PRESS RELEASE 27 SEPTEMBER 2021
SERABI GOLD plc ("Serabi" or "the Company")

SERABI GOLD

Audited Results for the year ended 31 December 2020

Serabi (AIM:SRB, TSX:SBI), the Brazilian focused gold mining and development company, today releases its audited results for the year ended 31 December 2020.

Key Financial Information

SUMMARY FINANCIAL STATISTICS FOR THE THREE AND TWELVE MONTHS ENDING 31 DECEMBER 2020	**12 months to 31 Dec 2020 US$**	**3 months to 31 Dec 2020 US$**	12 months to 31 Dec 2019 US$	3 months to 31 Dec 2019 US$
Revenue	**55,830,078**	**11,616,129**	59,948,092	16,008,582
Cost of Sales	**(34,165,731)**	**(9,237,743)**	(37,203,445)	(9,541,572)
Gross Operating Profit	**21,664,347**	**2,378,386**	22,744,647	6,467,010
Administration and share based payments	**(6,144,281)**	**(1,305,620)**	(5,357,680)	(1,354,697)
EBITDA	**15,520,066**	**1,072,766**	17,386,967	5,112,313
Depreciation and amortisation charges	**(5,128,895)**	**(412,086)**	(9,023,843)	(2,520,390)
Operating profit before finance and tax	**10,391,171**	**660,680**	8,363,124	2,591,923
Profit/(loss) after tax	**7,031,025**	**411,758**	3,832,984	983,643
Earnings per ordinary share (basic)	**11.92 cents**	**(0.70 cents)**	6.51 cents	1.67 cents
Average gold price received	**US$1,727**	**US$1,841**	US$1,376	US$1,475

	As at 31 December 2020	As at 31 December 2019
Cash and cash equivalents	**6,603,620**	14,234,612
Net assets	**57,747,524**	65,598,516

<u>Cash Cost and All-In Sustaining Cost ("AISC")</u>

	12 months to 31 December 2020	12 months to 31 December 2019
Gold production for cash cost and AISC purposes	**31,212 ozs**	40,101 ozs
Total Cash Cost of production (per ounce)	**US$1,075**	US$832
Total AISC of production (per ounce)	**US$1,374**	US$1,081

Financial Highlights

- Post tax profit of US$7.03 million an increase of 83 per cent year on year.
- Earnings per share of 11.92 cents compared with 6.51 cents for 2019.
- EBITDA of US$15.52 million (2019: US$17.4 million) reflecting the US$4.1 million reduction in revenue.
- Net cash generated from operations (after mine development capital) of US$11.6 million (US$14.0 million).
- Average gold price of US$1,727 received on gold sales in 2020. (2019: US$1,376)
- Revenue of US$55.8 million (2019: US$60.0 million) due to lower production in the period, normal fluctuations in the timings of sales and differentials in the provisional on-site assays and final independently assessed assays, as further detailed below.
- Cash Cost for the year of US$1,075 per ounce.

- All-In Sustaining Cost for the year of US$1,374 per ounce

Post Year End Highlights

- Completed placing of new Ordinary Shares in March 2021 raising gross proceeds of UK£12.5 million. Funds have been used to:
    - Redeem US$2.0 million of convertible loan notes together with accrued fees and interest.
    - Settle balance of acquisition payment for the Coringa Gold Project, which as at the date of the placing was US$3.5 million including accrued interest.
    - Part-fund the construction of the Coringa Gold Project which, when in full production, is expected to increase current group annual production by approximately 100 per cent. to approximately 80 kozpa. Initial development of the Coringa Mine portal commenced in July 2021.
    - Further regional exploration, including surface and underground drilling on priority targets during 2021 as part of the Company's longer term exploration objective of targeting a mineral resource above 2 million ounces of contained gold in aggregate across all of the Company's projects.
- Independent geotechnical studies requested by SEMAS as part of the application for the Installation Licence ("LI") have been completed and the reports submitted for review. Management hopes that the LI can be issued before the end of 2021, allowing plant and site construction to commence during the early part of 2022.

Update on Investigation into Unsubstantiated Payments

- On 1 April the Company advised that, during the course of audit work in Brazil it had become aware of unexplained cash withdrawals and was commencing further enquiries. Until the conclusion of these enquiries it was not possible for the Company's auditors to conclude their audit procedures.
- The Company retained the services of Deloitte Touche Tohmatsu Consultores Ltda in Brazil to undertake a forensic review working alongside, the Company's lawyers, FFA Legal ("FFA") and the Company's auditors.
- As a result of this review the Company has identified that one of its senior managers authorised the withdrawal of cash over a period from January 2015 to March 2021 totalling approximately US$349,000 at current exchange rates. Deloitte and FFA noted that the Company's wholly owned Brazilian subsidiary Serabi Mineração SA ("SMSA") did not receive the services documented to have been provided in respect of these cash withdrawals. The enquiries undertaken on behalf of the Company did not identify direct evidence of improper payments occurring within the scope of licencing and/or payments to obtain benefits in connection with public agencies.
- Deloitte and FFA have also noted instances of irregularities relating to expenses reimbursements of approximately US$904,000 and travel advances of approximately US$510,000 paid to certain Brazilian based staff.
- A summary of the findings and the conclusions is set out in Note 3 (Basis of Preparation) of the financial statements that form part of this news release.
- The review of electronic and physical records and interviews with other members of staff in Brazil has not indicated any of the transactions identified by the forensic review having been undertaken with the knowledge or approval of any other member of senior management in the UK.
- Management is satisfied that all of the payments identified by the review process have been accounted for as expenses of the Group in the year in which they were incurred. Accordingly, and recognising the materiality of the value of the transactions recorded in each period, no adjustment to the previously reported results of the Group has been considered necessary.
- The Company has made a provision of approximately US$400,000 in respect of additional profits tax that may be due if it is determined that the identified expenditures were not deductible for tax purposes.

- The Group has already made certain changes in personnel, implemented changes in internal controls and is currently establishing an internal audit function based in Brazil appointed by and reportingly directly to the Audit Committee.

Clive Line, CFO of Serabi commented,

The Company produced a strong set of financial results for 2020, notwithstanding the many challenges that had to be faced over the year. With the successful completion of a share placing earlier in March 2021, raising gross proceeds of approximately UK£12.5 million and with continued good gold production combined with better than forecast gold prices and exchange rates, the Company is now in a very strong position and debt free.

Operating profit for 2020 (before finance and tax) of US$10.4 million represents an improvement of 24 per cent compared to 2019. EBITDA of US$15.52 million, whilst US$1.9 million lower than 2019, is also pleasing given that revenues were US$4.1 million lower for the year. Considering that gold production for the year was 22 per cent lower than in 2019, a consequence of the necessary actions we took to safeguard the workforce during the second and third quarters on 2020, I feel that this is an exceptional result.

During the year approximately US$11.6 million of cash flow was generated by the mining operations (after mine development capital), which compares with US$14.0 million in the preceding year. This broadly reflects the reduction in revenue of approximately US$4.1 million resulting from the lower level of gold sales in the year.

During the year, the balance sheet was improved through the repayment of the secured loan with Sprott in the first six months of 2020, totalling approximately US$7.0 million and settling US$6.5 million of the final acquisition payment for Coringa with Equinox Gold. In anticipation of the possibility that cash flow could be impacted during the year and in particular in light of the COVID-19 pandemic we did enter into a subscription agreement for convertible loan notes of up to US$12 million with Greenstone in April 2020. This was in part to ensure that the Group was able to meet its obligation to Equinox for Coringa. That we only needed to draw down US$2 million of the facility and were otherwise able to meet the monthly payment instalments from cash flow is very satisfying.

The proceeds of the March 2021 share placing allowed us to redeem the convertible notes and to settle the final balance due to Equinox.

Cash costs and All-In-Sustaining Costs have increased but this is a direct result of the lower levels of production. At the beginning of 2020 we had recruited additional personnel in readiness to accelerate development mining rates, which in turn would have resulted in increased gold production. Had we been able to match the 40,000 ounces of gold production achieved in 2019, I estimate that AISC would have been in the region of US$1,075 per ounce. When looking at our costs on a unit cost per tonne basis, we have seen a fairly flat profile over the last three years with annual mining costs ranging between US$120 to US$130 per tonne, process costs falling from US$39 per tonne in 2018 to US$29 per tonne in 2020 and other site costs declining slightly over the last three years to approximately US$28 per tonne. The production shortfall during 2020 was a direct consequence of labour reduction we had to make at site in the midst of the pandemic. With the reduced on-site workforce we had to reduce the number of mining faces significantly and lost optionality within the mining operation, which in turn negatively impacted grade and therefore production.

The Company has previously highlighted that revenue for the fourth quarter would be lower than in preceding periods as a result of lower levels of gold being sold in the period, a result of normal fluctuations in the timings of sales and gold stocks on hand. Subsequent to the period end the Group has finalised the pricing and the gold and metal content of four shipments of copper/gold concentrate that were sold during the third and fourth quarters of 2020. As advised in a news release issued on 1 April, the final agreed gold assay of the copper/gold concentrate these sales was lower than the provisional assay undertaken by the Palito laboratory and as a result the Group realised, during the first quarter of 2021, a revenue adjustment of approximately US$970,000. A smaller adjustment of approximately US$310,000 was realised in connection with the sales that were made during the fourth quarter where final pricing and agreement on the gold and metal content was made during the second quarter of 2021. As these adjustments related to sales undertaken during 2020 this adjustment has been reflected in the reported revenue for 2020.

Whilst it is normal for there to be variations between assays generated by the Palito laboratory and other laboratories these are normally within acceptable statistical tolerances. The Group has examined the reason for these specific variances which are of a level that had not been experienced in the past 6 years of operations. The sampling process when material arrives at the refinery is attended by a Group appointed independent observer and the final samples also subject to independent verification. The copper/gold concentrate is not a homogenous material, with each consignment being produced over a four to six week period. This gives rise to the potential for variances as a result of sampling processes and procedures and the Group has put in place additional procedures and controls to minimise the potential for future sampling variations to arise.

Following internal reviews and having eliminated the possibility of an error at the refinery and focussed on its own procedures and processes, management has concluded that these variances and in particular those arising on production and sales completed during the third quarter of 2020 were the result of human and equipment error during the early months of the pandemic and a number of inaccurate high assay readings had elevated the average grade of the material sold to the refinery Subsequently management have noted that the deviation in assays between production batches has reduced giving confidence that the potential for such material errors to arise in the future has been significantly reduced.

When we look back at 2020, I think all things considered it was a very satisfying year. The pandemic and reduction in personnel at the operation did mean a lot of non-essential activities had to be suspended, one of these was exploration. In addition, mine development could not continue at the rates we had budgeted. We simply had to 'hunker down' and keep the rest of the operation running as well as possible. We therefore consider producing over 75% of our budgeted ounces with what was a skeleton workforce for over half of the year as a very commendable result.

The pandemic did not adversely affect the plans for our development asset, Coringa, and we did make good progress in advancing the licensing process, with the award of the all-important Licença Prévia LP in October.

The investigation into the financial irregularities, whilst taking longer than I had originally hoped, has been very thorough and has looked back at transactions over a number of years. All businesses hope that their control processes are robust enough to prevent such events occurring but as this instance shows where there has been co-operation and collusion these events can be difficult to identify. With the assistance of Deloitte, we will have an Internal Audit function that will report directly to the Audit Committee and which I expect to prevent any recurrence of the situation that allowed these irregular expenditures to occur.

Chairman's Statement

During 2020 Serabi was able to navigate successfully through one of the most challenging periods for mining and many other sectors of the economy. When we look back at 2020, in the years to come, I am sure we will realise that overcoming these challenges made us stronger and better prepared to achieve our future goals and take advantage of the opportunities that lie in front of us.

The mining sector has in general been quite resilient and unlike many business sectors we can be grateful that a market for our products has continued to be available and certainly the gold market, as is often the case in times of uncertainty, reacted strongly over the past year, posting a new record high of US$2,061 per ounce in August 2020 and ending the year at US$1,891 per ounce, a 24 per cent increase compared with 31 December 2019 (US$1,523 per ounce).

As we look forward, Serabi is now well positioned and financed to deliver on its growth plans. Following a successful placing of new shares completed in March 2021, raising gross proceeds of approximately £12.5 million, the Company now has a strong and debt free balance sheet. At the same time, we have attracted a number of new institutional investors to the share register, reflecting the Group's ability to deliver its current plans and its opportunities for further growth. The initial development of the Coringa project is now underway in anticipation of first gold being produced during 2023, whilst simultaneously, the Company also now has the funding available to continue its exploration programmes and develop some of the very exciting resource growth opportunities that exist within its Palito Complex land tenement.

As was reported during 2020, Serabi's own operations were quite significantly impacted by the pandemic and I am grateful to the efforts of our staff and management who ensured the Palito Complex continued to operate, uninterrupted throughout. Rapid action to lockdown the mine site allowed the creation of a working environment for our personnel who essentially lived and worked in a safe bubble whilst longer term solutions were developed and implemented. This approach was not without its hardships and my thanks go out to all the staff who volunteered to remain at site, continued working and did not return to their homes for many weeks. Without their sacrifice and commitment, management would, in all likelihood, have had to place the operation onto care and maintenance with all the costs and logistical implications that this might have entailed.

Having had such an excellent year in 2019, Serabi's management were rightly optimistic about the prospects for 2020. A planned public hearing for the Coringa project had been set to take place in February 2020, potentially opening up the opportunity to progress the licensing of that project, and the ore-sorter had been installed and initial commissioning tests completed putting the Company in a strong position to improve gold production. Whilst a mill breakdown early in the first quarter was a minor setback, March 2020 was a record month for production. However, it was clear during the latter part of March that action was needed to protect the operations and our staff from the continued spread of COVID-19 across the globe. Now, more than ever, was the time to prioritise the safety and preservation of the welfare and lives of our employees. Personnel numbers at site were reduced, and contractors released to maximise the ability to establish social distancing in the workplace and minimise the possibility of any infection entering the camp. At the same time capital investment, exploration programmes and all other non-essential expenditures were temporarily suspended to conserve cash resources whilst management assessed the longer-term options.

Whilst Brazil was, for a long time, a centre of attention for COVID-19, it is now expected that all adults will have received at least one vaccine dose very soon, and we have noted only a very few cases of infection within our own staff. Whilst there remains caution, we now seem to have a path forward and we expect the lessons learned will help us become a stronger and more efficient company in the future. The need to simplify the mining operations in light of the reduced staffing and the lack of contractors to undertake drilling required for mine planning for over six months now necessitates a period of catch up with mine development and opening up additional working faces. This should re-establish the optionality that has been enjoyed over the past years, which has been the backbone of our success, and which should allow the deposits to continue to prosper for many years to come. Both underground and surface drilling contractors returned to site during the fourth quarter of 2020, and we now have two underground rigs operating at each of Palito and São Chico with two surface drilling rigs also involved in a drill programme for near mine planning purposes. We also have taken on additional mine crews to increase the rate of development mining and, in so doing, make up for the activity lost during 2020.

Whilst the pandemic has limited the opportunities to interact with the local communities we have continued to try and provide support through this difficult time. Our ability to continue to foster and build on our good relations with the neighbouring communities is important to us and we have continued to support projects to enhance the lives of the local populations from drilling new wells for water, providing street lighting and helping with new sports facilities for the school. During this third quarter of 2021, we have also been working in partnership with the City of Itaituba and the public health department to organise and facilitate vaccination programmes for the local communities and for our own personnel.

We had harboured high hopes of exploration success during 2020 and building on the exciting work that had been completed in the preceding 18 months. Organic growth from the development of our very promising land holding in the Tapajos is a key element of our growth aspirations. The Tapajos region remains one of the great unexplored gold fields of the world and, having been present in the region for many years, we have a significant first mover advantage as the only hard-rock gold mining operation in the area. While the exploration programme was curtailed in 2020, activity re-started in the fourth quarter of 2020 and have already reported some very encouraging results from the work completed so far in 2021 and I hope that we will continue to deliver positive news during the rest of the year.

The acquisition of the São Domingo tenements, in the latter part of 2020, provides another excellent opportunity for identifying further satellite deposits and initial exploration drilling produced some extremely encouraging results and further follow up work is planned during the remainder of 2021. Exploration work has already been undertaken and will continue over several other key prospects within the Palito Complex tenement and around São Chico. During the remainder of the year programmes will cover the Cinderella zone near São Chico, testing of the extensions of the Palito deposit to the south west where an eight-kilometre trend has been identified and parts of the large Mata Cobra anomaly that bisects the Palito Complex tenement holdings and could host lower grade but bulk mineable mineral opportunities We have set ourselves a target of identifying a resource of at least two million ounces in our tenement holdings over the coming years. With the level of historic artisanal activity in the region, we remain confident that there are significant undiscovered hard rock resources which underlie the reported 20 to 30 million ounces of gold that have been extracted by artisanal miners across the Tapajos region.

The Coringa project remains, in the near term, the clear production growth opportunity for Serabi. The licencing process was delayed by the pandemic and, following a supportive public hearing in February 2020, it was not until the end of September 2020 that the State Environmental Council of Para ("COEMA") was able to meet to consider and approve the award of the Licença Previa ("Preliminary Licence" or "LP"). The LP represents the first of a three-stage licencing process required for mining projects in Brazil. The second stage is the award of an Installation Licence ("LI") which allows processing plant and other infrastructure to be constructed and following completion of the construction stage, the issue of the full Operating Licence ("LO") is the final stage in the licensing process. The LP is generally considered the most critical stage as it involves input and approval from a number of interested government agencies as well as local stakeholders, communities and includes consideration of the social, environmental and economic impacts and benefits of the project. We are already well advanced with the submissions required for the LI and in discussion with lenders and other financing groups to secure the balance of the funding required to complete the development of the project.

Coringa will, once in full production, double the existing production and more importantly, as it is not expected to add significantly to the fixed cost base, will provide a reduction in the All-In Sustaining Cost ("AISC") by spreading these fixed costs over a larger production base. With Coringa in production and the benefits of the ore-sorter being realised there is a clear path to getting very close to annual production of 100,000 ounces of gold over the next couple of years.

The Board sees significant future value in Serabi and a huge potential to grow its gold mining activities in Brazil. Serabi has demonstrated a solid track record over the past years of operating underground vein mines and built an experienced and skilled operational team. Its unique skills and opportunities have attracted a group of professional and sophisticated investors that also understand the opportunity that the Group presents for the future.

The publication of the Company's Annual Report and Accounts for the year ended 31 December 2020 ("2020 Annual report"), was delayed as a result of the identification and subsequent enquiries into the nature of unexplained cash withdrawals made from the Group's Brazilian subsidiary Serabi Mineracão SA ("SMSA"). The Company initially engaged its legal advisers in Brazil ("FFA") to undertake enquiries into these transactions and, following the presentation of their initial findings, subsequently engaged the services of the Forensic Investigations group of Deloitte Touche Tohmatsu Consultores Ltda in Brazil ("Deloitte") The enquiries made by FFA and Deloitte of the accounting and banking records of SMSA, identified a total of approximately US$349,000 of cash that had been withdrawn from SMSA over a period between January 2015 and December 2020. Deloitte have also completed a review of all other electronic and physical records including electronic communications and have not identified any further instances of irregular cash withdrawals. The Company confirms that all the identified cash withdrawals were recorded through the accounts of SMSA and expensed in the period in which they were incurred. The enquiries undertaken on behalf of the Company did not identify direct evidence of improper payments occurring within the scope of licencing and/or payments to obtain benefits in connection with public agencies. However, notwithstanding that the Board consider that all reasonable and practicable steps have been taken at this time, based on the conclusions of the enquiries, the Board is unable to definitively conclude on the precise nature of the payments made. The enquiries also identified a number of other potential irregularities relating to expense claims and travel and other expense advances made to some Brazilian based members of staff during the same period. It has been identified that these advances have been expensed through the Group's Income Statement in each of the relevant years. However, analysis indicates that no claims for reimbursement of expenses were ever submitted for these advances, and it would appear therefore that, in the absence of documented expense claims, these advances which over the period from January 2016 to March 2021 totalled approximately US$510,000 remain due to be repaid to SMSA. In addition, the enquiries identified claims for reimbursement of expenses submitted by certain members of staff in Brazil that lacked appropriate and adequate supporting documentation or were not necessarily of a nature that appeared business related. The total value of such expenses over the period 1 January 2015 to 31 March 2021 was approximately US$904,000. All these costs have been expensed through the Group's Income Statement in each of the relevant years. In respect of the advances that remain due to be repaid and the claims for expenses, no direct evidence has been identified of improper payments occurring within the scope of licencing and/or payments to obtain benefits in connection with public agencies. Management have made certain changes to the Group's control procedures for the processing of bank payments, advances to staff and the reimbursement of out-of-pocket expenses and is working with Deloitte to establish an internal audit function reporting directly to the Audit Committee to improve the overall internal control environment.

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Serabi is committed to developing its Coringa project and building new opportunities from its exploration ground. Growth will broaden the Company's appeal, widen its investor base and in so doing address the valuation gap that we see compared with small producers operating elsewhere in the world. However, whilst we have hopes of identifying opportunities that might be suitable for open-pit mining, we recognise that in the near-term new discoveries will generally be high grade vein deposits similar to Palito, São Chico and Coringa. Whilst Serabi has demonstrated its credentials in developing underground mining, future production growth should also present a diversification of technical risk to broaden investor appeal. For this reason, we continue to see carefully selected M&A as important for the future of the Company. With its strong operating credentials and team, Serabi is well placed to part of any consolidation of the best gold mining opportunities in Brazil, a situation that the Board and management of the Company considers would serve the interests of all stakeholders, through risk diversification, broadening of the capital base, economies of scale and opening up the financing opportunities for new developments.

Nicolas Banãdos
Chairman

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 as it forms part of UK Domestic Law by virtue of the European Union (Withdrawal) Act 2018.

The person who arranged for the release of this announcement on behalf of the Company was Clive Line, Director.

SERABI GOLD

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Copies of this announcement are available from the Company's website at www.serabigold.com.

Qualified Persons Statement
The scientific and technical information contained within this announcement has been reviewed and approved by Michael Hodgson, a Director of the Company. 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, recognizing 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.

See www.serabigold.com for more information and follow us on twitter @Serabi_Gold

Serabi's Directors Report and Financial Statements for the year ended 31 December 2020 together the Chairman's Statement will be available from the Company's website – www.serabigold.com and will be posted on SEDAR at www.sedar.com.

Annual Report
The Annual Report has been published by the Company on its website at www.serabigold.com and printed copies are expected to be available before 31 October 2021. Additional copies will be available to the public, free of charge, from the Company's offices at The Long Barn, Cobham Park Road, Downside, Surrey, KT11 3NE and will be available to download from the Company's website at www.serabigold.com.

The data included in the selected annual information tables below is taken from the Company's annual audited financial statements for the year ended 31 December 2020, which were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The Parent Company financial statements have also been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under International Financial Reporting Standards ("IFRS")..

The audited financial statements for the year ended 31 December 2020 will be presented to shareholders for adoption at the next General Meeting of the Company's shareholders and filed with the Registrar of Companies.

Statement of Comprehensive Income
For the year ended 31 December 2020

		Group	
	Notes	For the year ended 31 December 2020 US$	For the year ended 31 December 2019 US$
Revenue		55,830,078	59,948,092
Cost of sales		(33,127,648)	(36,986,923)
Release of provision for impairment of inventory		–	500,000
Provision for impairment of state taxes receivable		(1,038,083)	(716,522)
Depreciation and amortisation charges		(5,128,895)	(9,023,843)
Total cost of sales		(39,294,626)	(46,227,288)
Gross profit		16,535,452	13,720,804
Administration expenses		(5,856,760)	(5,262,380)
Share-based payments		(533,264)	(261,940)
Gain on disposal of fixed assets		245,743	166,640
Operating profit / (loss)		10,391,171	8,363,124
Foreign exchange (loss) / gain		(214,845)	210,988
Finance expense	4	(1,763,240)	(2,558,433)
Finance income	4	74,403	175,237
Profit / (loss) before taxation		8,487,4894	6,190,916
Income tax expense		(1,456,464)	(2,357,932)
Profit / (loss) for the period(1)		7,031,025	3,832,984
Other comprehensive income (net of tax)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(15,591,140)	(3,682,836)
Total comprehensive (loss) / profit for the period(1)		(8,560,115)	150,148
Profit / (loss) per ordinary share (basic) (1)	5	11.92c	6.51c
Profit / (loss) per ordinary share (diluted) (1)	5	11.10c	6.28c

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

Balance Sheet as at 31 December 2020

	Group	
		Restated
	31 December 2020	31 December 2019
	US$	US$
Non-current assets		
Deferred exploration costs	27,778,354	29,656,716
Property, plant and equipment	26,235,551	34,492,164
Right of use assets	2,573,738	1,997,176
Taxes receivable	696,077	848,845
Deferred taxation	1,879,158	1,321,782
Total non-current assets	59,162,878	68,316,683
Current assets		
Inventories	6,979,438	6,577,968
Trade and other receivables	1,936,044	802,275
Prepayments	1,554,991	3,473,288
Cash and cash equivalents	6,603,620	14,234,612
Total current assets	17,074,093	25,088,143
Current liabilities		
Trade and other payables	6,846,202	6,113,789
Interest-bearing liabilities	8,726,302	6,952,542
Acquisition payment outstanding	–	12,000,000
Derivative financial liabilities	390,456	–
Accruals	292,089	319,670
Total current liabilities	16,255,049	25,386,001
Net current assets	819,044	(297,858)
Total assets less current liabilities	59,981,922	68,018,825
Non-current liabilities		
Trade and other payables	91,916	183,043
Provisions	1,467,032	2,237,266
Deferred Tax Liability	324,519	–
Interest-bearing liabilities	350,931	–
Total non-current liabilities	2,234,398	2,420,309
Net assets	57,747,524	65,598,516

Equity		
Share capital	8,905,116	8,882,803
Share premium reserve	21,905,976	21,752,430
Option reserve	1,173,044	1,019,589
Other reserves	10,254,048	7,149,274
Translation reserve	(64,004,958)	(48,413,818)
Retained surplus	79,514,298	75,208,238
Equity shareholders' funds attributable to owners of the parent	57,747,524	65,598,516

Statements of Changes in Shareholders' Equity
For the year ended 31 December 2020

Group	Share capital US$	Share premium US$	Share option reserve US$	Other reserves US$	Restated Translation reserve US$	Retained surplus US$	Total equity US$
Equity shareholders' funds at 31 December 2018 (as previously presented)	**8,882,803**	**21,752,430**	**1,363,367**	**4,763,819**	**(40,807,123)**	**73,154,991**	**69,110,287**
Prior Year Restatement	–	–	–	–	**(3,923,859)**	–	**(3,923,859)**
Equity shareholders' funds restated at 31 December 2018	**8,882,803**	**21,752,430**	**1,363,367**	**4,763,819**	**(44,730,982)**	**73,154,991**	**65,186,428**
Foreign currency adjustments (restated)	–	–	–	–	(3,682,836)	–	(3,682,836)
Profit for year	–	–	–	–	–	3,832,984	3,832,984
Total comprehensive income for the year (restated)	–	–	–	–	(3,682,836)	3,832,984	150,148
Transfer to taxation reserve	–	–	–	2,385,455	–	(2,385,455)	–
Share options lapsed in period	–	–	(605,718)	–	–	605,718	–
Share option expense	–	–	261,940	–	–	–	261,940
Equity shareholders' funds at 31 December 2019 (restated)	**8,882,803**	**21,752,430**	**1,019,589**	**7,149,274**	**(48,413,818)**	**75,208,238**	**65,598,516**
Foreign currency adjustments	–	–	–	–	(15,591,140)	–	(15,591,140)
Profit for year	–	–	–	–	–	7,031,025	7,031,025
Total comprehensive income for the year	–	–	–	–	(15,591,140)	7,031,025	(8,560,115)
Shares issued in period	22,313	153,546	–	–	–	–	175,859
Transfer to taxation reserve	–	–	–	3,104,774	–	(3,104,774)	–
Share options exercised in period	–	–	(31,752)	–	–	31,752	–
Share options lapsed in period	–	–	(348,057)	–	–	348,057	–
Share option expense	–	–	533,264	–	–	–	533,264
Equity shareholders' funds at 31 December 2020	**8,905,116**	**21,905,976**	**1,173,044**	**10,254,048**	**(64,004,958)**	**79,514,298**	**57,747,524**

Other reserves comprise a merger reserve of US$361,461 and a taxation reserve of US$9,892,587 (2019: merger reserve of US$361,461 and taxation reserve of US$6,787,813)

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Cash Flow Statement
For the year ended 31 December 2020

	Group	
	For the year ended 31 December 2020 US$	For the year ended 31 December 2019 US$
Cash outflows from operating activities		
Profit / (loss) for the period	7,031,025	3,832,984
Net financial expense	1,903,682	2,172,208
Depreciation – plant, equipment and mining properties	5,128,895	9,023,843
Inventory impairment expense	–	(500,000)
Taxation expense	1,456,464	2,357,932
Share-based payments	587,970	261,940
Taxation Paid	(466,604)	–
Interest paid	(285,567)	(596,286)
Foreign exchange	(116,210)	(431,127)
Changes in working capital		
(Increase) / decrease in inventories	(1,843,621)	2,143,212
(Increase) in receivables, prepayments and accrued income	(770,571)	(228,496)
Increase / (decrease) in payables, accruals and provisions	1,930,609	470,787
Increase in short term intercompany payables	–	–
Net cash inflow from operations	14,556,072	18,506,997
Investing activities		
Acquisition payment for subsidiary	(6,500,000)	–
Acquisition of other property rights	(634,594)	(1,541,457)
Purchase of property, plant, equipment, and projects in construction	(2,545,575)	(3,073,334)
Mine development expenditure	(2,952,943)	(4,478,420)
Geological exploration expenditure	(2,425,440)	(2,249,338)
Pre-operational project costs	(1,330,469)	(1,634,647)
Proceeds from sale of assets	627,447	240,524
Investment in subsidiaries	–	–
Loans to subsidiaries	–	–
Interest received and other finance income	911	2,325
Net cash outflow on investing activities	(15,760,663)	(12,734,347)
Financing activities		
Convertible loan note receipts	2,000,000	–
Repayment of short term secured loan	(6,983,492)	(285,135)
Payment of lease liabilities	(397,490)	(340,196)
Net cash outflow from financing activities	(5,380,982)	(625,331)
Net (decrease) / increase in cash and cash equivalents	(6,585,573)	5,147,319
Cash and cash equivalents at beginning of period	14,234,612	9,216,048
Exchange difference on cash	(1,045,419)	(128,755)
Cash and cash equivalents at end of period	6,603,620	14,234,612

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Notes

1. General Information

The financial information set out above for the years ended 31 December 2020 and 31 December 2019 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006 but is derived from those accounts. Whilst the financial information included in this announcement has been compiled in accordance with International Financial Reporting Standards ("IFRS") this announcement itself does not contain sufficient financial information to comply with IFRS. A copy of the statutory accounts for 2019 has been delivered to the Registrar of Companies and those for 2020 will be delivered to the Registrar of Companies following approval by shareholders at the Annual General Meeting. The full audited financial statements for the years end 31 December 2020 and 31 December 2019 comply with IFRS.

As described in the Chairman's statement, an investigation into certain unsubstantiated cash withdrawals totalling approximately US$340,000 and irregularities relating to the payment of travel advances and expense claims totalling approximately US$1,414,000 was commissioned by the Board and by the Audit Committee and is now complete. Based on the findings of this report, the Board has concluded that whilst there was a breakdown in the group's internal control in relation to the authorisation of certain banking transactions and the payment and approval for travel advances and reimbursement of expenses the Board and Audit Committee have not been able to conclude on the nature of the payments made, and the extent to which these were valid payments for services provided or expenditures incurred on behalf of the business.. The Board has introduced a number of measures to strengthen the Company's internal control systems and this work is underway.

2. Auditor's Opinion

The auditor has issued an unqualified opinion in respect of the financial statements for both 2020 and 2019 which do not contain any statements under the Companies Act 2006, Section 498(2) or Section 498(3). The auditor's opinion in respect of the financial statements for 2020, does however contain an emphasis of matter regarding unsubstantiated payments and other transaction identified to have occurred between 2015 and March 2021 as detailed in the note regarding the Basis of Preparation set out below.

It is however emphasised that the auditor's opinion is not qualified in respect of this emphasis of matter.

3. Basis of Preparation

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The Parent Company financial statements have also been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under International Financial Reporting Standards ("IFRS").

Accounting standards, amendments and interpretations effective in 2020

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

The following new standards, amendments or interpretations applicable to periods beginning on or after 1 January 2020 were each effective as of 1 January 2020:

Amendments to References to the Conceptual Framework in IFRS Standards
Definition of a Business (Amendments to IFRS 3)
Definition of Material (Amendments to IAS 1 and IAS 8)
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

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

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

	Effective Date
Covid 19-Related rent Concession (Amendment to IFRS 16)	1 June 2020

Amendments to IFRS 9, IAS 39,IFRS 7, IFRS 4 and IFRS 16 Interest Rate benchmark Reform – Phase 2	1 January 2021
Property, Plant and Equipment – Proceeds before Intended Use (amendments to IAS 16)	1 January 2022
Onerous Contracts- Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Reference to Conceptual Framework (Amendments to IFRS 3)	1 January 2022
IFRS 17 Insurance Contracts, including Amendments to IFRS 17	1 January 2023
Classification of Liabilities as Current or Non-current (Amendments to IAS 1) and Classification of Liabilities as Current or Non-current – Deferral of Effective Date	1 January 2023

Investigation into Unsubstantiated Payments

As described in the Chairman's statement, an investigation, into certain unsubstantiated cash withdrawals totalling approximately US$349,000 and irregularities relating to the payment of travel advances totalling US$510,000 and expense claims totalling approximately US$904,000, was commissioned by the Board and by the Audit Committee and is now complete. The Company initially engaged its legal advisers in Brazil ("FFA") to undertake enquiries into these transactions and following the presentation of their initial findings subsequently engaged the services of the Forensic Investigations group of Deloitte Touche Tohmatsu Consultores Ltda in Brazil ("Deloitte"). Deloitte were retained to review, analyse and substantiate the initial findings of FFA and also to conduct a more comprehensive investigation to identify any other potential matters that may not have been identified in the initial review by FFA. Based on the findings of these enquiries, the Board has concluded that there was a breakdown in the group's internal control in relation to the authorisation of certain banking transactions and the payment and approval for travel advances and reimbursement of expenses. However, notwithstanding that the Board consider that all reasonable and practicable steps have been taken at this time, based on the conclusions of the enquiries, the Board is unable to definitively conclude on the precise nature of the payments made, and the extent to which these were valid payments for services provided or expenditures incurred on behalf of the business. The Board has introduced a number of measures to strengthen the Company's internal control systems and this work is underway.

Cash withdrawals

All the identified cash withdrawals were recorded through the accounts of SMSA and expensed in the period in which they were incurred, and the enquiries concluded that no direct evidence of improper payments occurring within the scope of licencing and/or payments to obtain benefits in connection with public agencies had been identified. However, notwithstanding that the Board considers all reasonable and practicable steps have been taken, at this time it has not been possible to definitively conclude on the precise nature of the purpose to which the cash was ultimately used and it remains possible that the ultimate beneficiaries of these funds were not necessarily employees of SMSA. Certain of the cash payments were supported by invoices for services provided. It cannot be established with certainty that those services were rendered, that if services were rendered the service actually provided reflects the value of the consideration made or that the ultimate recipient of the payment was the service provider named on the invoice.

Irregularities regarding expense claims and advances

The enquiries also identified a number of other potential irregularities relating to expense claims and travel and other expense advances made to some Brazilian based members of staff during the same period. It has been identified that these advances have been expensed through the Group's Income Statement in each of the relevant years. However, analysis indicates that no claims for reimbursement of expenses were ever submitted for these advances, and it would appear therefore that, in the absence of documented expense claims, these advances which over the period from January 2015 to March 2021 totalled approximately US$510,000, remain due to be repaid to SMSA.

In addition, the enquiries identified claims for reimbursement of expenses submitted by certain members of staff in Brazil that lacked appropriate and adequate supporting documentation or were not necessarily of a nature that appeared business related. The total value of such expenses over the period January 2015 to March 2021 was approximately US$904,000. All these costs have been expensed through the Group's Income Statement in each of the relevant years.

In respect of the advances that remain due to be repaid and the claims for expenses, no direct evidence has been identified of improper payments occurring within the scope of licencing and/or payments to obtain benefits in connection with public agencies. However, in both situations, whilst the payments were made by electronic bank transfer to the bank accounts of the appropriate employee and notwithstanding that the Board considers all reasonable and practicable steps have been taken, it has not been possible to establish with certainty that the funds paid were retained, in whole or in part, by these employees.

Other matters of relevance

The enquiries also identified certain isolated transactions which are considered relevant in the context of the work. These were

i) a contract for BrR$104,000 (approximately US$20,000) with a former public official to provide consulting services from January 2018 to December 2018. It has not been identified that the individual held any public office during this period.
ii) payments totalling BrR$175,510 (approximately US$34,000) made between November 2015 and December 2016 to an individual providing consultancy services to SMSA that were not in accordance with the contractual terms for this individual. The individual provided services to the Company from 2008 until his contract was terminated in July 2021.
iii) A payment of BrR$250,000 (approximately US$49,000) for the supply of diesel fuel. The diesel fuel was never received, and the funds were returned to SMSA. It was identified that the owner of the Company who was supposed to supply the diesel fuel was related to an employee of SMSA.
iv) A payment of BrR$151,500 (approximately US$29,000) under a contract signed with SMSA in March, 2021 for environmental services to be provided over a period to December 2021. The contract has been terminated by SMSA for non-performance. A senior officer of the service provider held positions of public office between 2011 and 2019.

In respect of these transactions no direct evidence has been identified of improper payments occurring within the scope of licencing and/or payments to obtain benefits in connection with public agencies.

Summary of findings by year (1)

	2015 USD	2016 USD	2017 USD	2018 USD	2019 USD	2020 USD	2021 USD	Total USD
Cash Withdrawals	58,000	60,000	47,000	-	97,000	87,000	-	349,000
Travel advances and expense claims	125,000	163,000	183,000	223,000	267,000	337,000	116,000	1,414,000
Other Matters	-	34,000	-	20,000	-	-	29,000	83,000

(1) A fixed exchange rate of BRL5.15 to US$1.00 has been used to calculate the approximate USD equivalent values at an approximate current exchange rate.

The Company has explored and intends to pursue appropriate legal remedies in respect of any funds that are considered to have been misappropriated.

Going concern and availability of finance

On 2 March 2021, the Group announced that it had concluded a placing of new shares raising gross proceeds of £12.5 million. The shares were issued and admitted to trading on AIM and listed on the TSX on 9 March 2021.

Following completion of the placing, the Group settled the remaining deferred consideration due to Equinox for the acquisition of Coringa amounting to US$2.5 million plus accrued interest of US$1.09 million. The Group also redeemed US$2.0 million of convertible loan stock held by Greenstone together with interest and other agreed fees totalling US$533,560. Following the settlement of these liabilities, the Group has no long-term borrowings or debt, and all security interests held by Equinox and Greenstone have been released.

The Group is using some of the proceeds from the balance of the funds raised through the placing of new shares to start the development of the mine at Coringa during 2021 and also to fund the Group's exploration programme for 2021.

The Group expects that it will use a combination of debt finance and cash flow from its existing operations to meet the further development costs of Coringa until that project reaches a position of sustained positive cash-flow. The preliminary economic assessment issued by the Group in October 2019, estimated an initial capital requirement of US$24.7 million prior to sustained positive cash-flow. Management estimates that first gold production could occur 18 months after the commencement of initial mine development.

The incidence of COVID-19 in Brazil remains high, but management considers that, whilst this creates some uncertainty, the actions and procedures that have been implemented by the Group and its history over the past 12 months of dealing with the effects of the pandemic, are minimising the potential for any significant and extended effect on the business and its operations. Management and the Board will continue to assess any further actions that may be necessary, but at this time, based on the information currently available and experiences to date, consider that the measures currently in place will permit the Group to maintain operations at forecast rates of production.

The Group did not claim or receive any COVID-19 related grants or other funding from any government or other sources, during 2020 and has no expectation of receiving any such financial support in the future.

The Directors have prepared an operational plan and cash flow forecast covering a period of more than 12 months from the date of the signing of these Financial Statements which takes account of the current environment in Brazil. The Group's forecasts were prepared using a base gold price assumption of US$1,700 per ounce and an exchange rate of BRL5:00 to US$1:00. Based on this forecast which assumes levels of gold production and exploration and development plans in accordance with market guidance and taking into account the proceeds of the share placing completed on 2 March 2021, the settlement of the remaining Deferred Consideration, and the redemption of all of the Convertible Loan Notes in issue, the Directors consider that the Group will have sufficient cash flows to meet its financial obligations as they fall due. Should it be required the Board could also reduce the planned level of exploration expenditure or reduce the planned rate of expenditure on the development of Coringa to reduce cash outflows.

The Directors are confident as at the date of this report of being able to raise the necessary debt funding for the continued development of Coringa, as and when necessary. Whilst the Group's operations are performing at the levels that they anticipate, the Directors acknowledge that the Group remains a small-scale gold producer and any unplanned interruption or reduction in gold production, unforeseen reduction of the gold price or appreciation of the Brazilian Real could adversely affect the level of free cash flow that the Group can generate on a monthly basis. The Group maintains stocks of spare parts, and the modular nature of the plant should permit gold production to continue in the event of breakdowns. The Group constantly monitors gold price and exchange rate and will use hedging facilities to protect its cash flow where appropriate.

On this basis, the Directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis.

4. Finance expense and income

	Group	
	For the year ended 31 December 2020 US$	For the year ended 31 December2019 US$
Interest expense on secured loan	(203,127)	(646,516)
Interest expense on convertible loan	(152,943)	–
Interest expense on mineral property acquisition liability	(1,035,904)	–
Unwinding of discount on rehabilitation provision	(141,466)	–
Amortisation of arrangement fee for convertible loan	(150,000)	–
Recognition of variation in effective interest rate of secured loan	(79,800)	–
Expense in respect of non-substantial modification	–	(93,112)
Unwinding of discount on rehabilitation provision	–	(284,652)
Loss upon revaluation of derivative	–	(531,910)
Unwinding of discount on mineral property acquisition liability	–	(1,002,243)
Interest payable	(1,763,240)	(2,558,433)
Gain on revaluation of derivative	33,023	–
Gain in respect of non-substantial modification	40,469	172,912
Finance income on short term deposits	911	2,325
Finance income	74,403	175,237
Net finance expense	(1,688,837)	(2,383,196)

5. Earnings per Share

	For the year ended 31 December 2020	For the year ended 31 December 2019
Profit / (loss) attributable to ordinary shareholders (US$)	7,031,025	3,832,984

Weighted average ordinary shares in issue	58,981,340	58,909,551
Basic profit / (loss) per share (US cents)	11.92	6.51
Diluted ordinary shares in issue	63,362,744[(1)]	60,997,138[(2)]
Diluted profit / (loss) per share (US cents)	11.10	6.28

[(1)] Based on 2,345,088 options vested and exercisable as at 31 December 2020 and 2,036,316 shares that could be issued pursuant to any exercise of conversion rights attaching to the Convertible Loan Notes as at 31 December 2020.

[(2)] Based on 2,087,587 options vested and exercisable as at 31 December 2019

On 2 March 2020, the Group announced the successful placing of 16.65 million new Ordinary Shares. These new Ordinary Shares were issued and admitted to trading on AIM and listed for trading on the TSX on 9 March 2020. Had these shares been in issue prior to or on 31 December 2020 the basic and diluted profit per share would have been affected accordingly.

6. Post balance sheet events

On 2 March 2021, the Group announced that it had concluded a placing of 16,650,000 new Ordinary Shares raising gross proceeds of £12.5 million. The shares were issued and admitted to trading on AIM and listed on the TSX on 9 March 2021. The shares were placed with new and existing investors at a Placing Price of £0.75 (C$1.32) per new Ordinary Share. Concurrently, the Group also undertook a conditional placing of Warrants with investors subscribing for a total of 4,003,527 Warrants at a price of £0.06 (C$0.11) per Warrant to raise gross proceeds of US$0.3 million (£0.2 million / C$0.4 million), subject amongst other things to shareholder approval which was received at a general meeting held on 27 April 2021. The Warrants have an exercise price of £0.9375 (C$1.65) per new Ordinary Share and are exercisable for two years from their date of issue. Greenstone Resources II LP ("Greenstone"), a related party, subscribed for 4,195,424 new Ordinary Shares and 2,097,711 Warrants.

On 19 March 2021, the Group redeemed all of the Convertible Loan Notes in issue together with accrued interest and other fees due. All the Loan Notes were held by Greenstone.

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

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