

# Serabi Mining plc - Interim Results for the 6 Month to 30 June 2011

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## Financial Results for Second Quarter 2011 and Management Discussion and Analysis

LONDON -- ([Marketwire](#) - Aug 15, 2011) - [Serabi Mining plc](#) (AIM: SRB) (TSX: SBI) (TSX: SBI.WT), the Brazilian focused gold exploration company, advises that it has today published its unaudited financial results for the 3 month and 6 month periods ending 30 June 2011 and at the same time has also published its Management's Discussion and Analysis for the same periods. Both documents, together with this announcement, have been posted on the Company's website at [www.serabimining.com](http://www.serabimining.com) and are also available on SEDAR at [www.sedar.com](http://www.sedar.com). The full text of both the financial results and Management's Discussion and Analysis are also available by following the links contained in this press release.

## Financial Highlights

3 months ended

30 June 2011 (unaudited) 3 months ended

30 June 2010 (unaudited) 6 months ended

30 June 2011 (unaudited) 6 months ended

30 June 2010 (unaudited)

US\$ US\$ US\$ US\$

Operating Loss for period (1,562,635) (1,634,584) (2,305,277) (2,588,183)

Loss per ordinary share (basic and diluted) (2.44) cents (4.70) cents (4.22) cents (7.66) cents

Exploration expenditures during the period 2,590,150 494,545 4,229,417 799,564

Cash at end of period 7,859,831 7,272,296 7,859,831 7,272,296

Equity Shareholders funds at end of period 54,450,877 44,828,060 54,450,877 44,828,060

For the three month period ended 30 June 2011 the Company recorded a net loss of US\$1,562,635 (2.44 US cents per share) compared to a net loss of US\$1,634,584 (4.70 US cents per share) for the comparative period last year. The decrease in the loss of US\$71,949 reflects a reduction in the gross loss for the period of US\$293,000 and a reduced loss on foreign exchange of US\$44,988 compared with a loss in the corresponding period of US\$271,000. These improvements have been offset by a US\$267,000 increase in administration costs. A charge of US\$100,000 has taken in the period to increase the provision for the rehabilitation of the Palito mine site upon eventual abandonment. This charge which results from changes in exchange rates and discount rates used to estimate the provision required has been recorded as a foreign exchange cost of US\$70,500 and a finance cost of US\$29,500.

In the three months ended 30 June 2010, the Company had limited gold production from open pit mining operations which yielded a gross loss of US\$424,253. Mining operations were suspended at the end of June 2010 and there has been no mining operation during the three month period ended 30 June 2011 and as a result the Company incurred a gross loss for the second quarter of 2011 of US\$131,197.

For the six month period ended 30 June 2011 the Company recorded a net loss of US\$2,305,277 (4.22 US cents per share) compared to a net loss of US\$2,588,183 (7.66 US cents per share) for the comparative period last year.

The reduction in the loss of approximately US\$280,000 principally reflects a gain on foreign exchange of US\$142,000 compared with a loss in the corresponding period for 2010 of US\$273,000.

For the six months to 30 June 2011 there has been an increase in administration costs of US\$525,000 in comparison with the same period for 2010.

At the corporate level costs have increased primarily as a result of higher staffing charges which account for US\$200,000 of the increase. This increase reflects the higher remuneration for executive management compared with 2010, including a bonus relating to performance in 2010, of which two thirds was settled by the issue of shares paid in the first quarter and the remuneration of the new non-executive directors who were appointed at the end of March 2011.

The Company also incurred additional costs in 2011 compared to 2010 as a result of the initial public offering of the Company's shares on the TSX.

### **Operational Highlights for the last quarter**

- 7 April - Results from the first five drill holes of the Phase 1 discovery drilling programme were released. The drilling was testing a 200m strike length of the 500m long geophysical model and significant gold intercepts were identified in all five drill holes. The style of the mineralization date appeared to be of broader width to mineral resources identified at the JDO Project to date.
- 23 May - Results of an 8,000 hectare VTEM survey flown in January 2011 were released. The survey increased the area covered by VTEM to 14,000 hectares and identified a further 47 conductive electromagnetic anomalies.
- 23 May - The Company announces that the integration and reprocessing of magnetic data had indicated that the structural zone hosting the Palito Deposit could extend as far to the south east as Currutela and in addition indicated the possible existence of a number of sub-parallel trending lineaments.
- 13 June - Results from drilling into the Pan Handle target and initial holes into the Currutela targets were released. High grade gold intersections were identified at Currutela as drilling intersected multiple zones of hydrothermally altered granite similar to those hosting mineralization at the Palito Deposit.
- 11 July - Further drill results at Currutela were released with promising assays showing further intersections of gold mineralisation in hydrothermal alteration zones.
- 15 July - Following up from the integration and reprocessing of magnetic data the announced that drilling had confirmed the potential structural and mineralizes continuity of the Palito gold deposit and the Currutela gold discovery, a distance of some 2km.
- 11 August - The commencement of further ground geophysics (Induced Polarisation) focusing upon the potential structural continuity between the Palito gold deposit and the Currutela gold discovery some 2km away, plus recently identified anomalies at Jamanxim and Calico was announced.

### **Corporate Highlights**

- On 30 March 2011 the Company completed an Initial Public Offering ("IPO") and the listing of its Ordinary Shares and Warrants on the TSX and also completed the issue of 9,000,000 units raising gross proceeds of C\$4,950,000.
- On 1 July 2011 Fox-Davies Capital Ltd was appointed in the UK as Broker to the Company.
- On 30 June 2011, the Company had cash and cash equivalents of approximately \$7.9 million.
- 27 exploration drill holes totaling 5,977 metres, have been drilled with assay results received to date highlighting the potential for additional resources in the exploration areas near the Palito Mine.

### **Outlook**

The Company expects to complete its Phase 1 exploration programme over the JDO Project by the end of the third quarter of 2011. The focus of this programme has been on 'head-frame' exploration with the objective to make mine-site gold discoveries which in turn can increase the mineral resource to a sufficient level to support a meaningful and sustainable level of production.

Activity over the next quarter:

- The completion of the planned 8,100m diamond drilling into the 9 high priority targets of which almost 6,000 metres had been drilled by the end of July.
- Follow-up ground geophysics (Induced Polarisation) is being undertaken over four main anomalous areas identified by the 14,000 hectares of airborne geophysics. This work commenced in August 2011.
- The Company has acquired a powered Augur drill rig and has commenced a thorough mine-site deep geochemistry Geochemical/Trenching/Auger programme.

- The Palito underground mine will remain on care & maintenance.

In the fourth quarter of 2011 and beyond, the Company's objectives are to:

- Follow up mine-site discoveries with drilling to increase resource > 1.5m oz.
- Commence discovery drilling on potential new targets defined from the 2011 geophysical surveys.
- Replicate the 'Palito Discovery Model' within the 55,000 ha of contiguous concessions that envelope the Palito deposit continuing to use a mixture of geophysics and geochemistry to identify additional areas of interest and potential drill targets.
- Seek JV partners/buyers with respect to the non-core assets.

Please see link at end of for release for full details of the Interim Financial Results

Please see link at end of for release for full text of the Q2 Management Discussion

#### SERABI MINING PLC

#### Condensed Consolidated Statements of Comprehensive Income

For the three months ended  
30 June For the six months ended  
30 June

2011 2010 2011 2010

(expressed in US\$) (unaudited) (unaudited) (unaudited) (audited)

#### CONTINUING OPERATIONS

Revenue	1,063,308,360	1,063,114,999		
Operating expenses	(132,260)	(732,613)	(316,082)	(1,494,386)
Gross (loss)/profit	(131,197)	(424,253)	(315,019)	(345,387)
Administration expenses	(701,818)	(444,757)	(1,367,205)	(842,391)
Write back of prior period expenses	--	--	540,441	--
Option costs	(63,740)	(25,102)	(94,311)	(50,204)
Gain/(loss) on asset disposals	11,178	49,874	(2,337)	(4,694)
Depreciation of plant and equipment	(593,796)	(507,509)	(1,161,132)	(1,017,458)
Operating loss	(1,479,373)	(1,351,747)	(2,399,563)	(2,260,134)
Foreign exchange (loss)/gain	(44,988)	(271,393)	142,309	(272,573)
Finance costs	(59,648)	(16,547)	(81,800)	(60,579)
Investment income	21,374	5,103	33,777	5,103
Loss before taxation	(1,562,635)	(1,634,584)	(2,305,277)	(2,588,183)
Income tax expense	--	--	--	--
Loss for the period from continuing operations	(1)	(2)	(1,562,635)	(1,634,584)
			(2,305,277)	(2,588,183)

Other comprehensive income (net of tax)

Exchange differences on translating foreign operations	1,846,896	(402,126)	2,790,106	(1,237,968)
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Total comprehensive income/(loss) for the period	(2)	284,261	(2,036,710)	484,829
		(3,826,151)		

Loss per ordinary share (basic and diluted)	(1)	(2.44c)	(4.70c)	(4.22c)	(7.66c)
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(1) All revenue and expenses arise from continuing operations.

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

#### SERABI MINING PLC

#### Condensed Consolidated Balance Sheets

As at As at As at  
30 June 30 June 31 December

2011 2010 2010

(expressed in US\$) (unaudited) (unaudited) (audited)

Non-current assets

Development and deferred exploration costs	14,785,541	7,475,863	9,797,406
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Property, plant and equipment	34,843,749	33,024,475	33,951,140
Total non-current assets	49,629,290	40,500,338	43,748,546
Current assets			
Inventories	1,580,484	1,180,385	1,417,804
Trade and other receivables	131,973	193,136	96,143
Prepayments and accrued income	1,325,456	1,552,439	1,061,945
Cash at bank and cash equivalents	7,859,831	7,272,296	8,598,755
Total current assets	10,897,744	10,198,256	11,174,647
Current liabilities			
Trade and other payables	3,689,787	4,137,435	3,147,258
Accruals	294,563	113,441	174,348
Special warrants	-- --	5,059,995	
Total current liabilities	3,984,350	4,250,876	8,381,601
Net current assets	6,913,394	5,947,380	2,793,046
Total assets less current liabilities	56,542,684	46,447,718	46,541,592
Non-current liabilities			
Trade and other payables	298,521	20,462	552,027
Provisions	1,511,026	1,363,516	1,388,571
Interest bearing liabilities	282,260	235,680	249,176
Total non-current liabilities	2,091,807	1,619,658	2,189,774
Net assets	54,450,877	44,828,060	44,351,818

#### Equity

Share capital	29,291,551	27,752,834	27,752,834
Share premium	48,278,626	40,754,032	40,754,032
Option reserve	1,758,190	1,583,877	1,648,484
Other reserves	702,095	260,882	260,882
Translation reserve	6,672,274	1,031,189	3,882,168
Accumulated loss	(32,251,859)	(26,554,754)	(29,946,582)
Equity shareholders' funds	54,450,877	44,828,060	44,351,818

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 2010, 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. The auditor's report on these accounts was unqualified but did contain an Emphasis of Matter with respect to the ability of the Company and the Group regarding the future availability of project finance. The auditor's report did not contain a statement under Section 498 (2) or 498 (3) of the Companies Act 2006.

#### SERABI MINING PLC

##### Condensed Consolidated Cash Flow Statements

For the three months  
ended

30 June For the six months  
ended

30 June

2011 2010 2011 2010

(expressed in US\$) (unaudited) (unaudited) (unaudited) (unaudited)

#### Operating activities

Operating loss (1,479,373) (1,351,747) (2,399,563) (2,260,134)

Depreciation - plant, equipment and mining properties 593,796 507,509 1,161,132 1,017,458

Impairment charges -- -- -- --

(Loss)/Gain on sale of assets (11,178) (49,874) 2,337 4,694

Option costs 63,740 25,102 94,311 50,204

Interest paid (18,360) (7,256) (28,686) (41,798)

Foreign exchange loss (89,968) (27,334) (138,898) (28,794)

#### Changes in working capital

(Increase) / decrease in inventories (26,972) 54,529 (64,453) 37,144

(Increase) / decrease in receivables, prepayments and accrued income (61,778) (145,937) (220,134) (106,849)

Increase/(decrease) in payables, accruals and provisions 283,921 122,766 272,172 46,926

Net cash flow from operations (746,172) (872,242) (1,321,782) (1,281,149)

#### Investing activities

Proceeds from sale of fixed assets 74,509 48,955 115,151 155,806  
 Purchase of property, plant and equipment (18,253 ) -- (45,636 ) --  
 Exploration and development expenditure (2,574,755 ) (484,316 ) (4,214,022 ) (789,335 )  
 Interest received 21,374 5,103 33,777 5,103  
 Net cash outflow on investing activities (2,497,125 ) (430,258 ) (4,110,730 ) (628,426 )

#### Financing activities

Issue of ordinary share capital -- 5,424,120 4,961,180 5,424,120  
 Issue of warrants -- -- 208,229 --  
 Capital element of finance lease payments -- (31,611 ) -- (77,663 )  
 Payment of share issue costs (3,416 ) (35,059 ) (709,980 ) (35,059 )  
 Payment of special warrant issue costs -- -- (14,900 ) --  
 Net cash (outflow)/ inflow from financing activities (3,416 ) 5,357,450 4,444,529 5,311,398

Net/(decrease)/ increase in cash and cash equivalents (3,246,713 ) 4,054,950 (987,983 ) 3,401,823  
 Cash and cash equivalents at beginning of period 11,100,828 3,423,326 8,598,754 4,081,882  
 Exchange difference on cash 5,716 (205,980 ) 249,060 (211,409 )  
 Cash and cash equivalents at end of period 7,859,831 7,272,296 7,859,831 7,272,296

#### 1. Basis of preparation

These interim accounts are for the three month and six month periods ended 30 June 2011. Comparative information has been provided for the unaudited three month and six month periods ended 30 June 2010 and the audited twelve month period from 1 January to 31 December 2010.

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 2010 and those envisaged for the financial statements for the year ending 31 December 2011. The Company 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.

##### (i) Going Concern and availability of project finance

These condensed financial statements have been prepared using reporting standards applicable to a going concern, which assumes continuity of operations and realisation of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from the approval of these condensed financial statements. In common with many companies in the exploration and development stages, the Company raises its finance for exploration and development programmes in discrete tranches and is subject to risks and challenges similar to companies in a comparable stage of development. These risks include the challenges of securing adequate capital for exploration and development, operational risks inherent in the mining industry and global economic and gold price volatility.

The directors have concluded that it is appropriate to prepare the condensed financial statements on a going concern basis and are confident that they are taking all the necessary steps to ensure that adequate additional funding will be available as and when required. However there can be no certainty that this will be the case and there is therefore significant doubt as to appropriateness of the going concern assumption. Were the funding not to become available in an appropriate timescale the directors would need to consider alternative strategies and an impairment review would be required in respect of the capitalised expenditure on the Palito project. No adjustments to asset carrying values that may be necessary should the Company be unsuccessful have been recognised in the condensed financial statements. These adjustments could be material.

##### (ii) Impairment

Management have undertaken a review of the carrying value of the mining and exploration assets of the Group, and considered the implications of the operational difficulties experienced and the current operational status of Palito. Following this review they have assessed the value of the existing assets on the basis of value in use involving a future recommencement of underground mining operations which is dependent on the ability of the Group to raise future finance and to operate the mine in line with the mine plan that forms the basis of the value in use calculation. The carrying values of assets have not been adjusted to reflect a failure to raise sufficient funds, only maintaining the current levels of operation or that if a sale transaction were undertaken the proceeds may not realise the value as stated in the accounts.

##### (iii) Inventories

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

(iv) Property, plant and equipment

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

(v) Mining property

The Group commenced commercial production at the Palito mine effective 1 October 2006. Prior to this date all revenues and operating costs were capitalised as part of the development costs of the mine. Effective from 1 October 2006 the accumulated development costs of the mine were re-classified as Mining Property costs and such cost will be amortised over the anticipated life of the mine on a unit of production basis. As the underground mine is currently on care and maintenance and there is no depletion of the reserves and resources attributable to the mine, no amortization charge has been recorded in the period.

(vi) Revenue

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

(vii) Currencies

The condensed financial statements are presented in United States dollars (US\$ or "\$"). Other currencies referred to in these condensed financial statements are UK pounds ("UK£"), Canadian dollars ("C\$") and Brazilian Reals ("BrR\$").

Copies of this release are available from the Company's website at [www.serabimining.com](http://www.serabimining.com)

### **Forward-looking statements**

This press release contains forward-looking statements. All statements, other than of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding the estimation of mineral resources, exploration results, potential mineralization, potential mineral resources and mineral reserves) are forward-looking statements. Forward-looking statements are often identifiable by the use of words such as "anticipate", "believe", "plan", "may", "could", "would", "might" or "will", "estimates", "expect", "intend", "budget", "scheduled", "forecasts" and similar expressions or variations (including negative variations) of such words and phrases. Forward-looking statements are subject to a number of risks and uncertainties, many of which differ materially from those discussed in the forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations include, among other things, without limitation, failure to establish estimated mineral resources, the possibility that future exploration results will not be consistent with the Company's expectations, the price of gold and other risks identified in the Company's most recent annual information form filed with the Canadian securities regulatory authorities on SEDAR.com. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement.

### **Qualified Persons Statement**

The information contained within this announcement has been reviewed and verified by Michael Hodgson, CEO of the Company. Mr. Hodgson is an Economic Geologist by training with over 25 years' experience in the mining industry. He holds a BSc (Hons) Geology, University of London, a MSc Mining Geology, University of Leicester and is a Fellow of the Institute of Materials, Minerals and Mining and a Chartered Engineer of the Engineering Council of UK, recognizing him as both a Qualified Person for the purposes of Canadian National Instrument 43-101 and by the AIM Guidance Note on Mining. Oil and Gas Companies dated March 2006.

Neither the Toronto Stock Exchange, nor any other securities regulatory authority, has approved or disapproved of the contents of this news release.

Interim Financial Results: <http://hugin.info/137617/R/1538317/469840.pdf>  
MD&A for 2nd Quarter: <http://hugin.info/137617/R/1538317/469841.pdf>

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