PRESS RELEASE 28 MARCH 2014
SERABI GOLD plc ("Serabi" or "the Company")

SERABI GOLD

Audited Results for the year ended 31 December 2013

Serabi (AIM:SRB, TSX:SBI), the Brazilian focused gold mining and exploration company, today releases its audited results for the year ended 31 December 2013.

Corporate Highlights

Palito Mine Development

- Commissioning of the process plant at Palito commenced at the end of 2013, in accordance with the Company's plan, and gold production started in the first quarter of 2014.
- Mine development at Palito commenced in the second quarter of 2013 and by the end of 2013 the Company had established a total uncrushed ore stockpile of approximately 25,000 tonnes averaging over 8.0 grammes per tonne gold ("g/t") and 0.35% copper.
- Contract signed for the refining and purchase of the copper/gold concentrate that will be produced at Palito.

Sao Chico gold project

- On 18 July 2013, the Company completed the acquisition of Kenai Resources Ltd ("Kenai") including the Sao Chico gold project:
    - A high grade gold deposit, located approximately 25 kilometres from Serabi's Palito Gold Mine.
    - Hosts a NI 43-101 compliant combined Measured and Indicated Mineral Resource of 25,275 ounces of gold at 29.77 g/t and an Inferred Mineral Resource of 71,385 ounces gold at 26.03 g/t.
    - Expected to be the first satellite gold resource to supplement Palito Mine gold production, with high grade material.
- Completion of a successful exploration drilling programme at Sao Chico:
    - High–grade gold intersections (ten intercepts have been recorded in excess of 100g/t) confirm a consistent high grade zone within the Main Vein, as well as potential extensions or additional veins to the South, East and West.
    - Strike length of Main Vein has now more than doubled from 150 metres to over 350 metres (see press release of 9 September 2013).
    - Potential for further significant strike and depth extension remains, particularly to the West.

Corporate

- On 17 January 2013 the Company completed the placement of 270 million new ordinary shares raising gross proceeds of GB£16.2 million to finance the development of the Palito Mine project as outlined in the preliminary economic assessment. The placement of new shares was underwritten by Fratelli Investments Limited ("Fratelli"), one of the Company's major shareholders.

- On 3 March 2014 the Company completed the placement of 200 million new ordinary shares and 100 million share purchase warrants raising gross proceeds of GB£10.0 million to finance the next stage of the evaluation and development of the Sao Chico gold project, to provide working capital for the on-going start-up of the Palito gold mine and for general working capital.

Mike Hodgson, CEO of Serabi said,
"Palito is in production, with full throughputs expected in the second quarter of this year and we have started the initial mine development at our high grade Sao Chico deposits. Financially, we are in a strong position with no significant borrowings and US$13 million in cash. I am very optimistic about our prospects for 2014."

Chairman's Statement

Over the last 12 months, the principal activity of Serabi has been the development of our Palito mine, commissioning the plant and the successful start of production, which was achieved on time and within budget. In 2013 we secured the financing to develop the mine and remediate the process plant and I was delighted that the Company could report a first month of production activity for January 2014.

In 2013 we also took the opportunity to acquire the Sao Chico, gold project. Sao Chico is a high grade gold deposit, some 25km from Palito. Following the acquisition we undertook a surface drilling programme that returned gold intercepts in excess of 100 grammes per tonne. To

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date the original 150 metre strike length of the current mineral resource has more than doubled and with further infill drilling, could become substantially larger. A programme of initial development and further evaluation is planned for 2014 and if this meets expectations we would be hoping to bring the mine into full production during the second half of 2015.

The most recent round of funding, through which the Company raised £10 million in March 2014, was to finance the initial development of Sao Chico. Once again we were grateful for the support of our existing shareholders and especially the support of our "cornerstone" investor, Fratelli Investments Limited. The ongoing support from Fratelli enables the Company to continue to develop its assets in an efficient and timely manner. Our management team is now focused on optimising production at Palito, generating revenues and establishing a profitable operation, together with developing our Sao Chico project.

Economic and market conditions have been difficult for junior mining companies. However, we have a number of factors in our favour; including high quality deposits, a producing gold mine and a strong management team. Although future gold prices continue to remain uncertain, the Company is in a strong position with no significant borrowings and US$13 million in cash available following completion of the latest financing.

At the end of the year, Mr Christopher Kingsman stood down as a Director of the Company. I would like to extend my thanks to him for both the contribution and insight he provided to the Board and for his long-standing and continued support as a shareholder.

I am confident that 2014 will continue to be an exciting and evolutionary year for Serabi in which we will generate value for our shareholders.

Finally may I thank all our employees and management team for their hard work and also thank our shareholders for their continued support.

Sean Harvey - Chairman

Serabi's Directors Report and Financial Statements for the year ended 31 December 2013 together the Chairman's Statement and the Management Discussion and Analysis, will be available from the Company's website – www.serabigold.com and will be posted on SEDAR at www.sedar.com.

Annual Report

The Annual Report has been published by the Company on its website at www.serabigold.com and printed copies are expected to be available by 30 April 2013. Additional copies will be available to the public, free of charge, from the Company's offices at 2nd floor, 30 – 32 Ludgate Hill, London, EC4M 7DR and will be available to download from the Company's website at www.serabigold.com.

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

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

The Company will, in compliance with Canadian regulatory requirements, post its Management Discussion and Analysis for the year ended 31 December 2013 and its Annual Information Form on SEDAR at www.sedar.com. These documents will also available from the Company's website – www.serabigold.com.

FINANCE REVIEW

The data included in the selected annual information table below is taken from the Company's annual audited financial statements which were prepared in accordance with International Financial Reporting Standards in force at the reporting date and their interpretations issued by the International Accounting Standards Board ("IASB") and adopted for use within the European Union (IFRS) and with IFRS and their interpretations issued by the IASB. There are no material differences on application to the Group. The consolidated financial statements have also been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

	2013 US$	2012 US$	2011 US$
Revenues	–	–	3,807
Net loss	(6,264,233)	(4,736,986)	(5,935,823)
Net loss per share (basic and diluted)	(1.60) cents	(5.29) cents	(10.01) cents
Total current assets	9,020,774	3,993,428	3,309,822
Deferred exploration costs	24,659,003	17,360,805	16,648,884
Property plant and equipment	36,008,318	26,848,991	28,266,092
Total assets	69,688,095	48,203,224	48,224,798
Total liabilities	9,653,388	8,942,223	4,940,318
Equity shareholders' funds	60,034,707	39,261,001	43,284,480

Results of Operations

Twelve month period ended 31 December 2013 compared to the twelve month period ended 31 December 2012

The loss from operations has increased by US$1,467,000 from a loss of US$4,260,000 for the twelve months ending 31 December 2012 to US$5,727,000 for the twelve month period to 31 December 2013.

During 2012 operating costs totalled US$478,000. These operating costs were comprised of an inventory write down of US$280,000 (2013: US$ nil), as well as maintenance costs of the process plant totalling US$198,000. In the six month period to 30 June 2012 all costs relating to the maintenance of the process plant were treated as an operating expense as they were incurred. Since the decision was taken by the Board at the end of June 2012 to proceed with the development of the Palito Mine, the plant has been considered to be in a state of refurbishment and all costs related to the plant are being capitalised as part of the overall mine development costs and therefore there is no comparable expense for maintenance costs of the process plant reported in the income statement for the twelve month period to 31 December 2013.

General administration costs have increased by US$747,000, as per the table below, reflecting the increased levels of activity during the twelve month period ended 31 December 2013 compared with the corresponding twelve month period ended 31 December 2012.

	Note	2013 US$	2012 US$	Variance US$
Administration expenses	i	2,663,490	2,276,309	387,181
Labour claims	ii	–	236,963	(236,963)
Kenai acquisition costs	iii	270,000	–	270,000
Management performance bonus	iv	326,512	–	326,512
		3,260,002	2,513,272	746,730

i. Administration expenses have increased by US$387,181 from 2012 in comparison to 2013. The major contributor to this increase was administration costs totalling US$271,000 (notably salary, re-organisation and termination expenses) relating to the acquisition of Kenai Resources Ltd that was completed in July 2013.
ii. The expense for the twelve months to 31 December 2012 included a charge in respect of labour claims amounting to US$237,000 whilst during the twelve month period to 31 December 2013 the comparable cost reported in the income and expenditure account was US$ nil.
iii. Legal costs of US$270,000 were incurred during 2013 relating to acquisition expenses and re-organisation costs in connection with the acquisition of Kenai Resources Ltd.
iv. The Company made bonus payments to senior employees during 2013, totalling US$326,000. There was no corresponding charge in the previous year.

The provision for indirect taxes of US$626,496 incurred during 2013 relates to tax charges, penalties and fines relating to the period 2004-2010. The Company was only made aware during 2013 that over these preceding calendar years it had incorrectly set-off certain taxes that it was due to recover against other taxes that were repayable to the Company. The Company did not have a corresponding charge during the same period in 2012. The liability is being settled in instalments up to June 2018.

Share based payments increased by US$175,882, from US$128,882 for the year ended 31 December 2012 to US$304,764 during the twelve month period ended 31 December 2013. The deemed value assigned to share options is amortised over the expected option life and is calculated using the Black Scholes model. The charge for the year months to 31 December 2013 is in respect of options granted between January 2011 and 31 December 2013 and the increase reflects the award of options made in January 2013, which was relatively higher than awards made in prior calendar years.

Deferred exploration expenditure totalling US$1,007,000 was written off during the 12 month ended 31 December in comparison to US$268,000 written off during the same period in 2012. The charge for the calendar year ended 31 December 2102 relates to the Pizon project which the board has determined is no longer a priority for the Group and no further work is planned in the immediate future.

Depreciation charges decreased by US$357,000 from US$891,000 for the twelve month period ended 31 December 2012 to US$534,000 for the 12 month period ended 31 December 2013. The reduction in depreciation charges between the two periods reflects many of the Company's assets reaching the end of their original forecasted lives for amortisation purposes and have therefore now been fully amortised. The new underground mining fleet delivered during the third quarter of 2013, is being depreciated but in accordance with normal practice, the depreciation charges which amounted to US$126,000 for the year to 31 December 2013 were capitalised as a pre-production cost whist the mine is still in development and commercial production has not been declared. Depreciation charges recorded in the income and expenditure account will increase once the company has declared commercial production.

The Company recorded a foreign exchange loss of US$170,000 in the twelve month period to 31 December 2013 which compares with a foreign exchange gain of US$73,000 recorded for the twelve months ended 31 December 2012. The loss for the twelve months to 31 December 2013 primarily comprises losses on cash holdings denominated in GB Pounds Sterling and Euros. The Company holds funds in certain currencies in anticipation of future expenditures that are anticipated to be settled in those currencies. These currency holdings were acquired early in the twelve month period, which saw a period of strengthening of the US Dollar against most major currencies resulting in these book exchange losses over the twelve month period.

Net interest charges for the twelve month period to 31 December 2013 were US$366,967 compared with US$549,593 for the corresponding twelve month period to 31 December 2012. An analysis of the composition of these charges is set out in the table below:

	2013 US$	2012 US$
Interest on short term loan	26,630	80,745
Interest expense on convertible loan stock	67,951	56,304
Fee for provision of short term loan	225,000	180,000
Asset finance charges	55,320	–
Unwinding of discount factor on rehabilitation provision	–	170,914
Other interest and finance expenses	(359)	67,872
	374,542	555,835
Interest income	(7,575)	(6,171)
	366,967	549,593

Interest charges on the short term loan relate to a US$6.0 million facility provided by Fratelli Investments Limited ("Fratelli") which was entered into on 1 October 2012. Under the loan agreement a facility fee of 3% was payable to Fratelli and interest accrued at the rate of 12% per annum. The facility was repaid in January 2013 from the proceeds of a GB£16.2 million placement of new ordinary shares that was completed on 17 January 2013.

The fee of US$225,000 for the year ended 31 December 2013 relates to the US$7.5 million loan provided by Fratelli on 20 December 2013 of which US$2.5 million was drawn down before the year end.

Asset finance charges relate to the acquisition of new mining equipment under supplier credit terms. The first instalment was settled in June 2013 when the first item was received in Brazil. The lease terms are for a three year period and bear interest at the rate of 6.45% per annum.

Summary of quarterly results

	Quarter ended 31 December 2013 US$	Quarter ended 30 September 2013 US$	Quarter ended 30 June 2013 US$	Quarter ended 31 March 2013 US$
Revenues	–	–	–	–
Operating expenses	–	–	–	–
Gross loss	–	–	–	–
Administration expenses	(872,677)	(816,887)	(655,607)	(908,753)
Provision for indirect taxes	(213,220)	(263,250)	(150,026)	–
Option costs	(161,226)	(47,846)	(47,846)	(47,846)
Write-off of past exploration expenditures	(1,007,233)	–	–	–
Depreciation of plant and equipment	(186,000)	(127,850)	(112,974)	(107,667)
Operating loss	(2,440,356)	(1,255,833)	(966,453)	(1,064,266)
Exchange	(36,618)	98,078	23,400	(255,218)
Net finance costs	(268,589)	(44,174)	(14,462)	(39,742)
Loss before taxation	(2,745,563)	(1,201,929)	(957,515)	(1,359,226)
Loss per ordinary share (basic and diluted)	(0.01) cents	(0.27) cents	(0.27) cents	(0.43) cents
Deferred exploration costs	24,659,003	25,950,041	16,375,076	17,696,480
Property, plant and equipment	36,008,318	36,603,692	30,228,704	29,187,365
Total current assets	9,020,774	10,134,384	17,758,039	21,881,077
Total assets	69,688,095	72,688,117	64,361,819	68,764,922
Total liabilities	9,653,388	7,504,716	5,432,817	4,857,524
Shareholders' equity	60,034,707	65,183,401	58,929,002	63,907,398

	Quarter ended	Quarter ended	Quarter ended	Quarter ended

	31 December 2012 US$	30 September 2012 US$	30 June 2012 US$	31 March 2012 US$
Revenues	–	–	–	–
Operating expenses	(296,017)	–	(64,250)	(117,694)
Gross loss	(296,017)	–	(64,250)	(117,694)
Administration expenses	(679,272)	(450,047)	(573,167)	(810,786)
Option costs	(33,244)	(33,244)	(33,244)	(29,150)
Write-off of past exploration expenditures	(267,703)	–	–	–
Gain on asset disposals	9,857	–	8,599	–
Depreciation of plant and equipment	(83,110)	(223,150)	(158,204)	(426,637)
Operating loss	(1,349,489)	(706,441)	(820,266)	(1,384,267)
Exchange	(4,380)	9,434	(19,103)	87,190
Net finance costs	(498,343)	(18,541)	(14,731)	(18,049)
Loss before taxation	(1,852,212)	(715,548)	(854,100)	(1,315,126)
Loss per ordinary share (basic and diluted)	(2.03) cents	(0.78) cents	(0.94) cents	(1.56) cents
Deferred exploration costs	17,360,805	18,249,489	17,405,081	17,998,296
Property, plant and equipment	26,848,991	25,514,742	25,845,466	28,690,108
Total current assets	3,993,428	2,054,299	3,305,872	5,291,258
Total assets	48,203,224	45,818,530	46,556,419	51,979,662
Total liabilities	8,942,223	4,358,930	4,219,578	4,537,035
Shareholders' equity	39,261,001	41,459,600	42,336,841	47,442,627

Three month period ended 31 December 2013 compared to the three month period ended 31 December 2012

The loss from operations increased by US$1,090,867 from US$1,349,489 for the 3 months ended 31 December 2012 to US$2,440,356 for the 3 month period ended 31 December 2013. The majority of this increase reflects the decision to write-off past exploration expenditure on the Pizon project amounting to US$1,007,000 which compared with the value of past exploration costs written off in the three month period to 31 December 2012 of US$268,000.

Administration costs have shown an overall increase from US$679,272 for the 3 month period ended 31 December 2012 to US$872,677 for the 3 month period to 31 December 2013. This increase is primarily due to costs (notably salary and termination expenses) relating to Kenai Resources Ltd of US$105,000. The Company's level of administrative staffing has also increased compared with the same period in 2012 reflecting the increased level of support activity relating to the commencement of production operations at Palito. These personnel are involved in the accounting, information technology and personnel departments.

The tax charge of US$213,000 (including fines & penalties) is in respect of ICMS (a sales related tax) incurred during the final quarter of 2013 and related to the period 2004-2010. The company was only made aware of these charges and fines during 2013 and therefore no corresponding charge was incurred during the same period in 2012. The Company will settle this liability over the period to June 2018.

The increase in depreciation charges of US$103,000 between the two periods reflects the Company having purchased new plant and equipment during the year as it returned the Palito Mine to production. New underground mining fleet was delivered during the third quarter of 2013 and is being depreciated in accordance with normal practice. The depreciation charges for this particular equipment which amounted to US$39,000 for the three months to 31 December 2013 are being capitalised as a pre-production cost whist the mine remains in a ramp-up phase. All other deprecation charges are being expensed.

Deferred exploration expenditure totalling US$1,007,000 was written of during the 3 month period ended 31 December 2013 in comparison to US$268,000 written off during the same period in 2012. This exploration expenditure relates to work carried out on the Pizon project located in the Amazonas state and was carried out before 2008. The board has determined that the project is no longer a priority for the Group and no further work is planned in the immediate future.

Share based payments increased from US$33,000 for the three month period ended 31 December 2012 to US$161,226 for the three month period ended 31 December 2013. The deemed value assigned to these share options is amortised over the expected option life and is calculated using the Black Scholes model. In the fourth quarter of 2013 it was noted that charges in earlier quarters for 2013 had been incorrectly calculated and an amount of US$85,000 has been included during the fourth quarter of 2013 to correct this error. The charge for the three months to 31 December 2013 is in respect of options granted between January 2011 and 31 December 2013.

The Company recorded a foreign exchange loss of US$37,000 in the 3 month period to 31 December 2013 which compares with a foreign exchange loss of US$41,000 recorded for the 3 months ended 31 December 2012. These foreign exchange losses primarily incurred in respect of the cash holdings of the Company in currencies other than US Dollars as at the period end and do not necessarily reflect actual realised profits or losses. The Company holds funds in certain currencies in anticipation of future expenditures that are anticipated to be settled in those currencies.

Net interest charges for the 3 month period to 31 December 2013 were US$258,888 compared with US$498,289 for the corresponding period 3 month period to 31 December 2012. An analysis of the composition of these charges is set out in the table below:

	2013 US$	2012 US$
Interest on short term loan	–	80,745
Interest expense on convertible loan stock	18,083	14,131
Fee for provision of short term loan	225,000	180,000
Asset finance charges	16,606	–
Unwinding of discount factor on rehabilitation provision	–	170,913
Other interest and finance expenses	–	52,542
	259,689	498,331
Interest income	(801)	(42)
	258,888	498,289

Asset finance charges relate to the acquisition of new mining equipment under supplier credit terms. The first instalment was settled in June 2013 when the first item was received in Brazil.

The fee of US$225,000 for the year ended 31 December 2013 relates to the US$7.5 million loan facility provided by Fratelli Investments Limited ("Fratelli") on 20 December 2013 of which US$2.5 million was drawn down before the year end.

Liquidity and Capital Resources

On 20 December 2013, the Company entered into a secured loan agreement for a total facility of US$7.5 million with Fratelli Investments Limited ("Fratelli") and at the same time entered into a conditional subscription agreement with Fratelli for the placement of up to 162.5 million units as part of a placement of up to 200 million units to raise up to GB£10 million. Under the Loan Agreement Fratelli agreed to provide up to US$7.5 million to be drawn down in three instalments commencing from the date of the agreement to provide working capital to the Company and the Group during the start-up phase of gold production at Palito and to finance the initial development at the Sao Chico gold project. The loan was to be repaid by the earlier of 30 April 2014 and the date falling seven days after the funds due from Fratelli under the conditional subscription were received and carried interest at a rate of 12% per annum and an arrangement fee of 3% of the facility amount. The loan was secured against (i) the entire share capital of Serabi Mining Limited, a subsidiary of Serabi Gold plc, and the 99.99% shareholder of Serabi Mineração SA, which is the licence holder for the Palito Mine and (ii) the entire share capital of Kenai Resource Ltd a subsidiary of Serabi Gold plc and the 100 per cent shareholder of Gold Aura do Brasil Mineração Ltda, which is the licence holder for the Sao Chico project. In addition the Company also made a charge in favour of Fratelli over all current and future sums owed by Serabi Mineração SA to Serabi Gold plc. Following completion of the share placing on 3 March 2014, all amounts borrowed by the Company under the loan facility plus accrued interest were repaid to Fratelli and all security released. The Company drew down the first instalment of S$2.75 million on the date of the agreement and this money is included in the US$3.8 million cash holdings at the year end.

On 31 December 2013 the Company's net assets amounted to US$60.0 million which compares to US$39.3 million as reported at 31 December 2012, an increase of US$20.7 million. This reflects the share placing completed in January 2013 raising US$25.3 million and the acquisition of Kenai Resources Ltd for US$7.6 million. This increase in net assets has been reduced by the loss reported for the year of US$6.3 million and exchange variations of US$6.2 million.

Non-current assets totalling US$60.7 million at 31 December 2013 (31 December 2012: US$44.2 million), are comprised of property, plant and equipment, which as at 31 December 2013 totalled US$36 million (31 December 2012: US$26.8 million), and includes US$20.7 million (US$23.2 million of 31 December 2012) attributable to the Palito Mine Property and US$10.8 million (US$1.6 million at 31 December 2012) representing the current expenditure on Projects in Construction incurred on the rehabilitation programme. Deferred exploration costs as at 31 December 2013 totalled US$24.7 million (31 December 2012: US$17.4 million) of which US$14.9 million (31 December 2012: US$6.3 million) relates to past exploration expenditures around the Palito Mine and the wider Jardim Do Ouro project area and US$9.8 million (31 December 2012: US$ nil) relates to the past exploration costs relating to the Sao Chico gold project. During the 2013 financial year the Company wrote-off past expenditure relating to the Pizon gold project amounting to US$1.07 million.

The Company has, during the twelve month period ended 31 December 2013, incurred costs of US$2.4 million for development and exploration expenditures on its mineral properties of which US$2.04 million has been spent on the Sao Chico property since the time of acquisition of that project. A further US$470,000 was spent at Sao Chico during the period April to June 2013 which was also funded by Serabi through loans made to Kenai, the previous owners of the property. US$11.5 million was spent on the rehabilitation and development of the Palito Mine and a further US$720,000 for payment of obligations under finance leases.

The current asset component has increased by some US$5 million, from US$3,993,000 at 31 December 2012 to US$9,020,000 at 31 December 2013 primarily reflecting the increase in cash balances of US$1.2 million to US$3,789,000 (December 2012: US$2,281,000), as well as an increase in inventories of US$3.2million to US$3.9 million (December 2012: US$722,000).

The expenditures on Projects in Construction of US$10.8 million comprises salaries and consumable items in particular consumables for mining activities including fuel and power, relating to the rehabilitation of the Palito Mine and the site infrastructure. This work includes costs relating to the mine dewatering completed in the first quarter of 2013, the deepening of the ramp and the implementation of ventilation systems and a secondary egress. It also includes the cost of the rehabilitation (including labour and contractor costs) of various items of the gold process plant, including the remediation of the crushing, milling and flotation sections of the plant.

The Company had a working capital position of US$2,092,000 at 31 December 2013 compared to US$(2,760,000) at 31 December 2012 as per the table below:

	Note	2013 US$	2012 US$	Variance US$
Current assets				
Cash at bank and in hand		3,789,263	2,582,046	1,207,217
Inventories	i	3,890,880	722,868	3,168,012
Prepayments	ii	1,264,654	603,005	661,649
Trade and other receivables	iii	75,977	85,509	(9,532)
Total current assets		**9,020,774**	**3,993,428**	**5,027,346**
Total current liabilities				
Trade and other payables	iv	2,871,546	2,001,683	869,863
Interest bearing liabilities	v	3,790,363	4,580,745	(790,382)
Accruals		266,924	171,102	95,822
Total current liabilities		**6,928,833**	**6,753,530**	**175,303**
Working capital		**2,091,941**	**(2,760,102)**	**4,852,043**
Non-current liabilities				
Interest bearing liabilities	v	833,560	364,656	468,904
Provisions	vi	1,480,665	1,612,098	(131,433)
Trade and other payables		410,330	211,939	198,391
Total non-current liabilities		**2,724,555**	**2,188,693**	**535,862**

The working capital position at 31 December 2012 was inclusive of a US$4.5 million short term loan received from Fatelli which was repaid in January 2013, following the successful completion of a share placement on 17 January 2013 raising gross proceeds of GB£16.2 million. At 31 December 2013 the Company had outstanding a US$2.75 million short term shareholder loan. This decrease in the loan of US$1.75 million and an inventory of run of mine ore stockpiled on surface, valued at US$3.0 million, are the principle reasons for the significant improvement in the working capital position of the Company.

(i) The levels of inventories have increased by US$3,168,000 compared with 31 December 2012. Inventories of consumables have increased by US$169,101 from US$722,868 at 31 December 2012 to US$891,969 at 31 December 2013 reflecting the increase in activity at the Palito Mine. The major increase in inventories is however the US$3.0 million valuation of the stockpiled ore that has been established on surface in preparation for processing. At 31 December 2013 this stockpile was approximately 25,000 tonnes of ore with a gold grade averaging in excess of 8.00g/t. The valuation has been calculated using the mining costs incurred during 2013 that are directly attributable to the establishment of this ore stockpile.

(ii) The level of prepayments has increased by US$661,649 from US$603,005 at 31 December 2012 to US$1,264,654 at 31 December 2013. The prepayments represent:

a. Prepaid taxes in Brazil amounting to US$1,096,000, of which the majority is federal and state sales taxes which the Company expects to recover either through off-set against other federal tax liabilities or through recovery directly. The amount recoverable has increased by approximately US$400,000 in comparison to the prior year due to an increase in the amount of social taxes the Company has prepaid at 31 December 2013.

b. Supplier down-payments reflecting the level of development and construction activity currently being undertaken for the opening of the Palito Mine the Company has made advances to suppliers in respect of goods purchased or items being fabricated of US$228,000 (31 December 2012 : US$12,000).

(iii) Receivables of US$76,000 as at 31 December 2013 have decreased slightly compared to the balance of US$86,000 at 31 December 2012. The balance mainly represents deposits paid by the Company.

(iv) Reflecting the increased level of activity and therefore purchases, the level of creditors have increased by US$869,863 as orders for equipment, contractor services and consumables are placed. The major items contributing to this increase in accounts payable are:

a. An increase of approximately US$572,000 on trade creditors due to the increase in activity and operating equipment being utilised for mine development;

b. Sales tax liabilities decreased by US$130,000 from US$589,000 to US$459,000 year on year;

c. An increase in the standard wage accrual and social welfare accrual in comparison to the year ended 31 December 2012 of approximately US$271,000. The increase is due to the increased staffing levels compared to the year ended 31 December 2012;

d. Other Provisions comprise land and leasehold payments of less than one year, which are roughly in line year on year (2013: US$232,000, 2012: US$ 224,000) and an accrual for the thirteenth salary in Brazil which has increased from US$95,000 in 2012 to US$243,000 in 2013. This thirteenth salary liability arises because in Brazil, employee's salaries are paid over thirteen periods instead of twelve with two payments being made for the month of December. This has increased year on year due to the increase in staffing levels.

(v) Interest bearing liabilities due within one year decreased by US$790,000. At 31 December 2012 the Company owed US$4,580,745 for a shareholder loan which was repaid in January 2013. At 31 December 2013, the Company had received a new shareholder loan of US$2.75 million, which was repaid during March 2014. The Company has also acquired certain assets during the year under finance leases. At 31 December 2013 the Company had liabilities under these financial leases of US$600,000 due before 31 December 2014 and a further US$834,000 due after that date. The leases are for three years and carry interest at a rate of 6.45% per annum. Also included is US$440,000 including accrued interest (December 2012: US$365,000) attributable to the £300,000 loan from a related party, which has a repayment date of 31 October 2014 subject to the right of the holder at any time, on one or more occasions, on or before the repayment date, to convert any of the outstanding amounts owed by the Company to Ordinary Shares at a price of 15 pence per Ordinary Share.

(vi) Non-current liabilities include the amount of US$1,480,000 (December 2012: US$1,612,000) in respect of provisions including US$1,141,000 (December 2012: US$1,224,000) for the cost of remediation of the current Palito Mine site at the conclusion of operational activity. The Company undertook a review of the underlying cost assumptions during the year which accounts for some of the variation in the value of the provision which also reflects the potential impact of the effects of inflation on these costs estimates and then discounts this future liability into money of today.

The Company does not have any asset backed commercial paper investments. As the Company has no revenue and has in recent years primarily supported its activities by the issue of further equity, the working capital position at any time reflects the timing of the most recent share placement completed by the Company.

During the twelve month period ended 31 December 2013 the Company issued 270,000,000 Ordinary Shares for gross cash proceeds of GB£16.2 million. The placement was underwritten by one of the Company's major shareholders who received an underwriting fee of 8,135,035 Warrants in respect of the placement. Each Warrant entitles the holder to subscribe for one Ordinary Share at a price of GB£0.10 at any time until 16 January 2015.

The company issued a further 95,120,675 Ordinary Shares in consideration of the acquisition of Kenai Resources Ltd which was completed on 18 July 2013 by way of a Plan of Arrangement. The consideration for this acquisition has been valued at US$7.59 million and as part of the transaction the Company acquired cash of US$222,211.

The decision to re-commence mining operations at the Palito Mine was supported by a Preliminary Economic Assessment ("PEA") that was completed and published in June 2012. The Company completed a placement of new shares on 17 January 2013 that raised gross proceeds of GB£16.2 million. These funds have been used over the subsequent period to undertake the underground mine development required in advance of restarting the operation together with the purchase of equipment and the remediation of the process plant. On 3 March 2014, the Company completed a further placing of shares and more purchase warrants that raised gross proceeds of GB£10.0 million. These funds are to be used to provide working capital to the business during the start up phase of the Palito operations and the next stage of development of the Sao Chico project. Commissioning of the process plant at Palito started on 13 December 2013 and the production rates have been increasing since that date. The final stage of the remediation process will be the rehabilitation of the Carbon-In-Pulp and electro-winning circuit which is planned for completion by July 2014.

From the time that production operations commence at planned rates, management anticipates that the Company will have sufficient cash flow to be able to meet all its obligations as and when they fall due and to, at least in part, finance the exploration and development activities that it would like to undertake on its other exploration projects.

There are, however, risks associated with the commencement of any new mining and processing operation whereby unforeseen technical and logistical events result in additional time being required for commissioning or additional costs needing to be incurred, giving rise to the possibility that additional working capital may be required to fund these delays or additional capital requirements. Should additional working capital be required the Directors consider that further sources of finance could be secured within the required timescale.

Statement of Comprehensive Income
For the year ended 31 December 2013

		Group	
	Notes	For the year ended 31 December 2013 US$	For the year ended 31 December 2012 US$
CONTINUING OPERATIONS			
Revenue		–	–
Operating expenses		–	(477,961)
Gross loss		–	(477,961)
Administration expenses		(3,253,924)	(2,513,272)
Provision for indirect taxes		(626,496)	–
Share-based payments		(304,764)	(128,882)
Write-off of past exploration costs		(1,007,233)	(267,703)
Gain on asset disposals		–	18,456
Depreciation of plant and equipment		(534,491)	(891,101)
Operating loss		(5,726,908)	(4,260,463)
Foreign exchange (loss)/gain		(170,358)	73,141
Finance expense		(374,542)	(555,835)
Finance income		7,575	6,171
Loss before taxation		(6,264,233)	(4,736,986)
Income tax expense		–	–
Loss for the period from continuing operations[1]		(6,264,233)	(4,736,986)
Other comprehensive income (net of tax)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(6,164,862)	(3,531,144)
Total comprehensive loss for the period[1]		(12,429,095)	(8,268,130)
Loss per ordinary share (basic and diluted)	4	(1.60c)	(5.29c)

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

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Balance Sheet

	Notes	Group 2013 US$	2012 US$
Non-current assets			
Deferred exploration costs	5	24,659,003	17,360,805
Property, plant and equipment	6	36,008,318	26,848,991
Total non-current assets		60,667,321	44,209,796
Current assets			
Inventories		3,890,880	722,868
Trade and other receivables		75,977	85,509
Prepayments		1,264,654	603,005
Cash and cash equivalents		3,789,263	2,582,046
Total current assets		9,020,774	3,993,428
Current liabilities			
Trade and other payables		2,871,546	2,001,683
Interest bearing liabilities		3,790,363	4,580,745
Accruals		266,924	171,102
Total current liabilities		6,928,833	6,753,530
Net current assets/ (liabilities)		2,091,941	(2,760,102)
Total assets less current liabilities		62,759,262	41,449,694
Non-current liabilities			
Trade and other payables		410,330	211,939
Provisions		1,480,665	1,612,098
Interest bearing liabilities		833,560	364,656
Total non-current liabilities		2,724,555	2,188,693
Net assets		60,034,707	39,261,001
Equity			
Share capital		60,003,212	31,416,993
Share premium reserve		54,479,151	50,182,624
Option reserve		2,330,789	2,019,782
Other reserves		789,076	780,028
Translation reserve		(10,771,173)	(4,606,311)
Accumulated losses		(46,796,348)	(40,532,115)
Equity shareholders' funds attributable to owners of the parent		60,034,707	39,261,001

Statements of Changes in Shareholders' Equity
For the year ended 31 December 2013

Group	Share capital US$	Share premium US$	Share option reserve US$	Other reserves US$	Translation reserve US$	Accumulated losses US$	Total equity US$
Equity shareholders' funds at 31 December 2011	29,291,551	48,292,057	1,956,349	702,095	(1,075,167)	(35,882,405)	43,284,480
Foreign currency adjustments	–	–	–	–	(3,531,144)	–	(3,531,144)
Loss for year	–	–	–	–	–	(4,736,986)	(4,736,986)
Total comprehensive income for the year	–	–	–	–	(3,531,144)	(4,736,986)	(8,268,130)
Issue of new ordinary shares for cash	2,125,442	2,047,509	–	77,933	–	–	4,250,884
Costs associated with issue of new ordinary shares for cash	–	(156,942)	–	–	–	–	(156,942)
Share options lapsed	–	–	(87,276)	–	–	87,276	–
Share option expense	–	–	150,709	–	–	–	150,709
Equity shareholders' funds at 31 December 2012	31,416,993	50,182,624	2,019,782	780,028	(4,606,311)	(40,532,115)	39,261,001
Foreign currency adjustments	–	–	–	–	(6,164,862)	–	(6,164,862)
Loss for year	–	–	–	–	–	(6,264,233)	(6,264,233)
Total comprehensive income for the year	–	–	–	–	(6,164,862)	(6,264,233)	(12,429,095)
Issue of new ordinary shares for cash	21,357,000	4,182,600	–	88,800	–	–	25,628,400
Costs associated with issue of new ordinary shares for cash	–	(327,286)	–	–	–	–	(327,286)
Warrants lapsed in period	–	441,213	–	(441,213)	–	–	–
Issue of new ordinary shares for acquisition	7,229,219	_	–	361,461	–	–	7,590,680
Share option expense	–	–	311,007	–	–	–	311,007
Equity shareholders' funds at 31 December 2013	60,003,212	54,479,151	2,330,789	789,076	(10,771,173)	(46,796,348)	60,034,707

Other reserves comprise a merger reserve of US$361,461 (2012 : US$ nil), a warrant reserve of US$166,733 (2012 : US$519,146) and initial value for the equity component of the convertible loan stock of US$260,882 (2012 : US$ 260,882).

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Cash Flow Statement
For the year ended 31 December 2013

	Group For the year ended 31 December 2013 US$	For the year ended 31 December 2012 US$
Cash outflows from operating activities		
Operating loss	(5,726,908)	(4,260,463)
Depreciation – plant, equipment and mining properties	534,491	891,101
Gain on sale of assets	–	(18,456)
Deferred asset write-off	1,007,233	267,703
Option costs	304,764	128,882
Interest paid	(306,590)	(247,802)
Foreign exchange	411,860	(261,975)
Changes in working capital		
(Increase)/decrease in inventories	(3,541,962)	313,248
(Increase)/decrease in receivables, prepayments and accrued income	(663,125)	47,982
Increase/(decrease) in payables, accruals and provisions	72,116	(300,072)
Net cash flow from operations	(7,908,121)	(3,439,852)
Investing activities		
Proceeds of sale of fixed assets	–	19,724
Purchase of property, plant, equipment and projects in construction	(11,504,538)	(1,769,951)
Exploration and development expenditure	(2,432,871)	(2,251,067)
Capital and loan investments in subsidiaries	–	–
Interest received	7,575	6,171
Net cash outflow on investing activities	(13,929,834)	(3,995,122)
Financing activities		
Issue of ordinary share capital	25,628,400	4,250,884
Issue of special warrants	–	–
Receipts from short term secured loan	2,750,000	4,500,000
Repayment of short term secured loan	(4,500,000)	–
Payment of finance lease liabilities	(719,654)	–
Acquisition of subsidiary – cash acquired	222,211	–
Payment of share issue costs	(327,286)	(156,942)
Net cash inflow from financing activities	23,053,671	8,593,942
Net increase/(decrease) in cash and cash equivalents	1,215,716	1,158,968
Cash and cash equivalents at beginning of period	2,582,046	1,406,458
Exchange difference on cash	(8,499)	16,620
Cash and cash equivalents at end of period	3,789,263	2,582,046

Notes

1. General Information

The financial information set out above for the years ended 31 December 2013 and 31 December 2012 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006, but is derived from those accounts. Whilst the financial information included in this announcement has been compiled in accordance with International Financial Reporting Standards ("IFRS") this announcement itself does not contain sufficient financial information to comply with IFRS. A copy of the statutory accounts for 2012 has been delivered to the Registrar of Companies and those for 2013 will be submitted for approval by shareholders at the Annual General Meeting . The full audited financial statements for the years end 31 December 2013 and 31 December 2012 do comply with IFRS.

2. Auditor's Opinion

The auditor has issued an unqualified opinion in respect of the financial statements which does not contain any statements under the Companies Act 2006, Section 498(2) or Section 498(3). The auditor has raised an Emphasis of Matter in relation to going concern and the availability of project finance as follows:

"In forming our opinion, which is not modified, we have considered the adequacy of the disclosures made in Note 1(a) to the financial statements concerning the group's ability to continue as a going concern. The group is dependent on its ability to successfully re-commission and commence commercial gold production at the Palito Mine in order to continue as a going concern. However, there are risks associated with the re-commencement of a mining and processing operation and additional working capital may be required to fund delays in the development of the mine should they occur. These conditions, along with the other matters explained in Note 1(a) to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the company and the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company and the group were unable to continue as a going concern."

NB : The reference to note 1(a) in the above is a reference to the Basis of preparation note contained within the Financial Statements from which the extracts reproduced below referring to Going concern and Impairment are taken.

3. Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") in force at the reporting date and their interpretations issued by the International Accounting Standards Board ("IASB") as adopted for use within the European Union and with IFRS and their interpretations issued by the IASB. The consolidated financial statements have also been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

As the Company has prepared these financial statements in accordance with IFRS and their interpretations issued by the IASB, early adoption of IFRS 10, IFRS 11 and IFRS 12 has been taken in respect of IFRS for use within the European Union. There has been no significant measurement impact on the consolidated financial statements from the early adoption of these standards or from new standards or interpretations effective in 2013.

It is not anticipated that the adoption in the future of the new or revised standards or interpretations that have been issued by the International Accounting Standards Board will have a material impact on the Group's earnings or shareholders' funds.

Attention is drawn to the detailed disclosures made in the audited Financial Statements regarding the Basis of Preparation and in particular the following disclosures extracted directly from the audited Financial Statements in respect of Going Concern and Impairment.

Going concern and availability of project finance

The Company commenced gold production operations at the Palito Mine at the start of 2014 having completed the construction of the gold recovery plant in December 2013. The operations remain in a re-commissioning and ramp-up phase and the Company has yet to declare commercial production having been reached. There are, however, risks associated with the commencement of any new mining and processing operation whereby unforeseen technical and logistical events result in additional time being required for commissioning or additional costs needing to be incurred, giving rise to the possibility that additional working capital may be required to fund these delays or additional capital requirements.

On 3 March 2014 the Company completed a share placement raising gross proceeds of UK£10 million which provided additional working capital to the Company during the start–up phase of production at Palito and also to fund the initial development and further evaluation of the Sao Chico gold project.

The Directors anticipate that, whilst the Company may seek to raise further finance in the future, it now has access to sufficient funding for its immediate needs. The Company expects to have sufficient cash flow from Palito to finance its on-going operational requirements and to, at least in part, fund exploration and development activity on its other gold properties. It will seek to raise debt finance where possible to finance further capital development of its projects taking due consideration of the ability of the Company to satisfy the obligations and undertakings that would be imposed in connection with such borrowings. Should additional working capital be required the Directors consider that further sources of finance could be secured within the required timescale. On this basis the Directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis. However there is no certainty that such additional funds either for working capital or for future capital developments will be forthcoming. These financial statements do not reflect the adjustments to carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary should the going concern assumption be inappropriate. These adjustments could be material

Impairment

The Directors have undertaken a review of the carrying value of the mining and exploration assets of the Group having given particular consideration to the independently produced, NI43-101 compliant, Preliminary Economic Assessment published in June 2012 for the Palito Mine, the current operational status of Palito, the latest internally generated operational short and long term plans and the potential risks and implications of starting up any gold mine. As part of this review they have assessed the value of the existing Palito Mine asset on the basis of the projected value in use that could be expected based on the Company's current operational forecasts. The carrying values of assets have not been adjusted to reflect a failure to raise sufficient funds, not achieving the projected levels of operation or that, if a sale transaction were undertaken, the proceeds may not realise the value as stated in the accounts.

4. Loss per Share

The calculation of the basic loss per share of 1.60 cents (2012 loss per share: 5.29 cents) is based on the loss attributable to ordinary shareholders of US$6,264,233 (2012: loss of US$4,736,986) and on the weighted average number of ordinary shares of 392,693,275 (2012: 89,552,955) in issue during the period. Diluted loss per share is the same as the basic loss per share because the exercise of share options would be anti-dilutive..

5. Development and Deferred Exploration costs

	Group	
	31 December 2013	31 December 2012
	$	$
Cost		
Opening balance	17,360,805	16,648,884
Exploration and development expenditure	2,432,871	2,251,067
Share option charges capitalised	6,244	21,827
Additions on acquisition of subsidiary	8,187,839	–
Write-off of past exploration costs	(1,007,233)	(267,703)
Foreign exchange movements	(2,321,523)	(1,293,270)
Total as at end of period	24,659,003	17,360,805

The value of these assets is dependent on the development of mineral deposits

The Company has, in the year ended 31 December 2013, written off past exploration expenditures relating to the Pizon project which the board has determined is no longer a priority for the Group and no further work is planned in the immediate future.

6. Tangible Assets

Property, plant and equipment - Group

2013	Land and buildings – at cost $	Mining property – at cost $	Projects in construction – at cost $	Plant and equipment – at cost $	Total $
Cost					
Balance at 31 December 2012	3,335,235	27,280,139	1,622,093	10,126,708	42,364,175
Additions	–	2,635	10,069,244	3,642,015	13,713,894
Addition on acquisition of subsidiary	–	321,674	–	–	321,674
Foreign exchange movements	(425,093)	(3,033,489)	(861,905)	(1,317,662)	(5,638,150)
At 31 December 2013	2,910,142	24,570,958	10,829,432	12,451,061	50,761,593
Depreciation					
Balance at 31 December 2012	(3,335,235)	(4,039,744)	–	(8,140,205)	(15,515,184)
Charge for period	–	(12,979)	–	(737,828)	(750,807)
Balance on acquisition of subsidiary	–	(66,812)	–	–	(66,812)
Foreign exchange movements	425,093	212,979	–	941,457	1,579,528
At 31 December 2013	(2,910,142)	(3,906,556)	–	(7,936,577)	(14,753,275)
Net book value at 31 December 2013	–	20,664,402	10,829,432	4,514,484	36,008,318
Net book value at 31 December 2012	–	23,240,395	1,622,093	1,986,503	26,848,991

Additions during the period include US$2,209,356 in respect of plant and equipment purchased by finance lease. The net book value of assets acquired under finance leases at 31 December 2013 was US$1,999,529 (2012: US$ nil).

7. Impairment

The Directors have considered each of the Group's exploration and development assets on a project-by-project basis. It has considered three potential cash generating units for the purpose of this assessment. These are:

- the Palito Mine itself including the pre-operating cost, exploration expenditures on establishing the current declared reserve and resource base, land and buildings and plant and machinery associated with the mining operations;
- the Sao Chico gold project including its acquisition cost and exploration expenditures incurred since acquisition;
- exploration expenditures on areas within the Palito environs and the wider Jardin do Ouro tenement holdings, but which have not yet been exploited and do not form part of the current declared reserves and resources.

The Directors note that the carrying value of the assets relating to the Palito Mine is US$36 million compared with the value at 31 December 2012 of US$27 million. This change in valuation is primarily the result of the development works that have been undertaken during the year of some US$10.1 million and acquisition of plant and equipment of US$3.6 million, these increases being partially offset by exchange rate variations and depreciation charges incurred during the period. The current assessment has been based on an economic assessment of the Palito Mine project using management's current estimates of mining, processing and capital expenditure plans for a period starting in January 2014 and ending in December 2022. The resulting pre-tax Net Present Value of the project, in the opinion of management, supports the carrying value of US$36 million and therefore the Directors have not made any adjustment to the impairment provision currently carried in the books of the Group.

In accordance with IAS 36 – Impairment of Assets ("IAS36"), any impairment must first be applied against any goodwill allocated to the unit that is impaired and thereafter allocated to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

The carrying value for the Group of the Palito cash generating unit comprises:

	Carrying value before impairment $	Impairment provision $	Carrying value after impairment $
Mining Property	22,788,216	2,123,814	20,664,402
Projects in construction	10,829,432	–	10,829,432
Plant and Equipment	4,974,617	466,718	4,507,899
	38,592,265	2,590,532	36,001,733

An initial impairment provision against the carrying value of the Palito cash generating unit for the Group, was established in the financial year ended 31 December 2009. The provision was first applied against Goodwill of US$1,752,516 and accordingly the value reported by the Group as Goodwill at that time was impaired in full.

The other potential cash generating units being the Sao Chico gold project and exploration expenditures on areas within the Palito environs and the wider Jardim do Ouro tenement holdings, were assessed for impairment indicators in accordance with the Group's accounting policy and the directors are satisfied that there is no indication of impairment across these projects.