

Unaudited Results for the three and nine month periods ended 30 September 2020

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For immediate release

13 November 2020

[Serabi Gold Plc](#)

(Serabi; or the Company;)

Unaudited Results for the three and nine month periods ended 30 September 2020

Serabi (AIM:SRB, TSX:SBI), the Brazilian focused gold mining and development company, today releases its unaudited results for the three and nine month periods ended 30 September 2020.

Financial Highlights

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

Key Financial Information

	9 months to 30 September 2020 US\$	3 months to 30 September 2020 US\$
Revenue	45,403,793	15,941,963
Cost of sales	(24,908,688)	(8,487,475)
Gross operating profit	20,495,105	7,454,488
Administration and share based payments	(4,838,661)	(1,168,595)
EBITDA	15,656,444	6,285,893
Depreciation and amortisation charges	(4,716,809)	(1,484,715)
Operating profit / (loss) before finance and tax	10,939,635	4,801,178
Profit / (loss) after tax	7,828,409	3,671,944
Earnings per ordinary share (basic)	13.28c	6.23c
Average gold price received (US\$/oz)	US\$1,707	US\$1,881

	As at 30 September 2020 US\$	
Cash and cash equivalents	10,968,059	
Net assets	59,209,072	
Cash Cost and All-In Sustaining Cost (AISC)		
	9 months to 30 September 2020	9 months to 30 September 2019
Gold production for cash cost and AISC purposes	24,748 ozs	29,878 ozs
Total Cash Cost of production (per ounce)	US\$1,013	US\$844
Total AISC of production (per ounce)	US\$1,298	US\$1,078

Operational Highlights

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

		SUMMARY PRODUCTION STATISTICS FOR 2020 AND 2019							
		Qtr 1	Qtr 2	Qtr 3	YTD	Qtr 1	Qtr 2	Qtr 3	Qtr 4
		2020	2020	2020	2020	2019	2019	2019	2019
Gold production ^{(1) (2)}	Ounces	9,020	8,504	7,224	24,478	10,164	9,527	10,187	10,200
Mined ore	Tonnes	42,036	43,519	44,077	129,632	42,609	44,784	44,757	44,757
	Gold grade (g/t)	6.54	5.85	4.84	5.73	7.47	6.72	7.14	6.66
Milled ore	Tonnes	40,465	44,235	46,135	130,835	43,451	43,711	45,378	44,757
	Gold grade (g/t)	6.66	5.91	4.75	5.73	7.69	6.72	6.84	6.84
Horizontal development	Total Metres	2,878	3,004	3,037	8,919	1,868	2,419	2,433	2,900

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

Exploration and Development Highlights

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

Key Objectives for 2020

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

2020 Production Guidance

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

Outlook for 2021

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

Clive Line, CFO of Serabi has been interviewed by Crux Investors and BRR Media. These interviews can be accessed using the following links

Crux Investors - <https://youtu.be/HwchlnUwuk>

BRR Media - <https://www.brrmedia.co.uk/broadcasts-embed/5fabf3ae39bad9268170c31d/?serabi-gold&popup=true>

Clive Line, CFO of Serabi commented,

“Notwithstanding the lower than hoped for production for the third quarter, the strong gold price has meant that the results for the third quarter of 2020 have shown a slight improvement compared with second quarter which itself was one of our best ever quarters.

“Cash flow generation has again been strong with cash flow from operations of US\$5.75 million and after accounting for capital expenditures, the net operational cash flow of US\$3.74 million, slightly lower than was reported for the second quarter but reflecting an increased level of expenditure on improvements to the mining fleet.

“Operating profit (before finance costs) of US\$4.8 million is at the same level as for the preceding quarter and represents a 100 per cent improvement compared to the same quarter in 2019. For the year to date the operating profit (before finance costs) of US\$10.94 million represents a 90 per cent improvement year on year.

“The financial performance has been assisted by the strong gold price and the continued weakness of the Brazilian Real with the average gold price for the third quarter of approximately US\$1,908. For the year to date the Group has averaged a realised price of US\$1,707 for the sales completed to the end of September 2020 which compares with the LBMA average for the year to the end September 2020 of US\$1,735.

“During the quarter the Company has repaid a further US\$2.5 million for the outstanding acquisition obligation for the Coringa project and subsequent to the quarter end has settled a further US\$2.0 million leaving a balance, of the principal outstanding, of US\$6.5 million. Based on the current schedule of monthly repayments this remaining obligation should be settled during in the second quarter of 2021. With the cash flow generated, the Company has been able to fund US\$2.0 million of these payments from cash flow drawing down since the start of July 2020 only a further US\$0.5 million of the US\$12 million Convertible Loan Note facility (the “Loan Note Facility”) that was entered into with Greenstone Resources II LP (“Greenstone”) in April 2020. Currently only US\$2.0 million has been drawn down to date against this facility which was initially put in place when gold prices were weaker and the impacts of CV-19 difficult to assess, to provide certainty that the Company had funding available to it to meet this

acquisition obligation. Management will continue to try to pay the on-going instalment payments for Coringa from cash flow generated from operations and minimise the requirement to make further drawdowns against the Loan Note Facility.

“The cash cost per ounce and the AISC per ounce for the year to date need to be viewed in context. Gold production for the year to date has been quite significantly lower than was originally forecast. In the first quarter this was the result of a breakdown of the largest of the three ball mills during February, whilst production levels for the second and third quarters have been affected by the need to reduce the workforce on site to allow socially distanced working conditions. As a result the on-site workforce over the last two quarters has been approximately 65 per cent of the normal staffing complement for much of the time those staff who were at site, voluntarily extended their work rosters with many spending up to three months at site to maintain the mining operations as restrictions on travel and a lack of testing capacity at the time rendered team changes very difficult. Had production for the second and third quarters been at the original levels expected, this would have potentially translated into a 21 per cent improvement in the AISC and Cash Costs.

“Looking at the operational statistics during the first nine months of the 2020, mined tonnage and plant throughput have been at similar levels to the same period in 2019 with lower processed grades being the major contributor to the reduction in gold production. The original plan for 2020 was to increase mining rates compared with 2019, and to use the ore sorter to beneficiate the lower grade material and deliver a sorted higher grade product to the process plant. The mine plan was therefore deliberately designed to undertake more development (more diluted ore given the mining method) as well as more lower grade stopes. The intention was to beneficiate this lower grade material through the ore sorter, screen out the majority of the waste and send the resultant lower volume of higher grade product to the plant. The Company has continued to follow the original mine plan, but with the reduced workforce it has been necessary to simplify the operations, reducing the number of faces available at any one time but this has in turn resulted in a reduction of total volume and in so doing reducing the overall level of optionality for selecting the ore. As a result, lower grade ore that might normally have been stockpiled has been processed whilst there was plant capacity available.

“By the end of September 2020, operations were returning to something resembling normality and an aggressive surface and underground drilling programme is underway, along with an accelerated underground development programme targeted to replenish the reserve and resource base and allow the Company to regain the optionality and flexibility that it has benefitted from in the past. This will not be achieved overnight, and it will take some time to recover the six months that have been lost. With exploration and mine development activity being stepped up together with the usual higher labour expense of settlement of the standard “13th salary” payments that are due in November and December this will impact on the level of cash generation for the rest of the year. Nonetheless I expect that if our production estimates are attained the Company can end in the year in a comfortable financial position.”

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 and nine month periods ended 30 September 2020

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
(expressed in US\$)					
CONTINUING OPERATIONS					
Revenue		15,941,963	14,353,771	45,403,793	43,939,510
Cost of sales		(8,487,475)	(8,496,884)	(24,908,688)	(28,161,873)
Release of inventory impairment provision		—	—	—	500,000
Depreciation and amortisation charges		(1,484,715)	(2,204,030)	(4,716,809)	(6,454,531)
Total cost of sales		(9,972,190)	(10,700,914)	(29,625,497)	(34,116,404)
Gross profit		5,969,773	3,652,857	15,778,296	9,823,106
Administration expenses		(1,042,013)	(1,174,204)	(4,705,158)	(3,973,168)
Share-based payments		(182,740)	(65,484)	(344,578)	(196,455)
Gain on sales of assets disposal		56,158	(8,717)	211,075	117,718
Operating profit		4,801,178	2,404,452	10,939,635	5,771,201
Foreign exchange loss		51,642	(169,113)	(99,032)	(235,216)
Finance expense	2	(484,457)	(735,003)	(1,583,318)	(1,871,914)
Finance income	2	16,547	—	737,705	175,129
Profit before taxation		4,384,910	1,500,336	9,994,990	3,839,200
Income tax expense	3	(712,966)	(370,635)	(2,166,581)	(989,859)
Profit after taxation		3,671,944	1,129,701	7,828,409	2,849,341
Other comprehensive income (net of tax)					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		(1,259,213)	(5,187,377)	(18,873,162)	(4,695,527)
Total comprehensive profit /(loss) for the period ⁽¹⁾		2,412,731	(4,057,676)	(11,044,751)	(1,846,186)
Profit per ordinary share (basic)	4	6.23c	1.92c	13.28c	4.84c
Profit per ordinary share (diluted)	4	5.80c	1.85c	12.36c	4.67c

(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 30 September 2020

As at As at As at

	30 September 2020	30 September 2019	31 December 2019
(expressed in US\$)	(unaudited)	(unaudited)	(audited)
Non-current assets			
Deferred exploration costs	25,583,666	28,439,970	30,686,652
Property, plant and equipment	27,788,820	36,704,931	37,597,100
Right of use assets	2,207,297	2,102,183	1,997,176
Taxes receivable	828,083	1,549,463	848,845
Deferred taxation	229,464	1,542,803	1,321,782
Total non-current assets	56,637,330	70,339,350	72,451,555
Current assets			
Inventories	5,308,012	6,610,477	6,577,968
Trade and other receivables	2,076,263	872,325	802,275
Prepayments and accrued income	2,329,770	4,390,107	3,473,288
Cash and cash equivalents	10,968,059	13,440,173	14,234,612
Total current assets	20,682,104	25,313,082	25,088,143
Current liabilities			
Trade and other payables	4,573,988	7,158,839	6,113,789
Acquisition payment outstanding	8,909,397	11,810,372	12,000,000
Other interest bearing liabilities	2,060,558	6,949,152	6,952,542
Derivative financial liabilities	411,123	–	–
Accruals	293,062	344,502	319,670
Total current liabilities	16,248,128	26,262,865	25,386,001
Net current assets	4,433,976	(949,783)	(297,858)
Total assets less current liabilities	61,071,306	69,389,567	72,153,697
Non-current liabilities			
Trade and other payables	82,261	564,524	183,043
Other interest bearing liabilities	181,348	–	–
Provisions	1,598,625	1,364,487	2,237,266
Total non-current liabilities	1,862,234	1,929,011	2,420,309
Net assets	59,209,072	67,460,556	69,733,388
Equity			
Share capital	8,905,116	8,882,803	8,882,803
Share premium reserve	21,905,976	21,752,430	21,752,430
Option reserve	984,358	1,171,501	1,019,589
Other reserves	9,970,276	6,464,152	7,149,274
Translation reserve	(63,152,108)	(45,502,650)	(44,278,946)
Retained surplus	80,595,454	74,692,320	75,208,238
Equity shareholders&#8217; funds	59,209,072	67,460,556	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 have been filed with the Registrar of Companies following their adoption by shareholders at the 2020 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 and nine month periods ended 30 September 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	—	—	—	1,700,333
Share options lapsed in period	—	—	(388,321)	—
Share option expense	—	—	196,455	—
Equity shareholders' funds at 30 September 2019	8,882,803	21,752,430	1,171,501	6,464,152
Foreign currency adjustments	—	—	—	—
Profit for the period	—	—	—	—
Total comprehensive income for the period	—	—	—	—
Transfer to taxation reserve	—	—	—	685,122
Share options lapsed in period	—	—	(217,397)	—
Share option expense	—	—	65,485	—
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	—	—	—	—
Shares issued in the period	22,313	153,546	—	—
Transfer to taxation reserve	—	—	—	2,821,002
Share options exercised in period	—	—	(31,752)	—
Share options lapsed in period	—	—	(348,057)	—
Share option expense	—	—	344,578	—
Equity shareholders' funds at 30 September 2020	8,905,116	21,905,976	984,358	9,970,276

(1) Other reserves comprise a merger reserve of US\$361,461 and a taxation reserve of US\$9,608,815 (31 December 2019: merger reserve of US\$361,461 and a taxation reserve of US\$6,787,813).

Cash Flow Statement

For the three and nine month periods ended 30 September 2020

(expressed in US\$)	For the three months ended		For the nine months ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating activities				
Post tax (loss) / profit for period	3,671,944	1,129,701	7,828,409	2,849,341
Depreciation – plant, equipment and mining properties	1,484,715	2,204,030	4,716,809	6,454,531
Net financial expense	416,268	904,116	944,645	1,932,001
Provision for impairment of inventory	—	—	—	(500,000)
Provision for taxation	712,966	370,635	2,166,581	989,859
Share-based payments	182,740	65,484	399,284	196,455
Foreign exchange (loss) / gain	(79,732)	22,685	(125,537)	(360,116)
Changes in working capital				
(Increase)/decrease in inventories	55,650	(193,156)	(733,883)	1,972,184
(Increase) in receivables, prepayments and accrued income	(997,396)	119,905	(1,997,572)	(993,117)
Increase/(decrease) in payables, accruals and provisions	277,539	461,603	220,307	1,979,991

Net cash inflow from operations	5,724,694	5,085,003	13,419,043	14,521,129
Investing activities				
Purchase of property, plant and equipment and assets in construction	(860,020)	(1,138,120)	(2,049,973)	(2,599,412)
Mine development expenditure	(784,203)	(1,342,675)	(2,005,880)	(2,835,238)
Geological exploration expenditure	(267,338)	(290,503)	(1,352,610)	(1,087,027)
Pre-operational project costs	(149,457)	(433,526)	(627,097)	(1,277,048)
Acquisition of mining project	(2,500,000)	—	(3,500,000)	—
Acquisition of other property rights	(150,789)	(196,037)	(483,302)	(1,352,112)
Proceeds from sale of assets	72,188	16,741	400,047	169,822
Interest received	—	—	911	2,217
Net cash outflow on investing activities	(4,639,619)	(3,384,120)	(9,617,904)	(8,978,798)
Financing activities				
Drawdown of convertible loan	500,000	—	2,000,000	—
Repayment of secured loan	—	—	(6,983,492)	—
Payment of finance lease liabilities	(203,080)	(125,804)	(249,354)	(588,025)
Interest paid and other finance costs	(2,753)	(117,308)	(265,751)	(421,241)
Net cash (outflow) / inflow from financing activities	294,167	(243,112)	(5,498,597)	(1,009,266)
Net increase / (decrease) in cash and cash equivalents	1,379,242	1,457,771	(1,697,458)	4,533,065
Cash and cash equivalents at beginning of period	9,627,412	12,366,683	14,234,612	9,216,048
Exchange difference on cash	(38,596)	(384,281)	(1,569,095)	(308,940)
Cash and cash equivalents at end of period	10,968,059	13,440,173	10,968,059	13,440,173

Notes

1. Basis of Preparation

These interim condensed consolidated financial statements are for the three and nine month periods ended 30 September 2020. Comparative information has been provided for the unaudited three and nine month periods ended 30 September 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 Group has not adopted any standards or interpretations in advance of the required implementation dates.

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 30 September 2020 the Group had cash in hand of US\$10.97 million and net assets of US\$59.21 million.

The occurrence of the Coronavirus (COVID-19) pandemic has created significant uncertainty for all business sectors including Serabi. Whilst unable to operate at expected production levels during the second and third quarters of 2020, the Group has nonetheless maintained its gold mining operations without interruption. The levels of workforce at site were reduced as a pre-cautionary measure to improve social distancing whilst additional accommodation and other facilities could be put in place prior to a return to full workforce numbers. Whilst production levels during the second and third quarters of 2020 have been below the levels that the Group had originally forecast, the weakness of the Brazilian Real and the increased gold price that prevailed during the same period, resulted in strong cash flow being generated by the Group. In addition to paying off a US\$6.9 million secured loan during 2020, the Group has also made payments totalling US\$5.5 million (as at 12 November 2020) to Equinox Gold Inc. (“Equinox”;) for the outstanding sum due for the acquisition of the Coringa project.

At the current time the Directors have assumed that mining operations and gold production will continue at the Palito Complex at similar levels of production for the fourth quarter and expect that, with a return to a full workforce during the fourth quarter and the reintroduction of surface and underground drilling crews for mine planning purposes that production can be expected to improve during the early part of 2021. 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.

The Group has renegotiated the terms relating to the settlement of a final acquisition payment of US\$12 million due to 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 began paying 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 and a further subsequent amendment agreed with Greenstone (a) 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. (b) the Convertible Loan Notes were initially unsecured and subordinated to the Spratt Loan. Following the

completion of the repayment of the Sprott Loan on 30 June 2020, the security interests of Sprott have been discharged and the Company has granted to Greenstone the security package as originally envisaged save that a pledge of the shares of Chapleau Resources Limited (CRL) will continue to be held by Equinox until such time as the Coringa Deferred Consideration is settled in full. CRL holds 100% of the shares of Chapleau Explorations Mineral Ltda which in turn holds the exploration licences for the Coringa gold project

(d) The period during which the Company may issue an Issue Notice to Greenstone expires on 30 September 2021

(e) 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 Balance Sheet of the Group shows a net current asset position of US\$4.43 million at 30 September 2020 including the fair value of a cash liability (including accrued interest) of US\$8.9 million in respect of Coringa Deferred Consideration of which a further US\$2.0 million has been settled subsequent to the period end. The Group plans to try to continue to finance this liability as much as possible from its operational cash flow but can also obtain additional working capital through the issue of the balance of the US\$12 million of Convertible Loan Notes to Greenstone which will not be repayable until 31 August 2021. As at the current date, US\$2.0 million has been drawn down against the Convertible Loan Notes and US\$6.5 million remains outstanding in respect of the Coringa Deferred Consideration.

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.

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 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 30 September 2020 (unaudited) US\$	3 months ended 30 September 2019 (unaudited) US\$	9 months ended 30 September 2020 (unaudited) US\$
Interest expense on secured loan	(173,637)	(173,637)	(203,127)
Interest expense on convertible loan	(33,899)	(33,899)	(72,806)
Interest expense on mineral property acquisition liability	(239,071)	(239,071)	(823,361)
Unwinding of discount on mineral property acquisition liability	(280,344)	(280,344)	(280,344)
Expense in respect of non-substantial modification	(155,237)	(39,900)	(390,274)
Amortisation of arrangement fee for convertible loan	(56,250)	(56,250)	(93,750)
Loss on revaluation of derivatives	(484,457)	(241,122)	(1,583,318)
Gain in respect of non-substantial modification	(484,457)	(735,003)	724,438
Gain on revaluation of derivatives	16,547	(735,003)	12,356

Interest income	—	—	911
Net finance expense	(467,910)	(735,003)	(845,613)

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\$794,044 as a deferred tax charge during the nine month period to 30 September 2020.

The Group has also incurred a tax charge in Brazil for the nine month period of US\$1,372,535.

4. Earnings per Share

	3 months ended 30 September 2020 (unaudited)	3 months ended 30 September 2019 (unaudited)	9 months ended 30 September 2020 (unaudited)	9 months ended 30 September 2019 (unaudited)
Profit attributable to ordinary shareholders (US\$)	3,671,944	1,129,701	7,828,409	2,849,300
Weighted average ordinary shares in issue	58,981,290	58,909,551	58,946,229	58,909,551
Basic profit per share (US cents)	6.23c	1.92c	13.28c	4.84c
Diluted ordinary shares in issue ⁽¹⁾	63,362,694	60,997,145	63,327,628	60,997,145
Diluted profit per share (US cents)	5.80c	1.85c	12.36c	4.67c

(1) Based on 2,345,088 options vested and exercisable as at 30 September 2020 and 2,036,316 shares that could be issued pursuant to any exercise of conversion rights attaching to the Convertible Loan Notes as at 30 September 2020 (30 September 2019: 2,087,594 options)

4. Post balance sheet events

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

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.

Assay Results

The assay results reported within this release include those provided by the Company's own on-site laboratory facilities at Palito which may not have been independently verified. Serabi closely monitors the performance of its own facility against results from independent laboratory analysis for quality control purpose. As a matter of normal practice the Company sends duplicate samples derived from a variety of the Company's activities to accredited laboratory facilities for independent verification. Based on the results of this work, the Company's management are satisfied that the Company's own facility shows good correlation with independent laboratory facilities. The Company would expect that in the preparation of any future independent Reserve/Resource statement undertaken in compliance with a recognised standard, the independent authors of such a statement would not use Palito assay results but only use assay results reported by an appropriately certificated laboratory.

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

- Q3 2020 Financial Report

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