



SERABI GOLD

SERABI GOLD PLC

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

**FOR THE THREE MONTHS ENDED
31 MARCH 2015**

SERABI GOLD PLC
Condensed Consolidated Statements of Comprehensive Income

(expressed in US\$)	Notes	For the three months ended 31 March	
		2015 (unaudited)	2014 (unaudited)
CONTINUING OPERATIONS			
Revenue		7,484,215	—
Cost of sales		(4,859,909)	—
Depreciation and amortisation charges		(1,117,720)	—
Gross profit		1,506,586	—
Administration expenses		(905,505)	(911,979)
Share-based payments		(101,019)	(29,587)
Depreciation of plant and equipment		—	(125,983)
Operating profit / (loss)		500,062	(1,067,549)
Foreign exchange gain / (loss)		228,663	(9,918)
Finance expense		(697,415)	(180,154)
Finance income		160,088	—
Profit / (loss) before taxation		191,398	(1,257,621)
Income tax expense		—	—
Profit / (loss) for the period from continuing operations ^{(1) (2)}		191,398	(1,257,621)
Other comprehensive income (net of tax)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(11,013,526)	1,920,750
Total comprehensive(loss)/profit for the period ⁽²⁾		(10,882,128)	663,129
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Profit/(loss) per ordinary share (basic) ⁽¹⁾	3	0.029c	(0.241c)
Profit/(loss) per ordinary share (diluted) ⁽¹⁾	3	0.024c	(0.241c)

(1) All revenue and expenses arise from continuing operations.

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

SERABI GOLD PLC
Condensed Consolidated Balance Sheets

(expressed in US\$)	Notes	As at 31 March 2015 (unaudited)	As at 31 March 2014 (unaudited)	As at 31 December 2014 (audited)
Non-current assets				
Deferred exploration costs	5	9,769,327	25,607,411	11,799,271
Property, plant and equipment	6	47,508,148	38,549,235	54,103,898
Total non-current assets		57,277,475	64,156,646	65,903,169
Current assets				
Inventories	7	8,701,256	5,858,849	8,070,215
Trade and other receivables		5,596,179	733,899	6,772,046
Prepayments and accrued income		2,699,898	1,745,676	2,503,877
Cash and cash equivalents		5,794,982	11,616,470	9,813,602
Total current assets		22,792,315	19,954,894	27,159,740
Current liabilities				
Trade and other payables		4,803,134	3,003,401	4,601,337
Interest-bearing liabilities		13,886,719	1,016,770	16,228,220
Derivative financial liabilities		763,171	—	528,503
Accruals		133,376	276,800	167,377
Total current liabilities		19,586,400	4,296,971	21,525,437
Net current assets		3,205,915	15,657,923	5,634,303
Total assets less current liabilities		60,483,390	79,814,569	71,537,472
Non-current liabilities				
Trade and other payables		1,738,040	424,768	1,424,798
Provisions		2,342,687	1,532,760	2,829,468
Interest bearing liabilities		205,221	681,854	364,655
Total non-current liabilities		4,285,948	2,639,382	4,618,921
Net assets		56,197,442	77,175,187	66,918,551
Equity				
Share capital	11	61,668,212	61,668,212	61,668,212
Share premium reserve		67,656,848	69,041,915	67,656,848
Option reserve		2,501,099	2,360,376	2,400,080
Other reserves		450,262	1,009,076	450,262
Translation reserve		(29,749,818)	(8,850,423)	(18,736,292)
Accumulated losses		(46,329,161)	(48,053,969)	(46,520,559)
Equity shareholders' funds		56,197,442	77,175,187	66,918,551

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 2014 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. 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 ⁽¹⁾	Translation reserve	Accumulated losses	Total equity
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)
Warrants lapsed in period	—	—	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
Foreign currency adjustments	—	—	—	—	(9,885,869)	—	(9,885,869)
Profit / (loss) for the period	—	—	—	—	—	1,083,220	1,083,220
Total comprehensive income for the period	—	—	—	—	(9,885,869)	1,083,220	(8,802,649)
Correction relating to treatment of warrants	—	(1,462,999)	—	(220,000)	—	—	(1,682,999)
Convertible loan stock repaid	—	—	—	(260,882)	—	260,882	—
Warrants lapsed in period	—	77,932	—	(77,932)	—	—	—
Share option lapsed in period	—	—	(189,308)	—	—	189,308	—
Share option expense	—	—	229,012	—	—	—	229,012
Equity shareholders' funds at 31 December 2014	61,668,212	67,656,848	2,400,080	450,262	(18,736,292)	(46,520,559)	66,918,551
Foreign currency adjustments	—	—	—	—	(11,013,526)	—	(11,013,526)
Profit for the period	—	—	—	—	—	191,398	191,398
Total comprehensive income for the period	—	—	—	—	(11,013,526)	191,398	(10,822,128)
Share option expense	—	—	101,019	—	—	—	101,019
Equity shareholders' funds at 31 March 2015	61,668,212	67,656,848	2,501,099	450,262	(29,749,818)	(46,329,161)	56,197,442

(1) Other reserves comprise a merger reserve of US\$361,461 (2014: US\$ 361,461) and a warrant reserve of US\$88,801 (2014: US\$88,801).

SERABI GOLD PLC
Condensed Consolidated Cash Flow Statements

(expressed in US\$)	For the three months ended 31 March	
	2015	2014
	(unaudited)	(unaudited)
Operating activities		
Operating profit	191,398	(1,257,621)
Net financial expense	308,664	190,072
Depreciation – plant, equipment and mining properties	1,117,720	125,983
Option costs	101,019	29,587
Interest paid	(434,167)	(159,907)
Foreign exchange	75,080	152,448
Changes in working capital		
Increase in inventories	(1,916,783)	(1,757,207)
Increase in receivables, prepayments and accrued income	352,624	(1,058,545)
Increase/(decrease) in payables, accruals and provisions	834,947	52,638
Net cash inflow / (outflow) from operations	630,502	(3,682,552)
Investing activities		
Purchase of property, plant and equipment and projects in construction	(1,739,544)	(1,633,902)
Capitalised mine development costs	(227,750)	—
Exploration expenditure	—	(374,959)
Interest received	775	—
Net cash outflow on investing activities	(1,966,519)	(2,008,861)
Financing activities		
Issue of ordinary share capital	—	16,650,000
Draw-down of short-term loan facility	—	2,750,000
Repayment of short-term secured loan	(2,000,000)	(5,500,000)
Receipts for short-term trade finance	5,420,758	—
Repayment of short-term trade finance	(5,840,180)	—
Repayment of finance lease liabilities	(156,480)	—
Payment of share issue costs	—	(202,236)
Payment of finance lease liabilities	—	(145,800)
Net cash (outflow) / inflow from financing activities	(2,575,902)	13,551,964
Net (decrease) / increase in cash and cash equivalents	(3,911,919)	7,860,551
Cash and cash equivalents at beginning of period	9,813,602	3,789,263
Exchange difference on cash	(106,701)	(33,344)
Cash and cash equivalents at end of period	5,794,982	11,616,470

SERABI GOLD PLC
Report and condensed consolidated financial statements for the three month period ended 31 March 2015

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation

These interim accounts are for the three month period ended 31 March 2015. Comparative information has been provided for the unaudited three month period ended 31 March 2014 and, where applicable, the audited twelve month period from 1 January 2014 to 31 December 2014.

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 2014 and those envisaged for the financial statements for the year ending 31 December 2015. 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.

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

(i) Going concern and availability of project finance

The Group 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 first six months of 2014 were in a re-commissioning and ramp-up phase. On 23 July 2014 the Group announced that with effect from 1 July 2014 the Palito mine had achieved Commercial Production. During the 3 months ended 30 September 2014, the Group completed work and commissioned the Carbon in Pulp ("CIP") leaching circuit allowing the Group to maximise the potential recovery of gold from the ore processed. The first "gold pour" of gold recovered from the CIP operations took place in October 2014. During the first three months of 2015 the Group has been undertaking the initial development of its Sao Chico operation and thereafter during 2015 plans to steadily increase the production of ore from Sao Chico for processing using the Palito gold process plant. The Group began processing of ore from its Sao Chico operation during April 2015.

On 3 March 2014 the Group completed a share placement raising gross proceeds of UK£10 million which provided additional working capital to the Group 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. On 26 September 2014 the Group also entered into a US\$8 million secured loan facility which is required to be repaid in full on or before 31 March 2016 with the Sprott Resource Lending Partnership ("the Facility") providing additional working and development capital. The first tranche of US\$3 million of this Facility was drawdown on 26 September 2014 with the remaining tranches drawn down in full on 28 December 2014. The Group also makes use of a borrowing facility of US\$7.5 million to provide advance payment on sales of copper/gold concentrate. This current facility extends to 31 December 2015.

The Directors anticipate the Group now has access to sufficient funding for its immediate projected needs. The Group 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. However the forecasted cash flow projections for the next twelve months include a significant contribution arising from the Sao Chico development. As noted above, whilst development has commenced commercial production has yet to be declared. There are risks associated with the commencement of any new mining 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. 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 development will be forthcoming and 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 and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

(ii) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered impairment. Prior to carrying out impairment reviews, the significant cash generating units are assessed to determine whether they should be reviewed under the requirements of IFRS 6 - Exploration for and Evaluation of Mineral Resources or IAS 36 - Impairment of Assets. Such determination is by reference to the stage of development of the project and the level of reliability and surety of information used in calculating value in use or fair value less costs to sell. Impairment reviews performed under IFRS 6 are carried out on a project by project basis, with each project representing a potential single cash generating unit. An

impairment review is undertaken when indicators of impairment arise; typically when one of the following circumstances applies:

- (i) sufficient data exists that render the resource uneconomic and unlikely to be developed
- (ii) title to the asset is compromised
- (iii) budgeted or planned expenditure is not expected in the foreseeable future
- (iv) insufficient discovery of commercially viable resources leading to the discontinuation of activities

Impairment reviews performed under IAS 36 are carried out when there is an indication that the carrying value may be impaired. Such key indicators (though not exhaustive) to the industry include:

- (i) a significant deterioration in the spot price of gold
- (ii) a significant increase in production costs
- (iii) a significant revision to, and reduction in, the life of mine plan

If any indication of impairment exists, the recoverable amount of the asset is estimated, being the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. Such impairment losses are recognised in profit or loss for the year.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss for the year.

(iii) Inventories

Inventories are stated at the lower of cost and net realisable value. Materials that are no longer considered as likely to be used by the Group or their value is unlikely to be readily realised through a sale to a third party, are provided for.

Materials held for consumption within operations are valued based on purchase price or, when manufactured internally, at cost. Costs are allocated on an average basis and include direct material, labour, related transportation costs and an appropriate allocation of overhead costs.

Gold bullion, copper/gold concentrate, run of mine ore and any other production inventories are valued at the lower of cost and net realisable value. Dependent on the current stage of any product inventory in the process cycle, cost will reflect, as appropriate, mining, processing, transport and labour costs as well as an allocation of mine services overheads required to bring the product to its current state.

Net realisable value is the estimated selling price in the ordinary course of business, after deducting any costs to completion and any applicable marketing, selling, shipping and other distribution expenses.

(iv) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Upon demonstration of the feasibility of commercial production, any past deferred exploration, evaluation and development costs related to that operation are reclassified as Assets in Construction. When commercial production commences these expenditures are then subsequently transferred at cost to Mining Properties. They are stated at cost less amortisation charges and any provision for impairment. Amortisation is calculated on the unit of production basis.

(ii) Leased assets

Assets held under leases, which result in the Group bearing risk and receiving benefit of ownership (finance leases), are capitalised as property, plant and equipment at the estimated present value of underlying lease payments.

The corresponding finance lease obligation is included within borrowings. The interest element is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period.

(iii) Subsequent costs

Costs relating to maintenance and upkeep of the Group's assets once such assets have been commissioned and entered into commercial operations will generally be expensed as incurred. In the event, however, that the costs demonstrably result in extending the original estimated life of such asset or enhances its value, then such expenditure is added to the carrying value of that asset and amortised over its remaining estimated useful life.

(iv) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The Group reviews the economic lives at the end of each annual reporting period.

The residual value, if not insignificant, is reassessed annually. Gains and losses on disposal are determined by comparing proceeds with carrying values and are included in profit or loss.

(v) Commercial production

At the end of the commissioning phase, when the mine is capable of substantially operating in the manner intended by management, capitalisation ceases and the mining assets are amortised over the estimated life of the mineable inventory on a unit of production basis.

Future forecast capital expenditure is included in the unit of production depreciation calculation.

(v) 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. Currently all revenue is derived from the sales of copper/gold concentrates produced by the Palito Mine and gold bullion produced from the Palito Mine. The Group anticipates that all future production derived from the Sao Chico Mine will be in the form of gold bullion.

Revenue from the sale of goods is recognised when the risks and rewards of ownership have been transferred to the buyer. Revenues are recognised in full using prices ruling at the date of sale with adjustments in respect of final sales prices being recognised in the month that such adjustment is agreed. Fair value adjustments for gold prices in respect of any sale for which final pricing has not been agreed at any balance sheet date is accounted for using the gold price at that balance sheet date. Any unsold production and in particular concentrate is held as inventory and valued at the lower of production cost and net realisable value until sold.

In the case of the sales of copper/gold concentrates revenue is recognised when the product arrives at the port of delivery in accordance with the terms of the contract. In the case of gold bullion revenue is recognised at the time that gold is delivered to the end purchaser.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

All sales revenue from incidental production arising during the exploration, evaluation, development and commissioning of a mineral resource prior to commercial production are taken as a contribution towards previously incurred costs and offset against the related asset accordingly.

Interest income is recognised on a time-proportion basis using the effective interest rate method.

(vi) 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 Reals ("BrR\$").

The Group's presentational currency has been selected based on the currency of the primary economic environment in which the Group as a whole operates on the basis that the Group's primary product is generally traded by reference to its pricing in United States Dollars. The functional currency of the Company is also considered to be the United States Dollar.

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 the income statement.

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.

(vii) 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. Taxation

No deferred tax asset arising from carried forward losses 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 31 March 2015 (unaudited)	3 months ended 31 March 2014 (unaudited)
	\$	\$
Profit / (loss) attributable to ordinary shareholders (US\$)	191,398	(1,257,621)
Weighted average ordinary shares in issue	656,389,204	520,833,648
Basic profit /(loss) per share (US cents)	0.029	(0.241)
Diluted ordinary shares in issue ⁽¹⁾	789,035,498	
Diluted profit /(loss) per share (US cents)	0.024	(0.241) ⁽²⁾

(1) Assumes exercise of 100,000,000 warrants and 32,646,294 options that have vested as of 31 March 2015.

(2) As the effect of dilution is to reduce the loss per share the diluted loss per share is considered to be the same as the basic 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 31 March 2015 (unaudited)			3 months ended 31 March 2014 (unaudited)		
	Brazil \$	UK \$	Total \$	Brazil \$	UK \$	Total \$
Revenue	1,993,737	5,490,478	7,484,215	—	—	—
Operating expenses	(3,858,130)	(1,001,779)	(4,859,909)	—	—	—
Depreciation and amortisation	(931,205)	(186,515)	(1,117,720)	—	—	—
Gross (loss) / profit	(2,795,598)	4,302,184	1,506,586	—	—	—
Administration expenses	(341,006)	(564,499)	(905,505)	(371,305)	(540,674)	(911,979)
Share based payments	—	(101,019)	(101,019)	—	(29,587)	(29,587)
Provisions, depreciation and loss on asset disposals	—	—	—	(124,908)	(1,075)	(125,983)
Operating (loss) / profit	(3,136,604)	3,636,666	500,062	(496,213)	(571,336)	(1,067,549)
Foreign exchange (loss) / gain	796,773	(568,110)	228,663	—	(9,918)	(9,918)
Interest (expense)/income	580	(537,907)	(537,327)	—	(180,154)	(180,154)
(Loss) / profit before taxation	(2,339,251)	2,530,649	191,398	(496,213)	(761,408)	(1,257,621)

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

	Total non-current assets		
	31 March 2015 (unaudited) \$	31 March 2014 (unaudited) \$	31 December 2014 (audited) \$
Brazil – operations	47,508,148	38,543,724	54,103,898
Brazil – exploration	9,769,327	25,607,411	11,799,271
UK	—	5,511	—
	57,277,475	64,156,646	65,903,169

An analysis of total assets by location is as follows:

	Total assets		
	31 March 2015 (unaudited) \$	31 March 2014 (unaudited) \$	31 December 2014 (audited) \$
Brazil	60,874,206	72,289,548	76,713,805
UK	19,295,584	11,821,992	16,349,104
	80,069,790	84,111,540	93,062,909

During the three month period, the following amounts incurred by area were capitalised as deferred exploration costs:

	For the 3 month period ended 31 March 2015 (unaudited) \$	For the 3 month period ended 31 March 2014 (unaudited) \$	For the year ended 31 December 2014 (audited) \$
Brazil	—	374,959	258,113
UK	—	—	—
	—	374,959	258,113

5. Deferred exploration costs

	31 March 2015 (unaudited)	31 March 2014 (unaudited)	31 December 2014 (audited)
Cost			
Balance at beginning of period	11,799,271	24,659,003	24,659,003
Exploration and development expenditure	—	374,959	258,113
Transfer to mining property and projects in construction	—	—	(11,806,834)
Foreign exchange movements	(2,029,942)	573,449	(1,311,011)
Balance at end of period	9,769,327	25,607,411	11,799,271

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

	31 March 2015 (unaudited)	31 March 2014 (unaudited)	31 December 2014 (audited)
Cost			
Balance at beginning of period	67,823,286	50,761,593	50,761,593
Assets written down	—	—	(995,764)
Additions	3,058,282	1,633,902 ⁽¹⁾	14,301,202 ⁽¹⁾
Transfer from development and deferred exploration costs	—	—	11,806,834
Foreign exchange movements	(10,692,584)	1,557,927	(8,050,579)
Balance at end of period	60,188,984	53,953,422	67,823,286

	31 March 2015 (unaudited)	31 March 2014 (unaudited)	31 December 2014 (audited)
Accumulated depreciation			
Balance at beginning of period	(13,719,388)	(14,753,275)	(14,753,275)
Charge for period	(1,117,718)	(256,072)	(4,065,468)
Released on assets written down	—	—	905,581
Write-back of impairment provision	—	—	2,590,532
Foreign exchange movements	2,156,270	(394,840)	1,603,242
Balance at end of period	(12,680,836)	(15,404,187)	(13,719,388)
Net book value at end of period	47,508,148	38,549,235	54,103,898

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

7. Inventories

	31 March 2015 (unaudited)	31 March 2014 (unaudited)	31 December 2014 (audited)
Consumables	1,152,835	927,898	911,476
Ore stockpiles and other work in progress	4,012,425	2,994,938	3,566,857
Finished goods	3,535,996	1,936,013	3,591,882
Balance at end of period	8,701,256	5,858,849	8,070,215

8. Contractual commitments

The following table sets out the maturity profile of the Group's contractual commitments including commitments under operating leases but excluding trade liabilities as at 31 March 2015.

	Total \$	Payments due by period			After 5 years \$
		Less than 1 year \$	1-3 years \$	4-5 years \$	
Long term debt	6,250,776	6,250,776	—	—	—
Capital lease obligations	939,315	734,094	205,221	—	—
Operating leases	158,415	130,717	27,698	—	—
Purchase obligations	—	—	—	—	—
Other long term obligations	—	—	—	—	—
Total contractual obligations	7,348,506	7,115,587	232,919	—	—

9. Contingencies

Employment legislation in Brazil allows former employees to bring claims against an employer at any time for a period of two years from the date of cessation of employment and regardless of whether the employee left the company voluntarily or had their contract terminated by the company. The Group considers that it operates in compliance with the law at all times but is aware that claims are made against all companies in Brazil on a regular basis. Whilst not accepting legal liability the Group makes provision or accrues for all known claims further claims may arise at any time.

Serabi Mineração SA ("SMSA") has been requested by the Tax Authorities for the State of Para, to provide supporting documentation in respect of certain tax reclaims made by SMSA dating back for six years. The Group considers that it will be able to supply all necessary documentary evidence in respect of the claims made and that all claims made were in accordance with prevailing legislation. The total sum of the tax claims that are subject to this review is BR\$0.59 million, which at the period-end is equivalent to US\$0.18 million.

10. Related party transactions

There have been no related party transactions during the twelve month period to 31 March 2015

11. Share capital

a) Ordinary and deferred shares

Ordinary shares	31 March 2015 (unaudited)		31 March 2014 (unaudited)		31 December 2014 (audited)	
	Number	\$	Number	\$	Number	\$
Balance at beginning of period	656,389,204	5,263,182	456,389,204	35,981,817	456,389,204	35,981,817
Issue of shares for cash	—	—	200,000,000	1,665,000	200,000,000	1,665,000
Reclassified in period	—	—	—	(32,383,635)	—	(32,383,635)
Balance at end of period	656,389,204	5,263,182	656,389,204	5,263,182	656,389,204	5,263,182

Deferred shares	31 March 2015 (unaudited)		31 March 2014 (unaudited)		31 December 2014 (audited)	
	Number	\$	Number	\$	Number	\$
Balance at beginning and end of period	596,528,269	56,405,030	140,139,065	24,021,395	140,139,065	24,021,395
Reclassified in period	—	—	456,389,204	32,383,635	456,389,204	32,383,635
Balance at end of period	596,528,269	56,405,030	596,528,269	56,405,030	596,528,269	56,405,030
Total Share Capital		61,668,212		61,668,212		61,668,212

There have been no issues of ordinary shares during the three month period ended 31 March 2015.

Deferred shares, have no voting or dividend rights and on a return of capital, the right only to receive the amount paid up thereon after the holders of the ordinary shares have received the aggregate amount paid up thereon plus UK£100 per ordinary share. Any further surplus shall be distributed only amongst the holders of ordinary shares. A proposal to cancel the deferred shares is being put to shareholders at the Company's forthcoming Annual General Meeting.

(b) Warrants

As at 31 March 2015 the following warrants remain outstanding:

	Number	Exercise Price	Expiry
Non-tradable warrants - 2014 ⁽¹⁾	100,000,000	UK£0.06	2 March 2016
	<u>100,000,000</u>		

(1) The Company has used the Black-Scholes model to calculate the fair value of each warrant equivalent to US\$0.01683 (UK£0.0102) per warrant. In calculating the fair value of the warrants the company assumed an expected life of 2 years, a volatility rate of its share price of 50% and a risk free interest rate of 0.75%. Warrants are normally considered as part of equity but in this instance because the exercise price of the warrant is denominated in UK Sterling and the functional currency of the Company is US Dollars, under IAS32 the warrants are not considered to be equity but instead a liability of the Company at the time of issue. In accordance with IAS 32 the Company therefore at the date of issue established a liability for these warrants in the amount of US\$1,683,000. At each period end the Company revalues the warrants in accordance with fair value accounting principles using an assumed expected life ending 2 March 2016. The gain or loss arising on this revaluation relative to the value at the end of the prior period is recorded as finance income and the liability varied by the same value. The warrants are classified in level 3 of the fair value hierarchy.

(c) Stock option reserve

Contributed surplus

	US\$
Balance at beginning of period	2,400,080
Option costs for period	101,019
Balance at end of period	2,501,099

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 at 31 March 2015 under the various plans that have been operated by the Company:

Issue date	Options outstanding	Options vested	Exercise price	Expiry
22 January 2015	15,000,000	5,000,005	UK£0.055	21 January 2018
30 September 2014	3,200,000	1,066,668	UK£0.055	29 September 2017
7 April 2014	13,600,000	4,533,336	UK£0.050	6 April 2017
7 April 2014	250,000	250,000	UK£0.06665	6 April 2017
18 July 2013	960,500	960,500	C\$0.31176	1 October 2015
18 July 2013	1,572,500	1,572,500	C\$0.29411	7 June 2016
26 January 2013	14,750,000	14,750,000	UK£0.061	25 January 2016
21 May 2012	500,000	500,000	UK£0.15	20 May 2015
28 January 2011	1,285,000	1,285,000	UK£0.41	27 January 2021
28 January 2011	450,000	450,000	UK£0.37	27 January 2021
21 December 2009	1,700,000	1,700,000	UK£0.15	20 December 2019
01 April 2006	278,360	278,360	UK£1.50	1 April 2016
01 April 2006	274,925	274,925	UK£3.00	1 April 2016
15 November 2007	25,000	25,000	UK£2.64	14 November 2017
	53,846,285	32,646,294		

The approximate weighted average exercise price is UK£0.099

12. Impairment

For the purposes of the preparation of the annual audited financial statements for the year ended 31 December 2014, management undertook an impairment review of the Group's exploration, development and production assets. At that time the resulting pre-tax Net Present Value of the project was significantly in excess of the carrying value at that date of US\$51.84 million and therefore the Directors decided that it was appropriate to write back an existing impairment provision of US\$2.59 million that had been carried in the books of the Group.

As at 31 March 2015 the carrying value of the assets relating to the Palito and Sao Chico mines is US\$47.51 million the decrease primarily represented by:

- (1) exchange rate variations between the relative rate of the Brazilian Real and the US Dollar at 31 December 2014 and 31 March 2015; and
- (2) depreciation and amortisation charges for the three month period to 31 March 2015 in respect of property plant and equipment and the Palito Mine.

This decrease has been offset by

- (1) additional capital expenditure incurred during the period; and
- (2) operational costs for the quarter at Sao Chico which have been capitalised.

The major assumptions underlying management's estimate of the value in use attributable to the Palito and Sao Chico Mines as at 31 December 2014 are detailed in note 18 to the Company's Annual Report and Financial Statements for the year ended 31 December 2014. Management do not consider that any events have occurred during the period since the preparation of that estimate which would lead them to vary any of the assumptions underlying the estimate of the value in use which supports the amended carrying value as at 31 March 2015. The matter will continue to be reviewed in future periods.

13. Post Balance Sheet Events

Between the end of the financial period and the date of this management discussion and analysis, the Brazilian Real, the national currency of Brazil, has appreciated in value in comparison to the United States dollar, the reporting currency of the Group by approximately 7%, having suffered a reduction in its value in the period between 31 December 2014 and 31 March 2015 of approximately 20%. On 31 December 2014 the exchange rate for US\$1.00 was BrR\$2.6556. As at 31 March 2015 the exchange rate for US\$1.00 was BrR\$3.2074. As at 11 May 2015 the exchange rate for US\$1.00 was BrR\$3.055. Many of the Group's assets and liabilities and in particular the value attributed to non-current assets are recorded in Brazilian Reals. The value of the Group's net assets and liabilities were significantly impacted by the devaluation of the Brazilian Real during the first quarter of 2015. The Group sources the majority of its operational consumables in Brazilian Reals and salaries of all its Brazilian employees are denominated and paid in Brazilian Reals and therefore the Group's operating costs are subject to variation as a result of movements in the exchange rate between the United States Dollar and the Brazilian Real. With this exception there has been no item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Group, to affect significantly the continuing operations of the entity, the results of these operations, or the state of affairs of the entity in future financial periods.

14. Approval of the interim condensed consolidated financial statements

These unaudited interim condensed consolidated financial statements for the three month period ended 31 March 2015 were approved by the board of directors on 14 May 2015.