



SERABI GOLD PLC

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

**FOR THE THREE AND SIX MONTHS ENDED
30 JUNE 2023**

NOTICE

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

SERABI GOLD PLC
Condensed Consolidated Statements of Comprehensive Income

(expressed in US\$)	Notes	For the six months ended 30 June		For the three months ended 30 June	
		2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
CONTINUING OPERATIONS					
Revenue		30,523,582	31,200,863	17,086,213	18,315,843
Cost of sales		(20,694,434)	(23,268,585)	(11,297,431)	(13,995,113)
Stock impairment provision		(370,000)	–	–	–
Depreciation and amortisation charges		(2,025,037)	(2,923,245)	(1,190,523)	(1,751,357)
Total cost of sales		(23,089,471)	(26,191,830)	(12,487,954)	(15,746,470)
Gross profit		7,434,111	5,009,033	4,598,259	2,569,373
Administration expenses		(2,899,894)	(2,596,017)	(1,449,726)	(1,150,064)
Share-based payments		(85,866)	(213,922)	(37,799)	(101,797)
Gain on asset disposals		147,493	43,163	3,833	44,227
Operating profit		4,595,844	2,242,257	3,114,567	1,361,739
Other income – exploration receipts	2	1,050,535	–	1,050,535	–
Other expenses – exploration expenses	2	(1,019,911)	–	(1,019,911)	–
Foreign exchange gain / (loss)		100,066	139,105	17,455	(37,481)
Finance expense	3	(434,748)	(66,525)	(273,578)	(64,686)
Finance income	3	819,669	152,624	776,850	47,844
Profit before taxation		5,111,455	2,467,461	3,665,918	1,307,416
Income tax expense	4	(131,564)	(394,522)	(153,506)	(964,080)
Profit after taxation		4,979,891	2,072,939	3,512,412	343,336
Other comprehensive income (net of tax)					
Exchange differences on translating foreign operations		4,703,151	1,986,773	3,708,904	(6,872,683)
Total comprehensive profit / (loss) for the period⁽¹⁾		9,683,042	4,059,712	7,221,316	(6,529,347)
Profit per ordinary share (basic)	5	6.58c	2.74c	4.64c	0.45c
Profit per ordinary share (diluted)	5	6.58c	2.68c	4.64c	0.44c

(1) The Group has no non-controlling interest and all profits are attributable to the equity holders of the Parent Company

SERABI GOLD PLC
Condensed Consolidated Balance Sheets

(expressed in US\$)	Notes	As at 30 June 2023 (unaudited)	As at 30 June 2022 (unaudited)	As at 31 December 2022 (audited)
Non-current assets				
Deferred exploration costs	7	20,367,929	39,608,630	18,621,180
Property, plant and equipment	8	51,678,058	28,254,138	48,482,519
Right of use assets	9	5,537,628	4,801,117	5,374,042
Taxes receivable		4,026,439	961,290	3,446,032
Deferred taxation		1,792,206	685,650	1,545,684
Total non-current assets		83,402,260	74,310,825	77,469,457
Current assets				
Inventories	10	9,881,514	7,724,300	8,706,351
Trade and other receivables		2,533,055	4,952,331	5,291,924
Derivative financial assets	12	649,209	–	–
Prepayments and accrued income		1,375,685	3,883,897	1,572,149
Cash and cash equivalents		13,285,448	9,819,882	7,196,313
Total current assets		27,724,911	26,380,410	22,766,737
Current liabilities				
Trade and other payables		6,328,124	5,626,540	5,830,872
Interest bearing liabilities	11	6,430,023	5,726,808	6,111,126
Derivative financial liabilities	12	88,755	–	–
Accruals		1,094,621	399,970	461,857
Total current liabilities		13,941,523	11,753,328	12,403,855
Net current assets		13,783,388	14,627,092	10,362,882
Total assets less current liabilities		97,185,648	88,937,917	87,832,339
Non-current liabilities				
Trade and other payables		4,111,078	466,292	3,800,886
Interest bearing liabilities	11	469,910	1,152,087	837,293
Deferred tax liability		–	381,483	480,922
Derivative financial liabilities	12	–	12,871	–
Provisions		1,312,689	2,766,049	1,190,175
Total non-current liabilities		5,893,677	4,778,782	6,309,276
Net assets		91,291,971	84,159,135	81,523,063
Equity				
Share capital	14	11,213,618	11,213,618	11,213,618
Share premium reserve		36,158,068	36,158,068	36,158,068
Share incentive reserve	14	243,002	1,289,270	1,324,558
Other reserves		15,375,463	14,472,400	14,459,255
Translation reserve		(61,573,620)	(66,661,397)	(66,276,771)
Retained surplus		89,875,440	87,687,176	84,644,335
Equity shareholders' funds		91,291,971	84,159,135	81,523,063

The interim financial information has not been audited and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. Whilst the financial information included in this announcement has been compiled in accordance with International Financial Reporting Standards ("IFRS") this announcement itself does not contain sufficient financial information to comply with IFRS. The Group statutory accounts for the year ended 31 December 2022 prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 have been filed with the Registrar of Companies. The auditor's report on these accounts was unqualified. The auditor's report did not contain a statement under Section 498 (2) or 498 (3) of the Companies Act 2006.

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

(expressed in US\$)							
(unaudited)	Share capital	Share premium	Share incentive reserve	Other reserves ⁽¹⁾	Translation reserve	Retained Earnings	Total equity
Equity shareholders' funds at 31 December 2021	11,213,618	36,158,068	1,075,348	13,694,731	(68,648,170)	86,391,906	79,885,501
Foreign currency adjustments	—	—	—	—	1,986,773	—	1,986,773
Profit for the period	—	—	—	—	—	2,072,939	2,072,939
Total comprehensive income for the period	—	—	—	—	1,986,773	2,072,939	4,059,712
Transfer to taxation reserve	—	—	—	777,669	—	(777,669)	—
Share incentives expense	—	—	213,922	—	—	—	213,922
Equity shareholders' funds at 30 June 2022	11,213,618	36,158,068	1,289,270	14,472,400	(66,661,397)	87,687,176	84,159,135
Foreign currency adjustments	—	—	—	—	384,626	—	384,626
Loss for the period	—	—	—	—	—	(3,055,986)	(3,055,986)
Total comprehensive income for the period	—	—	—	—	384,626	(3,055,986)	(2,671,360)
Transfer to taxation reserve	—	—	—	(13,145)	—	13,145	—
Share incentives expense	—	—	35,288	—	—	—	35,288
Equity shareholders' funds at 31 December 2022	11,213,618	36,158,068	1,324,558	14,459,255	(66,276,771)	84,644,335	81,523,063
Foreign currency adjustments	—	—	—	—	4,703,151	—	4,703,151
Profit for the period	—	—	—	—	—	4,979,891	4,979,891
Total comprehensive income for the period	—	—	—	—	4,703,151	4,979,891	9,683,042
Transfer to taxation reserve	—	—	—	916,208	—	(916,208)	—
Share incentives expired	—	—	(1,167,422)	—	—	1,167,422	—
Share incentives expense	—	—	85,866	—	—	—	85,866
Equity shareholders' funds at 30 June 2023	11,213,618	36,158,068	243,002	15,375,463	(61,573,620)	89,875,440	91,929,971

(1) Other reserves comprise a merger reserve of US\$361,461 and a taxation reserve of US\$15,014,002 (31 December 2022: merger reserve of US\$361,461 and a taxation reserve of US\$14,097,794).

SERABI GOLD PLC
Condensed Consolidated Cash Flow Statements

(expressed in US\$)	For the six months ended 30 June		For the three months ended 30 June	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Operating activities				
Post tax (loss) / profit for period	4,979,891	2,072,939	3,512,412	343,336
Depreciation – plant, equipment and mining properties	2,025,037	2,923,245	1,190,523	1,751,357
Stock impairment provision	370,000	—	—	—
Net financial expense	(484,987)	(225,204)	(520,727)	54,323
Provision for taxation	131,564	394,522	153,506	964,080
Gain / (loss) on disposals	(147,493)	(43,163)	(3,833)	(44,227)
Share-based payments	85,866	213,922	37,799	101,797
Taxation paid	(395,890)	(131,462)	(109,153)	(3,813)
Interest paid	(385,814)	(51,838)	(359,404)	(31,612)
Foreign exchange (loss) / gain	(72,071)	(211,323)	18,350	(71,395)
Changes in working capital				
(Increase)/decrease in inventories	(781)	(394,806)	348,963	1,504,893
Decrease/(increase) in receivables, prepayments and accrued income	2,765,042	(3,912,322)	883,597	(2,164,981)
(Decrease)/increase in payables, accruals and provisions	247,961	(339,994)	934,445	(657,737)
Net cash inflow from operations	9,118,325	294,516	6,086,478	1,746,021
Investing activities				
Purchase of property, plant and equipment and assets in construction	(980,086)	(2,490,502)	(238,179)	(1,521,615)
Mine development expenditure	(1,339,090)	(1,849,462)	(966,690)	(783,577)
Geological exploration expenditure	(357,424)	(692,980)	(357,424)	(223,730)
Pre-operational project costs	—	(2,266,252)	206,546	(1,124,670)
Proceeds from sale of assets	191,515	64,762	33,044	51,605
Interest Received	79,799	—	36,980	—
Net cash outflow on investing activities	(2,405,286)	(7,234,434)	(1,285,723)	(3,601,987)
Financing activities				
Receipt of short-term loan	5,000,000	4,923,586	—	4,923,586
Repayment of short-term loan	(5,096,397)	—	(5,096,397)	—
Payment of finance lease liabilities	(610,982)	(502,225)	(307,841)	(314,908)
Net cash (outflow)/inflow from financing activities	(707,379)	4,421,361	(5,404,238)	4,608,678
Net increase/(decrease) in cash and cash equivalents	6,005,660	(2,518,557)	(603,483)	2,752,712
Cash and cash equivalents at beginning of period	7,196,313	12,217,751	13,920,999	6,932,625
Exchange difference on cash	83,475	120,688	(32,068)	134,545
Cash and cash equivalents at end of period	13,285,448	9,819,882	13,285,448	9,819,882

SERABI GOLD PLC
Report and condensed consolidated financial statements for the three and six month periods ended 30 June 2023

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation

These interim condensed consolidated financial statements are for the three and six month periods ended 30 June 2023. Comparative information has been provided for the unaudited three and six month periods ended 30 June 2022 and, where applicable, the audited twelve month period from 1 January 2022 to 31 December 2022. These condensed consolidated financial statements do not include all the disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2022 annual report.

The Directors have reviewed the principal risks and uncertainties facing the Group and have concluded that those facing the Group for the remaining six months of the current financial year are unchanged from the risks set out in the 2022 Annual Report and Accounts. In reaching this conclusion, the Directors considered changes in the internal and external environment during the intervening period which could threaten the Group's business model, future performance, liquidity, solvency or reputation. Details of these principal risks and how they are being managed are set out on pages 25 to 32 of the 2022 Annual Report and Accounts.

The condensed consolidated financial statements for the periods have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the accounting policies are consistent with those of the annual financial statements for the year ended 31 December 2022 and those envisaged for the financial statements for the year ending 31 December 2023.

Accounting standards, amendments and interpretations effective in 2023

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

The following Accounting standards came into effect as of 1 January 2023

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

There is no material impact on the financial statements from the adoption of these new accounting standards or amendments to accounting standards,

Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted. These standards are not expected to have a material impact on the Company's current or future reporting periods.

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

(i) Going concern

At 30 June 2023 the Group held cash of US\$13.29 million which represents an increase of US\$6.09 million compared to 31 December 2022. This increase includes the receipt of a US\$5.0 million loan, from Santander Bank in Brazil, on 22 February 2023. The proceeds raised from the loan will be used for working capital and provided the Group with adequate liquidity to repay a similar arrangement which was repaid on 12 May 2023.

Management prepares, for Board review, regular updates of its operational plans and cash flow forecasts based on their best judgement of the expected operational performance of the Group and using economic assumptions that the Directors consider are reasonable in the current global economic climate. The most recent plans assume that during 2023 the Group will continue gold production from its Palito Complex operation as well as increase production from the Coringa mine and will be able to increase gold production to exceed the levels of 2022.

The Directors will, however, continue to limit the Group's discretionary expenditures including the continued development of Coringa which, on a longer term basis, may require additional external sources of finance to be secured.

The Directors have concluded that, based on the current operational projections, it remains appropriate to adopt the going concern basis of accounting in the preparation of these interim unaudited financial statements. The Directors acknowledge that the Group remains subject to operational and economic risks and any unplanned interruption or reduction in gold production or unforeseen changes in economic assumptions may adversely affect the level of free cash flow that the Group can generate on a monthly basis and its ability to secure further finance as and when required. The Directors consider that the Group will be able to secure the necessary external finance for the development of its Coringa project but that the timing of this may be dependent on the receipt of further permits and licences. The Directors believe that all the necessary permits and licenses will be awarded when all current information requests of the relevant authorities have been met.

(ii) Use of estimates and judgements

There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the 2022 annual financial statements.

(iii) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered impairment. Prior to carrying out impairment reviews, the significant cash generating units are assessed to determine whether they should be reviewed under the requirements of IFRS 6 - Exploration for and Evaluation of Mineral Resources or IAS 36 - Impairment of Assets. Such determination is by reference to the stage of development of the project and the level of reliability and surety of information used in calculating value in use or fair value less costs to sell. Impairment reviews performed under IFRS 6 are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise; typically when one of the following circumstances applies:

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

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

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

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

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

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

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

(iv) Property, plant and equipment and mining properties

(i) Owned assets

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

Upon demonstration of the feasibility of commercial production, any past deferred exploration, evaluation and development costs related to that operation are reclassified as Projects in Construction. When commercial production commences these expenditures are then subsequently transferred at cost to Mining Properties. They are stated at cost less amortisation charges and any provision for impairment.

(ii) *Subsequent costs*

Costs relating to maintenance and upkeep of the Group's assets, once such assets have been commissioned and entered into commercial operations, will generally be expensed as incurred. In the event, however, that the costs demonstrably result in extending the original estimated life of such asset or enhances its value, then such expenditure is added to the carrying value of that asset and amortised over its remaining estimated useful life.

(iii) *Depreciation*

Amortisation of Mining Property is calculated over the estimated life of the mineable inventory on a unit of production basis. Mineable Inventory will include be based on management's judgement as to the recoverability of Measured, Indicated and Inferred Resources and these judgments may vary from time to time as the level of management's understanding and historical operational performance information increases. Future forecasted capital mine development expenditure is included in the unit of production amortisation calculation.

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

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

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

(v) Deferred exploration costs

All costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are written off as incurred. Subsequent to the legal rights being obtained, all costs related to the exploration of mineral properties are capitalised on a project-by-project basis and deferred until either the properties are demonstrated to be commercially viable (see note 1(d)(i)) or until the properties are sold, allowed to lapse or abandoned, at which time any capitalised costs are written off to the income statement. In addition to the direct costs involved in exploration activity, including sample collection, drilling costs, geophysical surveys and assay expenses, exploration costs are also considered to include technical and administrative overheads directly attributable to the exploration department including the cost of consultants, security, salaries, travel and accommodation but not general overheads of the Group. Deferred exploration costs are carried at cost, less any impairment losses recognised.

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

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

Exploration activity undertaken under the copper exploration alliance with Salobo Metais SA are expensed as they are incurred and the option payments received from Salobo Metais SA are reflected as other income in the financial statements. The related exploration activities being undertaken by the Group under the management of a working committee (comprising representatives from Vale and Serabi), are being funded in their entirety by Vale up to a value of US\$5 million during Phase 1 of the programme. The Group at this time has no certainty that the exploration for copper deposits will result in a project that is commercially viable recognising that exploration and development of copper deposits is not the core activity of the Group, there is a significant cost involved in developing new copper deposits and it is unlikely that without the financial support of Vale that the Group would independently seek to develop a copper project in preference to any of its existing gold projects and discoveries.

(vi) Inventories

Inventories are stated at the lower of cost and net realisable value. Materials that are no longer considered as likely to be used by the Group, or their value is unlikely to be readily realised through a sale to a third party, are provided for.

Materials held for consumption within operations are valued based on purchase price or, when manufactured internally, at cost. Costs are allocated on an average basis and include direct material, labour, related transportation costs and an appropriate allocation of overhead costs.

Gold bullion, copper/gold concentrate, run of mine ore and any other production inventories are valued at the lower of cost and net realisable value. Dependent on the current stage of any product inventory in the process cycle, cost will reflect, as appropriate, mining, processing, transport and labour costs, as well as an allocation of mine services overheads required to bring the product to its current state.

Net realisable value is the estimated selling price in the ordinary course of business, after deducting any costs to completion and any applicable marketing, selling, shipping and other distribution expenses.

(vii) Revenue

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

copper/gold concentrates produced by the Palito Mine and gold doré produced from both the Palito Mine and the São Chico Mine.

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

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

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

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

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

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

(viii) Currencies

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

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

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

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

(ix) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within interest-bearing liabilities in current liabilities on the balance sheet.

(x) Financial assets

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

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

(i) Classification of financial assets

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

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

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and,

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(ii) Impairment of financial assets

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

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

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

(iii) Derecognition of financial assets

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

Financial Liabilities

(i) Classification of financial liabilities

The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics.

All purchases of financial liabilities are recorded on trade date, being the date on which the Group becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the Group's financial liabilities approximate to their fair values.

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

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

(ii) Derecognition of financial liabilities

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

(iii) Derivatives

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

During the six months to 30 June 2023, the group has not met the criteria to adopt IFRS's hedge accounting rules. All gains and losses on derivatives are therefore, recognised within the consolidated statement of comprehensive income. Further details regarding the financial treatment of hedging arrangements entered into by the Group are set out in note 12.

2. Other Income and Expenses

Under its copper exploration alliance with Vale announced on 10 May 2023, the related exploration activities being undertaken by the Group under the management of a working committee (comprising representatives from Vale and Serabi), are being funded in their entirety by Vale up to a value of US\$5 million during Phase 1 of the programme. The Group at this time has no certainty that the exploration for copper deposits will result in a project that is commercially viable recognising that exploration and development of copper deposits is not the core activity of the Group, there is a significant cost involved in developing new copper deposits and it is unlikely that without the financial support of Vale that the Group would independently seek to develop a copper project in preference to any of its existing gold projects and discoveries.

As a result, it is recognising both the funding received from Vale and the related exploration expenditures through its income statement. As this is not the principal business activity of the Group these receipts and expenditures are classified as other income and other expenses.

3. Finance Costs

	6 months ended 30 June 2023	6 months ended 30 June 2022	3 months ended 30 June 2023	3 months ended 30 June 2022
	US\$	US\$	US\$	US\$
Loss on revaluations of hedging derivatives	(88,755)	—	(88,755)	—
Interest expense on short term loan	(243,318)	(53,859)	(131,608)	(53,859)
Interest expense on trade finance	(41,891)	(12,666)	(25,056)	(10,827)
Interest expense on finance leases	(60,784)	—	(28,159)	—
Total Financial expense	(434,748)	(66,525)	(273,578)	(64,686)
Interest Income	79,799	—	36,980	—
Gain on revaluation of warrants	—	152,624	—	47,844
Gain on revaluation of hedging derivatives	570,863	—	570,863	—
Realised gain on hedging derivatives	169,007	—	169,007	—
Total Financial expense	819,669	152,624	776,850	47,844
Net finance income / (expense)	384,921	86,099	503,272	(16,842)

4. Taxation

The Group has recognised a deferred tax asset to the extent that the Group has reasonable certainty as to the level and timing of future profits that might be generated and against which the asset may be recovered. The deferred tax liability arising on unrealised exchange gains has been eliminated in the six-month period to 30 June 2023 reflecting the stronger Brazilian Real exchange rate at the end of the period and resulting in deferred tax income of US\$607,223 (six months to 30 June 2022 – benefit of US\$199,222).

The Group has also incurred a tax charge in Brazil for the six month period of US\$738,787 (six months to 30 June 2022 - US\$593,744).

5. Earnings per share

	6 months ended 30 June 2023	6 months ended 30 June 2022	3 months ended 30 June 2023	3 months ended 30 June 2022
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit attributable to ordinary shareholders (US\$)	4,979,891	2,072,939	3,512,412	343,336
Weighted average ordinary shares in issue	75,734,551	75,734,551	75,734,551	75,734,551
Basic profit per share (US cents)	6.58c	2.74c	4.64c	0.45c
Diluted ordinary shares in issue ⁽¹⁾	75,734,551	77,484,551	75,734,551	77,484,551
Diluted profit per share (US cents)	6.58c	2.68c	4.64c	0.44c

(1) There were no share options outstanding at 30 June 2023 (30 June 2022: 1,750,000 options vested and exercisable as at 30 June 2022). At 30 June 2023 and 30 June 2022, there were 864,500 Conditional Share Awards in issue under the Serabi 2020 Restricted Share Plan (the "2020 Plan") (see Note 13(c)). The underlying shares to be issued pursuant to these Conditional Share Awards can only be issued if certain performance conditions have been met and at the end

of the stipulated vesting period. Subsequent to the end of the period the Company announced that 404,700 Conditional Share Awards had lapsed as the performance conditions had not been achieved. The vesting period for the remaining 459,800 Conditional Share Awards has not yet been completed. Accordingly, none of the Conditional Share Awards that may be issued in the future have been included in the calculation of diluted earnings per share.

6. Segmental analysis

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

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

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

Analysis of the results for the three month and six month periods by segment are as follows

	6 months ended 30 June 2023 (unaudited)			6 months ended 30 June 2022 (unaudited)		
	Brazil US\$	UK US\$	Total US\$	Brazil US\$	UK US\$	Total US\$
Revenue	15,222,617	15,300,965	30,523,582	16,505,552	14,695,311	31,200,863
Intra-group sales/purchases	12,817,163	(12,817,163)	—	12,326,528	(12,326,528)	—
Operating expenses	(18,851,708)	(1,842,726)	(20,694,434)	(21,323,559)	(1,945,026)	(23,268,585)
Provision for impairment of inventory	(370,000)	—	(370,000)	—	—	—
Depreciation and amortisation	(1,940,957)	(84,080)	(2,025,037)	(2,805,356)	(117,889)	(2,923,245)
Gross profit	6,877,115	556,996	7,434,111	4,703,165	305,868	5,009,033
Administration expenses	(1,201,059)	(1,698,835)	(2,899,894)	(1,215,806)	(1,380,211)	(2,596,017)
Share based payments	—	(85,866)	(85,866)	—	(213,922)	(213,922)
Gain on asset disposals	147,493	—	147,493	43,163	—	43,163
Operating profit/(loss)	5,823,549	(1,277,705)	4,595,844	3,530,522	(1,288,265)	2,242,257
Net other income	30,624	—	30,624	—	—	—
Foreign exchange gain/(loss)	114,913	(14,847)	100,066	126,549	12,556	139,105
Finance (expense)/income	(194,399)	579,320	384,921	—	86,099	86,099
Profit/(loss) before taxation	5,774,687	(663,232)	5,111,455	3,657,071	(1,189,610)	2,467,461

	3 months ended 30 June 2023 (unaudited)			3 months ended 30 June 2022 (unaudited)		
	Brazil US\$	UK US\$	Total US\$	Brazil US\$	UK US\$	Total US\$
Revenue	9,080,383	8,005,830	17,086,213	9,098,609	9,217,234	18,315,843
Intra-group sales/purchases	6,929,347	(6,929,347)	—	7,587,236	(7,587,236)	—
Operating expenses	(10,375,954)	(921,477)	(11,297,431)	(12,914,514)	(1,080,599)	(13,995,113)
Depreciation and amortisation	(1,146,005)	(44,518)	(1,190,523)	(1,686,531)	(64,826)	(1,751,357)
Gross profit	4,487,771	110,488	4,598,259	2,084,800	484,573	2,569,373
Administration expenses	(545,149)	(904,577)	(1,449,726)	(479,239)	(670,825)	(1,150,064)
Share based payments	—	(37,799)	(37,799)	—	(101,797)	(101,797)
Gain on asset disposals	3,833	—	3,833	44,227	—	44,227
Operating profit/(loss)	3,946,455	(831,888)	3,114,567	1,649,788	(288,049)	1,361,739
Net other income	30,624	—	30,624	—	—	—
Foreign exchange gain/(loss)	48,818	(31,363)	17,455	(48,768)	11,287	(37,481)
Finance (expense)/income	(92,527)	595,799	503,272	—	(16,842)	(16,842)
Profit/(loss) before taxation	3,933,370	(267,452)	3,665,918	1,601,020	(293,604)	1,307,416

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

	Total non-current assets		
	30 June 2023	30 June 2022	31 December 2022
	(unaudited)	(unaudited)	(audited)
	US\$	US\$	US\$
Brazil – operations	57,215,686	33,055,255	52,556,952
Brazil – exploration	20,367,929	39,608,630	19,920,789
Brazil – taxes receivable	1,792,206	961,290	3,446,032
Brazil – deferred tax	4,026,439	685,650	1,545,684
Brazil - total	83,402,260	74,310,825	77,469,457
UK	—	—	—
	83,402,260	74,310,825	77,469,457

An analysis of total assets by location is as follows:

	Total assets		
	30 June 2023	30 June 2022	31 December 2022
	(unaudited)	(unaudited)	(audited)
	US\$	US\$	US\$
Brazil	97,451,104	89,983,207	90,659,109
UK	13,676,067	10,708,028	9,577,085
	111,127,171	100,691,235	100,236,194

7. Deferred exploration costs

	30 June 2023	30 June 2022	31 December 2022
	(unaudited)	(unaudited)	(audited)
	US\$	US\$	US\$
Cost			
Opening balance	18,621,180	34,857,905	34,857,905
Exploration and evaluation expenditure	357,421	692,280	855,607
Pre-operational project costs	—	2,266,252	2,328,113
Reclassified as tangible assets	—	—	(20,287,902)
Foreign exchange movements	1,389,328	1,792,193	867,457
Total as at end of period	20,367,929	39,608,630	18,621,180

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

	30 June 2023	30 June 2022	31 December 2022
	(unaudited)	(unaudited)	(audited)
	US\$	US\$	US\$
Cost			
Balance at start of period	97,911,118	69,439,602	69,439,602
Additions	2,319,896	4,340,087	8,077,093
Reclassified from deferred exploration costs	—	—	20,287,902
Disposals	(76,434)	(43,564)	(3,427,361)
Foreign exchange movements	7,056,282	1,811,335	3,533,882
Balance at end of period	107,210,862	75,547,460	97,911,118

	30 June 2023 (unaudited) US\$	30 June 2022 (unaudited) US\$	31 December 2022 (audited) US\$
Accumulated depreciation			
Balance at start of period	(49,428,599)	(41,864,267)	(41,864,267)
Charge for period	(2,058,934)	(2,975,630)	(6,092,399)
Released on asset disposals	29,672	27,846	1,407,051
Foreign exchange movements	(4,074,943)	(2,481,271)	(2,878,984)
Balance at end of period	(55,532,804)	(47,293,322)	(49,428,599)
Net book value at end of period	51,678,058	28,254,138	48,482,519

9. Right of use Assets

	30 June 2023 (unaudited) US\$	30 June 2022 (unaudited) US\$	31 December 2022 (audited) US\$
Cost			
Balance at start of period	7,199,992	3,968,038	3,968,038
Additions	—	2,235,223	2,985,889
Foreign exchange movements	595,381	191,290	246,065
Balance at end of period	7,795,433	6,394,551	7,199,992

	30 June 2023 (unaudited) US\$	30 June 2022 (unaudited) US\$	31 December 2022 (audited) US\$
Amortisation			
Balance at start of period	(1,825,950)	(1,367,407)	(1,367,407)
Charge for period	(266,721)	(140,905)	(367,126)
Foreign exchange movements	(165,134)	(85,122)	(91,417)
Balance at end of period	(2,257,805)	(1,593,434)	(1,825,950)
Net book value at end of period	5,537,628	4,801,117	5,374,042

10. Inventories

	30 June 2023 (unaudited) US\$	30 June 2022 (unaudited) US\$	31 December 2022 (audited) US\$
Consumables	3,971,730	4,404,058	4,015,338
Ore stockpiles	557,474	234,941	812,794
Other material in process	2,677,381	1,649,524	2,703,297
Finished goods	2,674,929	1,435,777	1,174,922
Balance at end of period	9,881,514	7,724,300	8,706,351

11. Interest bearing liabilities

	30 June 2023 (unaudited) US\$	30 June 2022 (unaudited) US\$	31 December 2022 (audited) US\$
Current			
Unsecured loan facility	5,520,818	4,773,361	5,001,608
Obligations under right of use asset leases	909,205	953,447	1,109,518
Due in less than one year	6,430,023	5,726,808	6,111,126
Non-current			
(Between one and five years)			
Obligations under right of use asset leases	469,910	1,152,087	837,293
Due in more than one year	469,910	1,152,087	837,293

12. Derivatives

	30 June 2023 (unaudited) US\$	30 June 2022 (unaudited) US\$	31 December 2022 (audited) US\$
Foreign exchange hedging contracts			
Fair value at start of period	–	–	–
Movement in fair value during period	649,209	–	–
Fair value of financial asset at end of period	649,209	–	–

	30 June 2023 (unaudited) US\$	30 June 2022 (unaudited) US\$	31 December 2022 (audited) US\$
Gold hedging contracts			
Fair value at start of period	–	–	–
Movement in fair value during period	88,755	–	–
Fair value of financial liability at end of period	88,755	–	–

The Group has determined that the gold and foreign exchange hedges entered into by the Group do not meet the eligibility criteria to be accounted for under the provisions of IFRS 9 – Hedge Accounting. These contracts are therefore fair valued on a mark-to-market basis at the end of each period and any increase or decrease in value reported through the income statement. Any settlement values receivable or payable during the period are recognised in the period and reported through the income statement.

	30 June 2023 (unaudited) US\$	30 June 2022 (unaudited) US\$	31 December 2022 (audited) US\$
Conversion rights attaching to warrant notes			
Fair value at start of period	–	165,495	165,495
Decrease in fair value during period	–	(152,624)	(165,495)
Fair value of financial liability at end of period	–	12,781	–

Fair value is determined using a Black-Scholes model and by reference to quoted mid-market prices at each balance sheet date for the Ordinary Shares. The fair value of the derivative has been measured using level 1 and level 2 inputs.

The conversion rights embedded in the warrant notes represent a derivative as the Group's functional currency is United States dollars, but the conversion price is denominated in Great British pounds. Therefore, the amount to be released in US Dollars on conversion is variable dependent upon the exchange rate between the US dollar and GB pound.

13. Contingencies

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

The Company has taken legal action against a former employee for the recovery of funds that the Company considers had been misappropriated during the period January 2015 to March 2021. The former employee has submitted his defence to the claims made by the Company and submitted counterclaim against the Company for wrongful dismissal for a value of approximately BRL11.0 million (approximately US\$2.3 million). The Company's lawyers consider that the prospect of the counterclaim being granted against the Company as being very remote.

14. Share capital

a) Ordinary shares

	30 June 2023 (unaudited)		30 June 2022 (unaudited)		31 December 2022 (audited)	
	Number	\$	Number	\$	Number	\$
Allotted, called up and fully paid						
Ordinary shares in issue at start of period	75,734,551	11,213,618	75,734,551	11,213,618	75,734,551	11,213,618
Ordinary shares issued during the period	—	—	—	—	—	—
Ordinary shares in issue at end of period	75,734,551	11,213,618	75,734,551	11,213,618	75,734,551	11,213,618

(b) Share incentive reserve

Contributed surplus

	30 June 2023 (unaudited) US\$	30 June 2022 (unaudited) US\$	31 December 2022 (audited) US\$
Balance at start of period	1,324,558	1,075,348	1,075,348
Share incentive costs for period	85,866	213,922	249,210
Options lapsed during the period	(1,167,422)	—	—
Balance at end of period	243,002	1,289,270	1,324,558

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

As at 30 June 2023 there were in aggregate 864,500 Conditional Share Awards to employees (including directors) of the Company. The awards are granted as part of the Company's normal annual compensation review.

During the year to date a charge of US\$75,597 (2022: US\$88,866) has been recorded in the financial statements in respect of these conditional share awards.

On 1 August 2023, the Company announced that the performance conditions in respect of the 2020 awards had not been achieved and therefore 404,700 conditional share awards issued in respect of 2020 lapsed.

During the period all remaining unexercised stock options, granted under the Company's Stock Option Plan (the "2011 Plan"), lapsed.

A charge of US\$0.01 million has been recorded in respect of the options that were in issue during the six month period to 30 June 2023 (six month period ended 30 June 2022: US\$.0.13 million)

15. Impairment

For the purposes of the preparation of the annual audited financial statements for the year ended 31 December 2022, management undertook an impairment review of the Group's exploration, development and production assets. At that time, it was concluded there were no indicators of impairment.

As at 30 June 2023 the carrying value of the assets relating to the Palito, Sao Chico and Coringa Mines has increased to US\$35.94 million from US\$31.34 million as at 31 December 2022, whilst the carrying value of deferred exploration costs has increased from US\$18.62 million at 31 December 2022 to US\$20.37 million at 30 June 2023.

Management do not consider that any events have occurred which would give rise to management concluding that there has been any indication of impairment since 31 December 2022.

16. Post Balance Sheet Events

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

17. Approval of the interim condensed consolidated financial statements

These unaudited interim condensed consolidated financial statements for the three and six month periods ended 30 June 2023 were approved by the board of directors on 30 August 2023.

General Overview

The Group received a US\$5.00 (BR\$ 25.92 million) loan from Santander Bank in Brazil on 28 February 2023. This short term loan has been used to repay a US\$5.0 million loan with Itau bank which the Group repaid on 12 May 2023

The Group has continued to increase activity at the Coringa mine producing 4,415 ounces of gold bullion for the year to date which has supplemented gold production of a further 3,677 ounces of gold in the form of bullion and 8,216 ounces in the form of copper concentrate from the Palito ore body. Total production for the first six months of 2023 was 16,523 ounces of gold (six months to 30 June 2022: 15,480 ounces) with sales recognised for 15,356 ounces (six months to 31 March 2022: 16,102 ounces). During the first quarter 2023 the Group continued its reduction of activity at the Sao Chico ore body producing a total of 215 ounces and no further gold production is forecast during 2023

During the fourth quarter of 2022 and the first quarter of 2023 the Group undertook and completed a plant expansion programme at the Palito Complex. As a result, there has been an increase in gold inventory accumulated within the new leaching tanks, Together with an increased number of bags of copper concentrate being held in stock at the end of June 2023 in comparison to the end of December 2022, these items account for the significant portion of the variance between production and sales.

Commentary on the Income statement

The gross profit for the six month period ended 30 June 2023 was US\$7,434,111 in comparison with a gross profit of US\$5,009,033 for the six month period ended 30 June 2022. The comparison between the periods is set out in the table below.

	Six months ended June 2023	Six months ended June 2022	Variance
Concentrate Sold (Ounces)	7,508	7,319	189
Bullion Sold (Ounces)	7,848	8,782	(934)
Total Ounces Sold	15,356	16,101	(746)
Average gold sales price achieved	\$1,940	\$1,845	\$95
Revenue from Ordinary Activity	US\$	US\$	Variance
Gold (in Concentrate)	13,763,612	13,147,366	616,246
Copper (in Concentrate)	1,458,362	1,478,287	(19,925)
Silver (in Concentrate)	78,990	69,656	9,334
Total Concentrate Revenue	15,300,964	14,695,309	605,655
Gold Bullion	15,222,618	16,505,553	(1,282,935)
Total Sales	30,523,582	31,200,862	(677,280)
Costs of sales			
Operational costs	19,303,805	21,806,617	(2,502,812)
Stock impairment provision	370,000	–	370,000
Shipping costs	688,173	665,376	22,797
Treatment charges	340,725	330,156	10,569
Royalties	361,731	466,435	(104,704)
Amortisation of Mine Property	1,108,340	2,300,346	(1,192,006)
Depreciation of Plant & Equipment	916,697	622,899	293,798
Total Operating costs	23,089,471	26,191,829	(3,102,358)
Gross Profit	7,434,111	5,009,033	2,425,078

Revenue

For the six month period ended 30 June 2023, the Group generated US\$15,300,964 (2022: US\$14,695,309) in revenue through sales of an estimated 7,508 ounces of gold sold in the form of a copper/gold concentrate (2022: 7,319 ounces) and 7,848 ounces of gold bullion generating revenue of US\$15,222,618 (2022: 8,782 ounces for revenue of US\$16,505,553).

During the first six months of 2023 the average gold price achieved was US\$1,940 in comparison to an average gold price achieved of US\$1,845 during the same period of 2022, an improvement of five per cent.

Production of gold bullion for the six months to 30 June 2023 was 8,308 ounces of gold compared with 8,653 ounces during the same period of the previous year, a decrease of four per cent.

During the first six months of 2023, 781 wet tonnes of copper/gold concentrate, containing an estimated 8,216 ounces was produced (six months to 30 June 2022: 608 wet tonnes of copper/gold concentrate, containing 6,827 ounces of gold). The unsold material is held as inventory.

Cost of Sales

Operational costs for the six months ended 30 June 2023 were US\$19.30 million (2022: US\$21.81 million). Operational costs included those related to the operational mining and administrative expenditures at Palito, Coringa and Sao Chico and the plant costs at the Palito Complex where the ore from the Palito, Sao Chico and Coringa ore bodies are processed.

	Six months ended June 2023	Six months ended June 2022	Variance	Variance %
Tonnes Mined	73,198	84,614	(11,416)	(13%)
Tonnes Milled	70,906	83,672	(12,766)	(15%)
Ounces Produced	16,524	15,480	1,044	7%
Ounces Sold	15,356	16,102	(746)	(5%)
	Six months ended June 2023	Six months ended June 2022	Variance	Variance
	US\$'000	US\$'000	US\$'000	%
<u>Operating Costs</u>				
Labour	8,162	8,832	(670)	(8%)
Mining consumables & Maintenance	6,355	7,578	(1,223)	(16%)
Plant Consumables	2,896	3,216	(321)	(10%)
General Site	1,892	2,181	(289)	(13%)
	19,304	21,807	(2,503)	(11%)

During the first six months of 2023 the average exchange rate was BrR\$5.07 to US\$1.00 which is the same exchange rate from the same period of the previous year. Gold production was seven percent higher during the first six months of 2023 in comparison to the same period of the previous year but due to variances in the amount of ounces held at the respective period end, gold sales for the period are three percent less than the previous year. Operating costs are 11% less than in the prior year which is primarily driven by the 21% improvement in the average gold grade achieved during the period resulting in fifteen percent less tonnes processed during the first six months of 2023 in comparison to the same period of the previous year.

At the current time only the high-grade ore from Coringa is being trucked to Palito for processing. Lower grade material is being stockpiled with the intention that this will be treated through an ore sorter in the future and only the resulting beneficiated product transported. In its current form these lower grade stockpiles are uneconomic, and the Group has therefore recognised an impairment provision of US\$370,000 on the value of the surface stockpile of coarse ore at the Coringa mine.

Depreciation and amortisation

Amortisation charges are reduced significantly compared with the same period in 2022. As previously advised, the Group had been reducing its activities during 2022 at its Sao Chico operation and has been using the development of the Coringa operations to generate gold production to replace that which has been lost from Sao Chico. Amortisation is calculated using the "units of production" basis and, as a result of the current limited mining activity at Sao Chico during the first quarter of 2023, amortisation has been significantly reduced. Whilst activities at Coringa have been growing, this project is still in a trial mining phase and a decision regarding commercial production will be made by the Board once the current licencing issues are resolved and the Company is in a position to expand production and secure financing to install an initial crushing and ore-sorting plant. Until this time, in accordance with accounting regulations, no amortisation change is being recorded in respect of the Coringa operations.

Trade Debtors

The trade debtor balance has decreased by US\$2.76 million from US\$5.29 million at 31 December 2022 to US\$2.53 million at 30 June 2023. This is primarily due to timing differences on the receipt of sales proceeds from monthly sales of copper concentrate. At 31 December 2022 the Group was owed US\$2.23 million from the sale completed shortly before the end of the calendar year. The payment was received in early January. At the end of June initial proceeds from all sales recorded during the period had been received.

Hedging Activities

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

Gold and hedging contracts entered into by the Group are valued on a mark-to market basis at the end of each period and any increase or decrease in value reported through the income statement. Any settlement values receivable or payable during the period are recognised in the period and reported through the income statement. During the year to date the Group has received net settlements in its favour totalling US\$169,007. The outstanding foreign exchange hedges at 30 June 2023 had a mark to market value of US\$570,863 whilst the outstanding gold hedges had a mark to market liability of US\$88,755.

Debt

In May 2022, the Group received US\$5 million of short-term loan funding from Itau BBA in Brazil, providing the Group with additional working capital. In February 2023 the Group was offered a further similar unsecured loan arrangement for US\$5.0 million by Santander Bank in Brazil. The loan is repayable as a bullet payment on 22 February 2024 and carries an interest coupon of 7.96 per cent. The proceeds raised from the Santander loan are being used for working capital and secured adequate liquidity to allow the repayment on 12 May of the loan with Itau.

The Group also has access to an unsecured facility with HSBC Bank plc allowing the Group to enter into leasing of precious metals for up to 12 months at a time. The Group has not utilised this facility, but it provides a further opportunity for accessing short-term working capital.