SERABI GOLD

SERABI GOLD PLC

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

FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2012

NOTICE

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

SERABI GOLD PLC
Condensed Consolidated Statements of Comprehensive Income

(expressed in US$)	Notes	For the three months ended 30 September **2012 (unaudited)**	2011 (unaudited)	For the nine months ended 30 September **2012 (unaudited)**	2011 (audited)
CONTINUING OPERATIONS					
Revenue		—	2,843	—	3,906
Operating expenses		—	(152,001)	**(178,119)**	(468,083)
Gross (loss)/profit		—	(149,158)	**(178,119)**	(464,177)
Administration expenses		**(450,047)**	(745,990)	**(1,834,000)**	(2,113,195)
Settlement of supplier claim		—	—	—	540,441
Option costs		**(33,244)**	(92,399)	**(95,638)**	(186,710)
(Loss)/gain on asset disposals		—	(5,204)	**8,355**	(7,541)
Depreciation of plant and equipment		**(223,150)**	(580,845)	**(807,991)**	(1,741,977)
Operating loss		**(706,441)**	(1,573,596)	**(2,907,393)**	(3,973,159)
Foreign exchange gain/(loss)		**9,434**	(168,309)	**73,940**	(26,000)
Finance costs		**(19,806)**	(16,109)	**(57,450)**	(97,909)
Investment income		**1,265**	18,330	**6,129**	52,107
Loss before taxation		**(715,548)**	(1,739,684)	**(2,884,774)**	(4,044,961)
Income tax expense		—	—	—	—
Loss for the period from continuing operations (1) (2)		**(715,548)**	(1,739,684)	**(2,884,774)**	(4,044,961)
Other comprehensive income (net of tax)					
Exchange differences on translating foreign operations		**(199,904)**	(7,489,207)	**(3,268,882)**	(4,699,101)
Total comprehensive (loss) for the period (2)		**(915,452)**	(9,228,891)	**(6,153,656)**	(8,744,062)
Loss per ordinary share (basic and diluted) (1)	3	**(0.78c)**	(2.72c)	**(3.24c)**	(7.01c)

(1) All revenue and expenses arise from continuing operations.
(2) The Group has no non-controlling interests and all income / (losses) are attributable to the equity holders of the Parent Company.

SERABI GOLD PLC
Condensed Consolidated Balance Sheets

(expressed in US$)	Notes	**As at 30 September 2012 (unaudited)**	As at 30 September 2011 (unaudited)	As at 31 December 2011 (audited)
Non-current assets				
Development and deferred exploration costs	5	**18,249,489**	15,122,184	16,648,884
Property, plant and equipment	6	**25,514,742**	29,132,327	28,266,092
Total non-current assets		**43,764,231**	44,254,511	44,914,976
Current assets				
Inventories		**980,832**	1,242,439	1,114,255
Trade and other receivables		**87,449**	97,539	87,440
Prepayments and accrued income		**577,310**	1,003,371	701,669
Cash at bank and cash equivalents		**408,708**	4,033,410	1,406,458
Total current assets		**2,054,299**	6,376,759	3,309,822
Current liabilities				
Trade and other payables		**2,114,143**	3,110,201	2,538,055
Accruals		**114,659**	300,732	146,165
Total current liabilities		**2,228,802**	3,410,933	2,684,220
Net current (liabilities)/ assets		**(174,503)**	2,965,826	625,602
Total assets less current liabilities		**43,589,728**	47,220,337	45,540,578
Non-current liabilities				
Trade and other payables		**233,825**	163,167	508,680
Provisions		**1,546,176**	1,454,715	1,451,296
Interest bearing liabilities		**350,127**	273,766	296,122
Total non-current liabilities		**2,130,128**	1,891,648	2,256,098
Net assets		**41,459,600**	45,328,689	43,284,480
Equity				
Share capital	8	**31,416,993**	29,291,551	29,291,551
Share premium		**50,306,920**	48,278,626	48,292,057
Option reserve		**1,979,610**	1,864,893	1,956,349
Other reserves		**780,028**	702,095	702,095
Translation reserve		**(4,344,049)**	(816,933)	(1,075,167)
Accumulated loss		**(38,679,902)**	(33,991,543)	(35,882,405)
Equity shareholders' funds		**41,459,600**	45,328,689	43,284,480

This 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 2011 prepared under IFRS as adopted in the EU and with IFRS and their interpretations adopted by the International Accounting Standards Board have been filed with the Registrar of Companies following their adoption by shareholders at the last 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.

SERABI GOLD PLC
Condensed Consolidated Statements of Changes in Shareholders' Equity

(expressed in US$) (unaudited)	Share capital	Share premium	Share option reserve	Other reserves	Translation reserve	Accumulated loss	Total equity
Equity shareholders' funds at 31 December 2010	**27,752,834**	**40,754,032**	**1,648,484**	**260,882**	**3,882,168**	**(29,946,582)**	**44,351,818**
Foreign currency adjustments	—	—	—	—	(4,699,101)	—	(4,688,101)
Loss for the period	—	—	—	—	—	(4,044,961)	(4,044,961)
Total comprehensive income for the period	—	—	—	—	(4,699,101)	(4,044,961)	(8,744,062)
Issue of new ordinary shares for cash	731,412	4,229,767	—	208,229	—	—	5,169,408
Issue of new ordinary shares on exercise of special warrants	807,305	4,004,807	—	232,984	—	—	5,045,096
Costs associated with issue of new ordinary shares for cash	—	(709,980)	—	—	—	—	(709,980)
Share option expense	—	—	216,409	—	—	—	216,409
Equity shareholders' funds at 30 September 2011	**29,291,551**	**48,278,626**	**1,864,893**	**702,095**	**(816,933)**	**(33,991,543)**	**45,328,689**
Foreign currency adjustments	—	—	—	—	(258,234)	—	(258,234)
Loss for the period	—	—	—	—	—	(1,890,862)	(1.890,862)
Total comprehensive income for the period	—	—	—	—	(258,234)	(1,890,862)	(2,149,096)
Costs associated with issue of new ordinary shares for cash	—	13,431	—	—	—	—	13,431
Share option expense	—	—	91,456	—	—	—	198,159
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	—	—	—	—	(3,268,882)	—	(3,268,882)
Loss for the period	—	—	—	—	—	(2,884,774)	(2,884,774)
Total comprehensive income for the period	—	—	—	—	(3,268,882)	(2,884,774)	(6,153,656)
Issue of new ordinary shares for cash	2,125,442	2,047,508	—	77,933	—	—	4,250,883
Costs associated with issue of new ordinary shares for cash	—	(32,645)	—	—	—	—	(32,645)
Share option expense	—	—	23,261	—	—	87,277	110,538
Equity shareholders' funds at 30 September 2012	**31,416,993**	**50,306,920**	**1,979,610**	**780,028**	**(4,344,049)**	**(38,679,902)**	**41,459,600**

SERABI GOLD PLC
Condensed Consolidated Cash Flow Statements

(expressed in US$)	For the three months ended 30 September 2012 (unaudited)	For the three months ended 30 September 2011 (unaudited)	For the nine months ended 30 September 2012 (unaudited)	For the nine months ended 30 September 2011 (unaudited)
Operating activities				
Operating loss	**(706,441)**	(1,573,596)	**(2,907,393)**	(3,973,159)
Depreciation – plant, equipment and mining properties	**223,150**	580,845	**807,991**	1,741,977
Gain/(loss) on asset disposals	**---**	5,204	**(8,355)**	7,541
Option costs	**33,244**	92,399	**95,638**	186,710
Interest paid	**(4,954)**	(5,255)	**(15,277)**	(33,941)
Foreign exchange (loss) / gain	**(17,210)**	78,789	**(111,113)**	(159,159)
Changes in working capital				
(Increase) / decrease in inventories	**(937)**	100,315	**51,383**	35,862
(Increase) / decrease / in receivables, prepayments and accrued income	**(50,205)**	166,121	**78,217**	(54,013)
Increase/(decrease) in payables, accruals and provisions	**136,710**	(119,697)	**(321,751)**	152,475
Net cash flow from operations	**(386,643)**	(674,875)	**(2,330,660)**	(2,095,707)
Investing activities				
Proceeds from sale of fixed assets	**---**	14,302	**9,647**	129,457
Purchase of property, plant and equipment	**(5,425)**	(92,761)	**(57,377)**	(138,397)
Exploration and development expenditure	**(914,305)**	(2,854,925)	**(2,863,261)**	(6,969,901)
Interest received	**1,265**	18,330	**6,129**	52,107
Net cash outflow on investing activities	**(918,465)**	(2,915,054)	**(2,904,862)**	(6,926,734)
Financing activities				
Issue of ordinary share capital	—	—	**4,250,883**	4,961,180
Issue of warrants	**—**	—	**—**	208,229
Capital element of finance lease payments	**—**	—	**—**	—
Payment of share issue costs	—	---	**(32,645)**	(709,980)
Payment of special warrant issue costs	**—**	—	**—**	(14,900)
Net cash inflow from financing activities	—	---	**4,218,238**	4,444,529
Net (decrease) in cash and cash equivalents	**(1,305,108)**	(3,589,929)	**(1,017,284)**	(4,577,912)
Cash and cash equivalents at beginning of period	**1,697,434**	7,859,831	**1,406,458**	8,598,754
Exchange difference on cash	**16,382**	(236,492)	**19,534**	12,568
Cash and cash equivalents at end of period	**408,708**	4,033,410	**408,708**	4,033,410

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation

These interim accounts are for the three and nine month periods ended 30 September 2012. Comparative information has been provided for the unaudited three and nine month periods ended 30 September 2011 and, where applicable, the audited twelve month period from 1 January 2011 to 31 December 2011.

The interim 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 2011 and those envisaged for the financial statements for the year ending 31 December 2012. 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. The Group comprises Serabi Gold plc and its wholly owned subsidiary entities.

(i) Going concern and availability of project finance

In common with many companies in the exploration and development stages, the Group raises its finance for exploration and development programmes in discrete tranches. The Group has completed, during the first half of 2012, the preparation of a Preliminary Economic Assessment (“PEA”) into the viability of re-commencing mining operations at the Palito Mine. The results of the PEA were announced on 13 June 2012 and indicated a project after tax internal rate of return of 68% based on employing a selective underground mining operation and exploiting only the previously declared mineral resource estimates. The directors believe that the PEA results support a small scale, high grade operation using selective mining techniques and the Board intends, subject to financing, to undertake the necessary mine development and remedial works as soon as possible.

On 2 October 2012, the Company announced that it had entered into a conditional subscription agreement with Fratelli Investments Limited (“Fratelli”), one of its major shareholders, to subscribe for and underwrite a placement of new shares to raise in aggregate UK£16.2 million to finance the development and start-up of underground mining operations at its Palito gold mine. In addition, Fratelli has provided an interim secured short term loan facility of US$6 million to the Company (“Loan Agreement”) to provide additional working capital to the Company and to enable it to commence the initial works at Palito. In the opinion of the Board this conditional subscription, if completed, will provide sufficient funds to undertake the mine development and plant and infrastructure improvements and rehabilitation required to commence gold production operations at Palito and will provide working capital for the Company during this period. The Directors consider that thereafter the Group will have sufficient funds to finance the Group and its commitments for the foreseeable future. The Directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis.

Whilst the Directors are confident that the share subscription will be completed there can be no certainty that this will be the case. Whilst Fratelli have provided an interim loan facility were the additional funding not to become available in an appropriate timescale, the Directors would need to consider alternative strategies and an impairment review would be required in respect of the carrying value of the assets relating to the Palito Mine and other deferred exploration costs. These conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group’s ability to continue as a going concern. No adjustments to asset carrying values that may be necessary should the Group be unsuccessful in raising the required finance have been recognised in these financial statements.

(ii) Impairment

The Directors have undertaken a review of the carrying value of the mining and exploration assets of the Group, and considered the implications of the operational difficulties experienced and the current operational status of Palito. Following this review they have assessed the value of the existing assets on the basis of value in use involving a future recommencement of underground mining operations which is dependent on the ability of the Group to raise future finance and to operate the mine in line with the mine plan that forms the basis of the value in use calculation. 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.

(iii) Inventories

Inventories are valued at the lower of cost and net realisable value.

(iv) Property, plant and equipment

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

(v) Mining property

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 costs and such cost will be amortised over the anticipated life of the mine on a unit of production basis. As the underground mine is currently on care and maintenance and there is no depletion of the reserves and resources attributable to the mine, no amortisation charge has been recorded in the period. The Company announced on 2 October 2012 that it had conditionally secured the funding that the Board considers necessary to undertake the mine development and plant and infrastructure improvements and rehabilitation required to commence gold production operations at Palito. Costs associated with the redevelopment works at the Palito mine will be capitalised until such time as the Group achieves commercial production levels of gold after which time the Group will amortise Mine Property costs on a unit of production basis.

(vi) Revenue

Revenue represents amounts receivable in respect of sales of gold and by-products. Revenue represents only sales for which contracts have been agreed and for which the product has been delivered to the purchaser in the manner set out in the contract. Revenue is stated net of any applicable sales taxes. Any unsold production and in particular concentrate are held as inventory and valued at production cost until sold.

(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.

2. Taxation

Taxation represents a provision for corporate taxes due on taxable profits arising in Brazil. No deferred tax asset arising from carried forward losses incurred outside of Brazil has been recognised in the financial statements because of uncertainty as to the time period over which this asset may be recovered.

3. Earnings per share

	3 months ended 30 September 2012	3 months ended 30 September 2011	**9 months ended 30 September 2012**	9 months ended 30 September 2011	12 months ended 31 December 2011
Loss attributable to ordinary shareholders (US$)	**715,548**	1,739,684	**2,884,774**	4,044,961	5,935,823
Weighted average ordinary shares in issue	**91,268,529**	63,968,529	**88,976,923**	57,715,900	59,309,035
Basic and diluted loss per share (US cents)	**0.78**	2.72	**3.24**	7.01	10.01

No diluted earnings per share is presented as the effect of the exercise of share options and warrants would be to decrease the loss per share.

4. Segmental analysis

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

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

The Board considers the performance of the Group by the geographical location of expenditures, and the division of capital expenditure between exploration and operations. An analysis of the results for the three month period by management segment is as follows:

	3 months ended 30 September 2012 (unaudited)			3 months ended 30 September 2011 (unaudited)		
	Brazil $	**Unallocated $**	**Total $**	Brazil $	Unallocated $	Total $
Revenue	—	—	—	2,843	—	2,843
Operating expenses	—	—	—	(152,001)	—	(152,001)
Operating (loss)	—	—	—	(149,158)	—	(149,158)
Administration expenses	**(176,594)**	**(273,453)**	**(450,047)**	(357,622)	(388,368)	(745,990)
Share based payments	—	**(33,244)**	**(33,244)**	—	(92,399)	(92,399)
Provisions, depreciation and (loss)/gain on asset disposals	**(218,794)**	**(4,356)**	**(223,150)**	(553,145)	(32,904)	(586,049)
Operating loss	**(395,388)**	**(311,053)**	**(706,441)**	(1,059,925)	(513,671)	(1,573,596)
Foreign exchange (loss)/gain	**3,565**	**5,869**	**9,434**	(123)	(168,186)	(168,309)
Interest (expense)/income	**(4,953)**	**(13,588)**	**(18,541)**	(12,495)	14,716	(2,221)
Loss before taxation	**(396,776)**	**(318,772)**	**(715,548)**	(1,072,543)	(667,141)	(1,739,684)

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

	9 months ended 30 September 2012 (unaudited)			9 months ended 30 September 2011 (unaudited)		
	Brazil $	**Unallocated $**	**Total $**	Brazil $	Unallocated $	Total $
Revenue	—	—	—	3,906	—	3,906
Operating expenses	**(178,119)**	—	**(178,119)**	(467,951)	(132)	(468,083)
Operating (loss)/profit	**(178,119)**	—	**(178,119)**	(464,045)	(132)	(464,177)
Administration expenses	**(759,862)**	**(1,074,138)**	**(1,834,000)**	(373,264)	(1,199,490)	(1,572,754)
Share based payments	—	**(95,638)**	**(95,638)**	—	(186,710)	(186,710)
Depreciation and (loss)/gain on asset disposals	**(762,948)**	**(36,688)**	**(799,636)**	(1,651,366)	(98,152)	(1,749,518)
Operating loss	**(1,700,929)**	**(1,206,464)**	**(2,907,393)**	(2,488,675)	(1,484,484)	(3,973,159)
Foreign exchange gain/(loss)	**531**	**73,409**	**73,940**	(78,312)	52,312	(26,000)
Interest (expense)/income	**(15,277)**	**(36,044)**	**(51,321)**	(63,441)	17,639	(45,802)
Loss before taxation	**(1,715,675)**	**(1,169,099)**	**(2,884,774)**	(2,630,428)	(1,414,533)	(4,044,961)

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

	Total non-current assets		
	30 September 2012 (unaudited) $	30 September 2011 (unaudited) $	31 December 2011 (audited) $
Brazil – operations	**25,507,702**	29,109,652	28,247,698
Brazil – exploration	**18,249,489**	15,122,184	16,648,884
Other	**7,040**	22,675	18,394
	43,764,231	44,254,511	44,914,976

An analysis of total assets by location is as follows:

	Total assets		
	30 September 2012 (unaudited)	30 September 2011 (unaudited)	31 December 2011 (audited) $
Brazil	**45,292,075**	46,882,168	47,017,584
Other	**526,455**	3,749,102	1,207,214
	45,818,530	50,631,270	48,224,798

During the nine month period, the following amounts incurred by project location were capitalised as development and deferred exploration costs:

	For the 9 month period ended 30 September 2012 $	For the 9 month period ended 30 September 2011 $	For the year ended 31 December 2011 $
Brazil	**2,878,160**	6,999,600	8,707,476

5. Exploration and development costs

	30 September 2012 (unaudited)	30 September 2011 (unaudited)	31 December 2011 (audited)
Cost			
Opening balance	**16,648,884**	9,797,406	9,797,406
Exploration and development expenditure	**2,863,261**	6,969,901	8,663,471
Share option charges	**14,899**	29,699	44,005
Exchange	**(1,277,555)**	(1,674,822)	(1,855,998)
Balance at end of period	**18,249,489**	15,122,184	16,648,884

6. Property, plant and equipment

	30 September 2012 (unaudited)	30 September 2011 (unaudited)	31 December 2011 (audited)
Cost			
Balance at beginning of period	**44,020,699**	49,268,696	49,268,696
Additions	**57,377**	138,397	119,974
Disposals	**(45,288)**	(360,816)	(452,736)
Exchange	**(2,978,808)**	(4,467,451)	(4,915,235)
Balance at end of period	**41,053,980**	44,578,826	44,020,699
Accumulated depreciation			
Balance at beginning of period	**15,754,607**	15,317,556	15,317,556
Charge for period	**807,991**	1,741,977	2,251,850
Eliminated on sale of asset	**(43,996)**	(222,708)	(271,111)
Exchange	**(979,364)**	(1,389,326)	(1,543,688)
Balance at end of period	**15,539,238**	15,446,499	15,754,607
Net book value at end of period	**25,514,742**	29,132,327	28,266,092

7. Contractual commitments

The following table sets out the maturity profile of the Group's contractual commitments excluding trade liabilities as at 30 September 2012 and commitments under operating leases:

	Payments due by period				
	Total $	Less than 1 year $	1-3 years $	4-5 years $	After 5 years $
Long term debt	350,127	–	350,127	–	–
Capital lease obligations	–	–	–	–	–
Operating leases	136,757	88,021	48,736	–	–
Purchase obligations	–	–	–	–	–
Other long term obligations	–	–	–	–	–
Total contractual obligations	**486,884**	**88,021**	**398,863**	**–**	**–**

8. Share capital

(a) Ordinary and deferred shares

	30 September 2012 (unaudited)		30 September 2011 (unaudited)		31 December 2011 (audited)	
Ordinary shares	Number	$	Number	$	Number	$
Opening balance	63,968,529	5,270,156	44,774,059	3,731,439	44,774,059	3,731,439
Issue of shares for cash	27,300,000	2,125,442	19,194,470	1,538,717	19,194,470	1,538,717
Balance at end of period	91,268,529	7,395,598	63,968,529	5,270,156	63,968,529	5,270,156

Deferred shares	30 September 2012 (unaudited) Number	$	30 September 2011 (unaudited) Number	$	31 December 2011 (audited) Number	$
Opening balance and balance at end of period	140,139,065	24,021,395	140,139,065	24,021,395	140,139,065	24,021,395

The following issue of ordinary shares has occurred during the 9 month period ended 30 September 2012:

24 January 2012 Issue of 27,300,000 Units at a price of UK£0.10 per Unit. Each unit consisted of one ordinary share of 5 pence nominal value (a "Share") and one sixth of a share purchase warrant. Each whole share purchase warrant ("a Warrant") entitles the holder to acquire one Share at a price of UK£0.15 at any time until 23 January 2014.

The deferred shares carry no voting or dividend rights or any right to participate in the profits or assets of the Company and all the deferred shares may be purchased by the Company, in accordance with the Companies Act 2006, at any time for no consideration. In the event of a return of capital, after the holders of the ordinary shares have received in aggregate the amount paid up thereon plus £100 per ordinary share, there shall be distributed amongst the holders of deferred shares an amount equal to the nominal value of the deferred shares and thereafter any further surplus shall be distributed amongst the holders of ordinary shares.

(b) Warrants

As at 30 September 2012 there remain outstanding the following warrants:

	Number	Exercise Price	Expiry
Share purchase warrants (1) (2)	9,535,000	C$0.75	2 December 2012
Non-tradable warrants (3)	4,549,998	UK£0.15	23 January 2014
Broker warrants	930,400	C$0.55	2 December 2012
Other warrants	155,000	UK£0.15	8 November 2013

(1) The share purchase warrants are traded under the symbol SBI.WT

(2) The Company has calculated the value of each of the share purchase warrants as C$0.045 and accordingly has established a warrant reserve in relation to that portion of the proceeds received that relates to the Warrants from (a) the issue of the Units at the time of the IPO and (b) the Units issued on exercise of the Special Warrants.

(3) The Company has calculated the value of each of the share purchase warrants as UK£0.011 and accordingly has established a warrant reserve in relation to that portion of the proceeds received from the sale of 27,300,000 units on 24 January 2102 that relates to the warrants that formed part of these units

(c) Stock option reserve

Contributed surplus

	US$
Balance at 31 December 2011	1,956,349
Option costs for period	110,538
Options lapsed	(87,277)
Balance at 30 September 2012	1,979,610

Under the Company's Stock Option Plan (the "2011 Plan"), stock options may be granted only to directors, officers, employees and consultants of the Company or to their permitted assignees and may be granted for a term not exceeding ten years. The Ordinary Shares to be purchased upon exercise of each option must be paid for in full by the grantee at the time of exercise. Unless otherwise directed by the board of directors at the date of the grant, each award shall vest as to one third on the date of grant, one third on the first anniversary of grant and the balance vesting on the second anniversary of the date of grant. The board of directors shall also be entitled to establish performance criteria, which may affect the vesting of the options or the rights of the holder to exercise the options. The 2011 Plan reserves for issuance, pursuant to its terms, up to 10% of the number of Ordinary Shares issued or issuable and outstanding from time to time.

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

The following summarises the outstanding options in issue under the various plans that have been operated by the Company:

Issue date	Options outstanding	Options vested	Exercise price	Expiry
21 May 2012	500,000	166,667	UK£0.10	20 May 2015
31 May 2011	1,630,000	1,096,670	C$0.60	30 May 2014
28 January 2011	1,455,000	1,026,667	UK£0.41	27 January 2021
28 January 2011	450,000	300,001	UK£0.37	27 January 2021
21 December 2009	1,900,000	1,900,000	UK£0.15	20 December 2019
01 April 2006	278,360	278,360	UK£1.50	01 April 2016
01 April 2006	274,925	274,925	UK£3.00	01 April 2016
15 November 2007	25,000	25,000	UK£2.64	14 November 2017
28 March 2007	7,500	7,500	UK£3.84	27 March 2017
	6,520,785	5,075,790		

The approximate weighted average exercise price is UK£0.47

During the nine months ended 30 September 2012, the following stock options were issued and valued using the Black-Scholes option pricing model parameters listed below (in each case with no dividends):

				Black Scholes Pricing Parameters		
Grant Date	Number of Options	Exercise Price	Grant Date Share price	Risk Free Interest Rate	Expected Life	Volatility Factor
21 May 2012	500,000	UK£0.10	UK£0.09	1%	3 years	50%

9. Impairment

As at 30 September 2012 the carrying value of the assets relating to the Palito Mine (after taking into account existing impairment provisions) is US$25,507,702 compared with a carrying value as at 31 December 2011 (after taking into account existing impairment provisions) of US$28,247,697. The decrease in carrying value primarily results from exchange rate variations reflecting a weakening of the Brazilian Real but also reflects depreciation charges made during the period.

On 13 June 2012, the Company released the results of a Preliminary Economic Assessment of the Palito Mine ("the PEA") that had been undertaken by NCL Ingenieria y Construccion SA which indicated that at a gold price of US1,400 per ounce, a project as scoped out within the PEA with annual average production of 24,000 ounces per annum (gold equivalent) produced an after tax net present value of US$38.2 million, after applying a discount rate of 10%.

10. Post balance sheet event

On 2 October 2012, the Company announced that it had entered into a conditional subscription agreement with Fratelli Investments Limited ("Fratelli"), one of its major shareholders, to subscribe for and underwrite a placement of new shares to raise in aggregate UK£16.2 million to finance the development and start-up of underground mining operations at its Palito gold mine. In addition, Fratelli has provided an interim secured short term loan facility of US$6 million to the Company ("Loan Agreement") to provide additional working capital to the Company and to enable it to commence the initial works at Palito.

The investment by Fratelli will take the form of:

(a) a subscription for 90,403,000 new Ordinary Shares of UK£0.05 each in the Company ("**Shares**") at a subscription price of UK£0.06 per Share ("**Subscription Price**"), which will, in aggregate with Fratelli's existing shareholding, provide Fratelli with 29.9% of the enlarged equity share capital of the Company immediately on completion of the Placement ("**Enlarged Share Capital**"); and

(b) a further conditional subscription for up to 179,597,000 new Ordinary Shares at a subscription price of UK£0.06 per Share such number to be reduced by any subscriptions for new Shares from third party investors ("**Third Party Shares**").

The subscription price of UK£0.06 per Share represents a 25% discount to the 30 day VWAP as at 30 September 2012. In the event that there are no other subscribers for the new Shares, Fratelli's interest in the share capital of the Company would be 287,616,000 Shares representing 79.6% of the Enlarged Share Capital. The Subscription Agreement is conditional therefore, *inter alia*, on approval of the independent shareholders of the Company on a poll at a general meeting of the waiver of any obligations of Fratelli to make a general offer to shareholders pursuant to Rule 9 of the City Code on Takeovers and Mergers, such matters to be set out in a circular to shareholders (the "**Circular**"). Completion of the Fratelli Subscription is conditional upon:

(a) the submission of the Circular by the Company to the Panel on Takeovers and Mergers ("**Panel**") on or before 16 November 2012 (or such later date as may be agreed between the Company and Fratelli);

(b) approval of the independent shareholders of the Company on a poll at a general meeting of the waiver of any obligations of Fratelli to make a general offer to shareholders pursuant to Rule 9 of the City Code on Takeovers and Mergers; and

(c) admission of the New Ordinary Shares to AIM and the Toronto Stock Exchange (TSX).

Under the Subscription Agreement, Fratelli may notify the Compnay that it wishes to terminate the Subscription Agreement with immediate effect in the event that:

(a) the Company notifies Fratelli that there is a material adverse change in the financial condition of the Company and/or any of its subsidiaries; or

(b) if an event of default occurs under the Loan Agreement.

Fratelli has also provided an interim secured short term loan facility of US$6 million (equivalent to UK£3.7 million) to the Company ("**Loan Agreement**") to provide additional working capital to the Company and to enable the Company to commence the necessary mine development and plant refurbishment works immediately. Drawdown under the Loan Agreement is subject to a number of conditions precedent including the execution of the security agreements. The Company intends that the loan will be repaid from the proceeds of the Placement. The Loan is for a period of six months and for a maximum of US$6 million and will be drawn-down in up to 4 separate instalments. Interest is chargeable at the rate of 12% per annum and the facility will attract a 3% arrangement fee. In the event that the funds advanced under the Loan Agreement are repaid prior to the end of the loan period, a penalty will accrue equivalent to the lower of 3 months' interest or the remaining interest that would be chargeable to the end of the loan period. The Loan is to be secured against the entire share capital of Serabi Mining Limited a subsidiary of the Company and the 99.99% shareholder of Serabi Mineração SA, which is the licence holder for the Palito Mine. In addition, the Company has also made a charge in favour of Fratelli over all current and future sums owed by Serabi Mineração SA to Serabi Gold plc.

11. Approval of the interim condensed consolidated financial statements

These unaudited interim condensed consolidated financial statements for the three and nine month periods ended 30 September 2012 were approved by the board of directors on 13 November 2012.