment	(407,815)	(383,766)	(374,217)	(206,155)
Gross profit / (loss)	5,969,773	6,648,253	3,160,270	3,897,698
Administration expenses	(1,042,013)	(1,922,181)	(1,740,964)	(1,289,212)
Option costs	(182,740)	(136,600)	(25,238)	(65,485)
Gain on disposal of asset	56,158	53,345	101,572	48,922
Operating profit / (loss)	4,801,178	4,642,817	1,495,640	2,591,923
Exchange	51,642	(141,816)	(8,858)	446,204
Net finance expense	(467,910)	(192,712)	(184,991)	(686,411)
Profit / (loss) before taxation	4,384,910	4,308,289	1,301,791	2,351,716
Income tax expense	(712,966)	(924,454)	(529,159)	(1,368,073)
Profit / (loss) after taxation	3,671,944	3,383,835	772,632	983,643
Profit / (loss) per ordinary share (basic)	6.23 cents	5.74 cents	1.31 cents	1.67 cents
Profit / (loss) per ordinary share (diluted)	5.80 cents	5.56 cents	1.27 cents	1.64 cents
Deferred exploration costs	25,583,666	25,724,189	26,169,961	30,686,652
Property, plant and equipment	29,996,117	30,276,692	32,179,874	39,594,276
Total current and other assets	21,739,651	19,958,167	20,391,646	27,258,770
Total assets	77,319,434	75,959,048	78,741,481	97,539,698
Total liabilities	(18,110,362)	(19,466,598)	(23,186,731)	(27,806,310)
Shareholders' equity	59,209,072	56,492,450	55,554,750	69,733,388

Summary of quarterly results	Quarter ended 30 September 2019 US\$	Quarter ended 30 June 2019 US\$	Quarter ended 31 March 2019 US\$	Quarter ended 31 December 2018 US\$
Revenues	14,353,771	12,459,699	17,126,040	10,037,906
Operating expenses	(8,496,884)	(7,803,002)	(11,861,987)	(7,647,624)
Inventory impairment provision		–	500,000	200,000
Amortisation of mine property	(1,707,736)	(1,584,897)	(1,577,674)	(1,812,387)
Depreciation of plant and equipment	(496,294)	(376,059)	(711,871)	(1,212,251)
Gross profit / (loss)	3,652,857	2,695,741	3,474,508	(434,356)
Administration expenses	(1,174,204)	(1,415,133)	(1,383,831)	(1,677,400)
Option costs	(65,484)	(65,486)	(65,485)	(115,503)
Gain on disposal of asset	(8,717)	101,623	24,812	168,511
Operating profit / (loss)	2,404,452	1,316,745	2,050,004	(2,058,748)
Exchange	(169,113)	(51,486)	(14,617)	(299,569)
Net finance expense	(735,003)	(689,736)	(272,046)	(421,080)
Profit / (loss) before taxation	1,500,336	575,523	1,763,341	(2,779,397)
Income tax expense	(370,635)	(405,845)	(213,379)	(244,034)
Profit / (loss) after taxation	1,129,701	169,678	1,549,962	(3,023,431)
Profit / (loss) per ordinary share (basic)	1.92 cents	0.29 cents	2.63 cents	(5.13) cents
Deferred exploration costs	28,439,970	29,591,753	28,581,674	27,707,795
Property, plant and equipment	38,807,114	41,228,338	40,766,304	42,342,102
Total current and other assets	28,405,348	28,827,096	27,576,208	26,369,997
Total assets	95,652,432	99,647,187	96,924,186	96,419,894
Total liabilities	(28,191,876)	(28,194,439)	(26,760,545)	(27,309,607)
Shareholders' equity	67,460,556	71,452,748	70,163,641	69,110,287

Summary of quarterly results	Quarter ended 30 September 2018 US\$	Quarter ended 30 June 2018 US\$	Quarter ended 31 March 2018 US\$	Quarter ended 31 December 2017 US\$
Revenues	7,523,203	11,873,783	13,826,851	12,224,818
Operating expenses	(6,380,505)	(7,983,786)	(9,489,101)	(8,077,318)
Provision for impairment of inventory	–	200,000	–	(330,000)
Amortisation of mine property	(1,209,705)	(1,733,384)	(1,425,259)	(2,220,886)
Depreciation of plant and equipment	(556,144)	(764,663)	(567,594)	(698,550)
Gross profit	(623,151)	1,591,950	2,344,897	898,064
Administration expenses	(1,171,660)	(1,357,814)	(1,331,424)	(1,672,081)
Option costs	(58,546)	(78,278)	(77,293)	(101,665)
Gain on disposal of asset	44,141	13,209	51,115	38,995
Operating profit / (loss)	(1,809,216)	169,067	987,295	(836,687)
Exchange	260,606	(498,543)	(57,090)	(70,068)
Net finance expense	(403,319)	(109,145)	(590,339)	(501,613)
(Loss) / profit before taxation	(1,951,929)	(438,621)	339,866	(1,408,368)
Income tax expense	(296,547)	(54,799)	(329,080)	(218,906)
(Loss) / profit after taxation	(2,248,476)	(493,420)	10,786	(1,627,274)
(Loss) / profit per ordinary share (basic)	(3.82) cents	(0.94) cents	0.03 cents	(4.66) cents
Deferred exploration costs	25,578,156	24,490,001	25,295,721	23,898,819
Property, plant and equipment	40,834,470	42,049,417	47,736,835	48,980,381
Total current and other assets	31,539,877	35,707,966	22,263,549	19,956,554
Total assets	97,952,503	102,247,384	95,296,105	92,835,754
Total liabilities	(28,295,055)	(27,781,688)	(34,681,745)	(32,065,042)
Shareholders' equity	69,657,448	74,465,696	60,614,360	60,770,712

## **Liquidity and Capital Resources**

On 30 September 2020, the Group's net assets amounted to US\$59.21 million, which compares to US\$69.73 million as reported at 31 December 2019. The Group has also reported a profit after taxation of US\$7.83 million in the nine month period to 30 September 2020. As the majority of the Group's assets are denominated in Brazilian Real variations in the exchange rate at each period end create variations in the net asset value between periods. The 40 per cent weakening of the Brazilian Real from 31 December 2019 when the exchange rate was BrR\$4.03 to US\$1.00 to the rate of BrR\$5.64 to US\$1.00 at 30 September 2020 has had a negative impact on the net asset position but the main movements are discussed in more detail below.

### **Non-Current Assets**

Non-current assets totalling US\$56.64 million at 30 September 2020 (31 December 2019: US\$72.45 million), are primarily comprised of property, plant and equipment, which as at 30 September 2020 totalled US\$30.00 million, (31 December 2019: US\$39.59 million) as well as development and deferred exploration costs with a value of US\$25.58 million, (31 December 2019: US\$30.69 million). The Group has also a provision for a deferred tax asset of US\$0.23 million (31 December 2019: US\$1.32 million) and a long-term receivable in respect of state taxes due in Brazil of US\$0.83 million (31 December 2019: US\$0.85 million). The 40 per cent weakening of the Brazilian Real from 31 December 2019 when the exchange rate was BrR\$4.03 to US\$1.00 to the rate of BrR\$5.64 to US\$1.00 at 30 September 2020 has had a negative impact on the net asset position but the main movements are discussed in more detail below.

The Group's property, plant and equipment includes the value of its mine assets relating to the Palito Mining Complex at 30 September 2020 of US\$14.52 million (31 December 2019: US\$19.58 million). This includes US\$2.01 million of additions in relation to the capital development of the Palito and Sao Chico ore bodies incurred during the period. Assets in construction as at 30 September 2020 and relating to the Palito Mining Complex had a book value of US\$8.74 million (31 December 2019: US\$11.29 million) and includes the provision for mine rehabilitation.

The Group owns land, buildings, plant and equipment with a value of US\$6.73 million (31 December 2019: US\$8.72 million). During the first nine months of 2020 the Group has acquired additional plant and machinery to the value of US\$2.05 million in relation to its ongoing operations at the Palito Mining Complex.

The gross value ascribed to the Palito Mining Complex is now being amortised over the expected recoverable ounces of each orebody. An amortisation charge totalling US\$3.45 million has been recorded for the nine month period to 30 September 2020 (twelve month period to 31 December 2019: US\$7.10 million).

Deferred exploration costs as at 30 September 2020 totalled US\$25.58 million (31 December 2019: US\$30.69 million) includes US\$1.35 million of exploration expenditure and US\$0.63 million on capitalised expenditure for the Coringa project incurred during the first nine months of 2020.

## Working Capital

The Group had a working capital position of US\$4.43 million at 30 September 2020 compared to a negative US\$0.30 million at 31 December 2019, the movement of US\$4.73 million being detailed in the table below:

	30 September 2020 US\$	31 December 2019 US\$	Variance US\$
<b><u>Current assets</u></b>			
Inventories	5,308,012	6,577,968	(1,269,956)
Trade and other receivables	2,076,263	802,275	1,273,988
Prepayments	2,329,770	3,473,288	(1,143,518)
Cash and cash equivalents	10,968,059	14,234,612	(3,266,553)
<b>Total current assets</b>	<b>20,682,104</b>	<b>25,088,143</b>	<b>(4,406,039)</b>
<b><u>Current liabilities</u></b>			
Trade and other payables	4,573,988	6,113,789	(1,539,801)
Acquisition payment due	8,909,397	12,000,000	(3,090,603)
Convertible Loan	1,949,327	–	1,949,327
Secured loan	–	6,903,692	(6,903,692)
Derivative Financial Liabilities	411,123	–	411,123
Equipment leases	111,231	48,850	62,381
Accruals	293,062	319,670	(26,608)
<b>Total current liabilities</b>	<b>16,248,128</b>	<b>25,386,001</b>	<b>(9,137,873)</b>
<b>Working capital</b>	<b>4,433,976</b>	<b>(297,858)</b>	<b>4,731,834</b>
<b><u>Non-current liabilities</u></b>			
Trade and other payables	82,261	183,043	(100,782)
Equipment Leases	181,348	–	181,348
Provisions	1,598,625	2,237,266	(638,641)
<b>Total non-current liabilities</b>	<b>1,862,234</b>	<b>2,420,309</b>	<b>(558,075)</b>

The weakening of the Brazilian Real from 31 December 2019 when the exchange rate was BrR\$4.03 to US\$1.00 to the rate of BrR\$5.64 to US\$1.00 at 30 September 2020, a weakening of 40 per cent, has had a negative impact on the key components which make up the working capital position, however the main movements are discussed in more detail below.

## Inventories

The level of inventory held by the Group at 30 September 2020 has decreased by US\$1.27 million since 31 December 2019. A breakdown of the Group's inventories at 30 September 2020 and at 31 December 2019 is set out in the table below:

	30 September 2020 US\$	31 December 2019 US\$	Variance US\$
Stockpile of mined ore	112,953	331,775	(218,822)
Finished goods awaiting sale	1,207,581	1,376,005	(168,424)
Other material in process	1,458,948	1,391,302	67,646
	<b>2,779,482</b>	<b>3,099,082</b>	<b>(319,600)</b>
Consumables	2,528,530	3,478,886	(950,356)
<b>Total Inventory</b>	<b>5,308,012</b>	<b>6,577,968</b>	<b>(1,269,956)</b>

Inventories of consumables (fuel, spare parts, chemicals, explosives etc.) at 30 September 2020 of US\$2.53 million (31 December 2019: US\$3.48 million) have decreased by approximately US\$0.95 million. This decrease is due to the 40 percent weakening of the Brazilian Real against the US Dollar from the 31 December 2019 to 30 September 2020. In local currency terms, the levels of inventory holdings have remained steady at approximately BrR\$14.00 million. The Group acquires stocks of certain materials including reagents, explosives and other consumables in quantities that are sufficient for up to three to four months' consumption requirements to minimise freight and other logistics costs and improve pricing.

At 30 September 2020 and at 31 December 2019, the Group held a provision against the carrying value of coarse ore stockpiles amounting to US\$50,000.

The value of the stock of surface ore has decreased by 66 per cent from US\$0.33 to US\$0.11 million. The total coarse ore stockpile tonnage that is subject to valuation was 2,212 tonnes at 31 December 2019 and approximately 1,030 tonnes at 30 September 2020, a decrease of fifty three per cent. This volume decrease has however been further affected by the 40 per cent weakening of the Brazilian Real.

The value of finished goods awaiting sale at 30 September 2020 of US\$1.21 million compares with the value at 31 December 2019 of US\$1.38 million an overall decrease in value of 12 per cent. The total value of finished goods held in stock at 30 September 2020 comprises 73 bags of copper/gold concentrate with a production cost valuation of US\$0.62 million (31 December 2019: 122 bags valued at US\$0.76 million) and bullion on hand for smelting which, at 30 September 2020, was estimated at 11,929 grammes valued at US\$0.59 million compared to 23,023 grammes at 31 December 2019 valued at US\$0.61million. Whilst there are variances between the two periods in the unit production costs for each of these items, the variance in period end values is largely explained by the variances in volume and currency effects with all unit costs of production being calculated in Brazilian Real.

The valuation attributable to gold locked up within the processing plant has decreased to US\$1.46 million at 30 September 2020 from US\$1.39 million at 31 December 2019 with 70,569 grammes of gold locked up within the processing plant as at 30 September 2020 (31 December 2019: US\$1.39 million; 84,793 grammes) reflecting normal operational variances. With similar unit costs between the periods the change in valuation is a combination of currency effect and volume variances.

#### Trade Receivables

Trade and other receivables at 30 September 2020 of US\$2.08 million have increased by US\$1.27 million from US\$0.80 million at 31 December 2019. There are two primary reasons for this US\$1.27 million increase in the receivable balance. First, both the December 2019 balance and the September 2020 are based on the outstanding amounts due for the five previous concentrate sales. At December 2019 the receivable balance was based on the previous 5 sales which totalled 500 tons at an average grade of 196 g/t or 3,020 ounces, whereas the balance at the end of September 2020 was based on 5 sales which totalled 540 tons with an average grade of over 325 g/t or 5,878 ounces. Secondly, as the price of gold has increased significantly over the last twelve months, the average gold price used in calculating the five sales included in the December 2019 balance was US\$1,479 in comparison to an average gold price of US\$1,804 used in calculating the five sales included in the balance as at 30 September 2020.

At 30 September 2020 the Group also had a receivable balance of US\$300,000 relating to sales of bullion made during September 2020. This is an increase of US\$245,000 in comparison to the balance of US\$55,000 at 30 December 2019.

#### Prepayments

Prepayments have decreased by US\$1.14 million from US\$3.47 million at 31 December 2019 to US\$2.33 million at 30 September 2020, a decrease of 33 per cent. The primary reason for the decrease in the value of prepayment is the 40 per cent weakening of the Brazilian Real to the US Dollar from the 31 December 2019 to 30 September 2020. Prepayments relate to supplier down payments as well as prepaid taxes, including taxes of ICMS, PIS, COFINS and other federal taxes, that remain to be recovered at the period end.

#### Cash at Bank

Between 31 December 2019 and 30 September 2020, cash balances have decreased by approximately US\$3.27 million.

During the first nine months of 2020, the Group has generated net cash flow from its operations of US\$13.42 million. The Group incurred a net expenditure of US\$5.50 million on financing activities during the first nine months of 2020, principally the repayment of US\$6.98 million of secured loan with Sprott Resource Lending whilst receiving US\$2.0 million of new funding under the convertible loan note facility. During the same nine month period the Group has also spent US\$9.62 million on investing activities including US\$1.35 million on exploration activities around the Palito Mining Complex and the Coringa project, US\$2.01 million on mine development, US\$2.05 million on plant and equipment and US\$0.63 million on other pre-operating costs for the Coringa project. Investing activities also included payments totalling US\$0.48 million as agreed instalment payments for the acquisition of an outstanding interest of a third party in the Sao Chico project area and US\$3.5 million in instalment payments against the remaining purchase consideration for the Coringa gold project. The Group holds cash balances in a variety of currencies including Brazilian Reais which are needed to meet day to day working capital needs and all bullion sales are settled in Reais. The devaluation of the Real during the first nine months of 2020 from US\$4.03 at 31 December 2019 to 5.64 at 30 September 2020 has resulted in an exchange loss on the Real cash holdings.

#### Current Liabilities

Current liabilities have decreased by US\$9.14 million from US\$25.39 million at 31 December 2019 to US\$16.25 million at 30 September 2020 an overall reduction of 36 per cent and primarily reflect the settlement of the outstanding secured loan with Sprott which was US\$6.9 million as at 31 December 2019, and repayment of US\$3.5 million of the outstanding acquisition liability for the Coringa project of which US\$2.0 million was funded through the drawdown of US\$ 2.0 million of the convertible loan note facility with Greenstone.

#### Trade Creditors

Trade and other payables amounting to US\$4.57 million at 30 September 2020 compared with an amount owed by the Group of US\$6.11 million at 31 December 2019, a decrease of US\$1.54 million. The primary reason for the decrease in the value of trade creditors is due to the 40 percent weakening of the Brazilian Real to the US Dollar from the 31 December 2019 to 30 September 2020.

#### Interest-Bearing Secured Loan

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

#### Acquisition Liability

On 21 December 2017 ("Closing"), the Group finalised the acquisition of Chapleau Resources for a total value of US\$22 million, with US\$5 million being paid in cash on 21 December 2017. A further US\$5 million in cash was paid on 16 April 2018 and a final payment of US\$12 million in cash was due on the earlier of either the first gold being produced or 24 months from the date of Closing. During the first quarter of 2020, the Group reached an agreement with the vendor, Anfield Gold and its parent company, Equinox, whereby the date for the completion of the final US\$12 million payment owed to Anfield for the acquisition of the Coringa Gold project (the "Coringa Deferred Consideration") has been extended (the "Deferral Period") until such time as there are no international travel restrictions imposed by the Brazilian authorities and also no travel restrictions within or into the State of Para, Brazil, (the "Travel Restriction Condition") where the Group's Palito Complex gold production operations and the Coringa gold project are located. Under the terms of the extension the Group started to make instalment payments in respect the Coringa Deferred Consideration of US\$500,000 per month payable on each of 1 May 2020, 1 June 2020 and 1 July 2020 which have now increased to US\$1 million per month until such time as the Travel Restriction Condition is satisfied. The balance outstanding of the Coringa Deferred Consideration is expected to be settled within six weeks of the Travel Restriction Condition being satisfied. Interest is payable on the outstanding sum at the rate of 10% per annum and will be settled at the same time that the Coringa Deferred Consideration is completed. A total of US\$3.5 million had been repaid by 30 September 2020 with further payments of US\$1.0 million made on 1 October 2020 and 1 November 2020.

In accordance with IFRS 9, the variation in the payment terms obliged the Group to recognise the effect of a non-substantial modification to the existing loan. Accordingly, the Group initially recognised a benefit arising from the modification totalling US\$724,437 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 resulting in a net modification to the existing loan as at 30 September 2020 of US\$413,964.

#### Interest bearing Convertible Loan

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

Under the Amended Subscription Deed and a further subsequent amendment, whilst specified restrictions on travel into and within Brazil 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 Convertible 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.

During year to date, the Group drew down four equal instalments of US\$0.5 million each, on 30 April 2020, 29 May 2020, 30 June 2020 and 30 July 2020.

#### Obligations Under Leases

During the third quarter of 2020, the Group entered into three new equipment lease arrangements of which US\$111,231 remains a current liability at the end of 30 September 2020. During the first four months of the year the Group repaid the full amount of capital repayments totalling approximately US\$0.05 million at 31 December 2019 on previous equipment leases.

#### Non-Current Liabilities

Non-Current liabilities have decreased by US\$0.56 million from US\$2.42 million at 31 December 2019 to US\$1.86 million at 30 September 2020 an overall decrease of 23 per cent.

#### Obligations Under Leases

During the third quarter of 2020, the Group entered into three new equipment lease arrangements of which US\$181,348 remains a long term liability due at the end of 30 September 2020.

#### Provision for Rehabilitation

The Group makes provision for the future estimated rehabilitation costs for its mine sites at Palito and Sao Chico. The value of the rehabilitation provision carried by the Group at 30 September 2020 was US\$1.60 million. The value at 31 December 2019 was US\$2.24 million. The decrease in the value of rehabilitation provision is due to the 40 per cent weakening of the Brazilian Real to the US Dollar from the 31 December 2019 to 30 September 2020. There have been no adjustments to the underlying cost estimates which are denominated in Brazilian Reais.

The Group does not have any asset backed commercial paper investments.



## Non-IFRS Financial Measures

The gold mining industry has sought to establish a common voluntary standard to enable investors to assess and compare the performance of companies engaged in gold mining activities. The Group has elected to provide calculations of Cash Costs and All-In Sustaining Costs and has conformed its calculation of these performance measurements with the guidance notes released by the World Gold Council. The measures seek to capture all the important components of the Group's production and related costs. In addition, management utilises these and similar metrics as a valuable management tool to monitor cost performance of the Group's operations. These measures and similar measures, have no standardised meaning under IFRS and may not be comparable to similar measures presented by other companies. This measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

### *Total cash cost and all-in sustaining cost*

The following table provides a reconciliation between non-IFRS cash cost and non-IFRS all-in sustaining cost to production costs included in cost of sales as disclosed in the consolidated statement of comprehensive income.

	Nine months ended 30 September 2020 (US\$)	Twelve months ended 31 December 2019 (US\$)	Nine months ended 30 September 2019 (US\$)
Total operating costs (calculated on a sales basis)	24,908,688	36,986,923	28,161,873
<b>Add/(subtract)</b>			
Finished goods and WIP inventory stock	619,917	(2,515,806)	(2,368,419)
Grossing up of revenue for metal deductions	482,276	202,323	164,430
By-product credits	(934,826)	(1,311,331)	(744,389)
Total cash cost of production	25,076,055	33,362,109	25,213,495
Corporate G&A	4,705,158	5,262,380	3,973,168
Share-based remuneration	344,578	261,940	196,455
Capitalised cost for mine development	2,005,880	4,478,420	2,835,238
All-In Sustaining Cost of production	32,131,671	43,364,849	32,218,356

	Nine months ended 30 September 2020	Twelve months ended 31 December 2019	Nine months ended 30 September 2019
Gold ounces produced	24,748 ounces	40,101 ounces	29,878 ounces

	Nine months ended 30 September 2020 (US\$)	Twelve months ended 31 December 2019 (US\$)	Nine months ended 30 September 2019 (US\$)
Total Cash Cost of production (per ounce)	US\$1,013	US\$832	US\$844
Total All-In Sustaining Cost of production	US\$1,298	US\$1,081	US\$1,078

### **Contractual commitments**

The Group has short term leases in respect of office premises in London, England and Belo Horizonte and Belem in Brazil.

The Group holds certain exploration prospects which require the Group to make certain payments under rental or purchase arrangements allowing the Group to retain the right to access and undertake exploration on these properties. Failure to meet these obligations could result in forfeiture of any affected prospects. Management estimates that the cost over the next 12 months of fulfilling the current contracted commitments on these exploration properties in which the Group has an interest is US\$0.31million (31 December 2019: US\$0.59 million).

Contractual obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
	\$	\$	\$	\$	\$
Acquisition Liability	8,500,000	8,500,000	—	—	—
Trade Creditors	4,656,249	4,573,988	82,261	—	—
Convertible Debt	2,000,000	2,000,000	—	—	—
Lease obligations	364,801	183,453	181,348	—	—
<b>Total contractual obligations</b>	<b>15,521,050</b>	<b>15,257,441</b>	<b>263,609</b>	<b>—</b>	<b>—</b>

### **Financial and other instruments**

The Group's and the Company's financial assets at 30 September 2020 which comprise other receivables and cash, and in the case of the Company include amounts due from subsidiaries, are classified as loans and receivables. All of the Group's and Company's financial liabilities which comprise trade and other payables and interest bearing liabilities are classified as liabilities measured at amortised cost.

The main financial risks arising from the Group's activities remain unchanged from the previous financial year, namely, commodity prices, currency, liquidity, credit and interest rates. The Board reviews and agrees policies for managing each of these risks and these are summarised below:

#### ***Commodity price risk***

By the nature of its activities the Group and the Company are exposed to fluctuations in commodity prices and, in particular, the price of gold and copper as these could affect its ability to raise further finance in the future, its future revenue levels and the viability of its projects. The Group does closely monitor the prices of these commodities and will consider the use of hedging contracts, where appropriate, in future.

Whilst not representing a financial instrument, at 30 September 2020, the Group carried inventory of finished goods and work-in-progress valued at US\$2.78 million (31 December 2019: US\$3.10 million). All inventory as at 30 September 2020, which is unsold, is subject to future variation in commodity prices and accordingly the results for the period and the equity position of the Group may be affected by any change in commodity prices subsequent to the end of the period.

#### ***Interest rate risk***

During the preceding three years the Group has taken out fixed rate finance leases for the acquisition of some equipment. In June 2017 the Group took out a US\$5.00 million secured loan with Sprott which was increased to US\$8.00 million in January 2018. The Group repaid the full amount due on this loan during the first six months of 2020.

In April 2020, the Group completed a subscription agreement with Greenstone for the issue of US\$12 million of convertible loan notes. The loan notes carry interest at the rate of US\$ LIBOR plus 13 per cent. As at 30 September 2020 a total of US\$2.0 million had been drawn down under the facility.

The Group is currently paying down the final instalment of US\$12 million due for the acquisition of the Coringa gold project in a series of monthly instalments. Interest is charged on the outstanding loan at the rate of 10 per cent per annum. As at 30 September US\$8.5 million remained outstanding to be paid with the balance currently being settled in monthly payments are US\$1 million per month.

### *Liquidity risk*

Historically the Group has relied primarily on funding raised from the issue of new shares to shareholders but has also received short term loans from its shareholders. It has also used floating rate short term trade finance and fixed rate finance leases to finance its activities and on 22 January 2018 increased a secured loan from US\$5.00 million to US\$8.00 million. The Group completed the repayment of this loan on 30 June 2020.

As at 31 December 2019 the Group owed Equinox Gold Corp. US\$12.0 million for the final payment of the acquisition of Chapleau Resources, (the “Coringa Deferred Consideration”). However, the Group has now reached an agreement with the vendor, whereby the date for the completion of the final US\$12 million payment owed to Equinox for the acquisition of the Coringa Gold has been extended (the Deferral Period”) until such time as there are no international travel restrictions imposed by the Brazilian authorities and also no travel restrictions within or into the State of Para, Brazil, (the “Travel Restriction Condition”) where the Group’s Palito Complex gold production operations and the Coringa gold project are located. Under the terms of the extension the Group will start to make instalment payments in respect the Coringa Deferred Consideration of US\$500,000 per month payable on each of 1 May 2020, 1 June 2020 and 1 July 2020 which will increase to US\$1 million per month thereafter until such time as the Travel Restriction Condition is satisfied. The balance outstanding of the Coringa Acquisition Payment is expected to be settled within six weeks of the Travel Restriction Condition being satisfied. Interest is payable on the outstanding sum at the rate of 10% per annum and will be settled at the same time as the Coringa Deferred Consideration is completed. The Group completed the first five instalments payments totalling US\$3.50 million during the second and third quarter of 2020, leaving a balance due to Equinox of US\$8.50 million as at 30 September 2020.

On 21 January 2020, the Group entered into a subscription deed (the “Subscription Deed”) for the issue of US\$12 million of Convertible Loan Notes (“the Loan Notes”) by Greenstone Resources II LP (“Greenstone”) the proceeds of which were to be applied inter-alia to settle a payment of US\$12 million due to Equinox Gold Corp (“Equinox”) representing a final payment for the acquisition of the Coringa gold project (the “Coringa Deferred Consideration”). The subscription deed was subject to shareholder approval and certain other conditions being fulfilled at the time of initial drawdown. However, as a consequence of the uncertainties caused by Coronavirus, the Group subsequently agreed with Greenstone to extend the period for the satisfaction of all the conditions necessary for the completion of the subscription for and issue to Greenstone of the Loan Notes. On 23 April 2020, The Company and Greenstone signed an amendment deed which varied the original Subscription Deed (the “Amended Subscription Deed”). Under the Amended Subscription Deed, and a further subsequent amendment, whilst the Travel Restriction Condition is in place the Company may only submit a subscription request in respect of Convertible Loan Notes in the amount of US\$500,000 each month. Following the satisfaction of the Travel Restriction Condition, the Company may then issue further subscription requests for amounts of not less than US\$100,000 and not exceeding an amount equal to US\$12,000,000 less the sum of the aggregate principal amount of all Notes outstanding at that time. The arrangements with Greenstone include a provision whereby the Loan Notes are available to be drawn down by the Company at any time until 30 June 2021. The Loan Notes therefore currently provide further working capital to support the investment and operational plans of the business. 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 covert 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.

The Group’s objectives when managing its capital are to maintain financial flexibility to achieve its development plans, safeguard its ability to continue to operate as a going concern through management of its costs whilst optimising its access to capital markets by endeavouring to deliver increases in value of the Group for the benefit of shareholders. In establishing its capital requirements, the Group will take account of the risks inherent in its plans and proposed activities and prevailing market conditions. There are risks associated with any mining operation whereby unforeseen technical and logistical events result in additional costs needing to be incurred, giving rise to the possibility that additional working capital may be required. The Group is also subject to pricing risks and significant short-term variations in sale prices of commodities to which the Group is exposed, may place

significant additional pressure on the Group's working capital position. Should additional working capital be required the Directors consider that further sources of finance could be secured within the required timescale. The Group, where available and appropriate, will use fixed rate finance arrangements for the purchase of certain items of capital equipment and use short term trade finance particularly in respect of its projected sales of copper/gold concentrate. It will seek to raise debt finance where possible to finance further capital development of its projects taking due consideration of the ability of the Group to satisfy the obligations and undertakings that would be imposed in connection with such borrowings.

### *Currency risk*

Although the Company is incorporated in the United Kingdom, its financial statements and those of the Group are presented in US Dollars which is also considered to be the functional currency of the Company. Funding of activities of its subsidiaries is generally made in US Dollars, all sales for the Group are denominated in US Dollars and future remittances of dividends, loans or repayment of capital from the subsidiaries are expected to be received in US Dollars.

Share issues have historically been priced solely in Sterling but the issue of Special Warrants undertaken in December 2010 and the issue of new Ordinary Shares and Warrants on 30 March 2011, were priced in Canadian Dollars. The Company expects that future issues of Ordinary Shares may be priced in Sterling or Canadian Dollars. Expenditure is primarily in Brazilian Real and also in US Dollars, Sterling, Euros and Australian Dollars.

The functional currency of the Group's operations is US Dollars, which is also the reporting currency. The Group's cash holdings at the balance sheet date were held in the following currencies:

	<b>Group</b>	
	<b>30 September 2020 US\$</b>	<b>31 December 2019 US\$</b>
US Dollar	7,632,244	9,193,766
Canadian Dollar	58,713	26,188
Sterling	119,514	162,585
Australian Dollar	53,892	38,947
Euro	24,291	25,576
Brazilian Real	3,079,405	4,787,550
<b>Total</b>	<b>10,968,059</b>	<b>14,234,612</b>

The cash is held at floating rates prevailing at the balance sheet date.

The Group is exposed to foreign currency risk on monetary assets and liabilities, including cash held in currencies other than the functional currency of operations.

The Group seeks to manage its exposure to this risk by ensuring that the majority of expenditure and cash holdings of individual subsidiaries within the Group are denominated in the same currency as the functional currency of that subsidiary. Income is generated in US Dollars. However, this exposure to currency risk is managed where the income is generated by subsidiary entities whose functional currency is not US Dollars, by either being settled within the Group or by ensuring settlement in the same month that the sale is transacted where settlement is with a third party.

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

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

### *Credit risk*

The Group's exposure to credit risk is limited to its cash and cash equivalents and trade and other receivables amounting to US\$16,202,175 (31 December 2019: US\$19,359,020). It is the Group's policy to only deposit surplus cash with financial institutions that hold acceptable credit ratings.

The Group currently sells most of its gold bullion to a single customer. The Group seeks to receive full settlement by bank transfer on delivery of its product to the purchaser to minimise its exposure to any credit risk on that customer.

The Group currently sells its copper/gold concentrate production to a single customer, a publicly quoted trading group located in Japan having changed customer in the second half of 2016. Settlement terms are in accordance with industry norms. The customer has a strong reputation within the industry and has a good credit risk history. As at the balance sheet date there were no amounts owed to the Group that were overdue.

#### **Subsequent events**

Save for the above and 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.

#### **Changes in accounting policies**

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

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

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

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

#### **Off-balance sheet arrangements**

The Group has no off-balance sheet arrangements

#### **Critical accounting estimates**

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

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

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

The following are the critical estimates that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

#### ***Mineral resources***

Quantification of mineral resources requires a judgment on the reasonable prospects for eventual economic extraction. These judgments are based on assessments made in accordance with the provisions of Canadian National instrument 43-101. These factors are a source of uncertainty and changes could result in an increase or decrease in mineral resources and changes to the categorisation of mineral resources between Mineral Reserves,

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

Mineral Resources have not been established to have economic viability and to the extent that management includes Mineral resources to calculate projected life of mine figures or in calculations of amortisation or depreciation, management will make judgments based on historical reports, future economic factors and other empirical measures to make estimates as the level of Mineral Resources that in incorporates into its assessments.

#### ***Inventory valuation***

Valuations of gold in stockpiles and in circuit, require estimations of the amount of gold contained in, and recovery rates from, the various stages of work in progress. These estimations are based on analysis of samples and prior experience. A judgment is also required about when stockpiles will be used and what gold price should be applied in calculating net realisable value; these are both sources of uncertainty. The balance that is most sensitive to changes in estimates is the stockpile of mined ore a prior impairment of which has been partially reversed during the year.

The amounts recognised in the consolidated financial statements are derived from the Group's best estimation and judgment.

#### ***Impairment of mining assets and other property, plant and equipment***

An initial judgment is made as to whether the mining assets are impaired based on the matters identified for mining assets in the impairment policy relating to IAS 36 impairment.

In considering the impairment of its mining assets in accordance with IAS 36, management will use gold prices and exchange rates applicable at the balance sheet date. The mine life will be based on the judgement of management of that portion of measured, indicated and inferred resources that can be recovered on the basis that, given the nature of the Group's orebodies, the mineral reserves (that portion of the mineral resource that has been proven by independent study to have economic viability) comprises a small part of the total mineral resource of the Group's orebodies and does not reflect management's view of the true life of the orebody. Production costs, estimated capital costs and plant performance are based on current operating performance and costs. The value in use calculation will also be determined by the judgments made by management regarding any future changes in legislation or economic circumstances that might impact the operations.

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

The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

#### ***Recoverability of debts including recoverable taxes***

In making its judgments over the recoverability of any amounts owed to the Group management will assess the creditworthiness of the debtor, the legal enforceability of the Group's rights and the practicalities and costs of obtaining and enforcing judgments relative to the debt outstanding. Based on these assessments it will estimate the likely recoverability of sums that are due to the Group, the likely time period over when such debts might be received and any provision that needs to be established against the future recoverability. Recoverable taxes comprise any federal or state levied input taxes incurred by the Group including taxes levied on the purchase of goods and services that are designated in law as being recoverable either in cash, kind or by way of set-off against

other tax liabilities at either a federal or state level. IFRS 9, requires the Parent company to make assumptions when implementing the forward-looking expected credit loss model.

#### ***Recoverability of investments in subsidiaries and inter-company debts***

In making its judgments over the recoverability of any amounts invested into subsidiary companies by way of share capital or loans advanced to subsidiaries the Company considers the expected future cash flows that can be generated by the underlying projects owned and operated by these subsidiaries and the potential value of exploration and development projects owned and managed by these subsidiaries. As each of the subsidiaries is 100% owned (directly or indirectly) by the Company the creditworthiness of the subsidiary is the same as the creditworthiness of the Company subject only to any restrictions that may be imposed on the repatriation of capital and loans by the host government of the subsidiary.

#### ***Restoration, rehabilitation and environmental provisions***

Management uses its judgment and experience to provide for and amortise the estimated mine closure and site rehabilitation over the life of the mine. Provisions are discounted at a risk-free rate and cost base inflated at an appropriate rate. The ultimate closure and site rehabilitation costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements or the emergence of new restoration techniques. The expected timing and extent of expenditure can also change, for example in response to changes in ore reserves or processing levels. As a result, there could be significant adjustments to the provisions established which could affect future financial results.

The following are the critical judgments that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

#### ***Recoverability of deferred exploration expenditure***

The recoverability of exploration expenditure capitalised within intangible assets is assessed based on a judgment about the potential of the project to become commercially viable and if there are any facts or circumstances that would suggest the costs should be impaired. In making this judgment management will consider the items noted in the impairment policy in respect of exploration assets as noted in accounting policy 1 h). Should an indicator of impairment be identified the value in use is estimated on a similar basis as the mining asset as detailed above. Management determined that there were no indicators of impairment in the year.

#### ***Utilisation of historic tax losses and recognition of deferred tax assets***

The recognition of deferred tax assets is based upon whether sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. Recognition of deferred tax assets therefore involves judgment regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

### **Disclosure controls and procedures**

The Chief Executive Officer and Chief Financial Officer have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the Group is made known to the Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the interim and annual filings are being prepared; and
- information required to be disclosed by the Group in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarised and reported within the time periods specified in securities legislation.

As at 31 December 2019, an evaluation was carried out, under the supervision of the Chief Executive Officer and Chief Financial Officer, of the design and operating effectiveness of the Group's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Group's disclosure controls and procedures were effective as at 31 December 2019.

#### **Internal controls over financial reporting**

The Chief Executive Officer and Chief Financial Officer have also designed internal controls over financial reporting, or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

As at 31 December 2019, an evaluation was carried out, under the supervision of the Chief Executive Officer and Chief Financial Officer, of the design and operating effectiveness of the Group's internal controls over financial reporting. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the internal controls over financial reporting were effective as at 31 December 2019, using the criteria, having taken account of the size and nature of the Group, put forward by the Financial Reporting Council in their revised guidance for directors on internal controls for UK listed companies (issued September 2014).

The Group's management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that its disclosure controls and internal controls over financial reporting will prevent or detect all errors and fraud. A cost effective system of internal controls, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the internal controls over financial reporting are achieved.

#### **Changes in internal controls over financial reporting**

There have been no changes in the Group's internal controls over financial reporting during the twelve month period ended 31 December 2019 that have materially affected, or are reasonably likely to materially affect, the Group's internal controls over financial reporting.

#### **Disclosure of outstanding share data**

The Company had the following Ordinary Shares and Stock Options outstanding at 12 November 2020:

Ordinary Shares	59,084,551
Stock Options	3,711,750
Shares issuable on any exercise of conversion rights <sup>(1)</sup>	2,036,316
Fully diluted ordinary shares outstanding	<u>64,832,617</u>

(1) based on US\$2.0 million of convertible loan notes outstanding and an exchange rate of US\$1.3397 to GBP1:00

Fratelli Investments Limited ("Fratelli") holds 19,318,786 Ordinary Shares in the Group representing 32.7 per cent of the voting shares in issue.

Greenstone Resources II LP ("Greenstone"), holds 14,887,970 Ordinary Shares in the Group representing 25.2 per cent of the voting shares in issue.



## Qualified persons statement

*The technical information contained within this Management Discussion and Analysis has been reviewed and approved by Michael Hodgson, CEO of the Group. Mr Hodgson is an Economic Geologist by training with over 30 years' experience in the mining industry. He holds a BSc (Hons) Geology, University of London, a MSc Mining Geology, University of Leicester and is a Fellow of the Institute of Materials, Minerals and Mining and a Chartered Engineer of the Engineering Council of UK, recognising him as both a Qualified Person for the purposes of Canadian National Instrument 43-101 and by the AIM Guidance Note on Mining and Oil & Gas Companies dated June 2009.*

## Cautionary statement on forward-looking information

*This management's discussion and analysis contains "forward-looking information" (also referred to as "forward-looking statements") which may include, but is not limited to, statements with respect to the future financial or operating performance of the Group and its projects, the future price of gold or other metal prices, the estimation of mineral resources, the realisation of mineral resource estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration and/or exploitation, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of regulatory matters, and that reflects management's expectations regarding the Group's future growth, results of operations, performance and business prospects and opportunities. Often, but not necessarily always, the use of words such as "anticipate", "believe", "plan", "estimates", "expect", "intend", "budget", "scheduled", "forecasts" and similar expressions have been used to identify these forward-looking statements or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. These statements reflect management's current beliefs and are based on information currently available to management. Except for statements of historical fact relating to the Group, information contained herein constitutes forward-looking statements, including any information as to the Group's strategy, plans or financial or operating performance. Forward-looking statements involve significant risks, uncertainties and assumptions and other factors that may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause actual results to differ from these forward-looking statements include risks related to failure to define mineral resources, to convert estimated mineral resources to reserves, the grade and recovery of ore which is mined varying from estimates, future prices of gold and other commodities, capital and operating costs varying significantly from estimates, political risks arising from operating in Brazil, uncertainties relating to the availability and costs of financing needed in the future, changes in equity markets, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, uninsured risks and other risks involved in the mineral exploration and development industry. A description of risk factors applicable to the Group can be found in the section "Risks and uncertainties" in this management's discussion and analysis. Although the forward-looking statements contained in this management's discussion and analysis are based upon what management believes to be reasonable assumptions, the Group cannot assure prospective purchasers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this management's discussion and analysis, and the Group assumes no obligation to update or revise them to reflect new events or circumstances, except in accordance with applicable securities laws. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.*

## Risks and uncertainties

In addition to the other information set forth in this report, the reader should carefully consider the risk factors below which could materially affect the Group's business, financial condition and/or future results. These risks are not the only risks facing the Group and readers should also refer to the Group's Annual Information Form filed on SEDAR at [www.sedar.com](http://www.sedar.com) and the Group's website at [www.serabigold.com](http://www.serabigold.com) which contains additional discussion of risks and in particular risks for investors in the Group's securities. Additionally, risks and uncertainties not currently known to the Group or that management currently deems to be immaterial, may also materially affect the Group's business, financial condition and/or future results.

### UNCERTAINTIES CAUSED BY COVID 19

The Board and management consider that the Group has been successful in dealing with the immediate implications of the COVID 19 pandemic and instigated changes at its operations that allowed it to maintain gold production operations and is now in the process of returning its full work-force to its sites whilst being able to properly manage social distancing and other related measure to ensure the safety and well-being of its staff and contractors. The Board and management are conscious that the COVID-19 pandemic remains an evolving and changing issue and the reactions of governments around the world in dealing with the implications are constantly being reviewed. Future measures which could adversely affect the Group include:

- restrictions on the free movement of personnel both within country as well as between countries may impose restrictions on the availability of key personnel at certain times,
- supply chains may be affected by restriction of the free movement of goods or the availability of goods,
- finance required for the development of projects may become scarce depending on the long term global economic effects.

The Board and management are reviewing the potential implications and the contingency planning that the Group can invoke to mitigate the effects of these uncertainties.

On 20 March 2020, the mining industry through degree number 10.282/20 was designated by the Brazilian government as an essential business sector and the Ministry of Mines and Energy has subsequently started action to try and guarantee the continuity of the supply chain, transport of materials required for processing and the sale and transportation of mineral products.

<i><b>Risk</b></i>	<i><b>Comment</b></i>	<i><b>Mitigation</b></i>
<i><b>Changes in gold prices.</b></i>	<p>The profitability of the Group's operations is dependent upon the market price of gold. Gold prices fluctuate widely and are affected by numerous factors beyond the control of the Group.</p> <p>Reserve calculations and life-of-mine plans using significantly lower metal prices could result in material write-downs of the Group's investment in mining properties and increased amortisation, reclamation and closure charges.</p>	<p>Management closely monitors commodity prices and economic and other events that may influence commodity prices.</p> <p>The Board will use hedging instruments if and when it considers it appropriate.</p>
<i><b>Currency fluctuations may affect the costs of doing business and the results of operations.</b></i>	<p>The Group's major products are traded in prices denominated in US Dollars. The Group incurs most of its expenditures in Brazilian Reals although it has a reasonable level of expenses in US Dollars, UK Pounds and other currencies.</p>	<p>Management closely monitors fluctuations in currency rates and the Board may, from time to time, make use of currency hedging instruments.</p>
<i><b>Availability of working capital.</b></i>	<p>The Company is reliant on generating regular revenue and cash flow from its operations on a monthly basis to meet its</p>	<p>Management, in designing and planning the Group's operations, incorporates contingency planning. The Group has</p>

<i><b>Risk</b></i>	<i><b>Comment</b></i>	<i><b>Mitigation</b></i>
	monthly operating costs, meet debt repayment requirements and to fund capital investment and exploration programmes. It has no overdraft or stand-by credit facilities in place in the event of any operational difficulties or other events that may reduce or delay revenue receipts in the short term.	multiple mining faces to minimise geological and mining risk to operations, it has a modular plant to ensure gold processing can be maintained to the greatest extent possible at all times and deals with customers for its products who have good credit and standing in the industry. Management also manages the Group's commitments and obligations to maximise the level of cash holdings at any time and works closely with existing and potential lenders and other potential financing partners to ensure that, to the greatest extent possible, it can have access to additional cash resources or defer debt repayment obligations should any unexpected need arise.
<p><i><b>No guarantee that the Group's applications for exploration licences and mining licences will be granted.</b></i></p> <p><i><b>Existing exploration licences may not be renewed or approved or converted into mining licences.</b></i></p> <p><i><b>Title to any of the Group's mineral properties may be challenged or disputed</b></i></p>	<p>There is no guarantee that any application for mining licences, the renewal of existing exploration licences or the granting of new exploration licences will be approved by the Agencia Nacional do Mineracao ("ANM"). The ANM can refuse any application. Persons may object to the granting of any exploration licence and the ANM may take those objections into consideration when making any decision on whether or not to grant a licence.</p> <p>The exploration licence for the Sao Chico property expired in March 2014. The Group applied for a full mining licence and the application and all supporting information and reports have been made in accordance with prescribed regulations. The Group has received no indications that the full mining licence will not be granted.</p> <p>At the current time mining operations at the Sao Chico Mine are carried out under a trial mining licence which is renewable annually. If and when exploration licences are granted, they will be subject to various standard conditions including, but not limited to, prescribed licence conditions. Any failure to comply with the expenditure conditions or with any other conditions, on which the licences are held, can result in licence forfeiture.</p> <p>The Group is in the process of applying for a mining licence in respect of the Coringa gold project. There can be no certainty that a mining licence will be issued or as to the time frame in which it will be issued.</p>	<p>Management maintains on-going dialogue with the ANM and other relevant government bodies regarding its operations to ensure that such bodies are well informed and also to help ensure that the Group is informed at an early stage of any issues of concern that such bodies may have.</p> <p>The Group employs staff and consultants who are experienced in Brazilian mining legislation to ensure that the Group is in compliance with legislation at all times.</p>

<b><i>Risk</i></b>	<b><i>Comment</i></b>	<b><i>Mitigation</i></b>
<b><i>Other permits and licences required to conduct operations may not be renewed or may be revoked or suspended</i></b>	<p>The Group requires a number of permits and licences to be able to undertake its operations and these are issued by a variety of agencies and departments.</p> <p>The Group is required to provide regular reports and may be subject to inspections to ensure that it is in compliance with its obligations in respect of any licence or permit. Failure to comply with the obligations can result in fines, obligations to undertake remedial action and in cases where a breach is deemed significant can result in suspension until remedied.</p> <p>Permits and licences are issued for fixed periods and therefore subject to regular renewal. The renewal process may impose additional obligations on the Group that had not been imposed under previous licences and permits.</p>	<p>Management maintains on-going dialogue with the all government bodies involved with the granting and control of mining operations s to ensure that such bodies are well informed of the Group's activities and plans and also to help ensure that the Group is informed at an early stage of any issues of concern that such bodies may have.</p> <p>The Group employs personnel and consultants experienced in the various aspects of the licencing and permitting process to ensure that it maintains compliance with its obligations.</p>
<b><i>The Coringa gold project is an advanced stage development project requiring permitting and construction before production can commence</i></b>	<p>The Group acquired the Coringa gold project in December 2017.</p> <p>Whilst the Group has been awarded a trial mining licences and an initial operating licence, it is still in the early stages of obtaining all the necessary permits and licences required to allow full scale mine development and plant construction to commence and there can be no certainty that it will be granted all the necessary licences and permits or as to the time frame in which these will be issued.</p>	<p>The Group has been operating the region for a number of years and in general is dealing with the same government agencies and bodies that have oversight of the operations in the Palito Mining Complex.</p> <p>The Group considers that it has developed good relations and understanding with the government bodies and agencies who will grant these licences and these same bodies have been supportive of Serabi's acquisition of the project.</p>

## GLOSSARY OF TERMS

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

	limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.
<b>"IP"</b>	refers to induced polarisation, a geophysical technique whereby an electric current is induced into the sub-surface and the conductivity of the sub-surface is recorded.
<b>"measured mineral resource"</b>	is that part of a mineral resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.
<b>"mineralisation"</b>	the concentration of metals and their chemical compounds within a body of rock.
<b>"mineralised"</b>	refers to rock which contains minerals e.g. iron, copper, gold.
<b>"mineral reserve"</b>	is the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined.
<b>"mineral resource"</b>	is a concentration or occurrence of diamonds, natural solid inorganic material or natural fossilised organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.
<b>"mt"</b>	means million tonnes.
<b>"NI 43-101"</b>	means Canadian Securities Administrators' National Instrument 43-101 – <i>Standards of Disclosure for Mineral Projects</i> .
<b>"ore"</b>	means a metal or mineral or a combination of these of sufficient value as to quality and quantity to enable it to be mined at a profit.
<b>"oxides"</b>	are near surface bed-rock which has been weathered and oxidised by long term exposure to the effects of water and air.
<b>"ppm"</b>	means parts per million.
<b>"saprolite"</b>	is a weathered or decomposed clay-rich rock.
<b>"sulphide"</b>	refers to minerals consisting of a chemical combination of sulphur with a metal.
<b>"tailings"</b>	are the residual waste material that it is produced by the processing of mineralised rock.
<b>"tpd"</b>	means tonnes per day.
<b>"vein"</b>	is a generic term to describe an occurrence of mineralised rock within an area of non-mineralised rock.
<b>"VTEM"</b>	refers to versa time domain electromagnetic, a particular variant of time-domain electromagnetic geophysical survey to prospect for conductive bodies below surface.