Serabi Gold plc - Audited Results for the year ended 31 December 2015

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LONDON, March 30, 2016 -- Serabi (AIM:SRB) (TSX:SBI), the Brazilian focused gold mining and development company, today releases its audited results for the year ended 31 December 2015.

Key Financial Information(1)

	3 months to 31 Dec 2015 US$	3 months to 31 Dec 2014 US$	12 months to 31 Dec 2015 US$	12 months to 31 Dec 2014 US$
Revenue (1)	8,042,431	7,374,461	35,086,113	12,627,784
Cost of Sales (1)	(4,235,007)	(6,319,134)	(23,585,063)	(9,697,665)
Depreciation and amortisation charges	(2,236,959)	(1,449,869)	(5,840,769)	(2,633,578)
Gross profit	1,570,465	(394,542)	5,660,281	296,541
Profit / (loss) before tax	285,221	3,157,386	476,294	(174,401)
Loss after tax	(239,811)	3,157,386	(48,738)	(174,401)
Loss per ordinary share (basic)	(0.036c)	0.48c	(0.01c)	(0.03c)
Average gold price received	1,105	1,202	1,151	1,243
			As at 31 December 2015	As at 31 December 2014
Cash and cash equivalents			2,191,759	9,813,602
Net assets			46,783,645	66,918,551

Cash Costs and All-In Sustaining Costs

	3 months to 31 Dec 2015	3 months to 31 Dec 2014	12 months to 31 Dec 2015	6 months to 31 Dec 2014
Gold ounces produced	7,925	7,819	32,629	13,334
Gold production from Sao Chico	(971)	–	(2,788)	–
Gold production for cash cost and AISC purposes	6,954	7,819	29,841	13,334
Total Cash Cost of production (per ounce)	US$610	US$712	US$677	US$793
Total All-In Sustaining Cost of production (per ounce)	US$907	US$922	US$892	US$1,034

(1) The Sao Chico Mine was only declared to be in Commercial Production with effect from 1 January 2016 and therefore all costs and revenues relating to this mine have been capitalised. The Income Statements therefore only reflect the revenues and costs arising from the gold produced from the Palito Mine and the Cash Costs and AISC therefore also only reflect the activities from the Palito Mine.

Financial Highlights

- The Company has declared commercial production at Sao Chico effective from 1 January 2016.
- All-In Sustaining Costs ("AISC") of US$892 for the year to date with cash costs of US$677.
- AISC of US$907 for the fourth quarter of 2015 with cash costs of US$610.

- Gross profit from operations of US$5.66 million compared with a profit of US$0.3 million for 2014
- Operating profit before finance costs of US$0.88 million compared with a loss of US$1.33 million for 2014.
- Cash holdings of US$2.2 million at 31 December 2015.
- Average gold price of US$1,105 received on gold sales in the fourth quarter of 2015 and US$1,151for the year.
- Group has secured an additional US$5 million working capital facility.
- At 31 December 2015, the Brazilian Real to US Dollar exchange rate had weakened by approximately 47% compared against 31 December 2014.
- Annual inflation in Brazil for January 2016 was 10.48% the highest rate since November 2003. The local Central Bank overnight (SELIC) interest rate was set at 14.25% in January 2016.

2016 Guidance

- Forecast gold production for 2016 of approximately 37,000 ounces with All-In Sustaining Cost between US$840 to US$870 per ounce.

Post Year End Highlights

- Approximately 6.500(1) ounces of gold produced during the first two months of 2016.
- Testing of third ball mill underway.
- Other plant expansion programmes proceeding on schedule.
- Increased plant processing capacity expected to be operational from 1 May 2016.

Operational Highlights

- The final quarter of 2015 recorded 7,925(1) ounces of gold production, giving a year-end total of 32,629 (1) ounces.
- Combined mill throughput for the fourth quarter, for both Palito and Sao Chico ore, totalled 34,848 tonnes, with 130,299 tonnes being milled for the year.
- A total of 9,598 metres of horizontal development across both mining operation was achieved for the year.
- At the end of the fourth quarter, surface stockpiles at Palito and Sao Chico totalled approximately16,000 tonnes at a grade of 4.7 g/t of gold.
- November saw the commissioning of the Gekko intensive leach reactor ("ILR"), which works in tandem with the Falcon gravity centrifugal concentrator. This equipment is working exclusively on the Sao Chico feed to recover gravity gold.
- Installation of the third ball mill is well underway and this along with improvements in the flotation and CIP process circuits are on schedule to be completed early in the second quarter of 2016. A carbon regeneration kiln is also being acquired which will assist in enhancing gold recoveries once the kiln is operational in the second half of the year.

(1) Gold production figures are subject to amendment pending final agreed assays of the gold content of the copper/gold concentrate and gold dore that is delivered to the refineries.

Palito development

- Annual mine development was 6,928 metres of which 1,960 metres was completed in the fourth quarter of 2015.
- Annual mine production was 111,751 tonnes at 10.05 g/t of which 26,953 tonnes at 8.84 g/t grammes per tonne ("g/t") was produced in the fourth quarter of 2015.

Sao Chico development

- Annual mine development was 2,997 metres of which 729 metres was completed in the fourth quarter of 2015.
- Annual mine production was 22,096 tonnes at 8.45 g/t of which 7,006 tonnes at 9.76 g/t was produced in the fourth quarter of 2015.

- Sao Chico is now being developed on the 186mRL and 156mRL levels, with production on the 199mRL and 186mRL levels. The ramp is now being deepened to the 126mRL, the next planned development level, and will continue this year to the 96mRL to accommodate underground drilling of the Sao Chico deposit extension at depth.

Mike Hodgson, CEO of Serabi commented,

"For what has been our first full year of gold production from Palito, 2015 has been a year that I can look back on with great satisfaction at what has been achieved. The operational results have been excellent and the financial results show that we have achieved these in a cost effective manner.

"Gold production in 2015 increased from 18,000 ounces in 2014 to almost 33,000 ounces in 2015 and we are forecasting further production growth for 2016 with Sao Chico now in commercial production. We have a current target of 37,000 ounces of gold production for this year and with three consecutive months of over 3,000 ounces of gold production per month and approximately 6,500 ounces produced during first two months of 2016 we are on target to achieve our best quarter. What is even more satisfying is that these production levels have been achieved before the plant capacity improvements that we expect to complete for the beginning of May 2016.

"The financial results for 2015 speak for themselves; we have reduced cash costs and all in sustaining costs per ounce, have achieved a gross profit margin of 16% for 2015 and are aiming to have an all in sustaining costs of between US$840 to US$870 for 2016.

"I am very optimistic for the next twelve months. We have had some welcome respite in the recovery of the gold price during the first quarter and this provides a boost to our cash generation. Whilst we remain focussed on optimising the current operations, should the improvement in gold prices continue and therefore provide additional cash flow, we will be looking later in the year to evaluate some of our mine site discoveries that lie within the existing tenements. The potential for resource growth at Palito and Sao Chico is excellent with the advantage that this resource growth can quickly be translated into low cost production growth.

"I would like to take this opportunity to thank the team for all their hard work throughout the period. I believe that 2016 will be a good year for Serabi and I look forward to updating shareholders of our continued progress through the year."

The latest interview with Mike Hodgson, discussing the highlights of the 2015 financial year and progress at Palito and Sao Chico can be accessed using the following links:

http://brrmedia.co.uk/event/141647?popup=true

Chairman's Statement

Serabi has enjoyed another very successful year in 2015 and continues to make strides towards its objective of becoming a gold producer with its All in Sustaining Cost ("AISC") in the first quartile. The Palito Mine exceeded our production expectations for 2015 and tonnage and grades have been in excess of the estimates with in original 2012 Preliminary Economic Assessment. I fully expect that this success will continue. Commercial production has also now been declared for the Sao Chico Mine and as a consequence 2016 promises to be another year of production growth.

The year was dominated for Serabi by a falling gold price but as with many emerging market producers the effects were mitigated by the weakness of the local currency. It has been a difficult balancing act in what is our first full calendar year of operations to ensure continuity and consistency of operations whilst at the same time seeking to make cost reductions to optimise margins and safeguard the long term profitability of the business. Management acknowledge the need to attain a cost base that gives the Group the best chance of dealing with the possibility of an extended period of low gold prices.

Whilst there has been a rally in the gold price in the early part of 2016, we have in recent years seen similar trends in the first quarter with a subsequent retrenchment over the rest of the year. We are therefore far from complacent and will use this "windfall" as a buffer against the possibility of potential weakening later in the year. The euphoria of the highs of 2011 and 2012 are well behind us and we should be grateful that gold's traditional place as a safe haven has protected it against the quantum of the price declines seen in many other commodities. The pain is however affecting us all and I believe that 2016 will mark a turning point that will see capitulation on the supply side. This follows a lack of any new significant projects in the last two years, few on the horizon and a period where some existing producers need to defer capital and resort to high-grading their operations to maintain their short-term viability.

This supply shortfall should lead to an inevitable adjustment in prices. By doing all we can to establish now a long term viable operation with the lowest costs possible, I anticipate us being well positioned when this correction takes place. Even if it takes longer to manifest itself the Group will be well protected against any further down turn in the market.

Serabi enjoys the benefit of an experienced management team that has been together for several years. The extensive collective operational experience that they have has been a key factor in the ability to bring two mines into production, on budget and within a short time frame. Serabi's management sets it apart from many other junior mining companies and the proven record of efficiently turning projects into cash flow is attracting support for the Group as it seeks further growth opportunities. In recent years it has been difficult for mining companies to justify undertaking exploration when it has generally been a cheaper alternative to simply add additional ounces through a corporate acquisition.

Management have been active in assessing a number of opportunities as it is clearly an excellent time for Serabi to take advantage of the opportunities created by the market weakness. However, it remains difficult to find the blend of project and price that makes an acquisition compelling. Whilst we consider that Serabi needs to grow and make a step change that will be reflected in its valuation, the Board will not allow management to pursue opportunities that will not bring strong long term returns to our existing shareholders. Of course Serabi has the added advantage of being in a highly prospective area and therefore has numerous organic growth opportunities. Whilst it may be difficult to match the resource growth that an acquisition can bring on a cost per ounce basis, success with our own exploration land holdings has the benefit of seeing in-situ resources quickly transformed onto cash flow. Pursing such organic growth creates the opportunity to build around the Palito Mine a significant hub and spoke operation bringing into play a number of small but highly profitable mines with low capital requirements in light of the leverage available from the existing operations. This ability to generate production quickly with a low capital outlay is another factor which separates Serabi from many other junior exploration and development peers.

Whist we are very pleased with the development of Serabi over the last three years the Board is far from complacent. We have each experienced the pitfalls associated with mining and the inherent risks that exist in the sector and know that despite all the best planning we can never mitigate all of these. Management is constantly challenged to ensure that its plans have flexibility and that it is always seeking to mitigate risks, whether geological, mechanical, social, economic or political. Only by doing this can we ensure that we have a robust, profitable and sustainable business.

The next twelve months will bring their challenges but also their rewards. I am optimistic on the outlook for gold and believe that we have now positioned Serabi to benefit from and grow on the back of it. I am confident that the Group will meet or even exceed its targets for the next twelve months and in so doing build a strong financial foundation from which to realise the growth potential that it has.

On behalf of the board of Directors I would like to extend my appreciation to the employees and management of Serabi for a job well done during difficult times in 2015. Their hard work and determination to succeed has your company well positioned to reap the benefits of the higher gold price environment we expect during 2016 and beyond. Finally, thank you to our shareholders, large and small, for your patience during the last few years. I believe the future is extremely bright for Serabi.

Sean Harvey - Chairman

Serabi's Directors Report and Financial Statements for the year ended 31 December 2015 together the Chairman's Statement and the Management Discussion and Analysis, are 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.

The following information, comprising, the Income Statement, the Group Balance Sheet, Group Statement of Changes in Shareholders' Equity, and Group Cash Flow, is extracted from these financial statements.

The Company will, in compliance with Canadian regulatory requirements, post its Management Discussion and Analysis for the year ended 31 December 2015 and its Annual Information Form on SEDAR at www.sedar.com. These documents will also available from the Company's website – www.serabigold.com.

Annual Report

The Annual Report has been published by the Company on its website at www.serabigold.com and printed copies are expected to be available by 15 May 2016. Additional copies will be available to the public, free of charge, from the Company's offices at 2nd floor, 30 – 32 Ludgate Hill, London, EC4M 7DR and will be available to download from the Company's website at www.serabigold.com.

FINANCE REVIEW

The data included in the selected annual information table below is taken from the Company's annual audited financial statements for the year ended 31 December 2015, which were prepared in accordance with International Financial Reporting Standards in force at the reporting date and their interpretations issued by the International Accounting Standards Board ("IASB") and adopted for use within the European Union (IFRS) and with IFRS and their interpretations issued by the IASB. There are no material differences on application to the Group. The consolidated financial statements have also been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The audited financial statements for the year ended 31 December 2015 will be presented to shareholders for adoption at the Company's next Annual General Meeting and filed with the Registrar of Companies.

Statement of Comprehensive Income

For the year ended 31 December 2015

		Group	
		For the year ended 31 December 2015	For the year ended 31 December 2014
	Notes	US$	US$
CONTINUING OPERATIONS			
Revenue		35,086,113	12,627,784
Cost of sales		(23,585,063)	(9,697,665)
Depreciation and amortisation charges		(5,840,769)	(2,633,578)
Gross profit		5,660,281	296,541
Administration expenses		(4,379,770)	(4,257,540)
Write-back of provision for contingencies		–	298,088
Share-based payments		(404,075)	(258,598)
Write back of impairment provision		–	2,590,532
Operating profit / (loss)		876,436	(1,330,977)
Foreign exchange loss		(71,280)	(33,742)
Finance expense	4	(1,533,008)	(687,282)
Income/(expense) on financial instruments		1,203,023	1,841,459
Finance income		1,123	36,141
Profit / (loss) before taxation		476,294	(174,401)
Income tax expense		(525,032)	–
Loss for the period from continuing operations(1)		(48,738)	(174,401)
Other comprehensive income (net of tax)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(20,490,243)	(7,965,119)
Total comprehensive loss for the period(1)		(20,538,981)	(8,139,520)
Loss per ordinary share (basic and diluted)		(0.01c)	(0.03c)

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

Balance Sheet as at 31 December 2015

	Group	
	2015	2014

	US$	US$
Non-current assets		
Development and deferred exploration costs	8,679,246	11,799,271
Property, plant and equipment	40,150,484	54,103,898
Total non-current assets	48,829,730	65,903,169
Current assets		
Inventories	6,908,790	8,070,215
Trade and other receivables	6,133,284	6,772,046
Prepayments	2,429,506	2,503,877
Cash and cash equivalents	2,191,759	9,813,602
Total current assets	17,663,339	27,159,740
Current liabilities		
Trade and other payables	4,212,803	4,601,337
Interest-bearing liabilities	11,385,155	16,228,220
Derivative financial liabilities	–	528,503
Accruals	226,197	167,377
Total current liabilities	15,824,155	21,525,437
Net current assets/ (liabilities)	1,839,184	5,634,303
Total assets less current liabilities	50,668,914	71,537,472
Non-current liabilities		
Trade and other payables	1,857,914	1,424,798
Provisions	1,898,714	2,829,468
Interest-bearing liabilities	128,641	364,655
Total non-current liabilities	3,885,269	4,618,921
Net assets	46,783,645	66,918,551
Equity		
Share capital	5,263,182	61,668,212
Share premium reserve	–	67,656,848
Option reserve	2,747,415	2,400,080
Other reserves	450,262	450,262
Translation reserve	(39,226,535)	(18,736,292)
Retained surplus / (accumulated losses)	77,549,321	(46,520,559)
Equity shareholders' funds attributable to owners of the parent	46,783,645	66,918,551

Statements of Changes in Shareholders' Equity

For the year ended 31 December 2015

Group	Share capital	Share premium	Share option reserve	Other reserves	Tra res
	US$	US$	US$	US$	US
Equity shareholders' funds at 31 December 2013	60,003,212	54,479,151	2,330,789	789,076	(10
Foreign currency adjustments	–	–	–	–	(7,

Loss for year	–	–	–	–	&n
Total comprehensive income for the year	–	–	–	–	(7,
Issue of new ordinary shares for cash	1,665,000	13,302,000	–		&n
Costs associated with issue of new ordinary shares for cash		(202,235)	–	–	&n
Convertible loan stock repaid	–	–	–	(260,882)	&n
Warrants lapsed in period	–	77,932	–	(77,932)	&n
Share options lapsed in period	–	–	(189,308)	–	&n
Share option expense	–	–	258,599	–	&n
Equity shareholders' funds at 31 December 2014	61,668,212	67,656,848	2,400,080	450,262	(18
Foreign currency adjustments	–	–	–	–	(20
Loss for year	–	–	–	–	&n
Total comprehensive income for the year	–	–	–	–	(20
Cancellation of share premium		(67,656,848)	–	–	&n
Cancellation of deferred shares	(56,405,030)	–	–	–	&n
Share options lapsed in period	–	–	(56,740)	–	&n
Share option expense	–	–	404,075	–	&n
Equity shareholders' funds at 31 December 2015	5,263,182	–	2,747,415	450,262	(39

Other reserves comprise a merger reserve of US$361,461 (2014 : US$361,461) and a warrant reserve of US88,801 (2014 : US$88,801).

Cash Flow Statements

For the year ended 31 December 2015

	Group	
	For the year ended 31 December 2015	For the year ended 31 December 2014
	US$	US$
Cash outflows from operating activities		
Operating loss	(48,738)	(174,401)
Net financial (income) /expense	400,142	(1,156,576)
Depreciation – plant, equipment and mining properties	5,840,769	2,633,578
Write back of impairment provision	–	(2,590,532)
Taxation	525,032	–
Share-based payments	404,075	258,598
Write-back of provision for contingencies	–	(298,088)
Interest paid	(1,006,508)	(343,738)
Foreign exchange	(1,482,239)	462,326
Finance charges	(171,500)	(228,510)
Changes in working capital		
Increase in inventories	(1,617,365)	(4,157,262)
(Increase)/decrease in receivables, prepayments and accrued income	(272,978)	(8,218,764)

Increase in payables, accruals and provisions	1,831,710	1,153,538
Increase in short term intercompany payables	–	–
Net cash flow from operations	4,402,400	(12,659,831)
Investing activities		
Sales revenues – capitalised	3,337,071	4,079,663
Capitalised pre-operating costs	(5,422,606)	(7,665,510)
Purchase of property, plant, equipment and projects in construction	(2,985,139)	(5,613,297)
Mine development expenditure	(1,539,729)	(301,723)
Capital and loan investments in subsidiaries	–	–
Interest received and other finance income	675,643	36,141
Net cash outflow on investing activities	(5,934,760)	(9,464,726)
Financing activities		
Issue of ordinary share capital	–	16,650,000
Receipts from short term secured loans	–	10,750,000
Repayment of short term secured loan	(4,000,000)	(5,500,000)
Repayment of convertible loan stock	–	(477,780)
Payment of finance lease liabilities	(757,596)	(706,457)
Receipts for short term trade finance	21,787,907	16,205,212
Repayment of short term trade finance	(22,899,024)	(8,441,166)
Acquisition of subsidiary – cash acquired	–	–
Payment of share issue costs	–	(202,235)
Net cash inflow from financing activities	(5,868,713)	28,277,574
Net (decrease) / increase in cash and cash equivalents	(7,401,073)	6,153,017
Cash and cash equivalents at beginning of period	9,813,602	3,789,263
Exchange difference on cash	(220,770)	(128,678)
Cash and cash equivalents at end of period	2,191,759	9,813,602

Notes

1. General Information

The financial information set out above for the years ended 31 December 2015 and 31 December 2015 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006, but is derived from those accounts. 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. A copy of the statutory accounts for 2014 has been delivered to the Registrar of Companies and those for 2015 will be submitted for approval by shareholders at the Annual General Meeting. The full audited financial statements for the years end 31 December 2014 and 31 December 2014 do comply with IFRS.

2. Auditor's Opinion

The auditor has issued an unqualified opinion in respect of the financial statements which does not contain any statements under the Companies Act 2006, Section 498(2) or Section 498(3). The auditor has raised an Emphasis of Matter in relation to going concern and the availability of project finance as follows:

"In forming our opinion, which is not modified, we have considered the adequacy of the disclosures made in Note 1(a) to the financial statements concerning the group's ability to continue as a going concern. Whilst the Group has access to further unsecured loan amounts in the near term, these loans must be repaid by 31 January 2017. In order to meet its existing commitments and liabilities as they fall due, the Group is dependent on its ability to successfully achieve planned production levels for the year from the Palito and Sao Chico mines, the latter of which achieved commercial production on 1 January 2016. There are risks associated with the commencement of a new mining operation and additional working capital may be required to fund unforeseen technical and logistical events should they occur. The Group is also susceptible to changes in gold price and currency exchange rates which are outside of its control. These conditions, along with the other matters explained in Note 1(a) to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern."

NB: The reference to note 1(a) in the above is a reference to the Basis of preparation note contained within the Financial Statements from which the extract reproduced below referring to Going Concern is taken.

3. Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") in force at the reporting date and their interpretations issued by the International Accounting Standards Board ("IASB") as adopted for use within the European Union and with IFRS and their interpretations issued by the IASB. The consolidated financial statements have also been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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 but are not yet effective will have a material impact on the Group's earnings or shareholders' funds. The Company has not adopted any new standards in advance of the effective dates.

Going concern and availability of project finance

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

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

The Group has a secured loan facility which is repayable by 31 December 2016. At 31 December 2015 the amount outstanding under this facility was US$4.0 million.

The Directors anticipate the Group now has access to sufficient funding for its immediate projected needs. The Group expects to have sufficient cash flow from its forecast production to finance its on-going operational requirements to repay its secured and unsecured loan facilities and to, at least in part, fund exploration and development activity on its other gold properties. However the forecasted cash flow projections for the next twelve months include a significant increase in production from the Sao Chico Mine compared with the preceding calendar year. Whilst the Group has declared Commercial Production at the Sao Chico Mine, there are risks associated with the commencement of any new mining operation whereby unforeseen technical and logistical events result in additional costs needing to be incurred, giving rise to the possibility that additional working capital may be required. Additionally the Group is exposed to changes in gold price and currency exchange rates. Should additional working capital be required the Directors consider that further sources of finance could be secured within the required timescale. On this basis the Directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis.

However there is no certainty that such additional funds either for working capital or for future development will be forthcoming and these conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

4. Finance Income and expense

	Group	
	For the year ended 31 December 2015	For the year ended 31 December 2014
	US$	US$
Interest on trade financing loan	(364,656)	(228,510)
Finance cost on Sprott Loan	(526,500)	(120,000)
Interest on short-term loan	(586,667)	(101,782)
Interest payable on finance leases	(32,388)	(81,501)
Finance charge re convertible loan stock	–	(75,763)
Other finance-related expenses	(22,797)	(79,726)
Interest payable	(1,533,008)	(687,282)
Release of fair value for call options granted	196,330	123,670
Release of fair value for warrants issued (1)	332,173	1,350,827
Income from gold hedging activities	674,520	366,962
Gains on financial instruments	1,203,023	1,841,459
Finance income on short-term deposits	1,123	36,141
Net finance income/(cost)	(328,862)	1,190,318

(1) The release of fair value for warrants issued relates to 100,000,000 warrants to subscribe for new ordinary shares issued by the Company on 3 March 2014. The Company accounted for the issue of these warrants in accordance with IAS32 and recorded a liability of US$1.68 million at the date of issue. As at 31 December 2015 the fair value of these warrants was assessed to be US$nil (2014 : US$332,173) and the reduction in fair value has been recognised through the income statement. The warrants expired on 2 March 2016 with none having been exercised.

5. Loss per Share

The calculation of the basic loss per share of 0.01 cents (2014: loss per share: 0.03 cents) is based on the loss attributable to ordinary shareholders of US$48,738 (2014: loss of US$174,401) and on the weighted average number of ordinary shares of 656,389,204 (2014: 622,964,546) in issue during the period. Diluted loss per share is the same as the basic loss per share because the exercise of share options would be anti-dilutive.

6. Post balance sheet events

On 31 December 2015, the Group announced that it had entered into an agreement with Fratelli Investments Ltd ("Fratelli"), its major shareholder whereby Fratelli had agreed to provide a unsecured short term working capital convertible loan facility of US$5 million ("the Facility") to provide additional working capital facilities. On 6 January 2016 the Group announced that it had made an initial draw down of US$2 million against the Facility.

On 1 February 2016 the Group announced that it had agreed an extended repayment period for the remainder of the loan with Sprott Resource Lending Partnership ("Sprott"), the outstanding balance of which amounted to US$4 million as at 31 December 2015. The balance of the loan had been due to be repaid to Sprott by 31 March 2016. The Group has now agreed with Sprott that the balance of the loan shall be repaid in nine equal monthly instalments commencing 30 April 2016 and ending 31 December 2016. In the event that the Group elects to make any early repayment a penalty fee can be applied which depending on the time of repayment could be a maximum of 5% of the outstanding loan balance at that time. The interest rate applied to the loan remains at 10% per annum. The Group has granted to Sprott a call option over 2,500 ounces of gold at a strike price of US$1,125 per ounce. Sprott has the right to exercise its call option, subject to a minimum of 500 ounces, at any time up to 30 June 2017. The call option if exercised will be settled in cash.

The Group has announced that effective from 1 January 2016 the Sao Chico Mine had entered into commercial production.

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.