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 2016

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 2016 (unaudited)	For the three months ended 30 September 2015 (unaudited)	For the nine months ended 30 September 2016 (unaudited)	For the nine months ended 30 September 2015 (unaudited)
CONTINUING OPERATIONS					
Revenue		**16,209,753**	8,365,289	**42,120,928**	27,043,682
Operating expenses		**(10,216,119)**	(6,302,006)	**(25,828,941)**	(19,350,056)
Depreciation of plant and equipment		**(2,907,161)**	(871,576)	**(6,552,101)**	(3,603,810)
Gross profit		**3,086,473**	1,191,707	**9,739,886**	4,089,816
Administration expenses		**(1,267,898)**	(871,153)	**(3,812,218)**	(3,024,671)
Share based payments		**(101,072)**	(101,019)	**(249,828)**	(303,056)
Gain on disposal of assets		**2,070**	—	**29,039**	—
Operating profit		**1,719,573**	219,535	**5,706,879**	762,089
Foreign exchange loss		**(28,860)**	(364,869)	**(101,268)**	(171,238)
Finance expense	3	**(947,250)**	(388,074)	**(3,299,989)**	(1,206,276)
Investment income	3	**40**	647,584	**109**	806,498
Profit before taxation		**743,503**	114,176	**2,305,731**	191,073
Income tax expense		**(278,023)**	—	**(834,069)**	—
Profit for the period from continuing operations (1) (2)		**465,480**	114,176	**1,471,662**	191,073
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		**(588,314)**	(11,995,969)	9,041,254	(21,183,302)
Total comprehensive loss for the period (2)		**(122,834)**	(11,881,793)	10,512,916	(20,992,229)
Profit / (loss) per ordinary share (basic) (1)	4	**0.11c**	0.02c	**0.35c**	**0.03c**
Profit / (loss) per ordinary share (diluted) (1)	4	**0.10c**	0.01c	**0.32c**	**0.02c**

(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 30 September 2016 (unaudited)**	**As at 30 September 2015 (unaudited)**	As at 31 December 2015 (audited)
Non-current assets				
Deferred exploration costs	6	**9,731,144**	9,018,777	8,679,246
Property, plant and equipment	7	**44,860,837**	39,181,535	40,150,484
Total non-current assets		**54,591,981**	48,200,312	48,829,730
Current assets				
Inventories	8	**7,865,290**	7,677,056	6,908,790
Trade and other receivables		**9,165,344**	6,683,465	6,133,284
Prepayments and accrued income		**2,652,081**	2,248,960	2,429,506
Cash and cash equivalents		**3,116,123**	3,814,439	2,191,759
Total current assets		**22,798,838**	20,423,920	17,663,339
Current liabilities				
Trade and other payables		**6,564,033**	4,788,850	4,212,803
Interest bearing liabilities	9	**1,425,058**	4,928,000	4,000,000
Trade and asset finance facilities		**3,260,272**	7,892,830	7,385,155
Derivative financial liabilities	10	**262,000**	70,038	—
Accruals		**367,646**	167,237	226,197
Total current liabilities		**11,879,009**	17,846,954	15,824,155
Net current assets		**10,919,829**	2,576,966	1,839,184
Total assets less current liabilities		**65,511,810**	50,777,278	50,668,914
Non-current liabilities				
Trade and other payables		**2,275,312**	2,226,238	1,857,914
Provisions		**2,284,002**	2,075,105	1,898,714
Interest bearing liabilities		**210,657**	246,557	128,641
Total non-current liabilities		**4,769,971**	4,547,900	3,885,269
Net assets		**60,741,839**	46,229,378	46,783,645
Equity				
Share capital	13	**5,540,960**	5,263,182	5,263,182
Share premium		**1,722,222**	—	—
Option reserve		**1,237,581**	2,646,397	2,747,415
Other reserves		**361,461**	450,262	450,262
Translation reserve		**(30,185,281)**	(39,919,594)	(39,226,535)
Distributable surplus		**82,064,896**	77,789,131	77,549,321
Equity shareholders' funds		**60,741,839**	46,229,378	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 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. 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$)	Share capital	Share premium	Share option reserve	Other reserves [1]	Translation reserve	Accumulated loss	Total equity
Equity shareholders' funds at 31 December 2014 (audited)	**61,668,212**	**67,656,848**	**2,400,080**	**450,262**	**(18,736,292)**	**(46,520,559)**	**66,918,551**
Foreign currency adjustments	—	—	—	—	(9,187,333)	—	**(9,187,333)**
Profit for the period	—	—	—	—	—	76,897	**76,897**
Total comprehensive income for the period	—	—	—	—	(9,187,333)	76,897	**(9,110,436)**
Share options lapsed in period	—	—	(56,739)	—	—	56,739	**—**
Share option expense	—	—	202,037	—	—	—	202,037
Equity shareholders' funds at 30 June 2015 (unaudited)	**61,668,212**	**67,656,848**	**2,545,378**	**450,262**	**(27,923,625)**	**(46,386,923)**	**58,010,152**
Foreign currency adjustments	—	—	—	—	(11,302,910)	—	**(11,302,910)**
Loss for the period	—	—	—	—	—	(125,634)	(125,634)
Total comprehensive income for the period	—	—	—	—	(11,302,910)	(125,634)	(11,428,544)
Cancellation of share premium	—	(67,656,848)	—	—	—	67,656,848	—
Cancellation of deferred shares	(56,405,030)	—	—	—	—	56,405,030	—
Share option expense	—	—	202,037	—	—	—	202,037
Equity shareholders' funds at 31 December 2015 (audited)	**5,263,182**	**—**	**2,747,415**	**450,262**	**(39,226,535)**	**77,549,321**	**46,783,645**
Foreign currency adjustments	—	—	—	—	9,041,254	—	9,041,254
Profit for the period	—	—	—	—	—	1,471,662	1,471,662
Total comprehensive income for the period	—	—	—	—	9,041,254	1,471,662	10,512,916
Shares issued in period	277,778	1,722,222	—	—	—	—	2,000,000
Release of Fair Value provision on convertible loan	—	—	—	—	—	1,195,450	1,195,450
Warrants lapsed	—	—	—	(88,801)	—	88,801	—
Share options lapsed in period	—	—	(1,759,662)	—	—	1,759,662	—
Share option expense	—	—	249,828	—	—	—	249,828
Equity shareholders' funds at 30 September 2016 (unaudited)	**5,540,960**	**1,722,222**	**1,237,581**	**361,461**	**(30,185,281)**	**82,064,896**	**60,741,839**

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

SERABI GOLD PLC
Condensed Consolidated Cash Flow Statements

(expressed in US$)	For the three months ended 30 September 2016 (unaudited)	2015 (unaudited)	For the nine months ended 30 September 2016 (unaudited)	2015 (unaudited)
Operating activities				
Profit before taxation	**465,480**	114,176	**1,471,662**	191,073
Depreciation – plant, and equipment	**2,907,161**	871,576	**6,552,101**	3,603,810
Net financial expense	**976,071**	105,359	**3,401,148**	571,016
Taxation	**278,023**	—	**834,069**	—
Share-based payments	**101,072**	101,019	**249,828**	303,056
Foreign exchange gain	**38,109**	112,300	**207,785**	276,788
Changes in working capital				
Decrease / (increase) in inventories	**1,286,509**	(1,103,999)	**505,768**	(2,552,479)
Decrease / (increase) in receivables, prepayments and accrued income	**330,084**	791,116	**(2,434,886)**	(775,400)
(Decrease) / increase in payables, accruals and provisions	**(68,421)**	1,219,436	**1,411,427**	2,860,354
Net cash inflow from operations	**6,314,088**	2,210,983	**12,198,902**	4,478,218
Investing activities				
Sales revenues recognised to date	**—**	1,340,259	**—**	2,267,350
Capitalised pre-operating costs	**—**	(1,724,903)	**—**	(2,392,111)
Purchase of property, plant and equipment and projects in construction	**(713,069)**	(997,540)	**(2,840,740)**	(4,285,435)
Mine development expenditures	**(469,608)**	(150,801)	**(1,718,759)**	(948,633)
Exploration and development expenditure	**(247,479)**	(108,083)	**(247,479)**	(570,318)
Proceeds from sale of assets	**2,070**	—	**29,039**	—
Interest received	**40**	1	**109**	842
Net cash outflow on investing activities	**(1,428,046)**	(1,641,067)	**(4,777,830)**	(5,928,305)
Financing activities				
Repayment of short-term secured loan	**(1,333,334)**	(1,000,000)	**(2,666,667)**	(3,000,000)
Drawdown of convertible loan and subsequent conversion of shares	**—**	—	**2,000,000**	—
Receipts from short-term trade finance	**4,454,632**	6,435,952	**16,355,730**	17,123,401
Repayment of short-term trade finance	**(9,411,663)**	(6,130,683)	**(20,921,538)**	(16,994,618)
Payment of finance lease liabilities	**(161,210)**	(303,380)	**(542,731)**	(570,445)
Interest paid and other finance costs	**(125,901)**	(84,406)	**(624,233)**	(854,276)
Net cash (outflow) from financing activities	**(6,577,476)**	(1,082,517)	**(6,399,439)**	(4,295,938)
Net (decrease) / increase in cash and cash equivalents	**(1,691,434)**	(512,601)	**1,021,633**	(5,746,025)
Cash and cash equivalents at beginning of period	**4,774,537**	4,481,970	**2,191,759**	9,813,602
Exchange difference on cash	**33,020**	(154,930)	**(97,269)**	(253,138)
Cash and cash equivalents at end of period	**3,116,123**	3,814,439	**3,116,123**	3,814,439

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 2016. Comparative information has been provided for the unaudited three and nine month periods ended 30 September 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 and availability of project finance

Having commenced initial development activities for the Sao Chico Mine at the end of 2014, this mine was in development throughout 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.

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 loan facilities and to, at least in part, fund exploration and development activity on its other gold properties. The secured loan facility is repayable by 31 December 2016 and at 30 September 2016, the amount outstanding under this facility was US$1.33 million.

However, the forecasted cash flow projections for the remainder of 2016 include a continuing 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 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

1. 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.

2. 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.

3. 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.

4. 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.

During the month of September 2016, the Group entered into a new contract for the sale of its copper/gold concentrate. Under the contract operated by the company from January to August 2016 revenue could only be recognised when material arrived at the purchasers designated location. Under a new contract effective from September 2016 revenue is recognised when the material departs from the port of Belem. 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.

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 Reais ("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.

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.

(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. Finance income and expense

Finance expense	**3 months ended 30 September 2016 US$ (unaudited)**	3 months ended 30 September 2015 US$ (unaudited)	**9 months ended 30 September 2016 US$ (unaudited)**	9 months ended 30 September 2015 US$ (unaudited)
Interest and fees on loans and finance facilities	**146,229**	388,074	**684,561**	1,206,276
Effective interest charge of the fair value, and loss on revaluation, of derivatives	**378,719**	—	**1,699,175**	—
Finance cost on gold trading	**422,302**	—	**916,253**	—
	947,250	388,074	**3,299,989**	1,206,276

Finance income	**3 months ended 30 September 2016 US$ (unaudited)**	3 months ended 30 September 2015 US$ (unaudited)	**9 months ended 30 September 2016 US$ (unaudited)**	9 months ended 30 September 2015 US$ (unaudited)
Gain on revaluation of derivatives	**—**	474,336	**—**	458,465
Finance income on gold trading	**—**	173,246	**—**	347,191
Interest income	**40**	2	**109**	842
	40	647,584	**109**	806,498

4. Earnings per share

	3 months ended 30 September 2016	3 months ended 30 September 2015	**9 months ended 30 September 2016**	9 months ended 30 September 2015	12 months ended 31 December 2015
Profit / (loss) attributable to ordinary shareholders (US$)	**743,503**	114,176	**2,305,731**	191,073	(48,738)
Weighted average ordinary shares in issue	**678,005,407**	656,389,204	**663,647,199**	656,389,204	656,389,204
Basic profit/(loss) per share (US cents)	**0.11**	0.02	**0.35**	0.03	(0.01)
Diluted ordinary shares in issue	**727,915,407**(1)	792,265,830(1)	**713,557,199**(1)	792,265,830(1)	656,389,204
Diluted profit /(loss) per share (US cents)	**0.10**	0.01	**0.32**	0.02	(0.01)(2)

(1) Assumes exercise of all options and warrants outstanding as of that date.

(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.

5. 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 2016 (unaudited)			3 months ended 30 September 2015 (unaudited)		
	Brazil	**UK**	**Total**	Brazil	UK	Total
	$	**$**	**$**	$	$	$
Revenue	**7,326,817**	**8,882,936**	**16,209,753**	2,226,699	6,138,590	8,365,289
Intra-group sales	**5,724,709**	**(5,724,709)**	**—**	6,907,295	(6,907,295)	—
Operating expenses	**(8,655,547)**	**(1,560,572)**	**(10,216,119)**	(4,699,097)	(1,602,909)	(6,302,006)
Depreciation	**(2,727,025)**	**(180,136)**	**(2,907,161)**	(644,850)	(226,726)	(871,576)
Gross profit / (loss)	**1,668,954**	**1,417,519**	**3,086,473**	3,790,047	(2,598,340)	1,197,707
Administration expenses	**(802,738)**	**(465,160)**	**(1,267,898)**	(270,339)	(600,814)	(871,153)
Share based payments	**—**	**(101,072)**	**(101,072)**	—	(101,019)	(101,019)
Gain on disposal of asset	**2,070**	**—**	**2,070**	—	—	—
Operating profit / (loss)	**868,286**	**851,287**	**1,719,573**	3,519,708	(3,300,173)	219,535
Foreign exchange gain / (loss)	**59,665**	**(88,525)**	**(28,860)**	119,461	(484,330)	(364,869)
Interest (expense)/income	**(1,801)**	**(945,409)**	**(947,210)**	(34)	259,544	259,510
Profit / (loss) before taxation	**926,150**	**(182,647)**	**743,503**	3,639,135	(3,524,959)	114,176

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

	9 months ended 30 September 2015 (unaudited)			9 months ended 30 September 2015 (unaudited)		
	Brazil	**UK**	**Total**	Brazil	UK	Total
	$	**$**	**$**	$	$	$
Revenue	**19,678,189**	**22,442,739**	**42,120,928**	7,633,753	19,409,929	27,043,682
Intra-group sales	**16,901,153**	**(16,901,153)**	**—**	19,379,440	(19,379,440)	—
Operating expenses	**(21,150,596)**	**(4,678,345)**	**(25,828,941)**	(15,203,651)	(4,146,405)	(19,350,056)
Depreciation	**(5,967,666)**	**(584,435)**	**(6,552,101)**	(3,005,192)	(598,618)	(3,603,810)
Gross profit / (loss)	**9,461,080**	**278,806**	**9,739,886**	8,804,350	(4,714,534)	4,089,816
Administration expenses	**(2,130,227)**	**(1,681,991)**	**(3,812,218)**	(986,736)	(2,037,935)	(3,024,671)
Share based payments	**—**	**(249,828)**	**(249,828)**	—	(303,056)	(303,056)
Gain on disposal of asset	**29,039**	**—**	**29,039**	—	—	—
Operating profit / (loss)	**7,359,892**	**(1,653,013)**	**5,706,879**	7,817,614	(7,055,525)	762,089
Foreign exchange gain/(loss)	**824,685**	**(925,953)**	**(101,268)**	973,466	(1,144,704)	(171,238)
Interest (expense)/income	**(4,155)**	**(3,295,725)**	**(3,299,880)**	526	(400,304)	(399,778)
Profit / (loss) before taxation	**8,180,422**	**(5,874,691)**	**2,305,731**	8,791,606	(8,600,533)	191,073

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

	Total non-current assets		
	30 September 2016 (unaudited) $	30 September 2015 (unaudited) $	31 December 2015 (audited) $
Brazil – operations	**44,860,837**	39,181,535	40,150,484
Brazil – exploration	**9,731,144**	9,018,777	8,679,246
	54,591,981	48,200,312	48,829,730

An analysis of total assets by location is as follows:

	Total assets		
	30 September 2016 (unaudited) $	30 September 2015 (unaudited) $	31 December 2015 (audited) $
Brazil	**64,051,787**	59,592,252	57,378,205
UK	**13,339,032**	9,031,980	9,114,864
	77,390,819	68,624,232	66,493,069

6. Deferred exploration costs

	30 September 2016 (unaudited) $	30 September 2015 (unaudited) $	31 December 2015 (audited) $
Cost			
Opening balance	**8,679,246**	11,799,271	11,799,271
Exploration and development expenditure	**247,479**	570,318	—
Transfer to mining property and projects in construction	**(557,267)**	—	—
Foreign exchange movements	**1,361,686**	(3,350,812)	(3,120,025)
Balance at end of period	**9,731,144**	9,018,777	8,679,246

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

	30 September 2016 (unaudited) $	30 September 2015 (unaudited) $	31 December 2015 (audited) $
Cost			
Balance at beginning of period	**54,590,285**	67,823,286	67,823,286
Additions (1)	**4,564,262**	6,112,788	7,322,577
Reclassifications from deferred exploration costs	**557,267**	—	—
Foreign exchange movements	**9,758,328**	(21,019,046)	(20,205,578)
Balance at end of period	**69,820,142**	52,917,028	54,940,285
Accumulated depreciation			
Balance at beginning of period	**14,789,801**	13,719,388	13,719,388
Charge for period	**6,599,447**	4,489,824	5,598,493
Foreign exchange movements	**3,570,057**	(4,473,719)	(4,528,080)
Balance at end of period	**24,959,305**	13,735,493	14,789,801
Net book value at end of period	**44,860,837**	39,181,535	40,150,484

(1) Additions during 2015 included capitalised operational costs for the period net of any revenues recognised in the period

8. Inventories

	30 September 2016 (unaudited) $	30 September 2015 (unaudited) $	31 December 2015 (audited) $
Consumables	**2,553,317**	**1,061,357**	1,360,954
Ore stockpiles and other work in progress	**3,535,011**	**4,226,363**	3,048,280
Finished goods awaiting sale	**1,776,962**	**2,389,336**	2,499,556
Balance at end of period	**7,865,290**	**7,677,056**	6,908,790

9. Interest Bearing Liabilities

	30 September 2016 (unaudited)	30 September 2015 (unaudited)	31 December 2015 (audited)
Balance at start of period	**4,000,000**	8,000,000	8,000,000
Initial fair value of derivative associated with loan	**(212,000)**	(256,000)	(256,000)
Repayment	**(2,666,667)**	(3,000,000)	(4,000,000)
Effective interest rate charge of the fair value of derivative	**156,250**	184,000	256,000
Amount due on realization of call option	**298,475**	—	—
Repayment of call option	**(150,000)**	—	—
Balance at end of period	**1,425,058**	4,928,000	4,000,000

10. Provision for derivatives

Gold Call Options

	30 September 2016 (unaudited)	30 September 2015 (unaudited)	31 December 2015 (audited)
Fair value at start of period	—	196,330	196,330
Fair value at date of grant	**212,500**	—	—
Fair value released on exercise of options	**(106,250)**	—	—
Increase / (decrease) in fair value during period	**56,750**	(187,668)	(196,330)
Fair value at end of period	**262,000**	8,662	—

(1) The original call option was granted over 2,500 ounces of gold at a price of US$1,125 per ounce and expiring on 30 June 2017. Options over 1,250 ounces were exercised by the holder on 7 July 2016 at an agreed spot price of US$1,363.78. The fair value at the end of the period is calculated based on the remaining 1,250 options which were outstanding at 30 September 2016.

Warrants

	30 September 2016 (unaudited)	30 September 2015 (unaudited)	31 December 2015 (audited)
Fair value at start of period	**—**	332,173	332,173
Increase/decrease in fair value during period	**—**	(270,797)	(332,173)
Fair value at end of period	**—**	61,376	—
Total fair value of derivatives at end of period	**262,000**	70,038	—

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.

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 nine 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 BrR$0.45 million, which at the period-end is equivalent to US$0.137 million.

12. Related party transactions

On 30 December 2015, the Group agreed an unsecured short term working capital convertible loan facility of US$5 million with its major shareholder, Fratelli Investments Limited. The facility was available to be drawn down at any time up to 30 June 2016 and was to provide additional working capital facilities. On 6 January 2016, the Group announced that it had made an initial drawdown of US$2 million against this convertible loan facility. The group made no further drawdowns prior to 30 June 2016 and in August 2015 Fratelli exercised its right to convert the outstanding loan of US$2 million into shares of the Company at a subscription price of UK£0.036. On 15 August 2016, the Company issued 42,312,568 shares of the Company to Fratelli.

13. Share capital

a) Ordinary and deferred shares

	30 September 2016 (unaudited)		30 September 2015 (unaudited)		31 December 2015 (audited)	
Ordinary shares	**Number**	**US$**	Number	US$	Number	US$
Balance at beginning of period	**656,389,204**	**5,263,182**	656,389,204	5,263,182	656,389,204	5,263,182
Shares issued in period	**42,312,568**	**277,778**	—	—	—	—
	698,701,772	**5,540,960**	656,389,204	5,263,182	656,389,204	5,263,182

	30 September 2016 (unaudited)		30 September 2015 (unaudited)		31 December 2015 (audited)	
Deferred shares	**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)	(596,528,269)	(56,405,030)
Balance at end of period	**—**	**—**	—	—	—	—
Total Share Capital		**5,540,9602**		5,263,182		5,263,182

During the nine months ended 30 September 2016, the Group issued 42,312,568 Ordinary Shares following the decision of Fratelli Investments Limited to convert its US$2 million convertible loan into ordinary shares of 0.5 pence each in the Company. Under the terms of the Loan (as announced on 31 December 2015) Fratelli had the right to convert the Loan into new Ordinary Shares of Serabi at a price of 3.6 pence per new Ordinary Share.

(b) Stock option reserve

Contributed surplus

	US$
Balance at beginning of period	**2,747,415**
Option costs for period	**249,828**
Options lapsed in period	**(1,759,662)**
Balance at end of period	**1,237,581**

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 the grant, one third on the first anniversary of the grant and the balance vesting on the second anniversary of the date of the 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 per cent 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 30 June 2016 under the various plans that have been operated by the Company:

Issue date	Options outstanding	Options vested	Exercise price	Expiry
16 May 2016	15,650,000	5,216,672	UK£0.050	15 May 2019
22 January 2015	15,000,000	10,000,003	UK£0.055	21 January 2018
30 September 2014	3,200,000	3,200,000	UK£0.055	29 September 2017
7 April 2014	12,600,000	12,600,000	UK£0.050	6 April 2017
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
15 November 2007	25,000	25,000	UK£2.64	14 November 2017
	49,910,000	34,476,675		

The approximate weighted average exercise price is UK£0.0687.

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 30 September 2016 the carrying value of the assets relating to the Palito and Sao Chico Mines has increased from US$40.1 million as at 31 December 2015 to US$44.8 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 30 September 2016 and additional capital expenditure incurred during the period.

This increase has been offset by depreciation and amortisation charges for the nine month period to 30 September 2016 in respect of property plant and equipment and the development costs of the Palito and Sao Chico Mines.

The major assumptions underlying management's estimate 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 30 September 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 that the financial statements were approved by the Board of Directors there has been no item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the company, to affect significantly the continuing operations of the Company, the results of these operations, or the state of affairs of the company in future financial periods.

16. 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 2016 were approved by the Board of Directors on 11 November 2016.