

Serabi Gold plc Financial Results for the Third Quarter and Management's Discussion and Analysis

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LONDON, Nov. 14, 2014 (GLOBE NEWSWIRE) -- Serabi Gold (AIM:SRB) (TSX:SBI), the Brazilian focused gold mining and development company, today releases its unaudited financial results for the three and nine month periods ending 30 September 2014 and at the same time has published Management's Discussion and Analysis for the same periods.

Operational Highlights ‐ For three and nine month periods ending 30 September 2014

- Gold production of 5,002⁽¹⁾ ounces for the third quarter 2014
- Cash cost for third quarter 2014 of US\$1,002 per ounce. Estimated cash cost for fourth quarter 2014 of US\$875 to US\$925.
- Total mined ore production for third quarter of 32,454 tonnes @ 11.77 g/t Au.
- Total milled production for third quarter of 24,273 tonnes @ 9.94 g/t Au.
- Approximately 4,900 metres of underground horizontal development has been completed in the nine months to 30 September 2014.
- Surface ore stockpile at 30 September 2014 of approximately 20,000 tonnes @ over 7.0 g/t Au.
- At 30 September 2014 more than 54,000 tonnes of flotation tailings stockpiled and awaiting cyanidation treatment, with a gold grade in excess of 2.2 g/t.

Financial and Corporate Highlights ‐ For three and nine month periods ending 30 September 2014

- Commercial production at Palito declared with effect from 1 July 2014 and this third quarter is the first quarter to report revenues and operating costs.
- Gold sales in the third quarter of 3,775 ounces at a realised price of US\$1,261.
- Equity financing closed on 3 March 2014 raising gross proceeds of UK£10 million.
- US\$8.0 million loan facility completed with Sprott Resource Lending Partnership on 26 September 2014 of which US\$3 million draw-down at 30 September 2014.
- Cash holdings at 30 September 2014 of US\$6.7 million.
- Over 11,500 ounces of contained gold held in inventory at 30 September 2014 including 3,800 ounces in copper/gold concentrate awaiting sale.

Post Period Highlights

- The first gold pour from the Carbon in Pulp ("CIP") plant was completed on 31 October 2014.
- Gold production for October 2014 of approximately 2,900⁽¹⁾ ounces.
- Mined ore production of 8,725 tonnes @ 9.00 g/t Au for October 2014.
- Mill throughput of 9,112 tonnes @ 10.11 g/t Au for October 2014.

(1) Gold production figures are subject to amendment pending final agreed assays of the gold content of the copper/gold concentrate that is being sold to a refinery.

Production guidance

- With the commissioning of the CIP plant completed and the planned throughput of ore, the Company is projecting that production for the fourth quarter of 2014 will be in the range of 8,500 to 9,500 ounces at an estimated cash cost of US\$875 to US\$925 per ounce.
- Full year production is anticipated to be 19,000 to 20,000 ounces.

Analyst Conference Call

The Company will hold a conference call to discuss the results on November 14, 2014 at 10.30am. Dial in Details below:

Date and Time: November 14, 2014 10.30
Dial in Numbers: +44 (0) 20 3003 2666 Standard International Access
0808 109 0700 UK Toll Free
Password: Serabi

Mike Hodgson, CEO of Serabi said,

"I am very pleased that in our first quarter of commercial production, we can report a gross profit from operations and we are working hard to make improvements in not just our operational performance but our cost base as well.

"Operations at Palito continue to improve. The CIP plant is now operational and we completed our first gold pour at the end of October. We are continuing to optimise the operations but notwithstanding this, October was a 10th consecutive month of production growth as we recovered approximately 2,900 ounces of gold in the month.

"The mining operations have continued to perform well and our average mined grade for the year of over 10g/t is testament to the skill of our mining personnel and the quality of the Palito deposit.

"At Sao Chico, development of the ramp is progressing well and we have now advanced this for about approximately 50 metres with a further 70 metres of advance required before we reach the first development level. We will then continue the ramp development for a further 250 metres to the next development level. In parallel to this we hope to commence a surface drill programme with a view to better understand the ore body deposit beyond the currently defined limits of the deposit. We have intersected numerous previously unknown gold bearing structures during the ramp excavation and development and clearly these require testing before we undertake any significant deepening of the mine as potential exists to add considerable resource laterally."

Clive Line, Finance Director of Serabi said,

"This is the first quarter that the Company has reported revenues and costs since the declaration of commercial production at our Palito operation which has been in a ramp-up phase throughout this year.

Our recognition of sales revenues from the production of copper/gold concentrate do however have a time lag of some two months from the month of production and thus the production from August and September of some 3,800 ounces is currently carried as inventory.

"Due to this delay in the recognition of revenue for financial reporting purposes, the third quarter sales figures are effectively the production from the period May to July 2014 and represent the material received at the refinery during the third quarter when the sale can be recognised.

During the second quarter the ore being generated was primarily from development mining and the cost of the ore produced therefore included a relatively high proportion of waste production. With stope production commencing at the start of the third quarter, and with our total mining rates relatively unchanged, our ratio of ore to waste has improved with the consequence that our mining cost per tonne of ore has been decreasing.

"Because of the delay in the start-up of the CIP plant the volume of tailings from the flotation process plant has continued to grow during the period. We calculate that we now have a stockpile of some 54,000 tonnes of these flotation tailings with an estimated gold grade of over 2.2 g/t. As this material will not be fully processed through the CIP plant this year we have elected to include this material as product inventory and calculated its production cost to date at US\$2.7 million. As these flotation tailings were not valued at 30 June 2014 this change in accounting treatment has had a beneficial effect on our reported operating costs of the

current quarter."

SUMMARY PRODUCTION STATISTICS FOR THE NINE MONTHS TO 30 SEPTEMBER 2014

		Quarter 1	Quarter 2	Quarter 3	Year to date
Horizontal development	Metres	1,491	1,804	1,594	4,889
Mined ore	Tonnes	9,666	9,072	32,454	51,192
	Gold grade (g/t)	5.03	10.55	11.77	10.28
Milled ore	Tonnes	14,050	18,645	24,273	56,968
	Gold grade (g/t)	6.91	8.08	9.94	8.58
Gold production ⁽¹⁾	Ounces	2,300	3,242	5,002	10,544
Total gold sales				3,775	
Average realised price				\$1,261	
Total cash cost of production (per ounce)				\$1,002	

(1) Gold production figures are subject to amendment pending final agreed assays of the gold content of the copper/gold concentrate that is being sold to a refinery.

SUMMARY FINANCIAL RESULTS FOR THE NINE MONTHS TO 30 SEPTEMBER 2014

	Three months ended 30 Sept 2014	Nine months ended 30 Sept 2014	Nine months ended 30 Sept 2013
	US\$	US\$	US\$
Revenues	5,253,323	5,253,323	–
Gross Profit	1,874,791	1,874,791	–
Loss before taxation	(405,430)	(3,331,787)	(3,518,670)
Net loss per share (basic and diluted)	(0.06c)	(0.54c)	(0.95c)
		As at 30 Sept 2014	As at 31 Dec 2013
		US\$	US\$
Cash		6,719,202	3,789,263
Inventories		7,874,145	3,890,880
Debtors		7,285,481	1,340,631
Total current assets		21,878,828	9,020,774
Development and deferred exploration costs		24,888,399	24,659,003
Property plant and equipment		39,381,145	36,008,318
Total assets		86,148,372	69,688,095
Total liabilities		16,259,911	9,653,388
Equity shareholders' funds		69,888,461	60,034,707

Outlook and Strategy**Palito**

The third quarter of 2014 which also represented the first quarter of commercial production continued the trend of increasing gold production through 2014. This has continued into October 2014, when with the Carbon in Pulp ("CIP") plant coming on-stream, production for that month has been approximately 2,900 ounces with the first pouring of gold recovered from the CIP plant being completed on 31 October 2014. During the third quarter of 2014 the gold recovery circuit remained limited to milling, flotation (producing a high grade copper/gold concentrate) and gravity separation (producing a high grade gold concentrate) of the flotation tailings.

A second ball mill was acquired during the second quarter of 2014 and, following a period of remediation, started operating in late July. Whilst primarily acquired to provide a second processing line for ore from Sao Chico, in the short term it is being used to provide additional processing capacity for Palito ore in excess of the planned 7,500 tonnes per month. This additional capacity along with continued optimisation of the process plant has contributed to the increased gold production in the third quarter compared with previous quarters.

In the latter part of the quarter commissioning of the CIP leaching plant was completed and the tailings produced following flotation and gravity treatment ("Flotation Tailings") now pass directly to the CIP circuit allowing the recovery of a significant portion of the residual gold contained in these Flotation Tailings and it is anticipated that this will increase overall gold recovery above 90%. Following a period of some three weeks whilst it became fully loaded with gold, the first batch of loaded carbon was drawn off in mid-October and the first elution and gold pour completed on 31 October 2014.

Flotation Tailings that have been produced from the processing operations, since these commenced in January 2014 and prior to the completion of the CIP process circuit, have been stockpiled and are now being prepared for re-treatment in the leaching tanks. At the end of September 2014, there was approximately 54,000 tonnes of this stockpiled material with a contained gold content estimated at approximately 4,000 ounces. It is planned that this material will be processed through the CIP plant over the next nine months and this will provide a short term boost to gold production over the remainder of 2014 and during the first half of 2015.

Short delays in increasing the milling rates to the levels that the Company had initially hoped to achieve and the commissioning of the CIP plant meant that production in the third quarter was slightly below the company's expectations. However the Company anticipates a strong final quarter for 2014. The commissioning of the CIP plant is expected to increase gold recoveries to over 90% which combined with the increased processing capacity provided by the second ball mill and the commencement of the treatment of the stockpiled flotation tailings, will increase the plant throughput and production significantly. The Company expects that total gold production for 2014 will be between 19,000 and 20,000 ounces. The Company has established a 20,000 tonne surface stockpile of coarse ore with a grade of over 7.0 g/t in addition to the 55,000 tonnes of Flotation Tailings. It therefore has stockpiles of over 8,000 ounces of contained gold at surface and fully expects any production shortfalls in 2014 to be quickly recovered in the first quarter of 2015.

Sao Chico

Development work at Sao Chico has progressed well during the quarter and shortly prior to the end of the September 2014, the mine portal was established and underground mine development commenced. The decline ramp will be driven at a 12% gradient and from it, two development levels, L1 and L2, will be established at the 30 vertical metre and 60 vertical metre intervals respectively. The development levels will follow the principal structure, known as the Main Vein, to its known strike limits to the East and West, currently estimated as 500 development metres per level. At the time of writing the ramp had advanced approximately 50 metres.

The Company hopes to generate an updated geological resource for Sao Chico in the first quarter of 2015. To facilitate this, the Company hopes to commence a surface drill programme during the fourth quarter of this year. During the course of excavations of the 20 metres of deep unconsolidated saprolite that overlies the bedrock, the Company identified a further five vein structures lying to the south of the previously known extent of the mineralisation at Sao Chico. The Company has always considered that the potential for identifying a series of parallel vein structures at Sao Chico was high and considers that these discoveries in combination with the results of the drilling undertaken in 2013 and management's expectations for the planned 2014 drilling programme will serve to demonstrate the significant potential that exists for further resource growth at Sao Chico.

The Final Exploration Report ("FER") was completed and submitted to the Departamento Nacional de Produção Mineral ("DNPM") in February 2014, representing the first part of the process of transforming the exploration license into a mining license. Work is now underway on the preparation of the Plano de Aproveitamento Economico ("PAE") which is required to be submitted once the DNPM has approved the FER.

In the longer term the Company plans to establish additional satellite high-grade gold mines in relatively close proximity to Palito which will be a centralised processing facility. In this way the company expects to be able to grow its production base at low capital cost, avoid the need for major infrastructure improvements to be in place for new operations to be commercially viable and have low environmental impact.

The unaudited financial results for the three and nine month periods ended 30 September 2014 and the Management Discussion and Analysis for the same periods, together with this announcement, will be available from the Company's website – www.serabigold.com and will be posted on SEDAR at www.sedar.com.

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Copies of this announcement are available from the Company's website at www.serabigold.com.

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

GLOSSARY OF TERMS

The following is a glossary of technical terms:

"Au" means gold.

"assay" in economic geology, means to analyze the proportions of metal in a rock or overburden sample; to test an ore or mineral for composition, purity, weight or other properties of commercial interest.

"grade" is the concentration of mineral within the host rock typically quoted as grams per tonne (g/t), parts per million (ppm) or parts per billion (ppb).

"g/t" means grams per tonne.

"granodiorite" is an igneous intrusive rock similar to granite.

"igneous" is a rock that has solidified from molten material or magma.

"Intrusive" is a body of igneous rock that invades older rocks.

"mRL" – depth in metres measured relative to a fixed point – in the case of Palito this is sea-level. The mine entrance is at 250mRL.

"saprolite" is a weathered or decomposed clay-rich rock.

"Vein" is a generic term to describe an occurrence of mineralised rock within an area of non-mineralised rock.

Qualified Persons Statement

The scientific and technical information contained within this announcement has been reviewed and approved by Michael Hodgson, a Director of the Company. Mr Hodgson is an Economic Geologist by training with over 26 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, recognising him as both a Qualified Person for the purposes of Canadian National Instrument 43-101 and by the AIM Guidance Note on Mining and Oil & Gas Companies dated June 2009.

Forward Looking Statements

Certain statements in this announcement are, or may be deemed to be, forward looking statements. Forward looking statements are identified by their use of terms and phrases such as "believe", "could", "should", "envisage", "estimate", "intend", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These forward looking statements are not based on historical facts but rather on the Directors' current expectations and assumptions regarding the Company's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Such forward looking statements reflect the Directors' current beliefs and assumptions and are based on information currently available to the Directors. A number of factors could cause actual results to differ materially from the results discussed in the forward looking statements including risks associated with vulnerability to general economic and business conditions, competition, environmental and other regulatory changes, actions by governmental authorities, the availability of capital markets, reliance on key personnel, uninsured and underinsured losses and other factors, many of which are beyond the control of the Company. Although any forward looking statements contained in this announcement are based upon what the Directors believe to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such forward looking statements.

FINANCE REVIEW

Three month period ended 30 September 2014 compared to the three month period ended 30 September 2013

The three month period ended 30 September 2014 represents the first financial period following the announcement by the Company on 23 July 2014 that the Palito Mine had achieved commercial production effective as of 1 July 2014. As the operation was in a construction phase during the same period in 2013 there were no sales revenues or operating expenses relating to gold production operations reported in the Income Statement for the three month period ended 30 September 2013 and all costs related to the Palito mine during this three month period ended 30 September 2013 were capitalised.

The Company has recognised a gross profit for the quarter of US\$1,874,791 (3 months to 30 September 2013 : US\$ nil) and an operating loss for the three month period ended 30 September 2014 of US\$362,199 in comparison to a loss of US\$1,255,833 for the 3 months ended 30 September 2013. In addition to recording on its Income Statement its first revenues and operating costs since the declaration of commercial production that was effective from 1 July 2014 , the Company has also recorded an amortisation charge in respect of its Mine Property of US\$677,555 in the period (3 months to 30 September 2013 : US\$ nil). This charge is calculated by reference to the production of period compared with the total expected recoverable ounces during the currently anticipated life of the Palito mine.

The gross profit of US\$1,874,791 can be analysed as per the table below:

Revenue from Ordinary Activity	US\$	US\$
Gold Concentrate	4,427,515	
Gold Bullion	333,382	
Copper	468,407	
Silver	24,019	
Total Sales		5,253,323
Costs of Operation		
Operational Costs	2,459,679	
Royalties	75,612	
Shipping Costs	647,143	
Treatment Charges	196,098	
Total Operating Costs		3,378,532
Profit from Operations		1,874,791

The Company can only recognise revenues in accordance with IFRS at such time as the risks and rewards of ownership of the goods transfers to the buyer. This is considered to be the date on which the copper/gold concentrate arrives in Hamburg where the Company's designated refinery is located.

During the third quarter of 2014 the Company recognised total sales of US\$5,253,323. The sales can be separated between sales of copper/gold concentrate of US\$4,919,941 and sales of gold bullion of US\$333,382. During the three months to 30 September 2014 the company had produced 476 wet metric tonnes of copper/gold concentrate but revenue has only been recognised for 340 tonnes which had been delivered to the refinery in Hamburg. The unsold material is held as inventory.

Operating costs of US\$2,459,679 relate to all mining and plant processing costs, as well as all general site costs incurred at Palito during the period to produce the final product sold. Labour costs for the 3 month period amounted to approximately US\$1.3 million, mining consumables including maintenance costs amounted to US\$0.73 million and plant consumables amounted to US\$0.18 million. General site costs less than US\$0.25 million make up the balance of the costs.

Royalty payments of US\$75,612 comprise statutory levies payable in Brazil. Rates are uniform across all mining operations and currently comprise a 1% royalty on gold production and a 2% royalty on copper production.

Shipping costs of US\$647,143 includes all domestic road and river freight in Brazil from the Palito mine to the international port at Belem and also international sea freight from Belem to Hamburg in Germany.

Treatment Charges of US\$196,098 include US\$179,484 relating to the treatment of the copper concentrate and levied by the refinery in Hamburg, Germany and US\$16,614 for the cost of weighing, sampling and assay analysis carried out by a third party on behalf of the Company.

The gross profit of US\$1,874,791 was offset by a combined increase of other operating costs totalling US\$981,157 comprising administration expenses (an increase of US\$163,433), share based payments (an

increase of US\$28,160), depreciation (an increase of US\$111,999) and mine asset amortisation (an increase of US\$677,555).

The increase in administration expenses of US\$172,266 for the 3 month period ended 30 September 2014 in comparison to the three month ended 30 September 2013 is due to:

(i) An increase of US\$207,866 in professional and legal fees which is primarily due to one off professional costs totalling US\$365,000 directly related to the legal and other fees associated with securing the US\$8 million credit facility from the Sprott Resource Lending Partnership LLP ("Sprott"), (including a US\$75,000 fee to the broker for organising the facility, US\$250,000 in transactions fees for the initial US\$3 million drawn down, and US\$40,000 initial arrangement fee payable to Sprott). During the third quarter of 2013, the Company incurred legal and professional fees of US\$210,990 relating to the acquisition of [Kenai Resources Ltd.](#) (Kenai).

Other professional fees which contributed to the additional US\$53,856 in professional fees incurred during the third quarter of 2014 in comparison to 2013 include an increase in brokers and registrar fees of US\$41,286 which were not incurred during the same period in 2013.

(ii) An increase of US\$201,111 relating to administration costs incurred in Brazil. During the financial year ended 31 December 2013, whilst the mine site was in remediation and development, the Company treated as a capital cost of the mine certain administrative costs including accounting and IT related personnel costs. For the financial year 2014 and with the start of production operations the Company determined that all costs of administrative personnel not directly located at the Palito mine and acting in the functions of accounting, IT, personnel and including the local Country Manager would be treated as an administrative cost of the business. During the 3 month period to 30 September 2013, the level of administrative costs capitalised as part of the overall capital development costs of Palito was approximately US\$173,217. During the three months to 30 September 2014, there has also been an increase in the level of administrative staffing and travel expenses required as the Company has commenced production operations at Palito. These personnel are principally involved in the accounting, information technology and personnel departments.

(iii) Taxes incurred in the period have decreased by US\$84,528 compared with the corresponding 3 month period in 2013. Provisions in respect of unpaid taxes from prior years have been recorded in the 3 month period to 30 September 2014 amounting to US\$5,289 (3 months to 30 September 2013 - US\$2,012). Taxes relating to the period including property and licence fees were US\$7,760 (3 months to 30 September 2013 – US\$95,564).

(iv) During the three months ended 30 September 2013, the company incurred costs of US\$166,298 relating to Kenai and its personnel, primarily salary and termination expenses immediately following the acquisition of that Company. There have been no comparative costs incurred during the three month period ended 30 September 2014.

The increase in depreciation charges of US\$111,999 on mine and plant equipment between the two periods reflects the purchase of new plant and equipment during 2014 as the Palito Mine was returned to production. Since commercial production was announced from 1 July 2014 all depreciation charges, which amounted to approximately US\$239,850, for the three months to 30 September 2014 are being expensed through the Income Statement. In accordance with standard practice depreciation charges relating to certain mining equipment were capitalised during the 3 month period ended 30 September 2013.

Following the commencement of commercial production on 1 July 2014, the company has begun to amortise the capitalised value of the Palito mine property. The cost base for the Mine Property is US\$37.35million being the combined value of Mining Property and Assets in Construction which gives rise to a charge for the period of US\$677,555. Amortisation charges are calculated on a unit of production basis using the estimated total recoverable ounces from the Preliminary Economic Assessment report issued in June 2012.

Share based payments increased from US\$47,846 for the three month period ended 30 September 2013 to US\$76,006 for the three month period ended 30 September 2014. The deemed value assigned to these share options is amortised over the expected option life and is calculated using the Black Scholes model. The charge for the three months to 30 September 2014 is in respect of options granted between 1 January 2011 and 30 September 2014.

The Company recorded a foreign exchange loss of US\$68,037 in the 3 month period to 30 September 2014 which compares with a foreign exchange gain of US\$98,077 recorded for the 3 months ended 30 September 2013. These foreign exchange gains and losses primarily arise in respect of the cash holdings of the Company in currencies other than US Dollars as at the period end and do not necessarily reflect actual realised profits or losses. The Company holds funds in certain currencies in anticipation of future expenditures that are anticipated to be settled in those currencies.

Net interest income for the 3 month period to 30 September 2014 was US\$24,806 compared with a net interest loss of US\$44,174 for the same period of 2013. An analysis of the composition of these charges is set out in the table below:

	September 2014	September 2013
	US\$	US\$
Interest on trade finance loans	126,648	--
Interest expense on convertible loan stock	17,727	18,576
Other interest and finance expenses	10,607	33,025
	154,982	51,601
Interest income	(16,793)	(7,427)
Finance income	(162,995)	--
	(24,806)	44,174

The interest on trade finance loans of US\$126,648 is the interest charged at source by Auramet Trading LLC who provide a working capital and gold trading facility secured against the debts due to the Company in respect of the sale of copper/gold concentrates.

The finance income receivable of US\$162,995 relates to the income due to the Company arising from short term movements in the gold price between the contractual pricing arrangements with the designated refinery and the price ruling when the Company draws down on the trade finance arrangement.

Nine month period ended 30 September 2014 compared to the nine month period ended 30 September 2013

The nine month period ended 30 September 2014 incorporates the first financial period following the announcement by the Company on 23 July 2014 that the Palito Mine had achieved commercial production effective as of 1 July 2014. As the operation was in a construction phase during the same period in 2013 there were no sales revenues or operating expenses relating to gold production operations reported in the Income Statement for the nine month period ended 30 September 2013 and all costs related to the Palito mine during this nine month period ended 30 September 2013 were capitalised.

The operating loss decreased by US\$190,603 from a loss of US\$3,286,552 for the nine months to 30 September 2013 to a loss of US\$3,095,949 for the nine month period to 30 September 2014. Whilst the Company has recognised a gross profit of US\$1,874,792 following the commencement of commercial production, this has been offset by a higher level of administrative expenses in the period and higher depreciation and amortisation charges incurred during the nine month period to 30 September 2014 compared with the nine month period to 30 September 2013.

The Company can only recognise revenues, in accordance with IFRS, at such time as the risks and rewards of ownership of the goods transfers to the Buyer. This is generally considered to be the date on which the copper/gold concentrate arrives in Hamburg where the Company's designated refinery is located. In accordance with normal industry practice initial payments from the refinery only occur after specified contractual periods following the arrival of the material with the refinery.

During the first nine months of 2014 the company had produced 983 wet metric tonnes of copper/gold concentrate whilst revenue has been recognised for only those 660 tonnes which have been delivered to the refinery in Hamburg. Of this revenue US\$4,126,078 received from the sale of 320 tonnes of concentrate has been treated as relating to the period prior to 30 June 2014. As revenue generated prior to the declaration of

commercial production this was credited against the developments costs relating to the Palito mine. Revenue of US\$4,919,941, relates to 240 tonnes of concentrate revenue recognised after 1 July 2014, the date at which commercial production was declared. At 30 September 2014, 140 tonnes of concentrate was in transit from the Palito mine to the port of Belem, Brazil and a further 120 tonnes of concentrate was in transit from the port of Belem, Brazil to Hamburg, Germany. There was 43 tonnes of finished product held at site. This unsold material is held as inventory.

The gross profit of US\$1,874,791 was offset by a combined increase of other operating costs totalling US\$1,699,622 comprising administration expenses (increase of US\$843,075), share based payments, depreciation (an increase of US\$157,663) and mine asset amortisation (US\$677,555) resulting in an overall operating loss of US\$3,095,949.

The increase in administration expenses of US\$843,075 from US\$2,797,523 for the nine months ended 30 September 2013 to US\$3,637,598 for the nine months ended 30 September 2014 can be accounted for as follows:

(i) An increase of US\$704,802 in corporate costs relating to legal and professional fees which is primarily due:

a) One-off professional costs totalling US\$365,000 directly related to the legal and other fees associated with securing the US\$8 million credit facility from the Sprott Resource Lending Partnership LLP ("Sprott"), (including a US\$75,000 fee to the broker for organising the facility, US\$250,000 in transactions fees for the initial US\$3 million drawn down, and US\$40,000 initial arrangement fee payable to Sprott).

b) During the first nine months of 2014 the company incurred other legal and professional fees of US\$404,588 relating to costs incurred in connection with the share placement which took place during the first quarter of 2014 to raise gross proceeds of UK£10 million. This includes approximately US\$240,081 representing the listing charges for these new shares levied by the Toronto Stock Exchange and AIM. The increase in these one-off legal and professional fees incurred during the first nine months of 2014 are offset by the one-off legal fees totalling US\$405,699 incurred during the first nine months of 2013, the majority of which were directly related to completing the acquisition of the Kenai Resources.

c) Bank fees and advancement charges increased by US\$78,150 for the nine month period to 30 September 2014 in comparison to the same period in 2013. This includes a one off structuring fee of US\$50,000 in relation to a trade finance facility entered into by the Company to accelerate receipt of cash flow from the production of copper/gold concentrates.

d) Audit fees have increased by approximately US\$40,528 primarily because of the increasing complexity of the audit work given the increased level of the company's operational activity compared with the same period in 2013.

(ii) An increase of US\$522,848 relating to administration costs incurred in Brazil. During the financial year ended 31 December 2013, whilst the mine site was in remediation and development, the Company treated as a capital cost of the mine certain administrative costs including accounting, environmental and IT related personnel costs. For the financial year 2014 and with the start of production operations the Company determined that all costs of administrative personnel and including the local Country Manager would be treated as an administrative cost of the business. During the nine month period to 30 September 2013, the level of administrative costs capitalised as part of the overall capital development costs of Palito was approximately US\$454,912. During the nine months to 30 September 2014, there has also been an increase in the level of administrative staffing, environmental work performed and travel expenses required as the Company has commenced production operations at Palito. These personnel are principally involved in the accounting, environmental, information technology and personnel departments.

(iii) The Company has incurred an expense in the nine month period ended 30 September 2014 of US\$230,702 in respect of bonus payments made to senior management personnel in respect of the preceding financial year's performance which is a decrease US\$95,810 in comparison to the payment of US\$326,512 made during the same period of 2013.

(iv) Taxes incurred in the period have increased by US\$41,363 compared with the corresponding nine month

period in 2013. Provisions in respect of unpaid taxes from prior years have increased by US\$20,305 to US\$19,427. Taxes relating to the period including property and licence fees were US\$116,221 (nine months to 30 September 2013 – US\$95,564).

(v) Tax charges in relation to old tax agreements from 2008-10 have decreased by US\$130,599 from US\$150,026 to US\$19,427. The company was made aware during 2013 that in preceding calendar years it had incorrectly set-off certain taxes that were repayable to the Company against other taxes that it owed. There is no corresponding charge to be incurred during the same period in 2014. The Company will settle this liability over the period to June 2018.

(vi) During the nine months ended 30 September 2013, the company incurred costs of US\$166,298 in administrative costs relating to Kenai and its personnel, primarily salary and termination expenses following the acquisition, which it did not incur during the same period in 2014.

The increase in depreciation charges of US\$157,663 from US\$348,491 for the nine months to 30 September 2013 to US\$506,154 for the nine months ended 30 September 2014, reflects the purchase by the Company of new plant and equipment during the last twelve months as it returned the Palito Mine to production. It should be noted that the depreciation charges for underground mining fleet which was delivered during the third quarter of 2013 was capitalised as a pre-production cost whilst the mine remained in a commissioning and ramp-up phase. Following the declaration of commercial production on 1 July 2014 the depreciation charges in respect of this mining fleet, as well as all other assets, are being expensed through the Income Statement.

Following the commencement of commercial production on 1 July 2014, the company has begun to amortise the capitalised value of the Palito mine property. The cost base for the Mine Property is US\$37.35million being the combined value of Mining Property and Assets in Construction which gives rise to a charge for the period of US\$677,555. Amortisation charges are calculated on a unit of production basis using the estimated total recoverable ounces from the Preliminary Economic Assessment report issued in June 2012.

Share based payments were roughly in line for the nine month period ended 30 September 2014, with a cost of US\$149,433 in comparison to US\$143,538 for the nine month period ended 30 September 2013. The deemed value assigned to these share options is amortised over the expected option life and is calculated using the Black Scholes model. The charge for the nine months to 30 September 2014 is in respect of options granted between 1 January 2011 and 30 September 2014.

The Company recorded a foreign exchange loss of US\$59,161 in the nine month period to 30 September 2014 which compares with a foreign exchange loss of US\$133,740 recorded for the nine months ended 30 September 2013. These foreign exchange losses primarily incurred in respect of the cash holdings of the Company in currencies other than US Dollars as at the period end and do not necessarily reflect actual realised profits or losses. The Company holds funds in certain currencies in anticipation of future expenditures that are anticipated to be settled in those currencies.

Net interest charges for the nine month period to 30 September 2014 were US\$176,677 compared with US\$98,378 for the first nine months of 2013. An analysis of the composition of these charges is set out in the table below:

	30 September 2014	30 September 2013
	US\$	US\$
Interest on trade financing loan	126,648	--
Interest on short term loan	101,782	26,630
Interest expense on convertible loan stock	59,200	49,868
Other interest and finance expenses	73,308	38,355
	360,938	114,853
Interest income	(21,266)	(16,475)
Finance income	(162,995)	--
	176,677	98,378

The interest on the short term loan of US\$101,782 relates to interest paid on the short term loan provided by

Fratelli Investments Limited which is documented further in the subsequent section, Liquidity and Capital Resources.

The Finance expenses of US\$73,308 relates to lease interest paid on mine equipment, a contract which the Company entered into during the third quarter of 2013, which explains the increase in cost year on year .

The interest on trade finance loans of US\$126,648 is the interest charged at source by Auramet Trading LLC who provide a working capital and gold trading facility secured against the debts due to the Company in respect of the sale of copper/gold concentrates.

The finance income receivable of US\$162,995 relates to the income due to the company arising from short term movements in the gold price between the contractual pricing arrangements with the designated refinery and the price ruling when the Company draws down on the trade finance arrangement.

Liquidity and Capital Resources

On 20 December 2013, the Company entered into a secured loan agreement for a total facility of US\$7.5 million with Fratelli Investments Limited ("Fratelli") and at the same time entered into a conditional subscription agreement with Fratelli for the placement of up to 162.5 million units as part of a placement of up to 200 million units to raise up to UK£10 million. As at 31 December 2013, the Company had drawn down US\$2.75 million of the US\$7.5 million facility. Under the Loan Agreement Fratelli agreed to provide up to US\$7.5 million, to be drawn down in three instalments commencing from the date of the agreement, to provide working capital to the Company and the Group during the start-up phase of gold production at Palito and to finance the initial development at the Sao Chico gold project. The loan was to be repaid by the earlier of 30 April 2014 and the date falling seven days after the funds due from Fratelli under the conditional subscription were received and carried interest at a rate of 12% per annum and an arrangement fee of 3% of the facility amount. The loan was secured against (i) the entire share capital of Serabi Mining Limited, a subsidiary of [Serabi Gold Plc](#), and the 99.99% shareholder of Serabi Mineraç#259;o SA, which is the licence holder for the Palito Mine and (ii) the entire share capital of Kenai Resource Ltd a subsidiary of [Serabi Gold Plc](#) and the 100 per cent shareholder of Gold Aura do Brasil Mineraç#259;o Ltda, which is the licence holder for the Sao Chico project. In addition the Company also made a charge in favour of Fratelli over all current and future sums owed by Serabi Mineraç#259;o SA to [Serabi Gold Plc](#). Following completion of the share placing on 3 March 2014, all amounts borrowed by the Company under the loan facility plus accrued interest were repaid to Fratelli and all security released.

On 3 March 2014, the Company completed a placing of 200 million units at a price of UK£0.05 per unit raising gross proceeds of UK£10 million. The share placement was pursuant to a conditional subscription agreement entered into on 20 December 2013 between the Company and Fratelli Investments Limited ("Fratelli") to subscribe for a minimum of 125 million units and a maximum of 162.5 million units to finance initial development and underground drilling at the Sao Chico project and to provide further working capital to the business during the start-up phase of gold production at Palito. The final form of the investment by Fratelli comprised of (a) a subscription for 125 million units at the Subscription Price of 5 pence per unit; and (b) a further subscription for 27.5 million units at a subscription price of 5 pence per unit. The company procured third party investment not deemed to be acting in concert with Fratelli for 47.5 million units.

Each unit comprised one new ordinary share and one half of a warrant. Each whole warrant entitles the holder to subscribe for one new ordinary share at a price of UK£0.06 for a period of two years from the date of issue.

Following completion of the share placement the Company repaid a short-term loan facility of US\$7.5 million plus accrued interest that had been provided to the Company by Fratelli. At the time of repayment a total of US\$5.5 million had been advanced under the loan facility. Interest due under the facility was US\$104,877 as at the date of the repayment of the loan facility.

On 26 September [Serabi Gold Plc](#) entered into a US\$8 million credit facility (the "Sprott Facility") with the Sprott Resource Lending Partnership ("Sprott") to be used to provide additional funding for the continued development of the Palito Mine and the Sao Chico gold project, to finance an additional drilling programme at Sao Chico and for general corporate purposes. The Sprott Facility is for a term expiring on 31 December 2015 and carries interest at a rate of 10% per annum.

On 30 September 2014 the Company's net assets amounted to US\$69.9 million which compares to US\$60.03 million as reported at 31 December 2013. This increase primarily reflects the new capital raised through issue of new shares completed in March 2014 raising gross proceeds of UK£10.0 million (US\$16.65 million). This increase in assets has been offset by the reduction in new assets arising from the reported loss for the nine month period of US\$3.3 million and the exchange differences resulting from the translation of the results of foreign operations which have totalled US\$3.4 million for the nine month period to 30 September 2014.

Non-current assets totalling US\$64.3 million at 30 September 2014 (31 December 2013: US\$60.7 million), are comprised of property, plant and equipment, which as at 30 September 2014 totalled US\$39.4 million (31 December 2013: US\$36.0 million) and is attributable to the Palito mine property including US\$13.7 million (US\$10.8 million as of 31 December 2013) which had previously been categorised as Projects in Construction, representing expenditure incurred in the rehabilitation and remediation programme at Palito. Following the declaration of commercial production effective 1 July 2014, this capitalised expenditure was re-categorised as Mining Property. Deferred exploration costs as at 30 September 2014 totalled US\$24.9 million (31 December 2013: US\$24.7 million) of which US\$14.6 million relates to capitalised exploration expenditures around the Palito Mine and the wider Jardim Do Ouro project area (US\$14.9 million as at 31 December 2013) and US\$10.3 million (31 December 2013: US\$9.8 million) relating to the capitalised exploration and development costs for the Sao Chico gold project.

The Company had a working capital position of US\$8,712,638 at 30 September 2014 compared to US\$2,091,941 at 31 December 2013 as per the table below:

	September 2014	December 2013	Variance
	US\$	US\$	US\$
<u>Current assets</u>			
Cash at bank and in hand	6,719,202	3,789,263	2,929,939
Inventories	7,554,145	3,890,880	3,663,265
Prepayments	2,441,265	1,264,654	1,176,611
Trade and other receivables	4,844,216	75,977	4,768,238
Total current assets	21,558,828	9,020,774	12,538,053
<u>Total current liabilities</u>			
Trade and other payables	4,096,758	2,871,546	1,225,212
Interest bearing liabilities	8,611,693	3,790,363	4,821,331
Accruals	137,739	266,924	(129,185)
Total current liabilities	12,846,190	6,928,833	5,917,357
Working capital	8,712,638	2,091,941	6,620,696
<u>Non-current liabilities</u>			
Interest bearing liabilities	1,678,556	833,560	844,996
Provisions	1,415,165	1,480,665	(65,501)
Trade and other payables	—	410,330	(410,330)
Total non-current liabilities	3,093,721	2,724,555	369,165

The increase in the cash balances of US\$2,929,939 includes the receipt of US\$3 million on 29 September 2014 as part of a credit facility provided by Sprott Resource Lending Partnership which will be used for the continued development of the Palito Mine and the Sao Chico gold project, to finance an additional drilling programme at Sao Chico and for general corporate purposes.

During the first quarter, a placing of new shares was completed on 3 March 2014 raising gross proceeds of UK£10 million. Part of these funds were applied to the repayment of a short term shareholder loan of US\$5.5 million (excluding interest) of which US\$2.75 million was included in working capital at 31 December 2013. The remaining funds raised have been used to meet the on-going capital development and working capital expenditures of Palito and the initial development activity for the Sao Chico project.

Whilst the Company has started to generate revenues from the sale of copper/gold concentrate that is produced from the flotation process at the Palito mine, it can only recognise these revenues, in accordance with IFRS, at such time as the risks and rewards of ownership transfers to the buyer. This is considered to be the date on which the copper/gold concentrate arrives in Hamburg where the Company's designated refinery is located. In accordance with normal industry practice initial payments from the refinery only occur after specified contractual periods following the arrival of the material at the refinery. As at 30 September 2014 the company had produced 983 wet metric tonnes of copper/gold concentrate of which revenue has been recognised for 660 tonnes which had been delivered.

As at 30 September the Company was owed US\$4.84 million in respect of shipments of concentrate that had been made to the refinery but in accordance with the contractual payment terms remained outstanding at that date. Under the terms of the contract the Company receives instalments against the total value of each shipment on pre-determined dates with final settlement only being made once the final metal content has been agreed between the Company and the refinery which may be up to 120 days after the date of arrival.

The levels of inventory held by the Company have increased by US\$3.7 million compared with 31 December 2013, primarily due to increases in the levels of inventories of work in progress comprising mined ore, material in the course of processing or product stocks awaiting sale.

At 31 December 2013, the Company valued at US\$3.0 million, the stockpile of coarse ore of approximately 25,000 tons that had been established on surface in preparation for processing. At the 30 September 2014 this coarse ore stockpile had decreased to approximately 18,750 tons with a value of US\$1.3 million. The reduction in the unit values per tonne reflects the higher ratio of ore to waste being mined in the last quarter. During the first half of the year, the Company continued to prioritise mine development and as a result of the total material mined a high proportion was waste and therefore the total mining cost was spread over a relatively low volume of ore. In the third quarter whilst total mined volumes and costs remain broadly consistent, a higher proportion of the material mined is ore and therefore the total mining costs is allocated over a higher tonnage of ore.

The Company has established at 30 September 2014 a 54,000 tonne stockpile of material that has passed through the flotation processing circuit but retains a gold grade of approximately 2.5g/t. The Company will be processing these "flotation tailings" through the CIP plant over the coming months and has ascribed a value of US\$2.77 million as the cost of establishing this stockpile. There was no similar stockpile of material at 31 December 2013 as processing operations had not commenced at that time.

The Company also had an additional US\$0.23 million worth of material which was in the course of production in its gold processing plant.

At the 30 September 2014, the Company had on hand an inventory of approximately 323 wet metric tonnes of copper/gold concentrate either at Palito (43 tonnes), en-route to the port of Belem (160 tonnes) or en route to Hamburg, Germany (120 tonnes). The value of this inventory of copper/gold concentrate awaiting sale was approximately US\$2.4 million. There was no similar stockpile of material at 31 December 2013 as processing operations had not commenced at that time

Inventories of consumables (fuel, spare parts, chemicals, explosives etc.) at 30 September 2014 of US\$0.87 million were consistent with the value of the same inventory of consumables at 31 December 2013 (US\$0.89 million). The Company acquires stocks of certain materials including reagents and explosives and other consumables in quantities that are sufficient for up to 3 to 4 months consumption requirements to minimise freight and other logistics costs and improve pricing. Also, as all consumable stock is valued in Brazilian Reais, the valuation is also subject to exchange rate fluctuations.

The improvement in the Company's cash holdings, its inventory levels and the debts due in respect of sales of copper/gold concentrate are the principal reasons for the improvement in the current asset position of the Company. Other items which have impacted on the Company's improved current asset position include the following.

(i) The level of prepayments has increased by US\$1.18 million from US\$1.26 million at 31 December 2013 to US\$2.441 million at 30 September 2014. The prepayments represent:

a. Prepaid taxes in Brazil amounting to US\$1.72 million, (31 December 2013: US\$1.10 million), of which the majority is federal and state sales taxes which the Company expects to recover either through off-set against other federal tax liabilities or through recovery directly. The amount recoverable has increased by approximately US\$0.62 million in comparison to the prior year due to an increase in the level of social taxes the Company has prepaid at 30 September 2014.

b. Supplier down-payments reflecting the timing and level of development and construction activity currently being undertaken for the opening of the Palito Mine. The Company has made advances to suppliers in respect of goods purchased (including down payment on new machinery), items being fabricated and supplies of services of US\$701,361 (31 December 2013 : US\$228,000).

Current liabilities have increased from US\$6.9 million at 31 December 2013 to US\$12.8 million at 30 September 2014. This increase is partly as a result of an increase in the level of trade payables owed by the Company as the activities have expanded over the last nine months and also as an increase in short term trade finance debts.

Trade and other payables amounting to US\$4,096,758 at 30 September 2014 compare with an amount owed by the Company of US\$2,871,546 at 31 December 2013, an increase of US\$1,225,212. This is because:

(i) Trade Creditors have increased by US\$940,924 in comparison to 31 December 2013 which is partly due to the increase in activity and operating equipment being utilised for mine development as well as the actual timing of settlement payments to trade creditors;

(ii) The standard wage and social welfare accruals and the provision for the thirteenth salary have increased by US\$297,900 from 31 December 2013 to 30 September 2014. This increase results from a provision for the thirteenth salary payment which Brazilian employees are entitled to receive. The cost is accrued during the year and final settlement and taxes are paid in December and January.

Interest bearing liabilities due within one year have increased by US\$4,821,331 from US\$3,790,363 at 31 December 2013 to US\$8,611,694 at 30 September 2014.

To minimise the effect on the working capital of the Company caused by the delay between production of copper/gold concentrate and payments for the material from the refinery, the Company has entered into a facility with a precious metals trading group whereby the Company can obtain an advance payment for the copper/gold concentrate once it has left the port in Belem, Brazil, secured against the debt due from the refinery.

As at 30 September the total funds received by the Company under this facility was US\$9,154,249 of which US\$5,182,038 was owed by the Company at the period end. The total amount of monies received of US\$9,154,249 represents the advance payments of the 660 tonnes of recognised sales as well as a further 120 tonnes of copper/gold concentrate which had left the port in Belem en route to Hamburg, but at the end of the period had not yet been recognised as a sale. At 31 December 2013, as the Company had not generated any production of copper/gold concentrate at that time there was no requirement for any similar financing facility.

Loans due within one year have decreased by US\$500,000 between 31 December 2013 and 30 September 2014. The Company, on 26 September 2014, entered into a US\$3 million dollar credit facility (the "Spratt Facility") with the Spratt Resource Lending Partnership ("Spratt") of which US\$2.25 million is due for repayment in less than one year. However, also during the first nine months of 2014, the Company settled a short term shareholder loan of which US\$2.75 million was outstanding at 31 December 2013. This loan including all accrued interest was repaid in March 2014.

The Company acquired certain assets during 2013 and 2014 under finance leases. At 30 September 2014 the Company had liabilities under these financial leases of US\$717,769 due within one year (31 December 2013: US\$600,280). The leases are for a term of three years and carry interest at a rate of 6.45% per annum. (See below for more details on the amounts owed in more than one year.)

Also included within interest bearing liabilities is US\$461,887 including accrued interest (December 2013: US\$440,083) attributable to £300,000 of convertible loan stock which has a repayment date of 31 October 2014 subject to the right of the holder at any time, on one or more occasions, on or before the repayment date, to convert any of the outstanding amounts owed by the Company to Ordinary Shares at a price of 15 pence per Ordinary Share. This loan was repaid on 31 October 2014.

Non-current liabilities have increased by US\$369,165 from US\$2,724,555 at 31 December 2013 to US\$3,093,720 at 30 September 2014. The primarily reflects US\$750,000 of Spratt Facility which is due for repayment in October 2015 to December 2105 which has been offset by reductions in taxation related liabilities as monthly repayments have been made.

The Company's liability for finance leases due in more than one year is US\$760,560 which has decreased from US\$833,560 at 31 December 2013. The Company entered into new lease arrangements during 2014 for a total liability of approximately US\$315,000. Reductions in the liability reflect the monthly settlements that are being made.

The amount of US\$1,415,164 (December 2013: US\$1,480,665) in respect of provisions including US\$1,214,000 (December 2013: US\$1,141,000) for the cost of remediation of the current Palito Mine site at the conclusion of operational activity. The decrease in the liability of US\$65,501 is due to a movement in the exchange rate. The Company undertook a review of the underlying cost assumptions during 2013.

The Company does not have any asset backed commercial paper investments.

Condensed Consolidated Statements of Comprehensive Income

	For the three months ended		For the nine months ended	
	30 September	30 September	30 September	30 September
	2014	2013	2014	2013
(expressed in US\$)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
CONTINUING OPERATIONS				
Revenue	5,253,323	—	5,253,323	—
Operating expenses	(3,378,532)	—	(3,378,532)	—
Gross profit	1,874,791	—	1,874,791	—
Administration expenses	(1,243,580)	(1,080,137)	(3,637,598)	(2,794,523)
Share based payments	(76,006)	(47,846)	(149,433)	(143,538)
Amortisation of mine property	(677,555)	—	(677,555)	—
Depreciation of plant and equipment	(239,849)	(127,850)	(506,154)	(348,491)
Operating loss	(362,199)	(1,255,833)	(3,095,949)	(3,286,552)
Foreign exchange (loss)/gain	(68,037)	98,078	(59,161)	(133,740)
Finance expense	(154,982)	(51,601)	(360,938)	(114,853)
Finance income	179,788	7,427	184,261	16,475
Loss before taxation	(405,430)	(1,201,929)	(3,331,787)	(3,518,670)
Income tax expense	—	—	—	—
Loss for the period from continuing operations ^{(1) (2)}	(405,430)	(1,201,929)	(3,331,787)	(3,518,670)
Other comprehensive income (net of tax)				
Items that may be reclassified to profit and loss				
Exchange differences on translating foreign operations	(7,129,622)	(183,758)	(3,411,657)	(3,598,944)
Total comprehensive loss for the period ⁽²⁾	(7,535,052)	(1,385,687)	(6,743,444)	(7,117,614)
Loss per ordinary share (basic and diluted) ⁽¹⁾	(0.06c)	(0.27c)	(0.54c)	(0.95c)

(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.

Condensed Consolidated Balance Sheets

	As at 30 September 2014 (unaudited)	As at 30 September 2013 (unaudited)	As at 31 December 2013 (audited)
(expressed in US\$)			
Non-current assets			
Development and deferred exploration costs	24,888,399	25,950,041	24,659,003
Property, plant and equipment	39,381,145	36,603,692	36,008,318
Total non-current assets	64,269,544	62,553,733	60,667,321
Current assets			
Inventories	7,554,145	991,800	3,890,880
Trade and other receivables	5,164,216	98,045	75,977
Prepayments and accrued income	2,441,265	1,099,336	1,264,654
Cash and cash equivalents	6,719,202	7,945,203	3,789,263
Total current assets	21,878,828	10,134,384	9,020,774
Current liabilities			
Trade and other payables	4,416,758	3,656,063	2,871,546
Interest bearing liabilities	8,611,693	568,671	3,790,363
Accruals	137,739	238,329	266,924
Total current liabilities	13,166,190	4,463,063	6,928,833
Net current assets	8,712,638	5,671,321	2,091,941
Total assets less current liabilities	72,982,182	68,225,054	62,759,262
Non-current liabilities			
Trade and other payables	—	185,429	410,330
Provisions	1,415,165	1,477,671	1,480,665
Interest bearing liabilities	1,678,556	1,378,553	833,560
Total non-current liabilities	3,093,721	3,041,653	2,724,555
Net assets	69,888,461	65,183,401	60,034,707
Equity			
Share capital	61,668,212	60,003,212	60,003,212
Share premium	67,809,848	54,479,151	54,479,151
Option reserve	2,290,914	2,168,002	2,330,789
Other reserves	2,241,144	789,076	789,076
Translation reserve	(14,182,830)	(8,205,255)	(10,771,173)
Accumulated loss	(49,938,827)	(44,050,785)	(46,796,348)
Equity shareholders' funds	69,888,461	65,183,401	60,034,707

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 2013 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's dependency on its ability to successfully re-commission and commence commercial gold production at the Palito Mine in order to continue as a going concern. The auditor's report did not contain a statement under Section 498 (2) or 498 (3) of the Companies Act 2006.

Condensed Consolidated Statements of Changes in Shareholders' Equity

(expressed in US\$) (unaudited)	Share capital	Share premium	Share option reserve	Other reserves ⁽¹⁾	Translation reserve	Accumulated loss	Total equity
Equity shareholders' funds at 31 December 2012	31,416,993	50,182,624	2,019,782	780,028	(4,606,311)	(40,532,115)	39,261,001
Foreign currency adjustments	—	—	—	—	(3,598,944)	—	(3,598,944)

Loss for the period	—	—	—	—	—	(3,518,670)	(3,518,670)
Total comprehensive income for the period	—	—	—	—	(3,598,944)	(3,518,670)	(7,117,614)
Issue of new ordinary shares for cash	21,357,000	4,182,600	—	88,800	—	—	25,628,400
Costs associated with issue of new ordinary shares for cash	—	(327,286)	—	—	—	—	(327,286)
Warrants lapsed in period	—	441,213	—	(441,213)	—	—	—
Issue of new ordinary shares for acquisition	7,229,219	—	—	361,461	—	—	7,590,680
Share option expense	—	—	148,220	—	—	—	148,220
Equity shareholders' funds at 30 September 2013	60,003,212	54,479,151	2,168,002	789,076	(8,205,255)	(44,050,785)	65,183,401
Foreign currency adjustments	—	—	—	—	(2,565,918)	—	(2,565,918)
Loss for the period	—	—	—	—	—	(2,745,563)	(2,745,563)
Total comprehensive income for the period	—	—	—	—	(2,565,918)	(2,745,563)	(5,311,481)
Share option expense	—	—	162,787	—	—	—	162,787
Equity shareholders' funds at 30 December 2013	60,003,212	54,479,151	2,330,789	789,076	(10,771,173)	(46,796,348)	60,034,707
Foreign currency adjustments	—	—	—	—	(3,411,657)	—	(3,411,657)
Loss for the period	—	—	—	—	—	(3,331,787)	(3,331,787)
Total comprehensive income for the period	—	—	—	—	(3,411,657)	(3,331,787)	(6,743,444)
Issue of new ordinary shares for cash	1,665,000	13,455,000	—	1,530,000	—	—	16,650,000
Costs associated with issue of new ordinary shares for cash	—	(202,235)	—	—	—	—	(202,235)
Warrants lapsed in period	—	77,932	—	(77,932)	—	—	—
Share options lapsed in period	—	—	(189,308)	—	—	189,308	—
Share option expense	—	—	149,433	—	—	—	149,433
Equity shareholders' funds at 30 September 2014	61,668,212	67,809,848	2,290,914	2,241,144	(14,182,830)	(49,938,827)	69,888,461

(1) Other reserves comprise a merger reserve of US\$361,461 (December 2013: US\$ 361,461), a warrant reserve of US\$1,618,801 (December 2013: US\$166,733) and the initial fair value for the equity component of the convertible loan stock of US\$260,882 (December 2013: US\$ 260,882).

Condensed Consolidated Cash Flow Statements

	For the three months		For the nine months	
	ended		ended	
	30 September		30 September	
	2014	2013	2014	2013
(expressed in US\$)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating activities				
Loss before taxation	(405,430)	(1,201,929)	(3,331,787)	(3,518,670)
Net financial expenses	43,231	53,904	235,838	232,118
Depreciation – plant, equipment and mining properties	917,404	127,850	1,183,709	348,491
Option costs	76,005	47,846	149,433	143,538
Interest paid	(146,985)	(33,024)	(301,738)	(145,729)
Foreign exchange gain/(loss)	487,955	432,372	491,976	66,528
Changes in working capital				
(Increase)/decrease in inventories	(3,785,301)	(937)	(4,115,534)	51,383
(Increase)/decrease in receivables, prepayments and accrued income	(359,087)	(50,205)	(6,523,986)	78,217
Increase/(decrease) in payables, accruals and provisions	1,010,240	136,710	1,505,621	(321,751)
Net cash flow from operations	(2,161,968)	535,400	(10,706,468)	(3,034,946)
Investing activities				
Capitalised sales revenues attributed to pre-operating period	(1,094,635)	—	4,126,078	—
Capitalised costs attributed to pre-operation period	522,231	—	(7,610,695)	—

Purchase of property, plant and equipment and projects in construction	(783,869)	(4,482,422)	(3,075,714)	(10,266,889)
Exploration and development expenditure	(459,673)	(1,478,164)	(1,222,341)	(1,682,097)
Interest and other finance income received	184,261	7,427	184,261	16,475
Net cash flow on investing activities	(1,631,685)	(5,953,159)	(7,598,411)	(11,932,511)
Financing activities				
Issue of ordinary share capital	—	—	16,650,000	25,628,400
Payment of share issue costs	—	—	(202,235)	(327,286)
Repayment of short term shareholder loan facility	—	—	(5,500,000)	(4,500,000)
Drawdown of short term shareholder loan facility	—	—	2,750,000	—
Drawdown of bank loan facility	3,000,000	—	3,000,000	—
Payment of finance lease liabilities	(263,392)	(676,137)	(518,542)	(676,137)
Receipts from trade finance facility	5,965,847	—	9,154,249	—
Repayment of trade finance facility	(4,018,394)	—	(4,018,394)	—
Acquisition of subsidiary – cash acquired	—	222,211		222,211
Net cash inflow/(outflow) from financing activities	4,684,088	(453,926)	21,314,881	20,347,188
Net (decrease)/ increase in cash and cash equivalents	890,435	(5,871,685)	3,010,002	5,379,731
Cash and cash equivalents at beginning of period	5,920,963	13,993,629	3,789,263	2,582,046
Exchange difference on cash	(92,196)	(176,741)	(80,063)	(16,574)
Cash and cash equivalents at end of period	6,719,202	7,945,203	6,719,202	7,945,203

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