



SERABI GOLD PLC

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

**FOR THE THREE MONTHS ENDED
31 MARCH 2018**

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 31 March | |
|---|-------|--|---------------------|
| | | 2018 (unaudited) | 2017 (unaudited) |
| CONTINUING OPERATIONS | | | |
| Revenue | | 13,826,851 | 13,173,584 |
| Cost of sales | | (9,489,101) | (9,792,350) |
| Provision for impairment of Inventory | | – | (220,000) |
| Depreciation and amortisation charges | | (1,992,853) | (1,900,704) |
| Gross profit | | 2,344,897 | 1,260,530 |
| Administration expenses | | (1,331,424) | (1,241,455) |
| Share-based payments | | (77,293) | (65,620) |
| Gain on sales of assets disposal | | 51,115 | – |
| Operating profit / (loss) | | 987,295 | (46,545) |
| Foreign exchange (loss) / gain | | (57,090) | 46,837 |
| Finance expense | 2 | (590,373) | (33,817) |
| Finance income | | 34 | 34 |
| Profit / (loss) before taxation | | 339,866 | (33,491) |
| Income tax expense | 3 | (329,080) | (80,552) |
| Profit / (loss) for the period from continuing operations attributable to the owners of the parent⁽¹⁾ | | 10,786 | (114,043) |
| Other comprehensive income (net of tax) | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences on translating foreign operations | | (334,431) | 1,467,847 |
| Total comprehensive profit for the period operations attributable to the owners of the parent | | (323,645) | 1,353,804 |
| Profit / (loss) per ordinary share (basic) ⁽¹⁾ | 4 | 0.0015c | (0.016c) |
| Profit / (loss) per ordinary share (diluted) ⁽¹⁾ | 4 | 0.0015c | (0.016c) |

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

SERABI GOLD PLC
Condensed Consolidated Balance Sheets

| (expressed in US\$) | Notes | As at 31 March 2018 (unaudited) | As at 31 March 2017 (unaudited) | As at 31 December 2017 (audited) |
|--|-------|--|--|---|
| Non-current assets | | | | |
| Deferred exploration costs | 6 | 25,295,721 | 10,234,360 | 23,898,819 |
| Property, plant and equipment | 7 | 47,736,835 | 45,862,328 | 48,980,381 |
| Taxes receivable | | 1,569,140 | – | 1,474,062 |
| Deferred taxation | | 2,772,101 | 3,313,099 | 2,939,634 |
| Total non-current assets | | 77,373,797 | 59,409,787 | 77,292,896 |
| Current assets | | | | |
| Inventories | 8 | 6,160,750 | 6,534,060 | 6,934,438 |
| Trade and other receivables | | 1,151,999 | 2,996,060 | 1,277,142 |
| Prepayments and accrued income | | 3,914,034 | 4,417,677 | 3,237,412 |
| Cash and cash equivalents | | 6,695,525 | 3,407,117 | 4,093,866 |
| Total current assets | | 17,922,308 | 17,354,914 | 15,542,858 |
| Current liabilities | | | | |
| Trade and other payables | | 5,291,005 | 4,713,274 | 5,347,964 |
| Interest bearing liabilities | 9 | 5,760,390 | 2,523,787 | 2,845,712 |
| Acquisition payment outstanding | | 5,000,000 | – | 5,000,000 |
| Derivative financial liabilities | | 754,462 | – | 709,255 |
| Accruals | | 591,830 | 485,765 | 614,198 |
| Total current liabilities | | 17,397,687 | 7,722,826 | 14,517,129 |
| Net current assets | | 524,621 | 9,632,088 | 1,025,729 |
| Total assets less current liabilities | | 77,898,418 | 69,041,875 | 78,318,625 |
| Non-current liabilities | | | | |
| Trade and other payables | | 2,590,883 | 2,260,691 | 2,753,409 |
| Provisions | | 2,157,944 | 1,904,989 | 2,047,131 |
| Acquisition payment outstanding | | 10,235,707 | – | 9,997,961 |
| Interest bearing liabilities | 9 | 2,299,524 | 77,798 | 2,749,412 |
| Total non-current liabilities | | 17,284,058 | 4,243,478 | 17,547,913 |
| Net assets | | 60,614,360 | 64,798,397 | 60,770,712 |
| Equity | | | | |
| Share capital | 12 | 5,555,775 | 5,540,960 | 5,540,960 |
| Share premium reserve | | 1,797,407 | 1,722,222 | 1,722,222 |
| Option reserve | | 1,111,040 | 1,404,272 | 1,425,024 |
| Other reserves | | 4,406,657 | 3,273,143 | 4,015,369 |
| Translation reserve | | (31,533,999) | (29,140,001) | (31,199,568) |
| Retained surplus | | 79,277,480 | 81,997,801 | 79,266,705 |
| Equity shareholders' funds | | 60,614,360 | 64,798,397 | 60,770,712 |

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 2017 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. 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 2016 | 5,540,960 | 1,722,222 | 1,338,652 | 3,051,862 | (30,607,848) | 82,333,125 | 63,378,973 |
| Foreign currency adjustments | — | — | — | — | 1,467,847 | — | 1,467,847 |
| Loss for the period | — | — | — | — | — | (114,043) | (114,043) |
| Total comprehensive income for the period | — | — | — | — | 1,467,847 | (114,043) | 1,353,804 |
| Transfer to taxation reserve | — | — | — | 221,281 | — | (221,281) | — |
| Share option expense | — | — | 65,620 | — | — | — | 65,620 |
| Equity shareholders' funds at 31 March 2017 | 5,540,960 | 1,722,222 | 1,404,272 | 3,273,143 | (29,140,001) | 81,997,801 | 64,798,397 |
| Foreign currency adjustments | — | — | — | — | (2,059,567) | — | (2,059,567) |
| Loss for the period | — | — | — | — | — | (2,283,860) | (2,283,860) |
| Total comprehensive income for the period | — | — | — | — | (2,059,567) | (2,283,860) | (4,343,427) |
| Transfer to taxation reserve | — | — | — | 742,226 | — | (742,226) | — |
| Share options lapsed in period | — | — | (294,990) | — | — | 294,990 | — |
| Share option expense | — | — | 315,742 | — | — | — | 315,742 |
| Equity shareholders' funds at 31 December 2017 | 5,540,960 | 1,722,222 | 1,425,024 | 4,015,369 | (31,199,568) | 79,266,705 | 60,770,712 |
| Foreign currency adjustments | — | — | — | — | (334,431) | — | (334,431) |
| Profit for the period | — | — | — | — | — | 10,786 | 10,786 |
| Total comprehensive income for the period | — | — | — | — | (334,431) | 10,786 | (323,645) |
| Transfer to taxation reserve | — | — | — | 391,288 | — | (391,288) | — |
| Share options lapsed in period | — | — | (391,277) | — | — | 391,277 | — |
| Shares issued in period | 14,815 | 75,185 | — | — | — | — | 90,000 |
| Share option expense | — | — | 77,293 | — | — | — | 77,293 |
| Equity shareholders' funds at 31 March 2018 | 5,555,775 | 1,797,407 | 1,111,040 | 4,406,657 | (31,533,999) | 79,277,480 | 60,614,360 |

(1) Other reserves comprise a merger reserve of US\$361,461 and a taxation reserve of US\$4,045,196 (31 December 2017: merger reserve of US\$361,461 and a taxation reserve of US\$3,653,908).

SERABI GOLD PLC
Condensed Consolidated Cash Flow Statements

| | For the three months ended 31 March | |
|--|---|--------------------|
| (expressed in US\$) | 2018 | 2017 |
| | (unaudited) | (unaudited) |
| Operating activities | | |
| Operating profit / (loss) | 10,786 | (114,043) |
| Net financial expense | 557,429 | 13,054 |
| Depreciation – plant, equipment and mining properties | 1,992,853 | 1,900,704 |
| Provision for impairment of inventory | — | 220,000 |
| Provision for taxation | 329,080 | 80,552 |
| Share based payments | 167,293 | 65,620 |
| Foreign exchange | (68,424) | 99,230 |
| Changes in working capital | | |
| Decrease / (Increase) in inventories | 737,113 | 1,470,683 |
| (Increase) / Decrease in receivables, prepayments and accrued income | (499,348) | (2,243,810) |
| Increase / (Decrease) in payables, accruals and provisions | (129,853) | (891,243) |
| Net cash inflow from operations | 3,096,929 | 600,747 |
| Investing activities | | |
| Purchase of property, plant and equipment and assets in construction | (425,694) | (267,915) |
| Capitalised mine development costs | (965,523) | (1,086,790) |
| Geological exploration expenditure | (568,418) | (2,521) |
| Pre-operational project costs | (793,430) | — |
| Proceeds from sale of assets | 51,115 | — |
| Interest received | 34 | 34 |
| Net cash outflow on investing activities | (2,701,916) | (1,357,192) |
| Financing activities | | |
| Draw-down of secured loan | 3,000,000 | — |
| Repayment of secured loan | (333,333) | — |
| Repayment of finance lease liabilities | (283,147) | — |
| Interest paid and finance charges | (152,420) | (11,648) |
| Net cash inflow / (outflow) from financing activities | 2,231,100 | (11,648) |
| Net increase / decrease in cash and cash equivalents | 2,626,113 | (768,093) |
| Cash and cash equivalents at beginning of period | 4,093,866 | 4,160,923 |
| Exchange difference on cash | (24,454) | 14,287 |
| Cash and cash equivalents at end of period | 6,695,525 | 3,407,117 |

SERABI GOLD PLC
Report and condensed consolidated financial statements for the three month period ended 31 March 2018

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation

These interim condensed consolidated financial statements are for the three month period ended 31 March 2018. Comparative information has been provided for the unaudited three month period ended 31 March 2017 and, where applicable, the audited twelve month period from 1 January 2017 to 31 December 2017. These condensed consolidated financial statements do not include all the disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2017 annual report.

The condensed consolidated financial statements 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 2017 and those envisaged for the financial statements for the year ending 31 December 2018.

The Group has not adopted any standards or interpretations in advance of the required implementation dates.

As of 1 January 2018, IFRS 9 - Financial Instruments, and IFRS 15 - Revenue from Contracts, became effective and have been adopted. The effect of implementation has not had a material impact on the financial results of the Group

As of the date of authorisation of these financial statements, IFRS 16 – Leases, was in issue but not effective and has not been applied to these financial statements.

IFRS 16 will require the recognition of an asset and liability with respect to the material operating lease commitments that the group have. Management are currently considering the impact that this will have on the financial statements. The Group does not at this time anticipate voluntary early adoption of IFRS 16.

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

(i) Going concern

On 12 April 2018 the Company completed a Subscription Agreement with Greenstone Resources II LP ("Greenstone"), whereby Greenstone agreed to subscribe ("the Subscription") for 297,759,419 New Ordinary Shares ("the Subscription Shares") at a price of 3.6 pence per share (the "Subscription Price"). The New Ordinary Shares issued pursuant to the Subscription rank pari passu with the existing Ordinary Shares.

On 29 March 2018 the Company announced the conditional placing of a further 176,678,445 new ordinary shares ("Placing Shares") at a price of 3.6 pence per Placing Share (the "Placing Price"), raising gross proceeds of £6.36 million for the Company. The Placing was conditional upon, among other things, the completion of the Greenstone Subscription and approval of the Placing by the Company's shareholders at the General Meeting held on 11 May 2018. The Placing Shares will, upon issue, rank pari passu with the existing ordinary shares. Application Has been made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM ("Admission") and listed for trading on the TSX. It is currently expected that settlement of all of the Placing Shares and Admission will take place at 8.00 a.m. on 15 May 2018.

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 fund planned exploration and development activity on its other gold properties. However additional funding will be required to bring the newly acquired Coringa gold project into production including the final acquisition payment. The secured loan facility is repayable by 30 June 2020 and at 31 March 2018, the amount outstanding under this facility was US\$7.21 million (2017: US\$4.48 million).

The Directors consider that the Group's operations are performing at the levels that they anticipate but the Group remains a small-scale gold producer. Any unplanned interruption or reduction in gold production, unforeseen reductions in the gold price or appreciation of the Brazilian currency, could adversely affect the level of free cash flow that the Group can generate on a monthly basis. Nonetheless with the proceeds to be received from the Subscription, the Directors consider that they will nonetheless be able to meet its financial obligations as they fall due.

On this basis, the Directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis.

(ii) Use of estimates and judgements

There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the 2017 annual financial statements.

(iii) 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.

(iv) 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) 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.

(iii) 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.

(v) Deferred exploration costs

All costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are written off as incurred. Subsequent to the legal rights being obtained, all costs related to the exploration of mineral properties are capitalised on a project-by-project basis and deferred until either the properties are demonstrated to be commercially viable or until the properties are sold, allowed to lapse or abandoned, at which time any capitalised costs are written off to the income statement. Costs incurred include appropriate technical and administrative overheads but not general overheads. Deferred exploration costs are carried at cost, less any impairment losses recognised.

At such time as commercial feasibility is established and a development decision is reached, the costs associated with that property will be transferred to and re-categorised as Projects in Construction and upon commercial production being achieved, re-categorised as Mining Property.

Property, plant and equipment used in the Group's exploration activities are separately reported.

(vi) 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.

(vii) 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 customer takes delivery and the Company has no further risk regarding the physical product. 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.

(viii) 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 Group 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.

(ix) 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.

(w) Derivatives

Derivatives are valued by reference to available market data. Any change in the value of the derivative is recognised in the statement of comprehensive income in the period in which it occurs. The fair value of the derivative has been measured using level 1 inputs.

2. Finance Costs

| | 3 months ended 31 March 2018 (unaudited) US\$ | 3 months ended 31 March 2017 (unaudited) US\$ |
|--|--|--|
| Interest expense on secured loan | (152,420) | (33,817) |
| Unwinding of discount on acquisition payment | (237,746) | – |
| Arrangement fee for secured loan | (90,000) | – |
| Charge on revaluation of derivatives | (45,207) | – |
| Amortisation of fair value of derivatives | (65,000) | – |
| | (590,373) | (33,817) |
| Interest income | 34 | 34 |
| Net finance income / (expense) | (590,339) | (33,783) |

3. Taxation

The Group has recognised a deferred tax asset to the extent that the Group has reasonable certainty as to the level and timing of future profits that might be generated and against which the asset may be recovered. The Group has released the amount of US\$153,557 as a deferred tax charge during the three month period to 31 March 2018.

The Group has also incurred a tax charge for the period in Brazil of US\$175,523.

4. Earnings per share

| 3 months ended 31 March 2018 (unaudited) | 3 months ended 31 March 2017 (unaudited) |
|---|--|
|---|--|

| | | |
|--|---------------|------------------------|
| Profit / (loss) attributable to ordinary shareholders (US\$) | 10,786 | (114,043) |
| Weighted average ordinary shares in issue | 700,320,019 | 698,701,772 |
| Basic profit / (loss) per share (US cents) | 0.0015 | (0.016) |
| Diluted ordinary shares in issue | 735,055,019 | 748,611,772 |
| Diluted profit/ (loss) per share (US cents) | 0.0015 | (0.016) ⁽¹⁾ |

(1) 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 31 March 2018 (unaudited) | | | 3 months ended 31 March 2017 (unaudited) | | |
|---------------------------------------|---|--------------------|--------------------|---|-------------|---------------|
| | Brazil US\$ | UK US\$ | Total US\$ | Brazil US\$ | UK US\$ | Total US\$ |
| Revenue | 11,360,877 | 2,465,974 | 13,826,851 | 8,698,041 | 4,475,543 | 13,173,584 |
| Intra-group Sales | 1,991,336 | (1,991,336) | — | 3,530,582 | (3,530,582) | — |
| Operating expenses | (8,288,583) | (1,200,518) | (9,489,101) | (8,708,115) | (1,084,235) | (9,792,350) |
| Provision for impairment of inventory | — | — | — | (220,000) | — | (220,000) |
| Depreciation and amortisation | (1,939,193) | (53,660) | (1,992,853) | (1,803,052) | (97,652) | (1,900,704) |
| Gross profit / (loss) | 3,124,437 | (779,540) | 2,344,897 | 1,497,456 | (236,926) | 1,260,530 |
| Administration expenses | (667,731) | (663,693) | (1,331,424) | (625,435) | (616,020) | (1,241,455) |
| Share based payments | — | (77,293) | (77,293) | — | (65,620) | (65,620) |
| Profit on sale of fixed assets | 51,115 | — | 51,115 | — | — | — |
| Operating (loss) / profit | 2,507,821 | (1,520,526) | 987,295 | 872,021 | (918,566) | (46,545) |
| Foreign exchange (loss) / gain | (28,834) | (28,256) | (57,090) | 112,388 | (65,551) | 46,837 |
| Finance expense | — | (590,339) | (590,339) | — | (33,783) | (33,783) |
| Profit / (loss) before taxation | 2,478,987 | (2,139,121) | 339,866 | 984,409 | (1,017,900) | (33,491) |

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

| | Total non-current assets | | |
|---------------------------|---|---|--|
| | 31 March 2018 (unaudited) US\$ | 31 March 2017 (unaudited) US\$ | 31 December 2017 (audited) US\$ |
| Brazil – operations | 47,736,835 | 45,862,328 | 48,980,381 |
| Brazil – exploration | 25,295,721 | 10,234,360 | 23,898,819 |
| Brazil – taxes receivable | 1,569,140 | — | 1,474,062 |
| Brazil – deferred tax | 2,772,101 | 3,313,099 | 2,939,634 |
| Brazil - total | 77,373,797 | 59,409,787 | 77,292,896 |
| UK | — | — | — |
| | 77,373,797 | 59,409,787 | 77,292,896 |

5. Segmental analysis (continued)

An analysis of total assets by location is as follows:

Total assets

| | 31 March 2018 (unaudited) US\$ | 31 March 2017 (unaudited) US\$ | 31 December 2017 (audited) US\$ |
|--------|---|---|--|
| Brazil | 89,558,823 | 70,573,065 | 83,090,310 |
| UK | 5,737,282 | 6,191,636 | 9,745,444 |
| | 95,296,105 | 76,764,701 | 92,835,754 |

6. Deferred exploration costs

| | 31 March 2018 (unaudited) US\$ | 31 March 2017 (unaudited) US\$ | 31 December 2017 (audited) US\$ |
|--|---|---|--|
| Cost | | | |
| Opening balance | 23,898,819 | 9,990,789 | 9,990,789 |
| Additions from acquisition ⁽¹⁾ | — | — | 14,030,112 |
| Reclassification from projects in construction | 153,484 | | |
| Exploration and evaluation expenditure | 1,361,848 | 2,521 | 2,487 |
| Foreign exchange movements | (118,430) | 241,050 | 124,569 |
| Total as at end of period | 25,295,721 | 10,234,360 | 23,898,819 |

(1) On 22 December 2017, the Board of Directors of the Company announced that all condition had been satisfied in respect of a conditional agreement with Anfield Gold Corp. ("Anfield") whereby Serabi would acquire all the issued and outstanding common shares of Chapleau Resources Limited ("Chapleau") a wholly owned subsidiary of Anfield (the "Transaction"). Chapleau through its wholly owned subsidiary Chapleau Exploracao Mineral Ltda, holds the Coringa gold project located in the Tapajos gold province in Para, Brazil.

Serabi made an initial payment to Anfield on Closing of US\$5 million in cash ("Initial Consideration"). A further US\$5 million in cash was payable within three months of Closing (which was paid on 16 April 2018) and a final payment of US\$12 million in cash will be due upon the earlier of either the first gold being produced or 24 months from the date of Closing (both payments together being the "Deferred Consideration"). The total proposed consideration for the acquisition amounts to US\$22 million in aggregate.

The acquisition of Chapleau (the "Acquisition") has been accounted for as an Asset Purchase and the assets and liabilities of Chapleau have been consolidated within the Group financial statements from 21 December 2017, being the effective date of the acquisition.

The Deferred Consideration has been discounted at a 10 per cent cost of capital.

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

| | 31 March 2018 (unaudited) US\$ | 31 March 2017 (unaudited) US\$ | 31 December 2017 (audited) US\$ |
|--|---|---|--|
| Cost | | | |
| Balance at 31 December 2017 | 83,981,200 | 71,237,368 | 71,237,368 |
| Additions | 1,391,217 | 1,450,693 | 7,712,624 |
| Reclassified to deferred exploration costs | (153,484) | — | — |
| Additions from acquisition | — | — | 6,206,100 |
| Disposals | — | — | (235,808) |
| Foreign exchange movements | (460,455) | 1,749,808 | (939,084) |
| Balance at end of period | 84,758,488 | 74,437,869 | 83,981,200 |

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

| | 31 March 2018 (unaudited) US\$ | 31 March 2017 (unaudited) US\$ | 31 December 2017 (audited) US\$ |
|--|---|---|--|
| Accumulated depreciation | | | |
| Balance at start of period | (35,000,819) | (25,841,228) | (25,841,228) |
| Charge for period | (2,288,776) | (2,013,516) | (10,009,623) |
| Released on asset disposals | — | — | 199,911 |
| Foreign exchange movements | 267,942 | (720,797) | 650,121 |
| Balance at end of period | (37,021,653) | (28,575,541) | (35,000,819) |
| Net book value at end of period | 47,736,835 | 45,862,328 | 48,980,381 |

8. Inventories

| | 31 March 2018 (unaudited) US\$ | 31 March 2017 (unaudited) US\$ | 31 December 2017 (audited) US\$ |
|---|---|---|--|
| Consumables | 2,685,732 | 2,621,834 | 258,212 |
| Ore stockpiles and other work in progress | 1,758,165 | 2,861,769 | 2,605,366 |
| Finished goods | 1,716,853 | 1,050,457 | 1,741,860 |
| Balance at end of period | 6,160,750 | 6,534,060 | 6,934,438 |

9. Interest bearing secured loan

| | 31 March 2018 (unaudited) US\$ | 31 March 2017 (unaudited) US\$ | 31 December 2017 (audited) US\$ |
|---|---|---|--|
| Amount outstanding at start of period | 4,480,000 | 1,371,489 | 1,371,489 |
| Additional draw-down of short-term loan | 3,000,000 | — | 3,628,511 |
| Initial fair value of derivative associated with loan | — | — | (650,000) |
| Amount repaid during year | (333,333) | — | — |
| Amortization of derivative in period | 65,000 | — | 130,000 |
| Value of secured loan at end of period | 7,211,667 | 1,371,489 | 4,480,000 |

The amortisation of fair value of derivatives of US\$65,000 represents amortisation charge for three months of the fair value ascribed to the call option granted to Sprott on 30 June 2017. On 30 June 2017, the Group entered into a new loan agreement with Sprott for a US\$5 million loan facility. As part of this arrangement the Group granted call options to Sprott over 6,109 ounces of gold exercisable at a price of US\$1,320 which expire on 31 December 2019. On 30 June 2017, the date these call options were granted, their value was assessed as being US\$650,000 and a provision for a derivative financial liability of US\$650,000 was recognised in the accounts.

On 23 January 2018, the Group secured an additional loan from Sprott of US\$3 million and at the same time extended the final repayment period on the existing US\$5 million loan with Sprott by six months from 31 December 2019 to 30 June 2020.

10. 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 are subject to this review is BrR\$94,000, which at the period is equivalent to US\$28,000.

11. Related party transactions

The Group has not entered into any related party transactions during the period.

12. Share capital

a) Ordinary shares

| Ordinary shares | 31 March 2018 (unaudited) | | 31 March 2017 (unaudited) | | 31 December 2017 (audited) | |
|---------------------------------------|------------------------------|------------------|------------------------------|------------------|-------------------------------|------------------|
| | Number | US\$ | Number | US\$ | Number | US\$ |
| Balance at beginning of period | 698,701,772 | 5,540,960 | 698,701,772 | 5,540,960 | 698,701,772 | 5,540,960 |
| Issued in period | 2,141,798 | 14,815 | — | — | — | — |
| Balance at end of period | 700,843,570 | 5,555,775 | 698,701,772 | 5,540,960 | 698,701,772 | 5,540,960 |

(b) Stock option reserve

Contributed surplus

| | US\$ |
|---------------------------------|------------------|
| Balance at beginning of period | 1,425,024 |
| Options lapsed in period | (391,277) |
| Option costs for period | 77,293 |
| Balance at end of period | 1,111,040 |

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 10 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 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 retain 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 2018 under the various plans that have been operated by the Company:

| Issue date | Options outstanding | Options vested | Exercise price | Expiry |
|------------------|---------------------|-------------------|----------------|------------------|
| 07 Apr 17 | 15,650,000 | 5,216,672 | UK£0.050 | 06 Apr 2020 |
| 16 May 2016 | 15,650,000 | 10,433,336 | UK£0.050 | 15 May 2019 |
| 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 |
| | <u>34,735,000</u> | <u>19,085,008</u> | | |

The approximate weighted average exercise price is UK£0.07236

13. Impairment

For the purposes of the preparation of the annual audited financial statements for the year ended 31 December 2017, 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 2018 the carrying value of the assets relating to the Palito and Sao Chico Mines has decreased from US\$44.36 million as at 31 December 2017 to US\$42.31 million.

The major assumptions underlying management's estimate of the value in use attributable to the Palito and Sao Chico Mines as at 31 December 2017 are detailed in note 19 to the Company's Annual Report and Financial Statements for the year ended 31 December 2017. 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 2018. The matter will continue to be reviewed in future periods.

14. Post Balance Sheet Events

On 12 April 2018 the Company completed a Subscription Agreement with Greenstone Resources II LP ("Greenstone"). Greenstone subscribed ("the Subscription") for 297,759,419 New Ordinary Shares ("the Subscription Shares") at a price of 3.6 pence per share (the "Subscription Price"). The New Ordinary Shares issued pursuant to the Subscription rank pari passu with the existing Ordinary Shares.

On 29 March 2018 the Company announced the conditional placing of a further 176,678,445 new ordinary shares ("Placing Shares") at a price of 3.6 pence per Placing Share (the "Placing Price"), raising gross proceeds of £6.36 million for the Company. The Placing was conditional upon, among other things, the completion of the Greenstone Subscription and approval of the Placing by the Company's shareholders at the General Meeting held on 11 May 2018. The Placing Shares will, upon issue, rank pari passu with the existing ordinary shares. Application has been made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM ("Admission") and listed for trading on the TSX. It is currently expected that settlement of all of the Placing Shares and Admission will take place at 8.00 a.m. on 15 May 2018.

15. Approval of the interim condensed consolidated financial statements

These unaudited interim condensed consolidated financial statements for the three month period ended 31 March 2018 were approved by the board of directors on 14 May 2018.