

Unaudited results for the three month period ended 31 March 2020

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For immediate release

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[Serabi Gold Plc](#)

(Serabi; or the Company;)

Unaudited results for the three month period ended 31 March 2020

Serabi (AIM:SRB, TSX:SBI), the Brazilian focused gold mining and development company, today releases its unaudited results for the three month period ended 31 March 2020.

Financial Highlights

- Cash Cost for the quarter of US\$996 per ounce.
- All-In Sustaining Cost for the quarter of US\$1,257 per ounce.
- EBITDA for the first quarter of 2020 of US\$3.20 million (Q1 2019: US\$4.33 million).
- Post tax profit of US\$0.77 million reflecting lower level of gold sales realised during the period compared with 2019 offset by higher average gold prices in 2020.
- Earnings per share of 1.31 cents.
- Average gold price of US\$1,549 received on gold sales in 2020
- Lower revenue, quarter on quarter, reflects sales of gold inventory realised in Q1 2019 and lower production resulting from a mill stoppage in February 2020 (see news release 26 March 2020).
- Agreement, concluded in April 2020, with Greenstone Resources II LP (Greenstone;) to subscribe for US\$12 million Convertible Loan Stock.
- Agreement reached with [Equinox Gold Corp.](#) (Equinox;) allowing the Company to pay, in monthly instalments, the remaining US\$12 million consideration for purchase of Coringa, until travel restrictions caused by Coronavirus are lifted.

Key Financial Information

SUMMARY FINANCIAL STATISTICS FOR THE THREE MONTHS ENDING 31 MARCH 2020

	3 months to 31 March 2020 US\$ (unaudited)	3 months to 31 March 2019 US\$ (unaudited)	12 months to 31 December 2019 US\$ (audited)	12 months to 31 December 2019 US\$ (audited)
Revenue	13,097,687	17,126,040	59,948,092	43,261,000
Cost of Sales	(8,233,056)	(11,361,987)	(37,203,445)	(31,100,000)
Gross Operating Profit	4,864,631	5,764,053	22,744,647	12,161,000
Administration and share based payments	(1,664,630)	(1,424,504)	(5,524,320)	(5,867,000)
EBITDA	3,200,001	4,339,549	17,220,327	6,294,000
Depreciation and amortisation charges	(1,704,361)	(2,289,545)	(8,857,203)	(9,004,000)
Operating profit/(loss) before finance and tax	1,495,640	2,050,004	8,363,124	(2,711,000)
Profit/(loss) after tax	772,632	1,549,962	3,832,984	(5,754,000)
Earnings per ordinary share (basic)	1.31 cents	2.63 cents	6.51 cents	(11.20 cents)
Earnings per ordinary share (diluted)	1.27 cents	2.49 cents	6.28 cents	(11.20 cents)

	US\$1,549	US\$1,287	US\$1,376	US\$1,287
Average gold price received		As at 31 March 2020	As at 31 December 2019	As at 31 Dec 2018
Cash and cash equivalents		9,149,274	14,234,612	9,216,000
Net assets		55,554,750	69,733,388	69,110,000
Cash Cost and All-In Sustaining Cost (“AISC”) ⁽¹⁾		3 months to 31 March 2020	3 months to 31 March 2019	12 months to 31 December 2019
Gold production for cash cost and AISC purposes		9,020 ozs	10,164 ozs	40,101 ozs
Total Cash Cost of production (per ounce)		US\$996	US\$796	US\$832
Total AISC of production (per ounce)		US\$1,257	US\$1,021	US\$1,081

Operational Highlights

- First quarter gold production of 9,020 ounces.
- 3,674 ounces of gold produced in March 2020, the highest monthly level since the operation opened.
- Ore sorter in full scale operation in March following completion of commissioning during the quarter.
- 42,036 tonnes of ore mined during the quarter at 6.54 grams per tonne (“g/t”) of gold.
- 40,465 tonnes of run of mine (“ROM”) ore processed through the plant from the combined Palito and Sao Chico orebodies, with an average grade of 6.66 g/t of gold.
- 2,878 metres of horizontal development completed during the quarter.
- Public hearing for the Coringa project held on 6 February 2020 with positive feedback. The Company is now awaiting submission of final recommendation to, and approval of, the State Environmental Council (“COEMA”) for the award of the Licencia Previa (the Preliminary License).

		SUMMARY PRODUCTION STATISTICS FOR 2020 AND FOR						
		Qtr 1	YTD	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total
		2020	2020	2019	2019	2019	2019	2019
Gold production ^{(1) (2)}	Ounces	9,020	9,020	10,164	9,527	10,187	10,233	40,101
Mined ore – Total	Tonnes	42,036	42,036	42,609	44,784	44,757	44,092	176,000
	Gold grade (g/t)	6.54	6.54	7.47	6.72	7.14	6.69	7.00
Milled ore	Tonnes	40,465	40,465	43,451	43,711	45,378	44,794	177,000
	Gold grade (g/t)	6.66	6.66	7.69	6.72	6.84	6.81	7.02
Horizontal development – Total	Metres	2,878	2,878	1,868	2,419	2,433	2,908	9,620

(1) Gold production figures are subject to amendment pending final agreed assays of the gold content of the copper/gold concentrate and gold doré that is delivered to the refineries.

(2) Gold production totals for 2020 includes treatment of 9,146 tonnes of flotation tails at a grade of 4.35 g/t (Q1 2019: 3,136 tonnes at a grade of 4.00g/t)

(3) The table may not sum due to rounding

Exploration and Development Highlights

- Step out surface diamond drilling at Sao Chico has identified westerly extension for 375 metres with mineable widths and grades and for over 200 metres to the east.
- Underground drilling at Sao Chico has continued to test the depth extension with an intersection reported of over 25g/t over 4.08 metres at a depth of over 200 metres below the current mine workings.
- Geochemical results from the Mata Cobra and Cinderella anomalies identifying a number of exciting new prospects.

Key Objectives for 2020

- Implement measures to minimise short term impacts of Coronavirus (“CV-19”) on current operations and provide a safe and responsible work environment for staff during the crisis.
- Continue to make its best efforts to maintain production levels as close as guidance as is practical being mindful of providing proper rest schedules for those staff at the mine site
- Complete the licencing process for Coringa and complete all desktop planning activity.
- Secure financing package for the Coringa project to fund plant erection and other site developments.
- Complete, as soon as practical, exploration programmes at Sao Chico to expand the resource with a view to producing a new resource estimation.
- Complete exploration drilling programme over geophysical anomalies around Sao Chico.
- Complete acquisition of Coringa gold project.

Clive Line, CFO of Serabi commented,

“With all the uncertainties that exist today, it is very pleasing that we have been able to operate continuously throughout this time and, as things stand, we remain confident that the operations at the Palito Complex will continue, uninterrupted, for the foreseeable future.

“The overall results for the first quarter are comparable with the same period in 2019, which itself was a record year for Serabi, and operating profit before interest and tax charges are only lower because of a one-off provision of US\$500,000 that was released back to income in the first quarter of 2019. Gold revenue in the first quarter of 2019 was higher but included approximately 2,200 ounces resulting from the sales of gold inventory carried over from the preceding year. The average gold price realised in the quarter of US\$1,549 compares with the price achieved for the same period of 2019 of US\$1,287 an improvement of 20%, which has helped mitigate the lower production achieved for the quarter and therefore sales that have been realised in the same period.

"The lower production has impacted unit costs for the period. In addition to incurring the unexpected costs for the mill repairs, in the first quarter we also brought in contractors to give a short term boost to our underground drilling capacity used particularly for longer term mine development and planning purposes. The average exchange rate for the period was BrR\$4.46 to US\$1.00, so the effect of the more recent declines in the exchange rate have not yet flowed through into the costs.

“With debt repayment obligations and the ongoing planned expenditure on the successful exploration programmes that were being undertaken during the quarter, it was always expected that the Group’s cash holdings would reduce compared with the end of December 2019. The final cash balance of US\$9.15 million was in-line with our internal forecasts even considering the lower than forecast level of production achieved during the period, primarily the result of the previously reported failure of the main ball mill during February.

“Cash flow generated from operations was approximately US\$2.2 million but does reflect an increase in inventory levels during the quarter of approximately US\$1.4 million reflecting in part the variation between production for the quarter of 9,020 ounces compared with the realised sales in the period of only 8,120 ounces. The variation results from timing differences between production and the recognition of sales due to the departure dates of vessels carrying the Groups copper/gold concentrate leaving Brazil and the delivery of gold bullion for final sale.

“Whilst supply chains have not yet been an issue, we have nonetheless increased holdings of key consumables, where we can, to help insulate the operation from any interruptions that may arise. At the same time, we have temporarily suspended capital investment and exploration programmes to conserve cash resources, though I anticipate that we will pick these up again over the coming months as the outlook becomes clearer.

“I am very pleased that in April we were able to conclude the arrangements with Greenstone for their subscription for US\$12 million of Convertible Loan Stock, originally announced on 21 January 2020, and also to agree revised terms with Equinox for the final instalment payment for the Coringa project. We are grateful for the continued financial support from Greenstone and the understanding of Equinox. These transactions have removed significant uncertainty for investors and provide Serabi with a neat solution that allows us to complete the acquisition of Coringa, which remains a key element of the Group’s growth plans.

The second quarter has already begun well, and the gold price and the exchange rate should provide further support going forward. We have a number of challenges ahead of us, but our workforce has already shown remarkable flexibility and commitment, and this gives me good reason to be cautiously optimistic for the coming months.

This announcement is inside information for the purposes of Article 7 of Regulation 596/2014. The person who arranged the release of this statement on behalf of the Company was Clive Line, Director.

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

Neither the Toronto Stock Exchange, nor any other securities regulatory authority, has approved or disapproved of the contents of this announcement.

The following information, comprising, the Income Statement, the Group Balance Sheet, Group Statement of Changes in Shareholders' Equity, and Group Cash Flow, is extracted from these financial statements.

Statement of Comprehensive Income
For the three month period ended 31 March 2020

	Notes	For the three months ended 31 March	
		2020 (unaudited)	2019 (unaudited)
(expressed in US\$)			
CONTINUING OPERATIONS			
Revenue		13,097,687	17,126,040
Cost of sales		(8,233,056)	(11,861,987)
Release of inventory impairment provision		500,000	
Depreciation and amortisation charges		(1,704,361)	(2,289,545)
Total cost of sales		(9,937,417)	(13,651,532)
Gross profit		3,160,270	3,474,508
Administration expenses		(1,740,964)	(1,383,831)
Share-based payments		(25,238)	(65,485)

Gain on disposal of fixed assets		101,572	24,812
Operating profit		1,495,640	2,050,004
Foreign exchange loss		(8,858)	(14,617)
Finance expense	2	(184,991)	(411,105)
Finance income	2	–	139,059
Profit before taxation		1,301,791	1,763,341
Income tax expense	3	(529,159)	(213,379)
Profit for the period ⁽¹⁾		772,632	1,549,962
Other comprehensive income (net of tax)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(14,976,508)	(562,093)
Total comprehensive profit /(loss) for the period ⁽¹⁾		(14,203,876)	987,869
Profit / (loss) per ordinary share (basic)	4	1.31 cents	2.63 cents
Profit / (loss) per ordinary share (diluted)	4	1.27 cents	2.49 cents

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

Balance Sheet as at 31 March 2020

	As at 31 March 2020 (expressed in US\$) (unaudited)	As at 31 March 2019 (unaudited)	As at 31 December 2019 (audited)
Non-current assets			
Deferred exploration costs	26,169,961	28,581,674	30,686,652
Property, plant and equipment	30,256,311	38,520,503	37,597,100
Right of use assets	1,923,563	2,245,801	1,997,176
Taxes receivable	832,520	1,554,651	848,845
Deferred taxation	865,371	2,091,031	1,321,782
Total non-current assets	60,047,726	72,993,660	72,451,555
Current assets			
Inventories	6,220,213	6,272,053	6,577,968
Trade and other receivables	1,174,968	1,196,042	802,275
Prepayments and accrued income	2,149,300	4,328,718	3,473,288
Cash and cash equivalents	9,149,274	12,133,713	14,234,612
Total current assets	18,693,755	23,930,526	25,088,143
Current liabilities			
Trade and other payables	5,604,674	5,931,532	6,113,789
Interest bearing liabilities	3,464,077	4,048,054	6,952,542
Acquisition payment outstanding	12,000,000	11,259,277	12,000,000
Derivative financial liabilities	–	254,134	–
Accruals	289,776	342,322	319,670
Total current liabilities	21,358,527	21,835,319	25,386,001
Net current assets	(2,664,772)	2,095,207	(297,858)
Total assets less current liabilities	57,382,954	75,088,867	72,153,697
Non-current liabilities			
Trade and other payables	93,648	971,662	183,043
Provisions	1,734,556	1,529,318	2,237,266
Interest bearing liabilities	–	2,424,246	–

Total non-current liabilities	1,828,204	4,925,226	2,420,309
Net assets	55,554,750	70,163,641	69,733,388
Equity			
Share capital	8,882,803	8,882,803	8,882,803
Share premium reserve	21,752,430	21,752,430	21,752,430
Option reserve	1,044,827	1,428,852	1,019,589
Other reserves	7,768,741	4,937,419	7,149,274
Translation reserve	(59,255,454)	(41,369,216)	(44,278,946)
Retained surplus	75,361,403	74,531,353	75,208,238
Equity shareholders' funds	55,554,750	70,163,641	69,733,388

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 2019 prepared under IFRS as adopted in the EU and with IFRS and their interpretations adopted by the International Accounting Standards Board will be filed with the Registrar of Companies following their adoption by shareholders at the next Annual General Meeting. 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.

Statements of Changes in Shareholders' Equity For the three month period ended 31 March 2020

(expressed in US\$)

(unaudited)	Share capital	Share premium	Share option reserve	Other reserves
Equity shareholders' funds at 31 December 2018	8,882,803	21,752,430	1,363,367	4,763,819
Foreign currency adjustments	—	—	—	—
Profit for the period	—	—	—	—
Total comprehensive income for the period	—	—	—	—
Transfer to taxation reserve	—	—	—	173,600
Share option expense	—	—	65,485	—
Equity shareholders' funds at 31 March 2019	8,882,803	21,752,430	1,428,852	4,937,419
Foreign currency adjustments	—	—	—	—
Loss for the period	—	—	—	—
Total comprehensive income for the period	—	—	—	—
Transfer to taxation reserve	—	—	—	2,211,855
Shares issued in period			(605,718)	—
Share option expense	—	—	196,455	—
Equity shareholders' funds at 31 December 2019	8,882,803	21,752,430	1,019,589	7,149,274
Foreign currency adjustments	—	—	—	—
Profit for the period	—	—	—	—
Total comprehensive income for the period	—	—	—	—
Transfer to taxation reserve	—	—	—	619,467
Share option expense	—	—	25,238	—
Equity shareholders' funds at 31 March 2020	8,882,803	21,752,430	1,044,827	7,768,741

(1) Other reserves comprise a merger reserve of US\$361,461 and a taxation reserve of US\$7,469,934 (31 December 2019: merger reserve of US\$361,461 and a taxation reserve of US\$6,787,813).

Cash Flow Statement
For the three month period ended 31 March 2020

	For the three months ended 31 March	
	2020	2019
(expressed in US\$)		
		(unaudited) (unaudited)
Cash flows from operating activities		
Profit for the period	772,632	1,549,962
Net financial expense	193,849	286,663
Depreciation – plant, equipment and mining properties	1,704,361	2,289,545
Inventory impairment expense	—	(500,000)
Taxation expense	529,159	213,379
Share based payments	25,238	65,485
Foreign exchange	77,939	21,851
Changes in working capital		
(Increase) / decrease in inventories	(1,358,052)	2,737,810
(Increase) / decrease in receivables, prepayments and accrued income	(478,552)	(736,605)
Increase / (decrease) in payables, accruals and provisions	743,312	538,494
Net cash inflow from operations	2,209,886	6,466,584
Investing activities		
Purchase of property, plant and equipment and assets in construction	(1,008,310)	(389,728)
Mine development expenditure	(587,609)	(838,310)
Geological exploration expenditure	(836,361)	(588,462)
Pre-operational project costs	(215,296)	(439,942)
Acquisition of other property rights	(183,239)	(1,035,087)
Proceeds from sale of assets	239,003	35,042
Interest received and other finance income	—	2,217
Net cash outflow on investing activities	(2,591,812)	(3,254,270)
Financing activities		
Repayment of short term secured loan	(3,491,746)	—
Payment of lease liabilities	(36,308)	(185,605)
Interest paid	(204,669)	(152,796)
Net cash outflow from financing activities	(3,732,723)	(338,401)
Net (decrease) / increase in cash and cash equivalents	(4,114,649)	2,873,913
Cash and cash equivalents at beginning of period	14,234,612	9,216,048
Exchange difference on cash	(970,689)	43,751
Cash and cash equivalents at end of period	9,149,274	12,133,713

Notes

1. Basis of Preparation

These interim condensed consolidated financial statements are for the three month period ended 31 March 2020. Comparative information has been provided for the unaudited three month period ended 30 March 2019 and, where applicable, the audited twelve month period from 1 January 2019 to 31 December 2019. 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 2019 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 2019

and those envisaged for the financial statements for the year ending 31 December 2020.

Accounting standards, amendments and interpretations effective in 2020

The following Accounting standard has come into effect as of 1 January 2020 have been

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

The adoption of this standard has had no effect on the financial results of the Group.

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

IAS 1 Presentation of Financial Statements

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

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

Going concern and availability of finance

As at 31 March 2020 the Group had cash in hand of US\$9.15 million and net assets of US\$55.60 million.

The occurrence of the Coronavirus (COVID-19) pandemic has created significant uncertainty for all business sectors including Serabi and in particular the short-term effects and actions that may need to be implemented either by the Group or that may be imposed on the Group by new regulations or measures taken by government. Already there are limitations imposed which restrict the ability of certain of the Group’s personnel and contractors to attend the Group’s operations. The Group has and is implementing measures that will permit the Group to maintain operations albeit at potentially reduced levels of production than previously envisaged.

The Group has renegotiated the terms relating to the settlement of a final acquisition payment of US\$12 million due to Equinox Gold Inc (“Equinox”); in respect of the purchase of Chapleau Resources Limited and its Coringa gold project (the “Coringa Deferred Consideration”). Under the revised arrangement the Group will pay monthly instalments commencing 1 May 2020 of US\$500,000 per month, increasing to US\$1 million per month from 1 August 2020 and payable thereafter (“the “Deferral Period”); until such time as certain conditions relating to travel into and within Brazil are lifted (the “Travel Restriction Conditions”). Within 6 weeks of the satisfaction of the Travel Restriction Conditions the remaining portion of the Coringa Deferred Consideration will become payable.

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

Under the Amended Subscription Deed certain terms of the subscription with Greenstone have been amended as follows:

1. the Company may, prior to the satisfaction of the Travel Restriction Condition only submit a subscription request in respect of Convertible Loan Notes in the amount of US\$500,000 each month. Following the satisfaction of the Travel Restriction Condition, the Company may then issue further subscription request for amounts of not less than US\$100,000 and not exceeding an amount equal to US\$12,000,000 less the sum of the aggregate principal amount of all Notes outstanding at that time.
2. until such time as the existing secured loan due to Sprott Resource Lending Partnership (the Sprott Loan) has been repaid, the Convertible Loan Notes shall be unsecured and will be subordinated to the Sprott Loan. The Sprott Loan was approximately US\$3.45 million as at 31 March 2020 and is being repaid in three equal monthly instalments ending 30 June 2020.
3. Following settlement of the Sprott Loan, the security interests of Sprott will be discharged and the Company will grant to Greenstone the security package as originally envisaged save that a pledge of the shares of Chapleau Resources Limited (CRL) will continue to be held by Equinox until such time as the Coringa Deferred Consideration is settled in full. CRL holds 100% of the shares of Chapleau Explorations Mineral Ltda which in turn holds the exploration licences for the Coringa gold project
4. The period during which the Company may issue an Issue Notice to Greenstone expires on 31 December 2020 unless otherwise agreed.
5. Subject to Greenstone not having exercised its option to convert the amount outstanding into Conversion Shares, the Convertible Loan Notes are due to be repaid 16 months after the first Issue Date which was 30 April 2020.

The Directors have prepared an operational plan and cash flow forecast based on their best judgement of the likely impact of the Coronavirus on the Group's activities. Based on this forecast, which anticipated, for a period of up to three months, reduced levels of gold production, compared to the Group's 2020 budget, of 50 per cent, and assuming that the Group continues to be able, with the assistance of the proceeds of the Loan Notes subscribed for by Greenstone in accordance with the Amended Subscription Deed, to meet its obligations to Equinox, the Directors consider that the Group will have sufficient cash flows to settle, in full, the Coringa Deferred Consideration, all other trade and other liabilities as they fall due and will also be able to settle its existing secured loan with Sprott.

The Balance Sheet of the Group shows a net liability position of US\$2.7 million at 31 December 2020 including a current liability of US\$12 million in respect of Coringa Deferred Consideration. This liability is being financed through the issue of US\$12 million of Convertible Loan Notes to Greenstone which will not be repayable until 31 August 2021.

Whilst the Directors consider that the assumptions they have used are reasonable and based on the information currently available to them, there remains significant uncertainty regarding further actions that have not been anticipated but which may be required or imposed and may impact on the ability of the Group to meet the operational plan and cash flow forecast.

At the current time the Directors have assumed that mining operations and gold production will continue at the Palito Complex. There is no evidence, at this time, to suggest that the authorities in Brazil have any intention to try and close down or suspend mining activities as a result of the current Coronavirus pandemic. On 20 March 2020, it was stipulated in Decree 10,282/20 that mineral activity was considered an essential business sector and further actions have subsequently been invoked to prevent any restrictive measures being applied to the supplies required by the mining industry including transportation of supplies, availability of materials required for processing, and the sale and transportation of the mineral products.

Whilst recognising all the above uncertainties, the Directors have prepared the financial statements on a going concern basis. In the event that additional short term funding is required, the Directors believe there is a reasonable prospect of the Group securing further funds as and when required in order that the Group can meet all liabilities including the Coringa Deferred Consideration and the secured loan with Sprott as and when they fall due in the next 12 months. The Directors have been successful in raising funding as and when required in the past and consider that the Group continues to have strong support from its major shareholders who have been supportive of and provided additional funding when required on previous occasions.

As at the date of this report both the medium and long term impact of COVID-19 on the underlying operations, and the outcome of raising any further funds that may be required, remains uncertain and this represents a material uncertainty surrounding going concern. If the Group fails to achieve the operational plan or to raise any additional necessary funds, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The matters explained indicate that a material uncertainty

exists that may cast significant doubt on the Group and Company's ability to continue as a going concern. These financial statements do not show the adjustments to the assets and liabilities of the Group or the Company if this was to occur

2. Finance expense and income

	3 months ended 31 March 2020 (unaudited)	3 months ended 31 March 2019 (unaudited)
	US\$	US\$
Interest expense on secured loan	(145,091)	(149,584)
Expense in respect of non-substantial modification	(39,900)	—
Unwinding of discount on acquisition payment	—	(261,521)
	(184,991)	(411,105)
Income arising upon revaluation of derivatives	—	136,842
Interest income	—	2,217
Net finance expense	(184,991)	(272,046)

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\$185,578 as a deferred tax charge during the three month period to 31 March 2020.

The Group has also incurred a tax charge for the period in Brazil of US\$343,581.

4. Earnings per Share

	3 months ended 31 March 2020 (unaudited)	3 months ended 31 March 2019 (unaudited)
Profit attributable to ordinary shareholders (US\$)	772,632	1,549,962
Weighted average ordinary shares in issue	58,909,551	58,909,551
Basic profit per share (US cents)	1.31	2.63
Diluted ordinary shares in issue ⁽¹⁾	60,912,145	62,346,301
Diluted profit per share (US cents)	1.27	2.49

(1) Based on 2,087,587 options vested and exercisable as at 31 March 2020 (31 March 2019: 3,436,750 options)

4. Post balance sheet events

On 21 January 2020, the Group entered into a subscription deed (the "Subscription Deed") for the issue of US\$12 million of Convertible Loan Notes (the "Loan Notes") by Greenstone Resources II LP (the "Greenstone") the proceeds of which were to be applied inter-alia to settle a payment of US\$12 million due to [Equinox Gold Corp.](#) (the "Equinox") representing a final payment for the acquisition of the Coringa gold project (the "Coringa Deferred Consideration"). The subscription deed was subject to shareholder approval and certain other conditions being fulfilled at the time of initial drawdown. However, as a consequence of the uncertainties caused by Coronavirus, the Group subsequently agreed with Greenstone to extend the period for the satisfaction of all the conditions necessary for the completion of the subscription for and issue to Greenstone of the Loan Notes.

On 9 April 2020, the Group announced that it had reached an agreement with Equinox whereby the date for the completion of the Coringa Deferred Consideration was extended (the "Deferral Period") until such time as there are no international travel restrictions imposed by the Brazilian authorities and also no travel restrictions within or into the State of Para, Brazil, (the "Travel Restriction Condition") where the Group's Palito Complex gold production operations and the Coringa gold project are located. Under the terms of the extension the Group will start to make instalment payments in respect the Coringa Deferred Consideration of US\$500,000 per month payable on each of 1 May 2020, 1 June 2020 and 1 July 2020 which will increase to US\$1 million per month thereafter until such time as the Travel Restriction Condition is satisfied. The balance outstanding of the Coringa Deferred Consideration is expected to be settled within six weeks of the Travel Restriction Condition being satisfied.

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

Under the Amendment Deed certain terms of the subscription with Greenstone have been amended as follows:

1. the Company may, prior to the satisfaction of the Travel Restriction Condition only submit a subscription request in respect of Convertible Loan Notes in the amount of US\$500,000 each month. Following the satisfaction of the Travel Restriction Condition, the Company may then issue further subscription request for amounts of not less than US\$100,000 and not exceeding an amount equal to US\$12,000,000 less the sum of the aggregate principal amount of all Notes outstanding at that time.
2. until such time as the existing secured loan due to Sprott Resource Lending Partnership (the "Sprott Loan") has been repaid, the Convertible Loan Notes shall be unsecured and will be subordinated to the Sprott Loan. The Sprott Loan was approximately US\$3.45 million as at 31 March 2020 and is being repaid in three equal monthly instalments ending 30 June 2020.
3. Following settlement of the Sprott Loan, the security interests of Sprott will be discharged and the Company will grant to Greenstone the security package as originally envisaged save that a pledge of the shares of Chapleau Resources Limited ("CRL") will continue to be held by Equinox until such time as the Coringa Deferred Consideration is settled in full. CRL holds 100% of the shares of Chapleau Explora Mineral Ltda which in turn holds the exploration licences for the Coringa gold project
4. The period during which the Company may issue an Issue Notice to Greenstone expires on 31 December 2020 unless otherwise agreed.
5. Subject to Greenstone not having exercised its option to convert the amount outstanding into Conversion Shares, the Convertible Loan Notes are due to be repaid 16 months after the first Issue Date which was 30 April 2020.

Save as set out above there have been no other material changes to the terms of the Subscription Deed. The underlying conversion price at which Greenstone may, convert any outstanding amount into Ordinary Shares ("Conversion Shares") in the Company has not been varied and remains at a price of 0.76 per Ordinary Share. Greenstone may convert any outstanding Convertible Loan Notes at any time.

The occurrence of the Coronavirus (COVID-19) pandemic has created significant uncertainty for all business sectors including the Group and in particular the short-term effects and actions that may need to be implemented either by the Group or that may be imposed on the Group by new regulations or measures taken by government. Already there are limitations imposed which restrict the ability of certain of the Company's personnel and contractors to attend the Group's operations. The Group has and is implementing measures that will permit it to maintain operations albeit at potentially reduced levels of production than previously envisaged. The Group has implemented measures to reduce the numbers of personnel and camp and has ceased all exploration activity to liberate on site accommodation for personnel dedicated to mining and gold production. In the short term, current staff at site have agreed to extend their rosters in order to minimise crew changeovers in the immediate term, thereby minimising the potential for the virus to be introduced to the mine site. The Group started to introduce a testing regime during May 2020 which is allowing for limited changeover of personnel to be re-introduced and keep the mine site virus-free. It is expected that the additional testing capability can be acquired during the second quarter.

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

Qualified Persons Statement

The scientific and technical information contained within this announcement has been reviewed and approved by Michael Hodgson, a Director of the Company. Mr Hodgson is an Economic Geologist by training with over 26 years' experience in the mining industry. He holds a BSc (Hons) Geology, University of London, a MSc Mining Geology, University of Leicester and is a Fellow of the Institute of Materials, Minerals and Mining and a Chartered Engineer of the Engineering Council of UK, recognising him as both a Qualified Person for the purposes of Canadian National Instrument 43-101 and by the AIM Guidance Note on Mining and Oil & Gas Companies dated June 2009.

Forward Looking Statements

Certain statements in this announcement are, or may be deemed to be, forward looking statements. Forward looking statements are identified by their use of terms and phrases such as "believe", "could", "should", "envisage", "estimate", "intend", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These forward looking statements are not based on historical facts but rather on the Directors' current expectations and assumptions regarding the Company's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Such forward looking statements reflect the Directors' current beliefs and assumptions and are based on information currently available to the Directors. A number of factors could cause actual results to differ materially from the results discussed in the forward looking statements including risks associated with vulnerability to general economic and business conditions, competition, environmental and other regulatory changes, actions by governmental authorities, the availability of capital markets, reliance on key personnel, uninsured and underinsured losses and other factors, many of which are beyond the control of the Company. Although any forward looking statements contained in this announcement are based upon what the Directors believe to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such forward looking statements.

ENDS

Attachment

- Q1 2020 Financial Statements

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