



SERABI GOLD

SERABI GOLD PLC

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

FOR THE THREE MONTHS AND NINE MONTHS ENDED
30 SEPTEMBER 2018

NOTICE

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

SERABI GOLD PLC
Condensed Consolidated Statements of Comprehensive Income

(expressed in US\$)	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2018 (unaudited)	2017 (unaudited)	2018 (unaudited)	2017 (unaudited)
CONTINUING OPERATIONS					
Revenue		7,523,203	12,908,790	33,223,837	36,225,050
Cost of sales		(6,380,505)	(7,295,870)	(23,853,392)	(23,938,180)
Release of provision for impairment of inventory		0	(400,000)	200,000	(620,000)
Depreciation of plant and equipment		(1,765,849)	(2,934,986)	(6,256,749)	(7,545,847)
Gross (loss)/profit		(623,151)	2,277,934	3,313,696	4,121,023
Administration expenses		(1,171,660)	(1,407,836)	(3,860,898)	(3,828,194)
Share based payments		(58,546)	(101,665)	(214,117)	(279,697)
Gain on disposal of assets		44,141	15,621	108,465	131,596
Operating (loss)/profit		(1,809,216)	784,054	(652,854)	144,728
Foreign exchange loss		260,606	(24,021)	(295,027)	(144,420)
Finance expense	2	(403,759)	(269,532)	(1,103,277)	(337,543)
Finance income		440	31	474	100
(Loss) / profit before taxation		(1,951,929)	490,532	(2,050,684)	(337,135)
Income tax expense		(296,547)	(255,481)	(680,426)	(433,494)
(Loss) / profit for the period from continuing operations ⁽¹⁾		(2,248,476)	235,051	(2,731,110)	(770,629)
Exchange differences on translating foreign operations		(2,708,319)	2,367,977	(11,968,323)	1,710,282
Total comprehensive loss for the period		(4,956,795)	2,603,028	(14,699,433)	939,653
(Loss) / profit per ordinary share (basic) ^{(1) (2)}	4	(3.82c)	0.67c	(5.59c)	(2.21c)
(Loss) / profit per ordinary share (diluted) ^{(1) (2)}	4	(3.82c)	0.63c	(5.59c)	(2.21c)

(1) All revenue and expenses arise from continuing operations.

(2) On 19 September 2018, the Group completed a capital reorganisation with every 20 existing shares being consolidated into one new share. The total number of existing ordinary shares in issue immediately prior to the capital reorganisation was 1,175,281,440. The total number of ordinary shares in issue following the capital reorganisation was 58,764,072. For comparative purpose the weighted average ordinary shares in issue and the diluted ordinary shares in issue for the three and nine month periods ended 30 September 2017, have been adjusted to reflect the share consolidation of 20 existing shares being consolidated into one new share.

SERABI GOLD PLC
Condensed Consolidated Balance Sheets

(expressed in US\$)	Notes	As at 30 September 2018 (unaudited)	As at 30 September 2017 (unaudited)	As at 31 December 2017 (audited)
Non-current assets				
Deferred exploration costs	6	25,578,156	10,235,454	23,898,819
Property, plant and equipment	7	40,834,470	44,260,723	48,980,381
Taxes receivable		1,551,593	—	1,474,062
Deferred taxation		2,170,458	3,164,441	2,939,634
Total non-current assets		70,134,677	57,660,618	77,292,896
Current assets				
Inventories	8	7,335,282	7,196,529	6,934,438
Trade and other receivables		898,773	1,433,010	1,277,142
Prepayments and accrued income		4,379,203	4,950,976	3,237,412
Cash and cash equivalents		15,204,568	9,753,385	4,093,866
Total current assets		27,817,826	23,333,900	15,542,858
Current liabilities				
Trade and other payables		5,755,426	5,313,706	5,347,964
Interest bearing loan	9	3,636,360	1,290,000	1,980,000
Amounts due on acquisition		—	—	5,000,000
Trade and asset finance facilities		934,766	1,054,632	865,712
Derivative financial liabilities		168,609	732,470	709,255
Accruals		342,632	450,867	614,198
Total current liabilities		10,837,793	8,841,675	14,517,129
Net current assets		16,980,033	14,492,225	1,025,729
Total assets less current liabilities		87,114,710	72,152,843	78,318,625
Non-current liabilities				
Trade and other payables		2,150,732	2,276,769	2,753,409
Provisions		1,788,844	1,905,230	2,047,131
Amounts due on acquisition		10,736,702	—	9,997,961
Interest bearing loan	9	2,705,307	3,125,000	2,500,000
Trade and asset finance liabilities		75,677	247,521	249,412
Total non-current liabilities		17,457,262	7,554,520	17,547,913
Net assets		69,657,448	64,598,323	60,770,712
Equity				
Share capital	12	8,882,803	5,540,960	5,540,960
Share premium reserve		21,752,430	1,722,222	1,722,222
Option reserve	12	1,247,865	1,355,583	1,425,024
Other reserves		5,108,940	3,404,624	4,015,369
Translation reserve		(43,167,891)	(28,897,566)	(31,199,568)
Retained earnings		75,833,301	81,472,500	79,266,705
Equity shareholders' funds		69,657,448	64,598,323	60,770,712

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 2017 prepared under IFRS as adopted in the EU and with IFRS and their interpretations adopted by the International Accounting Standards Board have been filed with the Registrar of Companies. 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'

(expressed in US\$)

(unaudited)	Share capital	Share premium	Share option reserve	Other reserves ⁽¹⁾	Translation reserve	Retained Earnings	Total equity
Equity shareholders' funds at 31 December 2016	5,540,960	1,722,222	1,338,652	3,051,862	(30,607,848)	82,333,125	63,378,973
Foreign currency adjustments	—	—	—	—	1,710,282	—	1,710,282
Loss for the period	—	—	—	—	—	(770,629)	(770,629)
Total comprehensive income for the period	—	—	—	—	1,710,282	(770,629)	939,653
Transfer to taxation reserve	—	—	—	352,762	—	(352,762)	—
Share options lapsed in period	—	—	(262,766)	—	—	262,766	—
Share option expense	—	—	279,697	—	—	—	279,697
Equity shareholders' funds at 30 September 2017	5,540,960	1,722,222	1,355,583	3,404,624	(28,897,566)	81,472,500	64,598,323
Foreign currency adjustments	—	—	—	—	(2,302,002)	—	(2,302,002)
Loss for the period	—	—	—	—	—	(1,627,274)	(1,627,274)
Total comprehensive income for the period	—	—	—	—	(2,302,002)	(1,627,274)	(3,929,276)
Transfer to taxation reserve	—	—	—	610,745	—	(610,745)	—
Share options lapsed in period	—	—	(32,224)	—	—	32,224	—
Share option expense	—	—	101,665	—	—	—	101,665
Equity shareholders' funds at 31 December 2017	5,540,960	1,722,222	1,425,024	4,015,369	(31,199,568)	79,266,705	60,770,712
Foreign currency adjustments	—	—	—	—	(11,968,323)	—	(11,968,323)
Profit for the period	—	—	—	—	—	(2,731,110)	(2,731,110)
Total comprehensive income for the period	—	—	—	—	(11,968,323)	(2,731,110)	(14,699,433)
Transfer to taxation reserve	—	—	—	1,093,571	—	(1,093,571)	—
Share options lapsed in period	—	—	(391,277)	—	—	391,277	—
Shares issued in period	3,341,843	20,030,208	—	—	—	—	23,372,051
Share option expense	—	—	214,118	—	—	—	214,118
Equity shareholders' funds at 30 September 2018	8,882,803	21,752,430	1,247,865	5,108,940	(43,167,891)	75,833,301	69,657,448

(1) Other reserves comprise a merger reserve of US\$361,461 and a taxation reserve of US\$4,705,335 (31 December 2017: merger reserve of US\$361,461 and a taxation reserve of US\$3,653,908)

SERABI GOLD PLC

Condensed Consolidated Cash Flow Statements

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 (unaudited)	2017 (unaudited)	2018 (unaudited)	2017 (unaudited)
(expressed in US\$)				
Operating activities				
Post tax loss for period	(2,248,476)	235,051	(2,731,110)	(770,629)
Depreciation – plant, equipment and mining properties	1,765,849	2,934,986	6,256,749	7,545,847
Net financial expense	52,713	293,522	1,217,830	481,863
Provision for impairment of inventory	—	400,000	(200,000)	620,000
Provision for taxation	296,547	255,481	680,426	433,494
Share-based payments	148,546	101,665	394,117	279,697
Foreign exchange (loss) / gain	259,258	(136,681)	413,608	(96,121)
Changes in working capital				
(Increase)/decrease in inventories	(1,733,345)	(1,013,005)	(1,616,199)	(25,641)
(Increase)/decrease in receivables, prepayments and accrued income	(628,425)	1,341,038	(2,131,720)	(1,236,247)
Increase/(decrease) in payables, accruals and provisions	841,546	(258,459)	954,626	(254,870)
Net cash inflow from operations	(1,245,787)	4,153,598	3,238,327	6,977,393
Investing activities				
Acquisition payment for subsidiary	—	—	(4,740,928)	—
Purchase of property, plant and equipment and projects in construction	(1,457,399)	(265,246)	(2,775,325)	(1,349,085)
Capitalised mine development costs	(934,169)	(1,191,322)	(2,964,658)	(3,155,641)
Geological exploration expenditure	(1,222,559)	—	(3,234,361)	(2,501)
Pre-operational project costs	(562,969)	—	(1,852,448)	—
Proceeds from sale of assets	44,141	59,659	108,465	175,634
Interest received	440	31	474	100
Net cash outflow on investing activities	(4,132,515)	(1,396,878)	(15,458,781)	(4,331,493)
Financing activities				
Issue of ordinary share capital	—	—	23,807,346	—
Costs associated with issue of share capital	—	—	(566,518)	—
Drawdown of secured loan	—	3,628,511	3,000,000	3,628,511
Repayment of secured loan	(333,333)	—	(1,333,333)	—
Payment of finance lease liabilities	(156,519)	(346,566)	(582,729)	(478,730)
Interest paid and other finance costs	(122,803)	(166,363)	(509,390)	(233,818)
Net cash inflow / (outflow) from financing activities	(612,655)	3,115,582	23,815,376	2,915,963
Net (decrease)/increase in cash and cash equivalents	(5,990,957)	5,872,302	11,594,922	5,561,863
Cash and cash equivalents at beginning of period	21,052,325	3,832,218	4,093,866	4,160,923
Exchange difference on cash	143,200	48,865	(484,220)	30,599
Cash and cash equivalents at end of period	15,204,568	9,753,385	15,204,568	9,753,385

SERABI GOLD PLC
Report and condensed consolidated financial statements for the 3 month and 9 month periods ended 30 September 2018

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation

These interim condensed consolidated financial statements are for the three and nine month periods ended 30 September 2018. Comparative information has been provided for the audited three and nine month periods ended 30 September 2017 and, where applicable, the audited twelve month period from 1 January 2017 to 31 December 2017. 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 2017 annual report.

The condensed consolidated financial statements for the periods have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the accounting policies are consistent with those of the annual financial statements for the year ended 31 December 2017 and those envisaged for the financial statements for the year ending 31 December 2018.

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

As of 1 January 2018, IFRS 9 - Financial Instruments, and IFRS 15 - Revenue from Contracts, became effective and have been adopted. The effect of implementation has not had a material impact on the financial results of the Group

As of the date of authorisation of these financial statements, IFRS 16 – Leases, was in issue but not effective and has not been applied to these financial statements.

IFRS 16 will require the recognition of an asset and liability with respect to the material operating lease commitments that the group have. Management are currently considering the impact that this will have on the financial statements. The Group does not at this time anticipate voluntary early adoption of IFRS 16.

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

(i) Going concern

On 12 April 2018 the Company completed a Subscription Agreement with Greenstone Resources II LP ("Greenstone"), whereby Greenstone agreed to subscribe ("the Subscription") for 297,759,419 New Ordinary Shares ("the Subscription Shares") at a price of 3.6 pence per share (the "Subscription Price"). The New Ordinary Shares issued pursuant to the Subscription rank pari passu with the existing Ordinary Shares.

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

The Directors anticipate the Group now has access to sufficient funding for its immediate projected needs. The Group expects to have sufficient cash flow from its forecast production to finance its on-going operational requirements, to repay its secured loan facilities and to fund planned exploration and development activity on its other gold properties. However additional funding will be required to bring the newly acquired Coringa gold project into production including the final acquisition payment. The secured loan facility is repayable by 30 June 2020 and at 30 September 2018, the amount outstanding under this facility was US\$6.34 million (31 December 2017: US\$4.48 million).

The Directors consider that the Group's operations are performing at the levels that they anticipate but the Group remains a small-scale gold producer. Any unplanned interruption or reduction in gold production, unforeseen reductions in the gold price or appreciation of the Brazilian currency, could adversely affect the level of free cash flow that the Group can generate on a monthly basis.

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

(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 2017 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 of impairment reviews, the significant cash generating units are assessed to determine whether they should be reviewed under

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

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

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

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

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

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

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

(iv) Property, plant and equipment and mining properties

(i) Owned assets

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

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

(ii) Depreciation

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

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

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

(iii) Commercial production

Following the commencement of development and construction work intended to advance a mining project into commercial production, the Board will consider and approve the criteria that they will apply in assessing when that mining project has achieved commercial production. These criteria may be agreed in conjunction with other stakeholders particularly financing parties and lenders. There are no set regulations or standards to be applied, but the criteria set will primarily consider the performance of the project compared to projections and generally these criteria will be measured over a continuous period of time. The judgements made and the relative performance measures will be based on the Board's view of the complexity and the relative importance of certain key activity areas in determining the long term commerciality of the mining project.

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

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

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

(vi) Inventories

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

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

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

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

(vii) Revenue

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

Revenue from the sale of goods is recognised when the risks and rewards of ownership have been transferred to the buyer. 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.

In the case of the sales of copper/gold concentrates, revenue is recognised when, in accordance with the terms of the contract, the customer takes delivery and the Company has no further risk regarding the physical product. In the case of gold bullion, revenue is recognised at the time that gold is delivered to the end purchaser.

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.

Transactions in currencies other than the functional currency of a Group 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 that do not have a US Dollar 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.

(w) Derivatives

Derivatives are valued by reference to available market data. Any change in the value of the derivative is recognised in the statement of comprehensive income in the period in which it occurs. The fair value of the derivative has been measured using level 1 inputs.

2. Finance Costs

	3 months ended 30 September 2018 US\$	3 months ended 30 September 2017 US\$	9 months ended 30 September 2018 US\$	9 months ended 30 September 2017 US\$
Interest on secured loan	(172,284)	(122,063)	(530,183)	(190,074)
Unwinding of discount on acquisition payment	(254,858)	—	(738,741)	—
Amortisation of fair value of derivatives	(90,000)	(65,000)	(195,000)	(65,000)
Arrangement fee for secured loan	(65,000)	—	(180,000)	—
	(582,142)	(187,063)	(1,643,924)	(255,074)
Gain / (loss) on revaluation of derivatives	178,383	(82,469)	540,647	(82,469)
Interest income	440	31	474	100
Net finance expense	(403,319)	(269,501)	(1,102,803)	(337,443)

3. Taxation

The Group has recognised a deferred tax asset to the extent that the Group has reasonable certainty as to the level and timing of future profits that might be generated and against which the asset may be recovered. The Group has released the amount of US\$283,183 as a deferred tax charge during the nine month period to 30 September 2018.

The Group has also incurred a tax charge for the period in Brazil of US\$397,243.

4. Earnings per share

	3 months ended 30 September 2018 (unaudited)	3 months ended 30 September 2017 (unaudited)	9 months ended 30 September 2018 (unaudited)	9 months ended 30 September 2017 (unaudited)
(Loss)/profit attributable to ordinary shareholders (US\$)	(2,248,476)	235,051	(2,731,110)	(770,629)
Weighted average ordinary shares in issue ⁽²⁾	58,790,954	34,935,089	48,865,897	34,935,089
Basic loss per share (US cents)	(3.82c)	0.67c	(5.59c)	(2.21c)
Diluted ordinary shares in issue ⁽¹⁾	58,790,954 ⁽¹⁾	37,423,089	48,865,897 ⁽¹⁾	34,935,089 ⁽¹⁾
Diluted loss per share (US cents)	(3.82c) ⁽¹⁾	0.63c	(5.59c) ⁽¹⁾	(2.21c) ⁽¹⁾

(1) As the effect of dilution is to reduce the loss per share, the diluted loss per share is considered to be the same as the basic loss per share.

(2) On 19 September 2018, the Group completed a capital reorganisation with every 20 existing shares being consolidated into one new share. The total number of existing ordinary shares in issue immediately prior to the capital reorganisation was 1,175,281,440. The total number of ordinary shares in issue following the capital reorganisation was 58,764,072. For comparative purpose the weighted average ordinary shares in issue and the diluted ordinary shares in issue for the three and nine month periods ended 30 September 2017, have been adjusted to reflect the share consolidation of 20 existing shares being consolidated into one new share.

5. Segmental analysis

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

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

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

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

	3 months ended 30 September 2018 (unaudited)			3 months ended 30 September 2017 (unaudited)		
	Brazil US\$	UK US\$	Total US\$	Brazil US\$	UK US\$	Total US\$
Revenue	6,558,607	964,596	7,523,203	8,653,565	4,255,225	12,908,790
Intra-group sales	835,991	(835,991)	—	3,476,850	(3,476,850)	—
Operating expenses	(4,898,833)	(1,481,672)	(6,380,505)	(5,799,706)	(1,496,164)	(7,295,870)
Provision for impairment	—	—	—	(400,000)	—	(400,000)
Depreciation and amortisation	(1,719,698)	(46,151)	(1,765,849)	(2,800,637)	(134,349)	(2,934,986)
Gross profit/(loss)	776,067	(1,399,218)	(623,151)	3,130,072	(852,138)	2,277,934
Administration expenses	(581,198)	(590,462)	(1,171,660)	(580,307)	(827,529)	(1,407,836)
Share based payments	—	(58,546)	(58,546)	—	(101,665)	(101,665)
Profit on sale of fixed assets	44,141	—	44,141	15,621	—	15,621
Operating profit/(loss)	239,010	(2,048,226)	(1,809,216)	2,565,386	(1,781,332)	784,054
Foreign exchange (loss)/gain	(808,915)	1,069,521	260,606	3,748	(27,769)	(24,021)
Finance expense	—	(403,319)	(403,319)	—	(269,501)	(269,501)
(Loss)/Profit before taxation	(569,905)	(1,382,024)	(1,951,929)	2,569,134	(2,078,602)	490,532

	9 months ended 30 September 2018 (unaudited)			9 months ended 30 September 2017 (unaudited)		
	Brazil US\$	UK US\$	Total US\$	Brazil US\$	UK US\$	Total US\$
Revenue	26,609,362	6,614,475	33,223,837	23,137,964	13,087,086	36,225,050
Intra-group Sales	5,167,301	(5,167,301)	—	10,224,562	(10,224,562)	—
Operating expenses	(20,090,108)	(3,763,284)	(23,853,392)	(20,075,927)	(3,862,253)	(23,938,180)
Release/(recognition) of impairment provision	200,000	—	200,000	(620,000)	—	(620,000)
Depreciation and amortisation	(6,096,749)	(160,000)	(6,256,749)	(7,152,510)	(393,337)	(7,545,847)
Gross profit/(loss)	5,789,806	(2,476,110)	3,313,696	5,514,089	(1,393,066)	4,121,023
Administration expenses	(1,912,488)	(1,948,410)	(3,860,898)	(1,841,786)	(1,986,408)	(3,828,194)
Share based payments	—	(214,117)	(214,117)	—	(279,697)	(279,697)
Profit on sale of fixed assets	108,465	—	108,465	131,596	—	131,596
Operating profit/(loss)	3,985,783	(4,638,637)	(652,854)	3,803,899	(3,659,171)	144,728
Foreign exchange gain / (loss)	(397,943)	102,916	(295,027)	(137,133)	(7,287)	(144,420)
Finance expense	—	(1,102,803)	(1,102,803)	—	(337,443)	(337,443)
Profit / (loss) before taxation	3,587,840	(5,638,524)	(2,050,684)	3,666,766	(4,003,901)	(337,135)

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

	Total non-current assets		
	30 September 2018 (unaudited) US\$	30 September 2017 (unaudited) US\$	31 December 2017 (audited) US\$
Brazil – operations	40,834,470	44,260,723	48,980,381
Brazil – exploration	25,578,156	10,235,454	23,898,819
Brazil – taxes receivable	1,551,593	—	1,474,062
Brazil – deferred tax	2,170,458	3,164,441	2,939,634
Brazil - total	70,134,677	57,660,618	77,292,896
UK	—	—	—
	70,134,677	57,660,618	77,292,896

An analysis of total assets by location is as follows:

	Total assets		
	30 September 2018 (unaudited) US\$	30 September 2017 (unaudited) US\$	31 December 2017 (audited) US\$
Brazil	72,770,145	67,086,945	83,090,310
UK	25,182,358	13,907,573	9,745,444
	97,952,503	80,994,518	92,835,754

6. Deferred exploration costs

	30 September 2018 (unaudited) US\$	30 September 2017 (unaudited) US\$	31 December 2017 (audited) US\$
Cost			
Balance at beginning of period	23,898,819	9,990,789	9,990,789
Additions from acquisitions	—	—	14,030,112
Exploration and development expenditure	3,303,346	2,501	2,487
Pre Operating Expenditure	1,783,463	—	—
Reclassification from projects in construction	138,235	—	—
Foreign exchange movements	(3,545,707)	242,164	(124,569)
Balance at end of period	25,578,156	10,235,454	23,898,819

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

	30 September 2018 (unaudited) US\$	30 September 2017 (unaudited) US\$	31 December 2017 (audited) US\$
Cost			
Balance at beginning of period	83,981,200	71,237,368	71,237,368
Additions	5,767,382	4,865,400	7,712,624
Additions from acquisitions	—	—	6,206,100
Reclassifications to deferred exploration costs	(138,235)	(237,134)	—
Disposals	—	—	(235,808)
Foreign exchange movements	(13,070,119)	1,935,369	(939,084)
Balance at end of period	76,540,228	77,801,003	83,981,200

	30 September 2018 (unaudited) US\$	30 September 2017 (unaudited) US\$	31 December 2017 (audited) US\$
Accumulated depreciation			
Balance at beginning of period	(35,000,819)	(25,841,228)	(25,841,228)
Charge for period	(6,344,087)	(7,250,497)	(10,009,623)
Released on disposals	—	199,911	199,911
Foreign exchange movements	5,639,148	(648,466)	650,121
Balance at end of period	(35,705,758)	(33,540,280)	(35,000,819)
Net book value at end of period	40,834,470	44,260,723	48,980,381

8. Inventories

	30 September 2018 (unaudited) US\$	30 September 2017 (unaudited) US\$	31 December 2017 (audited) US\$
Consumables	3,277,684	2,680,968	2,587,212
Ore stockpiles and other work in progress	1,759,236	2,836,198	2,605,366
Finished goods awaiting sale	2,298,362	1,679,363	1,741,860
Balance at end of period	7,335,282	7,196,529	6,934,438

9. Interest bearing loan

	30 September 2018 (unaudited) US\$	30 September 2017 (unaudited) US\$	31 December 2017 (audited) US\$
Balance at start of period	4,480,000	1,371,489	1,371,489
Additional draw-down of short-term loan	3,000,000	3,628,511	3,628,511
Initial fair value of derivative associated with loan	—	(650,000)	(650,000)
Amount repaid during year	(1,333,333)	—	—
Amortization of derivative in period	195,000	65,000	130,000
Balance at end of period	6,341,667	4,415,000	4,480,000

10. 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.

During 2013, Serabi Mineração SA ("SMSA") was requested by the Tax Authorities for the State of Para, to provide supporting documentation in respect of certain tax reclaims made by SMSA dating back for six years. SMSA has provided all the requested information and the Group considers all claims made were in accordance with prevailing legislation. The total sum of the tax claims that are subject to this review is BrR\$94,000, which at the period is equivalent to US\$28,000.

11. Related party transactions

The Group has not entered into any related party transactions during the period.

12. Share capital

(a) Ordinary and deferred shares

	30 September 2018 (unaudited)		30 September 2017 (unaudited)		31 December 2017 (audited)	
	Number	US\$	Number	US\$	Number	US\$
Ordinary shares						
Balance at beginning of period	698,701,772	5,540,960	698,701,772	5,540,960	698,701,772	5,540,960
Shares Issued in period pre share consolidation	476,579,668	3,322,795	—	—	—	—
Consolidation of Shares ⁽¹⁾	(1,116,517,368)	—	—	—	—	—
Shares in issue post consolidation	58,764,072	8,863,755	698,701,772	5,540,960	698,701,772	5,540,960
Shares Issued in period post share consolidation ⁽²⁾	145,479	19,048	—	—	—	—
Balance at end of period	58,909,551	8,882,803	698,701,772	5,540,960	698,701,772	5,540,960

(1) On 19 June 2018, the Group completed a capital reorganisation with every 20 existing shares being consolidated into one new share. The total number of existing ordinary shares in issue immediately prior to the capital reorganisation was 1,175,281,440. The total number of ordinary shares in issue following the capital reorganisation was 58,764,072.

(2) On 17 September 2018, the Group issued 145,479 new ordinary shares of 10 pence each at a price of 47.25 pence per share.

(b) Stock option reserve

Contributed surplus

	US\$
Balance at beginning of period	1,425,024
Option costs for period	214,118
Options lapsed in period	(391,277)
Balance at end of period	1,247,865

Under the Company's Stock Option Plan (the "2011 Plan"), stock options may be granted only to directors, officers, employees and consultants of the Company or to their permitted assignees and may be granted for a term not exceeding 10 years. The Ordinary Shares to be purchased upon exercise of each option must be paid for in full by the grantee at the time

of exercise. Unless otherwise directed by the Board of Directors at the date of the grant, each award shall vest as to one third on the date of grant, one third on the first anniversary of grant and the balance vesting on the second anniversary of the date of grant. The Board of Directors shall also be entitled to establish performance criteria, which may affect the vesting of the options or the rights of the holder to exercise the options. The 2011 Plan reserves for issuance, pursuant to its terms, up to 10 per cent of the number of Ordinary Shares issued or issuable and outstanding from time to time.

The Company has operated other plans which have now been discontinued but retain options granted to individuals no longer employed by the Company continue to be outstanding under these plans.

The following summarises the outstanding options in issue at 30 September 2018 under the 2011 Plan:

Issue date	Options outstanding	Options vested	Exercise price	Expiry
02 July 2018	1,700,000	566,667	UK£0.75	01 July 2021
07 Apr 17	782,500	521,665	UK£1.00	06 Apr 2020
16 May 2016	782,500	782,500	UK£1.00	15 May 2019
28 January 2011	64,250	64,250	UK£8.20	27 January 2021
28 January 2011	22,500	22,500	UK£7.40	27 January 2021
21 December 2009	85,000	85,000	UK£3.00	20 December 2019
	<u>3,436,750</u>	<u>2,042,582</u>		

The approximate weighted average exercise price is UK£1.10

13. Impairment

For the purposes of the preparation of the annual audited financial statements for the year ended 31 December 2017, management undertook an impairment review of the Group's exploration, development and production assets. At that time, there was no indication that the Group required a provision for impairment.

As at 30 September 2018 the carrying value of the assets relating to the Palito and Sao Chico Mines has decreased from US\$44.36 million as at 31 December 2017 to US\$42.05 million.

The major assumptions underlying management's estimate of the of the value in use attributable to the Palito and Sao Chico Mines as at 31 December 2017 are detailed in note 19 to the Company's Annual Report and Financial Statements for the year ended 31 December 2017. Management do not consider that any events have occurred during the period since the preparation of that estimate which would lead them to vary any of the assumptions underlying the estimate of the value in use, which supports the amended carrying value as at 30 September 2018. The matter will continue to be reviewed in future periods.

14. Post Balance Sheet Events

There have been no post balance sheet events.

15. Approval of the interim condensed consolidated financial statements

These unaudited interim condensed consolidated financial statements for the three and nine month periods ended 30 September 2018 were approved by the Board of Directors on 13 November 2018.