PRESS RELEASE 14 MAY 2014
SERABI GOLD plc ("Serabi" or "the Company")

SERABI GOLD

Financial Results for the First Quarter and Management's Discussion and Analysis

Serabi Gold (AIM:SRB, TSX:SBI), the Brazilian focused gold mining and development company, today releases its unaudited financial results for the three month period ending 31 March 2014 and at the same time has published the Management's Discussion and Analysis for the same period.

First Quarter 2014 - Operational Highlights

- Successful plant commissioning and production ramp-up during the first quarter at Palito.
- Gold production of 2,300 ounces(1) for the quarter.
- End of quarter ore stockpile of 22,000 tonnes at an average grade of over 8.0 g/t.
- Palito mine development has continued as planned with production of ore from stopes underway.
- Remediation of the Carbon in Pulp (CIP) leaching circuit commenced.
- Second ball mill purchased and preparations underway for it to be operational by end of second quarter.

(1) Gold production figures are subject to amendment pending final agreed assays of the gold content of the copper/gold concentrate that is being sold to a refinery.

First Quarter 2014 - Financial and Corporate Highlights

- Cash balance at end of quarter of US$11.6 million.
- Inventories of US$5.9 million including US$1.9 million of copper/gold concentrate awaiting sale.
- Net Assets at end of quarter US$77.2 million.
- Commercial Production expected to be declared during second quarter. Revenue and Operation Costs capitalized until Commercial Production achieved.
- 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,

"With a successful first quarter start up at Palito now behind us, we can look forward to the second quarter, where we will see operational throughput achieve long term monthly rates. In the plant, the early acquisition of a second ball, ultimately designed for the Sao Chico plant feed will allow us to accelerate the processing of the Palito ore stockpile, before switching to milling of Sao Chico ore early next year. This, along with the ongoing remediation of the Carbon in Pulp ("CIP") plant means we can look forward to an exciting second half of the year.

Development at Sao Chico is continuing well, and we remain on target to commence underground mine development there before the end of the second quarter. With the mine under development and work on an updated mineral resource expected to be underway by year end, we hope to start demonstrating the enhanced value this acquisition has brought to the Company.

Finally I would like to thank Fratelli Investments Limited and their continued financial support which initially enabled the Company to take Palito into production and is now allowing the Company to develop the Sao Chico project. With the capital developments at Palito and Sao Chico, the Board remain confident of achieving our modest yet profitable production target of approximately 24,000 ounces for 2014, rising in 2015 as Sao Chico enters production.

Production statistics for first quarter 2014

Mining		Quarter ended 31 March 2014
Horizontal Development	metres	1,484
Ore Mined	tonnes	11,387
Average Grade Mined	g/t	7.09

Plant		Quarter ended 31 March 2014
Tonnes Milled	tonnes	13,766
Average Grade processed	g/t	7.43
Recovery		75.74%
Gold produced	ounces	2,300[(1)]

(1) Gold production figures are subject to amendment pending final agreed assays of the gold content of the copper/gold concentrate that is being sold to a refinery.

Summary financials for first quarter 2014

	Quarter ended 31 March 2014 US$	Quarter ended 31 March 2013 US$
Revenues	–	–
Loss before taxation	(1,257,621)	(1,359,226)
Net loss per share (basic and diluted)	(0.24c)	(0.43c)

	As at 31 March 2014 US$	As at 31 December 2013 US$
Cash	11,616,470	3,789,263
Inventories	5,858,849	3,890,880
Debtors	2,479,575	1,340,631
Total current assets	19,954,894	9,020,774
Deferred exploration costs	25,607,411	24,659,003
Property plant and equipment	38,549,235	36,008,318
Total assets	84,111,540	69,688,095
Total liabilities	6,936,353	9,653,388
Equity shareholders' funds	77,175,187	60,034,707

Outlook and Strategy

The first quarter of 2014 represented a planned commissioning and testing phase for the process plant at Palito. The current gold recovery circuit comprises milling, flotation (producing a high grade copper/gold concentrate) and gravity separation (producing a high grade gold concentrate) of the flotation tailings. The Carbon in Pulp ("CIP") cyanide leaching tanks that are already at Palito are currently being remediated and expected to be operational during the third quarter of 2104. From that time the tailings from the gravity separation plant will be subject to cyanidation. It is anticipated that this final stage of processing will result in overall gold recovery of approximately 92%. The tailings currently being produced from the gravity separation circuit are being stockpiled and once the CIP plant is operational this stockpiled material will also be retreated with the intention that all material processed during 2014 will have been treated through all the recovery stages available.

The Company currently anticipates that the operational criteria determined by the Board prior to a declaration of Commercial Production will be achieved during the second quarter. A second ball mill has been acquired and is being remediated and installed. Whilst primarily acquired to permit a second processing line to be established for ore from Sao Chico, in the short term it will permit the Company to increase processing rates for Palito ore in excess of the planned 7,500 tonnes per month, in order that the Company can achieve its planned production of approximately 24,000 ounces from Palito for 2014.

Development work at Sao Chico is continuing well and the Company plans to establish the portal during the second quarter of 2014 with hard rock mining anticipated to begin in June. A Decline Ramp will then be driven at a 12% gradient, from which two development levels, L1 and L2, will be established, at the 30 and 60 vertical metre intervals from surface respectively. The development levels will follow the principal structure, known as the Main Vein, to its East and West strike limits, which is expected to represent approximately 500 development metres per level. This work will allow the Company to better evaluate the continuity and payability of the mineralisation. The Company will also undertake underground drilling from within these development drives to identify parallel structures and will supplement this with additional surface drilling. The Company plans to complete this next evaluation stage by the end of 2014, at which time it expects to generate an updated mineral resource, from which a robust mine plan can be developed. It is planned that any ore derived from development mining during 2014 will be transported to the Palito plant for processing.

In the longer term it is the strategy of the Company is to establish additional satellite high-grade gold mines in relatively close proximity to Palito which will be a centralised processing facility. In this way the company expects to be able to grow its production base at low capital cost, avoid the need for major infrastructure improvements to be in place for new operations to be commercially viable and have low environmental impact.

The unaudited financial results for the quarter ended 31 March 2014 and the Management Discussion and Analysis for the same period, together with this announcement, will be available from the Company's website – www.serabigold.com and will be posted on SEDAR at www.sedar.com.

Enquiries

SERABI GOLD plc
Michael Hodgson **t** +44 (0)20 7246 6830
Chief Executive **m** +44 (0)7799 473621

Clive Line **t** +44 (0)20 7246 6830
Finance Director **m** +44 (0)7710 151692

e contact@serabigold.com

www.serabigold.com

BEAUMONT CORNISH Limited
Nominated Adviser & Financial Adviser
Roland Cornish **t** +44 (0)20 7628 3396
Michael Cornish **t** +44 (0)20 7628 3396

PEEL HUNT LLP
UK Broker
Matthew Armitt **t** +44 (0)20 7418 9000
Ross Allister **t** +44 (0)20 7418 9000

Blytheweigh
UK Public Relations
Tim Blyth **t** +44 (0)20 7138 3204
m +44 7816 924626
Halimah Hussain **t** +44 (0)20 7138 3203
m +44 7725 978141

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

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

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

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

FINANCE REVIEW

Results of Operations
Three month period ended 31 March 2014 compared to the three month period ended 31 March 2013

During the first quarter of 2014 the mining operations were in a commissioning and ramp-up phase and did not represent Commercial Production as that concept is generally recognised within the mining industry. The Company has not yet declared that Commercial Production has been achieved at Palito and in accordance with normal practice until the time that the Company does declare Commercial Production any revenues generated from and all operational costs related to, Palito as well as ongoing plant and other capital development costs are capitalised and reflected in the Balance Sheet of the Company.

The loss from operations increased by US$3,283 from US$1,064,266 for the 3 months ended 31 March 2013 to US$1,067,549 for the 3 month period ended 31 March 2014. There has been an increase of US$18,316 in depreciation charges of plant and equipment, which is offset by a decrease of US$18,259 in the charge for the period related to share based payments in comparison to the same period in the previous year.

Administration costs have shown an overall increase from US$908,753 for the 3 month period ended 31 March 2013 to US$911,979 for the 3 month period to 31 March 2014. Included in the administration expenses for the 3 month to 31 March 2013 was a provision of US$300,000 relating to bonuses payable to senior management. A similar charge has not been incurred in the 3 month period ended 31 March 2014. After making adjustment for this item the increase in other costs reported as administrative expenses is US$303,226. The significant variances are:

(i) Professional and legal fees of US$103,000 in connection with the issue of a secured loan facility from Fratelli, the completion of a "whitewash" approval from the UK Takeover Panel and other ancillary costs related to the share placement completed in March 2014 to raise further capital of £10 million.
(ii) An increase cost amounting to US$150,000 reflecting an increase in administrative staffing relating to the commencement of production operations at Palito. These personnel are involved primarily in the accounting, information technology and personnel departments.

The increase in depreciation charges of US$18,316 between the two periods reflects the purchase of new plant and equipment during the year as the Palito Mine was put into production. New underground mining fleet delivered during the third quarter of 2013 is being depreciated in accordance with normal practice. The depreciation charges for this particular equipment which amounted to approximately US$114,000 for the three months to 31 March 2014 are being capitalised as a pre-production cost prior to Commercial Production being declared. All other deprecation charges are being expensed.

Share based payments decreased from US$47,846 for the three month period ended 31 March 2013 to US$29,587 for the three month period ended 31 March 2014. The deemed value assigned to these share options is amortised over the expected option life and is calculated using the Black Scholes model. The charge for the three months to 31 March 2014 is in respect of options granted between January 2011 and 31 March 2014.

There was a tax charge of US$35,949 (including fines & penalties) during the first quarter of 2014 in respect of ICMS (a sales related tax) relating to the period 2004-2010. There was no similar charge during the same period of 2013. The company was only made aware during 2013 that in preceding calendar years it had incorrectly set-off certain taxes that were repayable to the Company against other taxes that it owed 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 Company recorded a foreign exchange loss of US$9,918 in the 3 month period to 31 March 2014 which compares with a foreign exchange loss of US$255,218 recorded for the 3 months ended 31 March 2013. These foreign exchange losses relate primarily to cash holdings of the Company maintained 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. The exchange loss recorded during the first quarter of 2013 was a book loss incurred primarily on cash balances held at that time in UK pounds and Euros. During the first quarter of 2014 the Company has held most of its funds in US dollars. This has reduced the Company's exposure to losses on currency holdings.

SERABI GOLD PLC
2nd Floor, 30-32 Ludgate Hill, London EC4M 7DR
t +44 (0)20 7246 6830 **f** +44 (0)20 7246 6831 **e** contact@serabimining.com www.serabigold.com
Registered Office 66 Lincoln's Inn Fields, London, WC2A 3LH **Company Number** 5131528

Net interest charges for the 3 month period to 31 March 2014 were US$180,154 compared with US$39,742 for the first quarter of 2013. An analysis of the composition of these charges is set out in the table below:

	Quarter ended 31 March 2014 US$	Quarter ended 31 March 2013 US$
Interest on short term loan	104,877	26,630
Interest expense on convertible loan stock	20,247	15,639
Interest on finance leases	30,030	–
Finance arrangement fees	25,000	–
Other interest and finance expenses	–	230
Total finance expense	180,154	42,499
Interest income	–	(2,757)
Net finance costs	180,154	39,742

Summary of quarterly results

	Quarter ended 31 March 2014 US$	Quarter ended 31 December 2013 US$	Quarter ended 30 September 2013 US$	Quarter ended 30 June 2013 US$
Revenues	–	–	–	–
Operating expenses	–	–	–	–
Gross loss	–	–	–	–
Administration expenses	(911,979)	(872,677)	(816,887)	(655,607)
Provision for indirect taxes	–	(213,220)	(263,250)	(150,026)
Option costs	(29,587)	(161,226)	(47,846)	(47,846)
Write-off of past exploration expenditures	–	(1,007,233)	–	–
Gain on asset disposals	–	–	–	–
Depreciation of plant and equipment	(125,983)	(186,000)	(127,850)	(112,974)
Operating loss	(1,067,549)	(2,440,356)	(1,255,833)	(966,453)
Exchange	(9,918)	(36,618)	98,078	23,400
Net finance costs	(180,154)	(268,589)	(44,174)	(14,462)
Loss before taxation	(1,257,621)	(2,745,563)	(1,201,929)	(957,515)
Loss per ordinary share (basic and diluted)	(0.24) cents	(0.60) cents	(0.27) cents	(0.27) cents
Deferred exploration costs	25,607,411	24,659,003	25,950,041	16,375,076
Property, plant and equipment	38,549,235	36,008,318	36,603,692	30,228,704
Total current assets	19,954,894	9,020,774	10,134,384	17,758,039
Total assets	84,111,540	69,688,095	72,688,117	64,361,819
Total liabilities	6,936,353	9,653,388	7,504,716	5,432,817
Shareholders' equity	77,175,187	60,034,707	65,183,401	58,929,002

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	Quarter ended 31 March 2013 US$	Quarter ended 31 December 2012 US$	Quarter ended 30 September 2012 US$	Quarter ended 30 June 2012 US$
Revenues	–	–	–	–
Operating expenses	–	(296,017)	–	(64,250)
Gross loss	–	(296,017)	–	(64,250)
Administration expenses	(908,753)	(679,272)	(450,047)	(573,167)
Provision for indirect taxes	–	–	–	–
Option costs	(47,846)	(33,244)	(33,244)	(33,244)
Write-off of past exploration expenditures	–	(267,703)	–	–
Gain on asset disposals	–	9,857	–	8,599
Depreciation of plant and equipment	(107,667)	(83,110)	(223,150)	(158,204)
Operating loss	(1,064,266)	(1,349,489)	(706,441)	(820,266)
Exchange	(255,218)	(4,380)	9,434	(19,103)
Net finance costs	(39,742)	(498,343)	(18,541)	(14,731)
Loss before taxation	(1,359,226)	(1,852,212)	(715,548)	(854,100)
Loss per ordinary share (basic and diluted)	(0.43) cents	(2.03) cents	(0.78) cents	(0.94) cents
Deferred exploration costs	17,696,480	17,360,805	18,249,489	17,405,081
Property, plant and equipment	29,187,365	26,848,991	25,514,742	25,845,466
Total current assets	21,881,077	3,993,428	2,054,299	3,305,872
Total assets	68,764,922	48,203,224	45,818,530	46,556,419
Total liabilities	4,857,524	8,942,223	4,358,930	4,219,578
Shareholders' equity	63,907,398	39,261,001	41,459,600	42,336,841

Liquidity and Capital Resources

On 3 March 2014, the Company completed a placing of 200 million units at a price of UK£0.05 per unit raising gross proceeds of UK£10 million. The share placement was pursuant to a conditional subscription agreement entered into on 20 December 2013 between the Company and Fratelli Investments Limited ("Fratelli") to subscribe for a minimum of 125 million units and a maximum of 162.5 million units to finance initial development and underground drilling at the Sao Chico project and to provide further working capital to the business during the start-up phase of gold production at Palito. The final form of the investment by Fratelli comprised of (a) a subscription for 125 million units at the Subscription Price of 5 pence per unit; and (b) a further subscription for 27.5 million units at a subscription price of 5 pence per unit. The company procured third party investment not deemed to be acting in concert with Fratelli for 47.5 million units.

Each unit comprises one new ordinary share and one half of a warrant. Each whole warrant entitles the holder to subscribe for one new ordinary share at a price of 6p for a period of two years from the date of issue.

Following completion of the share placement the Company repaid a short-term loan facility of US$7.5 million plus accrued interest that had been provided to the Company by Fratelli. At the time of repayment a total of US$5.5 million had been advanced under the loan facility. Interest due under the facility was US$104,877 as at the date of the repayment of the loan facility.

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 UK£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 March 2014 the Company's net assets amounted to US$77.2 million which compares to US$60.0 million as reported at 31 December 2013, an increase of US$17.1 million. This increase primarily reflects the completion of the placing of new shares that was completed during the first quarter of 2014 raising US$16.65 million.

Non-current assets totalling US$64.2 million at 31 March 2014 (31 December 2013: US$60.7 million), are comprised of property, plant and equipment, which as at 31 March 2014 totalled US$38.5 million (31 December 2013: US$36 million), and includes US$23.3 million (US$20.7 million as of 31 December 2013) attributable to the Palito Mine Property and US$11.2 million (US$10.8 million as of 31 December 2013) representing the current expenditure on Projects in Construction incurred on the rehabilitation programme. Deferred exploration costs as at 31 March 2014 totalled US$25.6 million (31 December 2013: US$24.7 million) of which US$15.3 million (31 December 2013: US$14.9 million) relates to past exploration expenditures around the Palito Mine and the wider Jardim Do Ouro project area and US$10.3 million (31 December 2013: US$9.8 million) relates to the past exploration costs relating to the Sao Chico gold project.

The Company has, during the three month period ended 31 March 2014, incurred costs of US$0.4 million for exploration expenditures on its mineral properties all of which has been spent on the Sao Chico property.

A total net expenditure of US$1.6 million has been recorded relating to on-going capital expenditure as well as start-up operating expenditures at the Palito Mine. Until Commercial Production is declared, any revenues generated from and all operational costs related to, Palito as well as ongoing plant and other capital development costs are capitalised and reflected in the Balance Sheet of the Company. Capital additions representing new plant and equipment or construction or capital of facilities totalled US$0.66 million for the 3 month period to 31 March 2014. Site operating costs of US$1.64 million for the three month period were capitalised and set off against provisional revenue of US$0.65 million generated from 80 wet metric tonnes of copper/gold concentrate that departed from Brazil during the quarter. In total some 226 wet metric tonnes of copper/gold concentrate were produced at Palito during the quarter. However the company is currently only recognising revenue for material that has departed from Brazil this being the date on which it considers that title passes to the refinery.

The Company had a working capital position of US$15,657,923 at 31 March 2014 compared to US$2,091,941 at 31 December 2013 as per the table below:

	Note	March 2014 US$	December 2013 US$	Variance US$
Current assets				
Cash at bank and in hand		11,616,470	3,789,263	7,827,207
Inventories	i	5,858,849	3,890,880	1,967,969
Prepayments	ii	1,745,676	1,264,654	481,022
Trade and other receivables	iii	733,899	75,977	657,922
Total current assets		**19,954,894**	**9,020,774**	**10,934,120**
Total current liabilities				
Trade and other payables	iv	3,013,277	2,871,546	141,731
Interest bearing liabilities	v	1,016,770	3,790,363	(2,773,593)
Accruals		266,924	266,924	–
Total current liabilities		**4,296,971**	**6,928,833**	**(2,631,862)**
Working capital		**15,657,923**	**2,091,941**	**13,565,982**
Non-current liabilities				
Interest bearing liabilities	v	681,854	833,560	(151,706)
Provisions	vi	1,532,760	1,480,665	52,095
Trade and other payables		424,768	410,330	14,438
Total non-current liabilities		**2,639,382**	**2,724,555**	**(85,173)**

The increase in the cash balances of US$7,827,207 results from the placing of new shares which was completed on 3 March 2014 raising gross proceeds of UK£10 million. Part of these funds have been applied to the repayment of a short term shareholder loan of US$5.5 million (excluding interest) of which US$2.75 million is included in working capital at 31 December 2013.

This increase in the Company's cash at bank position is the principal reason for the improvement in the working capital position of the company. Some of the other items which have had an impact on the Companies working capital position include the following.

(i) The levels of inventories have increased by US$2.0 million compared with 31 December 2013. Inventories of consumables (fuel, spare parts, chemicals, explosives etc.) at 31 March 2014 being US$0.93 million are similar in value to the holdings at 31 December 2013 which had a value of US$0.89 million.
Inventories of work in progress comprising mined ore, material in the course of processing or product stocks awaiting sale, have increased by US$1.93 million between 31 December 2013 and 31 March 2014. At 31 December 2013, the Company valued the stockpile of ore that had been established on surface in preparation for processing at US$3.0 million. Whilst this stockpile has been slightly depleted during the last quarter, at the end of the period the Company had established an inventory of approximately 166 wet metric tonnes of copper/gold concentrate either at Palito or en-route to the port of Belem from where this material is shipped to a refinery in Europe.. The valuation of US$1.9 million ascribed to this finished goods inventory accounts for most of the increase in inventory value at 31 March 2014.

(ii) The level of prepayments has increased by US$0.49 million from US$1.26 million at 31 December 2013 to US$1.75 million at 31 March 2014. The prepayments represent:

a. Prepaid taxes in Brazil amounting to US$1.23 million, (31 December 2013: US$1.10 million), 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$136,000 in comparison to the prior year due to an increase in the level of social taxes the Company has prepaid at 31 March 2014.

b. Supplier down-payments reflecting the timing and 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 (including down payment on new machinery) or items being fabricated of US$440,264 (31 December 2013 : US$228,000).

(iii) Receivables of US$0.73 million as at 31 March 2014 have increased by US$0.65 million compared to the balance of US$76,000 at 31 December 2013. This is attributable to net revenue due on shipments of copper/gold concentrate that have departed from Brazil during the first quarter of 2014.

(iv) Trade Creditors amounting to US$3,103,277 at 31 March 2014 are consistent with the level of US$2,871,546 at 31 December 2013, with an increase of US$141,731. The items making up this total balance are:

a. Trade Creditors have increased by US$229,384 in comparison to 31 December 2013 which is partly due to the increase in activity and operating equipment being utilised for mine development and also timing differences on when we make payments to trade creditors;
b. Sales tax liabilities decreased by US$18,540 from US$459,796 to US$441,256 year on year;
c. The standard wage accrual and social welfare accrual have decreased by US$69,133 from 31 December 2013 to 31 March 2014. This decrease results from the settlement during the quarter of a liability for the thirteenth salary which Brazilian employees are entitled to receive. The cost is accrued during the year and final settlement and taxes are paid in December and January;

(v) Interest bearing liabilities due within one year decreased by US$2,925,299. This is primarily because at 31 December 2013 the Company owed US$2.75 million on a short term shareholder loan, which was repaid during March 2014.
The Company has also acquired certain assets during 2013 under finance leases. At 31 March 2014 the Company had liabilities under these financial leases of US$553.004 due within one year (31 December 2013: US$600,280), and a further US$681,854 due after that date. The leases are for a term three years and carry interest at a rate of 6.45% per annum.
Also included is US$463,766 including accrued interest (December 2013: US$440,083) attributable to £300,000 of convertible loan stock 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$1,532,760 (December 2013: US$1,480,665) in respect of provisions including US$1,181,145 (December 2013: US$1,141,000) for the cost of remediation of the current Palito Mine site at the conclusion of operational activity. The increase in the liability of US$52,095 is due to a movement in the exchange rate. The Company undertook a review of the underlying cost assumptions during 2013.

The Company does not have any asset backed commercial paper investments. As the Company has during 2014 generated only limited 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.

On 3 March 2014, the Company completed a further placing of shares and share purchase warrants that raised gross proceeds of UK£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 major stage of the remediation process will be the rehabilitation of the Carbon-In-Pulp 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.

Condensed Consolidated Statement of Comprehensive Income
For the three months ended 31 March 2014

(expressed in US$)	Notes	For the three months ended 31 March **2014 (unaudited)**	2013 (unaudited)
CONTINUING OPERATIONS			
Revenue		**—**	—
Operating expenses		**—**	—
Gross loss		**—**	—
Administration expenses		**(911,979)**	(908,753)
Share based payments		**(29,587)**	(47,846)
Depreciation of plant and equipment		**(125,983)**	(107,667)
Operating loss		**(1,067,549)**	(1,064,266)
Foreign exchange loss		**(9,918)**	(255,218)
Finance expense		**(180,154)**	(42,499)
Finance income		**—**	2,757
Loss before taxation		**(1,257,621)**	(1,359,226)
Income tax expense		**—**	—
Loss for the period from continuing operations (1)		**(1,257,621)**	(1,359,226)
Other comprehensive income (net of tax)			
Exchange differences on translating foreign operations		**1,920,750**	609,475
Total comprehensive profit/(loss) for the period		**663,129**	(749,751)
Loss per ordinary share (basic and diluted) (1)	2	**(0.24c)**	(0.43c)

(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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Condensed Consolidated Balance Sheet
As at 31 March 2014

(expressed in US$)	Notes	**31 March 2014 (unaudited)**	**31 March 2013 (unaudited)**	31 December 2013 (audited)
Non-current assets				
Deferred exploration costs	3	**25,607,411**	17,696,480	24,659,003
Property, plant and equipment	4	**38,549,235**	29,187,365	36,008,318
Total non-current assets		**64,156,646**	46,883,845	60,667,321
Current assets				
Inventories	5	**5,858,849**	795,485	3,890,880
Trade and other receivables		**733,899**	182,018	75,977
Prepayments and accrued income		**1,745,676**	681,188	1,264,654
Cash and cash equivalents		**11,616,470**	20,222,386	3,789,263
Total current assets		**19,954,894**	21,881,077	9,020,774
Current liabilities				
Trade and other payables		**3,003,401**	2,295,152	2,871,546
Interest bearing liabilities		**1,016,770**	—	3,790,363
Accruals		**276,800**	408,540	266,924
Total current liabilities		**4,296,971**	2,703,692	6,928,833
Net current assets		**15,657,923**	19,177,385	2,091,941
Total assets less current liabilities		**79,814,569**	66,061,230	62,759,262
Non-current liabilities				
Trade and other payables		**424,768**	131,230	410,330
Provisions		**1,532,760**	1,635,873	1,480,665
Interest bearing liabilities		**681,854**	386,729	833,560
Total non-current liabilities		**2,639,382**	2,153,832	2,724,555
Net assets		**77,175,187**	63,907,398	60,034,707
Equity				
Share capital		**61,668,212**	52,773,993	60,003,212
Share premium reserve		**69,041,915**	54,083,565	54,479,151
Option reserve		**2,360,376**	2,069,189	2,330,789
Other reserves		**1,009,076**	427,615	789,076
Translation reserve		**(8,850,423)**	(3,996,836)	(10,771,173)
Accumulated losses		**(48,053,969)**	(41,450,128)	(46,796,348)
Equity shareholders' funds		**77,175,187**	63,907,398	60,034,707

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 2013 prepared under IFRS as adopted in the EU and with IFRS and their interpretations adopted by the International Accounting Standards Board will be filed with the Registrar of Companies following their adoption by shareholders at the next Annual General Meeting. The auditor's report on these accounts was unqualified but did contain an Emphasis of Matter with respect to the Company and the Group regarding Going Concern and the future availability of project finance. The auditor's report did not contain a statement under Section 498 (2) or 498 (3) of the Companies Act 2006.

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Condensed Consolidated Statement of Changes in Shareholders' Equity
For the 3 month period ended 31 March 2014

(expressed in US$)

(unaudited)	Share capital	Share premium	Share option reserve	Other reserves [1]	Translation reserve	Accumulated losses	Total equity
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	—	—	—	—	609,475	—	609,475
Loss for the period	—	—	—	—	—	(1,359,226)	(1,359,226)
Total comprehensive income for the period	—	—	—	—	609,475	(1,359,226)	(749,751)
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	—	(281,659)	—	—	—	—	(281,659)
Warrants lapsed in period	—	441,213	—	(441,213)	—	—	—
Share option expense	—	—	49,407	—	—	—	49,407
Equity shareholders' funds at 31 March 2013	**52,773,993**	**54,524,778**	**2,069,189**	**427,615**	**(3,996,836)**	**(41,891,341)**	**63,907,398**
Foreign currency adjustments	—	—	—	—	(6,774,337)	—	(6,774,337)
Loss for the period	—	—	—	—	—	(4,905,007)	(4,905,007)
Total comprehensive income for the period	—	—	—	—	(6,774,337)	(4,905,007)	(11,679,344)
Issue of new ordinary shares for acquisition	7,229,219	—	—	361,461	—	—	7,590,680
Costs associated with issue of new ordinary shares for cash	—	(45,627)	—	—	—	—	(45,627)
Share option expense	—	—	261,600	—	—	—	261,600
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**
Foreign currency adjustments	—	—	—	—	1,920,750	—	1,920,750
Loss for the period	—	—	—	—	—	(1,257,621)	(1,257,621)
Total comprehensive income for the period	—	—	—	—	1,920,750	(1,257,621)	663,129
Issue of new ordinary shares for cash	1,665,000	14,765,000	—	220,000	—	—	16,650,000
Costs associated with issue of new ordinary shares for cash	—	(202,236)	—	—	—	—	(202,236)
Share option expense	—	—	29,587	—	—	—	29,587
Equity shareholders' funds at 31 March 2014	**61,668,212**	**69,041,915**	**2,360,376**	**1,009,076**	**(8,850,423)**	**(48,053,969)**	**77,175,187**

(1) Other reserves comprise a merger reserve of US$361,461 (2013: US$ 361,461), a warrant reserve of US$386,733 (2013 : US$166,733) and initial value for the equity component of the convertible loan stock of US$260,882 (2013 : US$ 260,882).

Condensed Consolidated Cash Flow Statements
For the 3 month period ended 31 March 2014

(expressed in US$)	For the three months ended 31 March **2014** **(unaudited)**	2013 (unaudited)
Operating activities		
Operating loss	**(1,067,549)**	(1,064,266)
Depreciation – plant, equipment and mining properties	**125,983**	107,667
Option costs	**29,587**	47,846
Interest paid	**(159,907)**	(107,605)
Foreign exchange	**152,448**	(305,314)
Changes in working capital		
Increase in inventories	**(1,757,207)**	(61,587)
Increase in receivables, prepayments and accrued income	**(1,058,545)**	(166,936)
Increase/(decrease) in payables, accruals and provisions	**52,638**	423,347
Net cash outflow from operations	**(3,682,552)**	(1,126,848)
Investing activities		
Purchase of property, plant and equipment and projects in construction	**(1,633,902)**	(2,079,391)
Exploration and development expenditure	**(374,959)**	(111,137)
Interest received	—	2,757
Net cash outflow on investing activities	**(2,008,861)**	(2,187,771)
Financing activities		
Issue of ordinary share capital	**16,650,000**	25,628,400
Draw-down of short-term loan facility	**2,750,000**	—
Repayment of short-term loan	**(5,500,000)**	(4,500,000)
Payment of share issue costs	**(202,236)**	(281,659)
Payment of finance lease liabilities	**(145,800)**	—
Net cash inflow from financing activities	**13,551,964**	20,846,741
Net increase in cash and cash equivalents	**7,860,551**	17,532,122
Cash and cash equivalents at beginning of period	**3,789,263**	2,582,046
Exchange difference on cash	**(33,344)**	108,218
Cash and cash equivalents at end of period	**11,616,470**	20,222,386

SERABI GOLD PLC
2nd Floor, 30-32 Ludgate Hill, London EC4M 7DR
t +44 (0)20 7246 6830 **f** +44 (0)20 7246 6831 **e** contact@serabimining.com www.serabigold.com
Registered Office 66 Lincoln's Inn Fields, London, WC2A 3LH **Company Number** 5131528

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Notes

1. Basis of preparation

These interim accounts are for the three month period ended 31 March 2014. Comparative information has been provided for the unaudited three month period ended 31 March 2013 and, where applicable, the audited twelve month period from 1 January 2013 to 31 December 2013.

The accounts 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 2013 and those envisaged for the financial statements for the year ending 31 December 2014. The Group has not adopted any standards or interpretation in advance of the required implementation dates. 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.

(i) 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 first phase construction of the gold recovery plant in December 2013. The operations during the quarter have been in a re-commissioning and ramp-up phase and the Company has yet to declare Commercial Production having been attained. 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 its forecast production 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.

(ii) 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, NI 43-101 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 was undertaken, the proceeds may not realise the value as stated in the accounts.

(iii) Inventories

Inventories are valued at the lower of cost and net realisable value. Inventory of mined ore, material that is in process and unsold inventory of gold and other materials awaiting sale are valued on the basis of the direct costs involved in bringing the inventory to its current form and as the company considers appropriate, attributable site overhead costs.

(iv) Property, plant and equipment

Property, plant and equipment are depreciated over their estimated useful lives.

(v) Mining property and assets in construction

The Group commenced Commercial Production at the Palito mine effective 1 October 2006. Prior to this date all revenues and operating costs were capitalised as part of the development costs of the mine. Effective from 1 October 2006 the accumulated development costs of the mine were re-classified as Mining Property with this cost being amortised over the anticipated life of the mine on a unit of production basis. Since December 2008 the underground mine had been on care and maintenance and with no depletion of the reserves and resources attributable to the mine, no amortization charge has been recorded since that date.

Costs incurred since October 2012 related to work on the remediation, rehabilitation and development of the Palito mine, the process plant and other site infrastructure are being capitalised together with a portion of general administration costs incurred in Brazil as Assets in Construction.

Since the beginning of the quarter the mine has been in a commissioning and ramp-up phase and accordingly all production costs and revenues generated are continuing to be capitalized.

Upon the successful commencement of Commercial Production, these costs will be transferred to Mining Property and the total value will be amortised on a unit of production basis.

(vi) Revenue

Revenue is recognised only at the time that the legal title is transferred to the purchaser and when it is probable that the economic benefits associated with the transaction will flow to the company. If at the date of the sale being recognised, pricing and/or quantities of metal being delivered are still subject to change, revenue will be recognised based on the best estimates at the time and any variation arising when final pricing under the contract is determined or metal quantities agreed will be recognised in a future period. Any unsold production and in particular concentrate is held as inventory and valued at production cost, including attributable overhead, until sold.

Since the beginning of the quarter the mine has been in a commissioning and ramp-up phase and the company has not yet reported Commercial Production as having been attained. Accordingly any revenue recognised in the quarter has been capitalsed and reduces the book value of Assets in Construction.

(vii) Currencies

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

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

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

(**viii) Cash and cash equivalents**

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

2. Earnings per share

	3 months ended 31 March 2014 (unaudited)	3 months ended 31 March 2013 (unaudited)
	$	$
Loss attributable to ordinary shareholders (US$)	**1,257,621**	1,359,226
Weighted average ordinary shares in issue	**520,833,648**	313,268,529
Basic and diluted loss per share (US cents)	**0.24**	0.43

3. Deferred exploration costs

	31 March 2014 (unaudited)	31 March 2013 (unaudited)	31 December 2013 (audited)
Cost			
Balance at beginning of period	**24,659,003**	17,360,805	17,360,805
Exploration and development expenditure	**374,959**	111,137	2,432,871
Share option charges	—	1,561	6,244
Additions on acquisition of subsidiary	—	—	8,187,839
Write-off of past exploration costs	—	—	(1,007,233)
Foreign exchange movements	**573,449**	222,977	(2,321,523)
Balance at end of period	**25,607,411**	17,696,480	24,659,003

SERABI GOLD PLC
2nd Floor, 30-32 Ludgate Hill, London EC4M 7DR
t +44 (0)20 7246 6830 **f** +44 (0)20 7246 6831 **e** contact@serabimining.com www.serabigold.com
Registered Office 66 Lincoln's Inn Fields, London, WC2A 3LH **Company Number** 5131528

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

	31 March 2014 (unaudited)	31 March 2013 (unaudited)	31 December 2013 (audited)
Cost			
Balance at beginning of period	**50,761,593**	42,364,175	42,364,175
Additions [(1)]	**1,633,902**	2,079,391	13,713,894
Additions on acquisition of subsidiary	—	—	321,674
Foreign exchange movements	**1,557,927**	544,960	(5,638,150)
Disposals	**—**	—	—
Balance at end of period	**53,953,422**	44,988,526	50,761,593

(1) Additions include capitalised operational costs for the period net of any revenues recognized in the period.

	31 March 2014 (unaudited)	31 March 2013 (unaudited)	31 December 2013 (audited)
Accumulated depreciation			
Balance at beginning of period	**(14,753,275)**	(15,515,184)	(15,515,184)
Charge for period	**(256,072)**	(107,665)	(750,807)
Balance on acquisition of subsidiary	—	—	(66,812)
Foreign exchange movements	**(394,840)**	(178,312)	1,579,528
Eliminated on sale of asset	**—**	—	—
Balance at end of period	**(15,404,187)**	(15,801,161)	(14,753,275)
Net book value at end of period	**38,549,235**	29,187,365	36,008,318

5. Inventories

	31 March 2014 (unaudited)	31 March 2013 (unaudited)	31 December 2013 (audited)
Consumables	**927,898**	795,485	891,969
Ore stockpile s and other work in progress	**2,994,938**	—	2,998,911
Finished goods	1,936,013	—	—
Balance at end of period	**5,858,849**	795,485	3,890,880

Glossary of Terms

The following is a glossary of technical terms:

"Au" means gold.

"assay" in economic geology, means to analyze the proportions of metal in a rock or overburden sample; to test an ore or mineral for composition, purity, weight or other properties of commercial interest.

"grade" is the concentration of mineral within the host rock typically quoted as grams per tonne (g/t), parts per million (ppm) or parts per billion (ppb).

"g/t" means grams per tonne.

"mRL" – depth in metres measured relative to a fixed point – in the case of Palito this is sea-level. The mine entrance is at 250mRL.

"stope" is a production opening in an underground mine where the ore is won and extracted.

"vein" is a generic term to describe an occurrence of mineralised rock within an area of non-mineralised rock.

SERABI GOLD PLC
2nd Floor, 30-32 Ludgate Hill, London EC4M 7DR
t +44 (0)20 7246 6830 **f** +44 (0)20 7246 6831 **e** contact@serabimining.com www.serabigold.com
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