



SERABI GOLD

SERABI GOLD PLC

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

**FOR THE THREE MONTHS ENDED
31 MARCH 2016**

SERABI GOLD PLC
Condensed Consolidated Statements of Comprehensive Income

| (expressed in US\$) | Notes | For the three months ended 31 March | |
|--|-------|--|---------------------|
| | | 2016 (unaudited) | 2015 (unaudited) |
| CONTINUING OPERATIONS | | | |
| Revenue | | 11,679,089 | 7,484,215 |
| Cost of sales | | (6,689,506) | (4,859,909) |
| Depreciation and amortisation charges | | (1,216,727) | (1,117,720) |
| Gross profit | | 3,772,856 | 1,506,586 |
| Administration expenses | | (1,132,200) | (905,505) |
| Share-based payments | | (123,116) | (101,019) |
| Profit on sale of fixed assets | | 2,568 | — |
| Operating profit | | 2,520,108 | 500,062 |
| Foreign exchange (loss) / gain | | (40,799) | 228,663 |
| Finance expense | | (978,040) | (697,415) |
| Finance income | | 35 | 160,088 |
| Profit before taxation | | 1,501,304 | 191,398 |
| Income tax expense | | (153,369) | — |
| Profit for the period from continuing operations ^{(1) (2)} | | 1,347,665 | 191,398 |
| Other comprehensive income (net of tax) | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences on translating foreign operations | | 4,270,129 | (11,013,526) |
| Total comprehensive profit for the period ⁽²⁾ | | 5,617,794 | (10,882,128) |
| Profit per ordinary share (basic) ⁽¹⁾ | 3 | 0.205c | 0.029c |
| Profit per ordinary share (diluted) ⁽¹⁾ | 3 | 0.195c | 0.024c |

(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 2016 (unaudited) | As at 31 March 2015 (unaudited) | As at 31 December 2015 (audited) |
|--|-------|--|--|---|
| Non-current assets | | | | |
| Deferred exploration costs | 5 | 8,767,288 | 9,769,327 | 8,679,246 |
| Property, plant and equipment | 6 | 42,680,815 | 47,508,148 | 40,150,484 |
| Total non-current assets | | 51,448,103 | 57,277,475 | 48,829,730 |
| Current assets | | | | |
| Inventories | 7 | 9,709,839 | 8,701,256 | 6,908,790 |
| Trade and other receivables | | 5,646,516 | 5,596,179 | 6,133,284 |
| Prepayments and accrued income | | 3,325,117 | 2,699,898 | 2,429,506 |
| Cash and cash equivalents | | 4,410,589 | 5,794,982 | 2,191,759 |
| Total current assets | | 23,092,061 | 22,792,315 | 17,663,339 |
| Current liabilities | | | | |
| Trade and other payables | | 5,045,368 | 4,803,134 | 4,212,803 |
| Interest bearing loan | 8 | 3,812,500 | 5,808,000 | 4,000,000 |
| Convertible loan facility | 9 | 1,846,605 | – | – |
| Trade and asset finance facilities | | 6,112,668 | 8,078,719 | 7,385,155 |
| Derivative financial liabilities | 10 | 674,145 | 763,171 | – |
| Accruals | | 263,520 | 133,376 | 226,197 |
| Total current liabilities | | 17,754,826 | 19,586,400 | 15,824,155 |
| Net current assets | | 5,337,235 | 3,205,915 | 1,839,184 |
| Total assets less current liabilities | | 56,785,338 | 60,483,390 | 50,668,914 |
| Non-current liabilities | | | | |
| Trade and other payables | | 2,042,840 | 1,738,040 | 1,857,914 |
| Provisions | | 2,083,286 | 2,342,687 | 1,898,714 |
| Interest bearing liabilities | | 134,657 | 205,221 | 128,641 |
| Total non-current liabilities | | 4,260,783 | 4,285,948 | 3,885,269 |
| Net assets | | 52,524,555 | 56,197,442 | 46,783,645 |
| Equity | | | | |
| Share capital | 13 | 5,263,182 | 61,668,212 | 5,263,182 |
| Share premium reserve | | – | 67,656,848 | – |
| Option reserve | | 2,481,576 | 2,501,099 | 2,747,415 |
| Other reserves | | 361,461 | 450,262 | 450,262 |
| Translation reserve | | (34,956,406) | (29,749,818) | (39,226,535) |
| Retained earnings | | 79,374,742 | (46,329,161) | 77,549,321 |
| Equity shareholders' funds | | 52,524,555 | 56,197,442 | 46,783,645 |

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 2015 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 | Retained Earnings | Total equity |
| 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) |
| Warrants lapsed in period | | | | | | | |
| 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 |
| Foreign currency adjustments | — | — | — | — | (9,476,717) | — | (9,476,717) |
| Loss for the period | — | — | — | — | — | (240,136) | (240,136) |
| Total comprehensive income for the period | — | — | — | — | (9,476,717) | (240,136) | (9,716,853) |
| Cancellation of share premium | — | (67,656,848) | — | — | — | 67,656,848 | — |
| Cancellation of deferred shares | (56,405,030) | — | — | — | — | 56,405,030 | — |
| Share options lapsed in period | — | — | (56,740) | — | — | 56,740 | — |
| Share option expense | — | — | 303,056 | — | — | — | 303,056 |
| Equity shareholders' funds at 31 December 2015 | 5,263,182 | — | 2,747,415 | 450,262 | (39,226,535) | 77,549,321 | 46,783,645 |
| Foreign currency adjustments | — | — | — | — | 4,270,129 | — | 4,270,129 |
| Profit for the period | — | — | — | — | — | 1,347,665 | 1,347,665 |
| Total comprehensive income for the period | — | — | — | — | 4,270,129 | 1,347,665 | 5,617,794 |
| Share options lapsed in period | — | — | (388,955) | — | — | 388,955 | — |
| Warrants lapsed | — | — | — | (88,801) | — | 88,801 | — |
| Share option expense | — | — | 123,116 | — | — | — | 123,116 |
| Equity shareholders' funds at 31 March 2016 | 5,263,182 | — | 2,481,576 | 361,461 | (34,956,406) | 79,374,742 | 52,524,555 |

(1) Other reserves comprise a merger reserve of US\$361,461 (2015: US\$361,461 and a warrant reserve US\$88,801)

SERABI GOLD PLC
Condensed Consolidated Cash Flow Statements

| (expressed in US\$) | For the three months ended 31 March | |
|--|---|--------------------|
| | 2016 | 2015 |
| | (unaudited) | (unaudited) |
| Operating activities | | |
| Operating profit | 1,347,665 | 191,398 |
| Net financial expense | 1,018,804 | 308,664 |
| Depreciation – plant, equipment and mining properties | 1,216,727 | 1,117,720 |
| Provision for taxation | 153,639 | — |
| Share based payments | 123,116 | 101,019 |
| Foreign exchange | 202,883 | 75,080 |
| Changes in working capital | | |
| Increase in inventories | (607,704) | (1,916,783) |
| Increase in receivables, prepayments and accrued income | (26,441) | 352,624 |
| (Decrease)/increase in payables, accruals and provisions | (255,977) | 834,947 |
| Net cash inflow from operations | 3,172,712 | 1,064,669 |
| Investing activities | | |
| Purchase of property, plant and equipment and assets in construction | (520,141) | (1,739,544) |
| Capitalised mine development costs | (663,961) | (227,750) |
| Proceeds from Sale of Assets | 2,568 | — |
| Interest received | 35 | 775 |
| Net cash outflow on investing activities | (1,181,499) | (1,966,519) |
| Financing activities | | |
| Draw-down of short-term loan facility | 2,000,000 | — |
| Repayment of short-term secured loan | — | (2,000,000) |
| Receipts from short-term trade finance | 5,150,289 | 5,420,758 |
| Repayment of short-term trade finance | (6,315,744) | (5,840,180) |
| Repayment of finance lease liabilities | (211,728) | (156,480) |
| Interest paid | (187,896) | (434,167) |
| Finance charges | (37,500) | — |
| Net cash inflow / (outflow) from financing activities | 397,421 | (3,010,069) |
| Net increase / (decrease) in cash and cash equivalents | 2,388,634 | (3,911,919) |
| Cash and cash equivalents at beginning of period | 2,191,759 | 9,813,602 |
| Exchange difference on cash | (169,804) | (106,701) |
| Cash and cash equivalents at end of period | 4,410,589 | 5,794,982 |

SERABI GOLD PLC
Report and condensed consolidated financial statements for the three month period ended 31 March 2016

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation

These interim accounts are for the three month period ended 31 March 2016. Comparative information has been provided for the unaudited three month period ended 31 March 2015 and, where applicable, the audited twelve month period from 1 January 2015 to 31 December 2015.

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 2015 and those envisaged for the financial statements for the year ending 31 December 2016. 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

Having commenced initial development activities for the Sao Chico Mine at the end of 2014, this mine has been in development during 2015. On 1 February 2016, the Group announced that, with effect from 1 January 2016, the Sao Chico Mine had achieved Commercial Production. The Palito Mine has been in Commercial Production since 1 July 2014.

On 30 December 2015, the Group entered into an agreement with Fratelli Investments Ltd ("Fratelli"), its major shareholder, whereby Fratelli agreed to provide an unsecured short term working capital convertible loan facility of US\$5 million ("the Facility") to provide additional working capital facilities. On 6 January 2016, the Group announced that it had made an initial draw down of US\$2 million against the Facility. The balance of the Facility may be drawdown at any time up to 30 June 2016. The facility is to be repaid by 31 January 2017.

The Group has an additional secured loan facility which is repayable by 31 December 2016. At 31 March 2016, the amount outstanding under this facility was US\$4.0 million.

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 to repay its secured and unsecured loan facilities 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 increase in production from the Sao Chico Mine compared with the preceding calendar year. Whilst the Group has declared Commercial Production at the Sao Chico Mine, there are risks associated with the commencement of any new mining operation whereby unforeseen technical and logistical events result in additional costs needing to be incurred, giving rise to the possibility that additional working capital may be required. Additionally the Group is exposed to changes in gold price and currency exchange rates. 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 of 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) Property, plant and equipment and mining properties

(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 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.

(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

Following the commencement of development and construction work intended to advance a mining project into commercial production, the Board will consider and approve the criteria that they will apply in assessing when that mining project has achieved commercial production. These criteria may be agreed in conjunction with other

stakeholders particularly financing parties and lenders. There are no set regulations or standards to be applied, but the criteria set will primarily consider the performance of the project compared to projections and generally these criteria will be measured over a continuous period of time. The judgements made and the relative performance measures will be based on the Board's view of the complexity and the relative importance of certain key activity areas in determining the long term commerciality of the mining project.

(iv) 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.

(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. All revenue is derived from the sales of copper/gold concentrates produced by the Palito Mine and gold bullion produced from both the Palito Mine and the Sao Chico Mine.

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 in accordance with the terms of the contract the product arrives at the port of delivery. 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 is US Dollars and 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 US Dollars.

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 2016 (unaudited) | 3 months ended 31 March 2015 (unaudited) |
|---|---|--|
| Profit attributable to ordinary shareholders (US\$) | 1,347,665 | 191,398 |
| Weighted average ordinary shares in issue | 656,389,204 | 656,389,204 |
| Basic profit per share (US cents) | 0.205 | 0.029 |
| Diluted ordinary shares in issue | 692,774,989 | 789,035,498 |
| Diluted profit per share (US cents) | 0.195 | 0.024 |

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 2016 (unaudited) | | | 3 months ended 31 March 2015 (unaudited) | | |
|---------------------------------|---|--------------------|-----------------------|---|-------------|---------------|
| | Brazil US\$ | UK US\$ | Total US\$ | Brazil US\$ | UK US\$ | Total US\$ |
| Revenue | 5,729,490 | 5,949,599 | 11,679,089 | 1,993,737 | 5,490,478 | 7,484,215 |
| Intra-group Sales | 4,713,588 | (4,713,588) | — | 6,085,396 | (6,085,396) | — |
| Operating expenses | (5,010,724) | (1,678,782) | (6,689,506) | (3,858,130) | (1,001,779) | (4,859,909) |
| Depreciation and amortisation | (1,005,395) | (211,332) | (1,216,727) | (931,205) | (186,515) | (1,117,720) |
| Gross profit/(loss) | 4,426,959 | (654,103) | 3,772,856 | 3,289,798 | (1,783,212) | 1,506,586 |
| Administration expenses | (487,683) | (644,517) | (1,132,200) | (341,006) | (564,499) | (905,505) |
| Share based payments | — | (123,116) | (123,116) | — | (101,019) | (101,019) |
| Profit on sale of fixed assets | 2,568 | — | 2,568 | — | — | — |
| Operating profit/(loss) | 3,941,844 | (1,421,736) | 2,520,108 | 2,948,792 | (2,448,730) | 500,062 |
| Foreign exchange gain/(loss) | 849,627 | (890,426) | (40,799) | 796,773 | (568,110) | 228,663 |
| Finance (expense)/income | (2,354) | (975,651) | (978,005) | 580 | (537,907) | (537,327) |
| Profit / (loss) before taxation | 4,789,117 | (3,287,813) | 1,501,304 | 3,746,145 | (3,554,747) | 191,398 |

4. Segmental analysis (continued)

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

| | Total non-current assets | | |
|----------------------|---|---|--|
| | 31 March 2016 (unaudited) US\$ | 31 March 2015 (unaudited) US\$ | 31 December 2015 (audited) US\$ |
| Brazil – operations | 42,123,789 | 47,508,148 | 40,150,484 |
| Brazil – exploration | 9,324,314 | 9,769,327 | 8,679,246 |
| UK | — | — | — |
| | 51,448,103 | 57,277,475 | 48,829,730 |

An analysis of total assets by location is as follows:

| | Total assets | | |
|--------|---|---|--|
| | 31 March 2016 (unaudited) US\$ | 31 March 2015 (unaudited) US\$ | 31 December 2015 (audited) US\$ |
| Brazil | 66,482,426 | 60,774,206 | 57,378,205 |
| UK | 8,057,738 | 19,295,584 | 9,114,864 |
| | 74,540,164 | 80,069,790 | 66,493,069 |

5. Deferred exploration costs

| | 31 March 2016 (unaudited) US\$ | 31 March 2015 (unaudited) US\$ | 31 December 2015 (audited) US\$ |
|--|---|---|--|
| Cost | | | |
| Balance at beginning of period | 8,679,246 | 11,799,271 | 11,799,271 |
| Reclassification from Deferred Assets to Mine Assets | (549,699) | — | — |
| Foreign exchange movements | 637,741 | (2,029,942) | (3,120,025) |
| Balance at end of period | 8,767,288 | 9,769,329 | 8,679,246 |

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

| | 31 March 2016 (unaudited) US\$ | 31 March 2015 (unaudited) US\$ | 31 December 2015 (audited) US\$ |
|--|---|---|--|
| Cost | | | |
| Balance at beginning of period | 54,940,285 | 67,823,286 | 67,823,286 |
| Reclassification from Deferred Assets to Mine Assets | 549,699 | — | — |
| Additions ⁽¹⁾ | 1,033,509 | 3,058,282 | 7,322,577 |
| Foreign exchange movements | 4,668,957 | (10,692,584) | (20,205,578) |
| Balance at end of period | 61,192,450 | 60,188,984 | 54,940,285 |

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

| | 31 March 2016 (unaudited) US\$ | 31 March 2015 (unaudited) US\$ | 31 December 2015 (audited) US\$ |
|--|---|---|--|
| Accumulated depreciation | | | |
| Balance at beginning of period | (14,789,801) | (13,719,388) | (13,719,388) |
| Charge for period | (2,092,416) | (1,117,718) | (5,598,493) |
| Foreign exchange movements | (1,629,419) | 2,156,270 | 4,528,080 |
| Balance at end of period | (18,511,636) | (12,680,836) | (14,789,801) |
| Net book value at end of period | 42,680,815 | 47,508,148 | 40,150,484 |

(1) 2015 additions include capitalised operational costs for the period net of any revenues recognized in the period.

7. Inventories

| | 31 March 2016 (unaudited) US\$ | 31 March 2015 (unaudited) US\$ | 31 December 2015 (audited) US\$ |
|---|---|---|--|
| Consumables | 2,110,788 | 1,152,835 | 1,360,954 |
| Ore stockpiles and other work in progress | 3,625,034 | 4,012,425 | 3,048,280 |
| Finished goods | 3,974,017 | 3,535,996 | 2,499,556 |
| Balance at end of period | 9,709,839 | 8,701,256 | 6,908,790 |

8. Interest bearing loan

| | 31 March 2016 (unaudited) US\$ | 31 March 2015 (unaudited) US\$ | 31 December 2015 (audited) US\$ |
|--|---|---|--|
| Balance at start of period | 4,000,000 | 8,000,000 | 8,000,000 |
| Fair value of derivative associated with loan | (212,500) | (256,000) | (256,000) |
| Repayments | — | (2,000,000) | (4,000,000) |
| Effective interest rate charge of the fair value of derivative | 25,000 | 64,000 | 256,000 |
| Balance at end of period | 3,812,500 | 5,808,000 | 4,000,000 |

9. Convertible Loan facility

| | 31 March 2016 (unaudited) US\$ | 31 March 2015 (unaudited) US\$ | 31 December 2015 (audited) US\$ |
|--|---|---|--|
| Balance at start of period | — | — | — |
| Loan drawdown in period | 2,000,000 | — | — |
| Fair value of derivative associated with loan | (199,413) | — | — |
| Effective interest rate charge of the fair value of derivative | 46,018 | — | — |
| Balance at end of period | 1,846,605 | — | — |

10. Provision for derivatives

| Gold Call Options | 31 March 2016 (unaudited) US\$ | 31 March 2015 (unaudited) US\$ | 31 December 2015 (audited) US\$ |
|---|---|---|--|
| Fair value at start of period | — | 196,330 | 196,330 |
| Fair value at date of grant | 212,500 | — | — |
| Increase / (decrease) in fair value in period | 195,500 | (52,932) | (196,330) |
| Fair value at end of period | 408,000 | 143,398 | — |

Initially valued at US\$212,500, the fair value was re-measured at the period-end date by reference to active market data with US\$195,500 taken to the income statement in the three month period to 31 March 2016. The call option is classified in level 1 of the fair value hierarchy.

| Convertible loan | 31 March 2016 (unaudited) US\$ | 31 March 2015 (unaudited) US\$ | 31 December 2015 (audited) US\$ |
|---|---|---|--|
| Fair value at date of grant | 199,413 | — | — |
| Increase / (decrease) in fair value in period | 66,732 | — | — |
| Fair value at end of period | 266,145 | — | — |

Initially valued at US\$199,413, the fair value was re-measured at the period-end date by reference to active market data with US\$66,732 taken to the income statement in the three month period to 31 March 2016. The option for conversion of the US Dollar denominated loan in to shares denominated in UK Pounds Sterling is classified in level 1 of the fair value hierarchy.

| Warrants | 31 March 2016 (unaudited) US\$ | 31 March 2015 (unaudited) US\$ | 31 December 2015 (audited) US\$ |
|---|---|---|--|
| Fair value at start of period | — | 332,173 | 332,173 |
| Increase / (decrease) in fair value in period | — | 287,590 | (332,173) |
| Fair value at end of period | — | 619,763 | — |
| Total fair value of derivatives at end of period | 674,145 | 763,161 | — |

11. 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.

During 2013, Serabi Mineração SA (“SMSA”) was 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. SMSA has provided all the requested information and the Group considers all claims made were in accordance with prevailing legislation. The total sum of the tax claims that the Group considers are subject to this review is BrR\$449,000, which at the period end is equivalent to US\$126,000.

12. Related party transactions

On 30 December 2015, the Group’s major shareholder, Fratelli Investments Limited (“Fratelli”) agreed to provide an interim unsecured short term working capital convertible loan facility of US\$5 million (the “2015 Convertible Loan”) to the Group to provide additional working capital facilities. The 2015 Convertible Loan is for a period expiring on 31 January 2017 and for a maximum of US\$5 million. The facility may be drawn-down in up to three separate instalments of an initial US\$2 million and two further instalments of US\$1.5 million each. The 2015 Convertible Loan

12. Related party transactions (continued)

is available to be used at any time up to 30 June 2016. Interest is chargeable at the rate of 12% per annum. There is no prepayment penalty or arrangement fee. The 2015 Convertible Loan is unsecured and subordinated to the Group's existing loan facilities, including the secured loan facility arrangement provided by the Sprott Resource Lending Partnership.

The first US\$2 million of the 2015 Convertible Loan is convertible at the election of Fratelli Investments into new Serabi Ordinary Shares at an exercise price of 3.6 pence per new Serabi Ordinary Share at any time. The remaining amount of the 2015 Convertible Loan, if drawn down, may be repaid by the Group at its option at any time on or before 30 June 2016. Thereafter, Fratelli Investments will have the right to convert all or part of the remaining amount of the 2015 Convertible Loan into new Serabi Ordinary Shares at an exercise price of 3.6 pence per new Serabi Ordinary Share at any time. The Group announced on 6 January 2016 that it had made an initial draw down of US\$2 million in respect of the 2015 Convertible Loan.

13. Share capital

a) Ordinary and deferred shares

| Ordinary shares | 31 March 2016 (unaudited) | | 31 March 2015 (unaudited) | | 31 December 2015 (audited) | |
|---|------------------------------|-----------|------------------------------|-----------|-------------------------------|-----------|
| | Number | US\$ | Number | US\$ | Number | US\$ |
| Balance at beginning and 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 2016 (unaudited) | | 31 March 2015 (unaudited) | | 31 December 2015 (audited) | |
|---|------------------------------|-----------|------------------------------|------------|-------------------------------|--------------|
| | Number | US\$ | Number | US\$ | Number | US\$ |
| Balance at beginning and end of period | — | — | 596,528,269 | 56,405,030 | 596,528,269 | 56,405,030 |
| Reclassified in period | — | — | — | — | (596,528,269) | (56,405,030) |
| Balance at end of period | — | — | 596,528,269 | 56,405,030 | — | — |
| Total Share Capital | | 5,263,182 | | 61,668,212 | | 5,263,030 |

There have been no issues of ordinary shares during the three month period ended 31 March 2016.

At the Annual General Meeting of Serabi Gold plc held on 11 June 2015, shareholders of the Company approved a resolution, subject to the confirmation of the High Court of Justice in England and Wales (the "Court"), that the issued share capital of the Company be reduced by cancelling and extinguishing all of the issued deferred shares of 4.5p each and 9.5p each in the capital of the Company ("Deferred Shares").

On 29 July 2015, the Court issued an order (the "Order") confirming the cancellation of the Deferred Shares and the Company received confirmation from the Registrar of Companies of the registration of the Order.

The value standing to the account of the Deferred Shares, following their cancellation, has been credited to the distributable reserves of the Company.

The deferred shares had 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 had received the aggregate amount paid up thereon plus UK£100 per ordinary share. Any further surplus was to be distributed only amongst the holders of ordinary shares.

13. Share capital (continued)

(c) Stock option reserve

Contributed surplus

| | US\$ |
|--------------------------------|-----------|
| Balance at beginning of period | 2,747,415 |
| Option costs for period | 123,116 |
| Options lapsed in period | (388,955) |
| Balance at end of period | 2,481,576 |

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 2016 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 | 10,000,003 | UK£0.055 | 21 January 2018 |
| 30 September 2014 | 3,200,000 | 2,133,334 | UK£0.055 | 29 September 2017 |
| 7 April 2014 | 12,600,000 | 8,400,002 | UK£0.050 | 6 April 2017 |
| 18 July 2013 | 1,572,500 | 1,572,500 | C\$0.29411 | 7 June 2016 |
| 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 |
| | 36,385,785 | 26,119,124 | | |

The approximate weighted average exercise price is UK£0.1134

14. Impairment

For the purposes of the preparation of the annual audited financial statements for the year ended 31 December 2015, management undertook an impairment review of the Group's exploration, development and production assets. At that time there was no indication that the Group required a provision for impairment.

As at 31 March 2016 the carrying value of the assets relating to the Palito and Sao Chico mines has increased from US\$40.1 as at 31 December 2015 to US\$42.1 million. The increase is primarily represented by exchange rate variations between the relative rate of the Brazilian Real and the US Dollar at 31 December 2015 and 31 March 2016 and additional capital expenditure incurred during the period.

14. Impairment (continued)

This increase has been offset by depreciation and amortisation charges for the three month period to 31 March 2016 in respect of property plant and equipment and the Palito and Sao Chico Mines.

The major assumptions underlying management's estimate of the of the value in use attributable to the Palito and Sao Chico Mines as at 31 December 2015 are detailed in note 19 to the Company's Annual Report and Financial Statements for the year ended 31 December 2015. 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 2016. The matter will continue to be reviewed in future periods.

15. Post Balance Sheet Events

Between the end of the financial period and the date of this management discussion and analysis, 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.

16. Approval of the interim condensed consolidated financial statements

These unaudited interim condensed consolidated financial statements for the three month period ended 31 March 2016 were approved by the board of directors on 12 May 2016.