

Serabi Gold plc
("Serabi" or the "Company")
Audited Results for the year ended 31 December 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 2016.

Key Financial Information

SUMMARY FINANCIAL STATISTICS FOR THE THREE AND TWELVE MONTHS ENDING 31 DECEMBER 2016

	3 months to 31 Dec 2016 US\$	12 months to 31 Dec 2016 US\$	3 months to 31 Dec 2015 ⁽¹⁾ US\$	12 months to 31 Dec 2015 ⁽¹⁾ US\$
Revenue	10,472,823	52,593,751	8,042,431	35,086,113
Cost of Sales	(7,077,485)	(32,906,426)	(4,235,007)	(23,585,063)
Depreciation and amortisation charges	(1,832,637)	(8,384,738)	(2,236,959)	(5,840,769)
Gross profit	1,562,701	11,302,587	1,570,465	5,660,281
(Loss) / profit before tax	(435,552)	1,870,179	285,221	476,294
Profit / (loss) after tax	2,958,630	4,430,292	(239,811)	(48,738)
Earnings / (loss) per ordinary share (basic)	0.423 cents	0.659 cents	(0.036 cents)	(0.01 cents)
Average gold price received	US\$1,207	US\$1,245	US\$1,105	US\$1,151
			As at 31 Dec 2016	As at 31 Dec 2015
Cash and cash equivalents			4,160,923	2,191,759
Net assets			63,378,973	46,783,645
Cash Cost and All-In Sustaining Cost ("AISC")				
			12 months to 31 Dec 2016	12 months to 31 Dec 2015 ⁽¹⁾
Gold production for cash cost and AISC purposes ⁽³⁾			39,390	29,841 ⁽²⁾
Total Cash Cost of production (per ounce)			US\$770	US\$677
Total AISC of production (per ounce)			US\$965	US\$892

1. The Sao Chico Mine was only declared to be in Commercial Production with effect from 1 January 2016 and all costs and revenues relating to this mine were capitalised prior to this date. The Income Statements for 2015 therefore only reflect the revenues and costs arising from the gold produced from the Palito Mine and the Cash Cost and AISC for the 2015 comparative period therefore also only reflect the activities from the Palito Mine.
2. Excludes gold production of 2,788 ounces from the Sao Chico Mine which was not in commercial production during 2015.
3. Gold production figures are subject to amendment pending final agreed assays of the gold content of the copper/gold concentrate and gold doré that is delivered to the refineries.

2016 Financial Highlights

- Cash Cost for the year of US\$770 per ounce.
- All-In Sustaining Cost for the year of US\$965 per ounce.
- Gross profit from operations of US\$11.30 million for 2016 which represents an improvement of over 99 per cent compared to the same 12 month period of 2015.
- Post tax profit of US\$4.43 million compared with a loss of US\$0.048 million for the same 12 month period of 2015.
- Earnings per share of 0.66 cents for 2016.
- Cash holdings of US\$4.16 million at 31 December 2016 (31 December 2015 : US\$2.2 million)
- Average gold price of US\$1,245 received on gold sales in 2016.
- Negligible borrowings with secured debt facilities outstanding at 31 December of only US\$1.37 million.
- Borrowings of approximately US\$8.50 million settled during the year.
- Unit production costs per tonne reduced by 12.7 per cent in local currency terms year on year.

2017 Guidance

- Forecast gold production for 2017 expected to be approximately 40,000 ounces.
- Cost guidance for 2017 of an All-In Sustaining Cost of US\$950 to US\$975 per ounce.

Post Year End Highlights

- Approximately 6,600 ounces of gold produced during the first two months of 2017.

2016 Operational Highlights

- Record annual production of 39,390 ounces of gold, exceeding guidance and representing a 21 per cent improvement compared with the 2015 calendar year.
- Plant capacity increased with installation of third ball mill. Average milled tonnage now approximately 500 tonnes per day ("tpd").
- Total tonnage mined of approximately 159,000 tonnes, a 17 per cent increase compared with the preceding year.
- Total tonnage processed of approximately 159,000 tonnes, representing a 22 per cent improvement compared with 2015.
- Milled ore grades of 8.11 grammes per tonne ("g/t") of gold.
- New exploration licences at Sao Chico have been acquired immediately to the east and west of the Sao Chico Mine deposit, offering excellent opportunity to expand the deposit, with exploration already underway.
- Ground induced polarisation ("IP") survey undertaken at Sao Chico has identified some excellent targets within 500 metres of the current operation.
- The Company has three additional gold discoveries within three kilometres of the Palito deposit providing further potential for near term resource and production growth.
- At Sao Chico the main ramp has now been deepened to the 71mRL, some 170 vertical metres below surface.
- Two new sectors brought into development at Palito, being Senna to the west and Chico da Santa to the east.
- In the Palito Main Zone, the main ramp has now reached the -50mRL, where the G3 vein has been intersected and is ready to be developed.

Fourth quarter 2016 Operational Highlights

- Gold production of 9,413 ounces for the fourth quarter of 2016 (Q3 2016 - 10,233 ounces).
- Mine ore production totalled 44,579 tonnes for the fourth quarter (Q3 2016 - 43,133 tonnes):

34,611 tonnes at a grade of 7.38 g/t of gold from Palito.

9,968 tonnes at a grade of 14.38 g/t of gold from Sao Chico.

- 40,485 tonnes of ore processed through the plant during the quarter for the combined mining operations, at a combined grade of 7.60 g/t of gold.
- 2,624 metres of horizontal mine development completed in the quarter with 1,928 metres completed at Palito and 696 metres at Sao Chico.
- During the quarter, the installation of a new carbon regeneration kiln was completed, this is now effectively regenerating 'fouled' carbon and early results suggest significant improvement in gold recoveries.
- At Palito the development of the Senna vein is continuing, with sublevels being developed on 250mRL, 237mRL, 225mRL, 210mRL and ramping down to the 180mRL.
- During the fourth quarter, a total of 2,814 metres of underground diamond drilling was completed across both sites. At Sao Chico, a combination of exploration and evaluation drilling totalling 1,267 metres was completed, mostly drilling the inferred resource blocks below the 86mRL. At Palito, a total of 1,547 metres of mostly exploration drilling was completed, principally drilling the inferred resource blocks on the Senna vein below the 200mRL.
- At the year end, the combined surface stockpiles at Palito and Sao Chico totalled 21,000 tonnes of ore with an average grade of 4.0 g/t of gold.

Mike Hodgson, CEO of Serabi commented,

"2016 has been an excellent year for the Company. As announced on 23 January 2017 we produced 39,390 ounces of gold for the year, exceeding our production guidance. The financial results that we have released today reflect the strong operational performance with a gross operating profit reported of over US\$10.6 million. With the cash generated we have been able to settle approximately US\$8.50 million of debt that the Company had outstanding at the end of 2015 and significantly strengthen the balance sheet.

"We continue to look for efficiencies and improvements and it is pleasing to report that our unit production costs per tonne have decreased year on year by almost 13 per cent when looked at in local currency terms. Our results have been unavoidably impacted by the 20 per cent strengthening of the Brazilian Real over the past 12 months and, whilst many of the forecasts that we read indicate a weakening of the currency during 2017, we work on the principal of focussing on the items that we can control and therefore our simple objective is to reduce our costs to the lowest levels possible.

"2017 will, from an operational perspective, be a period of consolidation. Both the Palito and Sao Chico Mines are now in a reasonably steady state and at the current time we are forecasting production of 40,000 ounces for the year, similar to the output for 2016. Whilst opportunities may present themselves that could create gold production improvements at both Palito and Sao Chico, significant future production growth is most likely to come from establishing new mineable ore-bodies. I am hopeful that during 2017 we can re-invest surplus cash into exploration programmes that will generate these additional ore-bodies. With four discoveries already made at Palito and the Currutela discovery certainly looking as if it is a strike extension of the Palito deposit I am very confident that the probability of successfully increasing our production over the next 12 to 18 months is high.

"In addition, the Sao Chico Mine sits within what is a larger regional shear structure and having secured the exploration licences to the east and west and with numerous historic gold occurrences in the area, it seems likely that future exploration programmes will identify additional mineable resources within the vicinity of the existing Sao Chico deposit. Whilst the exploration here is less developed and, unlike Palito we have no existing drilled discoveries, considering the geological setting, we are of the view that the Sao Chico Mine, whilst smaller today than Palito, has the scope to expand significantly and ultimately host a larger mineral resource than Palito. Whilst the ground geophysics programme that we started at the end of 2016 had to be suspended due to an early onset of the wet season, the initial results were very encouraging and identified a number of significant anomalies that appear larger than Sao Chico itself. We want to restart and complete the programme as soon as conditions permit and, if successful, will look to follow this up with some initial surface drilling.

"When I look back to 12 months ago my priorities were to ensure that we met our production guidance and paid down our debt. I am pleased that we exceeded our initial guidance by 6.5 per cent and settled almost 75 per cent of our debt. For this next 12 months we will focus on identifying and developing the future production growth for the Group. Our target is to expand annualised production by the end of 2018 to 60,000 to 70,000 ounces and for a similar level of increase within a further two years. I strongly believe that we can achieve this from the opportunities that we have in our current tenements and I hope that before the end of this year I can present hard evidence that this growth plan is well underway to being realised."

Chairman's Statement

Serabi has successfully delivered another year of production growth, with gold production for 2016 representing a 21 per cent year on year improvement and a very satisfying 6.5 per cent improvement over the initial production guidance provided by management. With the Palito and Sao Chico Mines now operating at planned levels and 40,000 ounces of gold production is forecast for 2017. Therefore, our focus is now, very much, on evaluation of the existing discoveries and other exciting exploration opportunities that exist around both mines and successful development of these will bring a further opportunity to increase production and a significant step change in the Group's evolution.

Serabi's Board continues to see growth as the key to the long term success for the Company, although it will remain focused on maximising cash generation and it is not lost on the Board that small producers such as Serabi can generate greater levels of operational cash flow than larger producers by being focused on establishing high quality operations. Ultimately there should always be increased economies associated with scale. To maximise the Group's leverage in the short term on its existing skill, knowledge and contact base, Serabi remains very much a Brazilian focused producer and developer. We have established a loyal and 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, and will be key to the Group's future growth.

The sentiment within the mining sector feels more positive than 12 months ago and it is evident to me that the larger mining groups having been focused on cost reduction for the past few years and getting their houses in order, are once again putting investment into their own exploration and have a renewed appetite for looking to the junior sector for opportunities to support their own growth. This, in turn, brings renewed investor interest and support for the sector to boost growth and new developments. After the last few difficult years it is a welcome indicator for renewed optimism.

However, as the last 12 months have shown, the world is an unpredictable place. Commodity price volatility is not a friend to the resource sector and for good reason can stimulate a cautionary approach. Your Board will therefore be judicious in its own strategy for growth as it seeks to maximise the value that it can achieve from each dollar spent. We will insist that management continue to follow its tested risk reducing formula and systematic approach to exploration activity. We continue to be very excited about the prospects that we have in our own tenements and whilst we insist on a pragmatic and risk reduction approach, we are also aware that we need to build value quickly and make the most of the Group's current position and strength. This needs to be balanced with the concurrent need to continue to improve the Group's working capital position and improve its resilience to short term market movements that can negatively impact on cash flow and margin.

We started the first phase of an increased exploration effort during the second half of 2016 with some initial geophysics programmes around the Palito and Sao Chico Mines. The results at Palito from the down the hole electromagnetic ("EM") programmes have helped us better understand the size and location of existing discoveries and will help us plan the next phase of evaluating these. At Sao Chico the work was suspended because of weather conditions but the initial signs have been very encouraging and continue to support management's belief that the current Sao Chico Mine is just a small part of a much larger regional feature and structure. In this respect the successful acquisition of the exploration rights, during 2016, over exploration tenements surrounding the current Sao Chico operations was very important. The weather in the early part of the year can limit the efficiency and nature of exploration programmes, but management is actively planning the next stages of work and considering the optimum solutions that will ensure the Group can properly finance these.

Management continue to actively assess other opportunities in Brazil and our track record of moving exploration projects into production makes Serabi an attractive partner for companies with less operational experience. However, it remains difficult to find the blend of project and price that makes an acquisition compelling and, whilst we recognise that Serabi needs to grow and make a step change that will be reflected in its valuation, the Board will only pursue opportunities that will bring strong, long term returns to our existing shareholders.

The next 12 months will continue to bring challenges but also, I am sure, rewards. I am optimistic about the outlook for gold and believe that we have now positioned Serabi to benefit from and grow on the back of it. We have built a strong platform for our longer term growth and will do all that we can to realise this growth quickly and efficiently.

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 the past year. Their hard work and determination to succeed means your Company is well positioned to reap the benefits of the higher gold price environment we expect during 2017 and beyond. Finally, thank you to our shareholders, large and small, for your patience during the last few years. I continue to believe the future is extremely bright for Serabi.

T. Sean Harvey - Chairman

Serabi's Directors Report and Financial Statements for the year ended 31 December 2016 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.

This announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

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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 2016 and its Annual Information Form on SEDAR at www.sedar.com. These documents will also be 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 2017. 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.

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 2016, 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 2016 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 2016

	Group	
	For the year ended 31 December 2016	For the year ended 31 December 2015
	Notes US\$	US\$
CONTINUING OPERATIONS		
Revenue	52,593,751	35,086,113
Cost of sales	(32,906,426)	(23,585,063)
Depreciation and amortisation charges	(8,384,738)	(5,840,769)
Gross profit	11,302,587	5,660,281
Administration expenses	(4,962,524)	(4,379,770)
Share-based payments	(350,899)	(404,075)
Gain on disposal of fixed asset	34,742	-
Operating profit	6,023,906	876,436
Foreign exchange loss	(236,619)	(71,280)
Finance expense	4 (3,917,681)	(1,533,008)
Income on financial instruments	-	1,203,023
Finance income	4 573	1,123
Profit before taxation	1,870,179	476,294
Income tax benefit / (expense)	2,560,113	(525,032)
Profit / (loss) for the period from continuing operations ⁽¹⁾	4,430,292	(48,738)
Other comprehensive income (net of tax)		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	8,618,687	(20,490,243)
Total comprehensive profit / (loss) for the period ⁽¹⁾	13,048,980	(20,538,981)
Profit / (loss) per ordinary share (basic)	5 0.66c	(0.01c)
Profit / (loss) per ordinary share (diluted)	5 0.61c	(0.01c)

(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 2016

	Group	
	2016	2015
	US\$	US\$
Non-current assets		
Development and deferred exploration costs	9,990,789	8,679,246
Property, plant and equipment	45,396,140	40,150,484
Deferred taxation	3,253,630	-
Total non-current assets	58,640,559	48,829,730
Current assets		
Inventories	8,110,373	6,908,790
Trade and other receivables	1,233,049	6,133,284
Prepayments	3,696,550	2,429,506
Cash and cash equivalents	4,160,923	2,191,759
Total current assets	17,200,895	17,663,339
Current liabilities		
Trade and other payables	4,722,139	4,212,803
Interest-bearing liabilities	2,964,057	11,385,155
Accruals	635,446	226,197
Total current liabilities	8,321,642	15,824,155

Net current assets	8,879,253	1,839,184
Total assets less current liabilities	67,519,812	50,668,914
Non-current liabilities		
Trade and other payables	2,211,078	1,857,914
Provisions	1,851,963	1,898,714
Interest-bearing liabilities	77,798	128,641
Total non-current liabilities	4,140,839	3,885,269
Net assets	63,378,973	46,783,645

Equity		
Share capital	5,540,960	5,263,182
Share premium reserve	1,722,222	-
Option reserve	1,338,652	2,747,415
Other reserves	3,051,862	450,262
Translation reserve	(30,607,848)	(39,226,535)
Retained surplus	82,333,125	77,549,321
Equity shareholders' funds attributable to owners of the parent	63,378,973	46,783,645

Statements of Changes in Shareholders' Equity For the year ended 31 December 2016

Group	Share capital US\$	Share premium US\$	Share option reserve US\$	Other reserves US\$	Translation reserve US\$	(Accumulated loss) US\$
Equity shareholders' funds at 31 December 2014	61,668,212	67,656,848	2,400,080	450,262	(18,736,292)	(46,520,559)
Foreign currency adjustments	-	-	-	-	(20,490,243)	-
Loss for year	-	-	-	-	-	(48,738)
Total comprehensive loss for the year	-	-	-	-	(20,490,243)	(48,738)
Cancellation of share premium		(67,656,848)	-	-	-	67,656,848
Cancellation of deferred shares	(56,405,030)	-	-	-	-	56,405,030
Share options lapsed in period	-	-	(56,740)	-	-	56,740
Share option expense	-	-	404,075	-	-	-
Equity shareholders' funds at 31 December 2015	5,263,182	-	2,747,415	450,262	(39,226,535)	77,549,321
Foreign currency adjustments	-	-	-	-	8,618,687	-
Profit for year	-	-	-	-	-	4,430,292
Total comprehensive income for the year	-	-	-	-	8,618,687	4,430,292
Transfer to taxation reserve	-	-	-	2,690,401	-	(2,690,401)
Shares issued in period	277,778	1,722,222	-	-	-	-
Release of fair value provision on convertible loan	-	-	-	-	-	1,195,450
Warrants lapsed	-	-	-	(88,801)	-	88,801
Share options lapsed in period	-	-	(1,759,662)	-	-	1,759,662
Share option expense	-	-	350,899	-	-	-
Equity shareholders' funds at 31 December 2016	5,540,960	1,722,222	1,338,652	3,051,862	(30,607,848)	82,333,125

Other reserves comprises a merger reserve of US\$361,461 and a taxation reserve of US\$2,690,401 (2015: merger reserve of US\$361,461 and warrant reserve of US\$88,801).

Cash Flow Statements For the year ended 31 December 2016

	Group	
	For the year ended 31 December 2016 US\$	For the year ended 31 December 2015 US\$
Cash outflows from operating activities		
Operating profit / (loss)	4,430,292	(48,738)
Net financial expense	4,153,727	400,142

Depreciation - plant, equipment and mining properties	8,384,738	5,840,769
Taxation (benefit) / expense	(2,560,113)	525,032
Share-based payments	350,899	404,075
Interest paid	(2,049,900)	(1,006,508)
Foreign exchange	(1,045,460)	(1,482,239)
Finance charges	(37,500)	(171,500)
Changes in working capital		
Decrease / (increase) in inventories	153,314	(1,617,365)
Decrease / (increase) in receivables, prepayments and accrued income	4,177,110	(272,978)
Increase / (decrease) in payables, accruals and provisions	195,845	1,831,710
Net cash flow from operations	16,152,952	4,402,400
Investing activities		
Sales revenues - capitalised	-	3,337,071
Capitalised pre-operating costs	-	(5,422,606)
Purchase of property, plant, equipment and projects in construction	(3,042,043)	(2,985,139)
Mine development expenditure	(2,366,486)	(1,539,729)
Geological exploration expenditure	(525,444)	-
Proceeds from sale of assets	34,742	-
Interest received and other finance income	573	675,643
Net cash outflow on investing activities	(5,898,658)	(5,934,760)
Financing activities		
Convertible loan received and subsequent conversion to ordinary shares	2,000,000	-
Repayment of short term secured loan	(3,111,111)	(4,000,000)
Receipt from repayment of intercompany loan	-	-
Payment of finance lease liabilities	(755,858)	(757,596)
Receipts for short term trade finance	15,146,817	21,787,907
Repayment of short term trade finance	(21,384,139)	(22,899,024)
Net cash (outflow) / inflow from financing activities	(8,104,291)	(5,868,713)
Net increase / (decrease) in cash and cash equivalents	2,150,003	(7,401,073)
Cash and cash equivalents at beginning of period	2,191,759	9,813,602
Exchange difference on cash	(180,839)	(220,770)
Cash and cash equivalents at end of period	4,160,923	2,191,759

Notes

1. General Information

The financial information set out above for the years ended 31 December 2016 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 2015 has been delivered to the Registrar of Companies and those for 2016 will be submitted for approval by shareholders at the Annual General Meeting. The full audited financial statements for the years end 31 December 2016 and 31 December 2015 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 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 expects to have sufficient cash flow from its forecast production to finance its on-going operational requirements, to repay its secured loan facilities and to, at least in part, fund exploration and development activity on its other gold properties, the Group remains a small scale gold producer with limited cash resources. It is therefore susceptible to any unplanned interruption or reduction in gold production, unforeseen reductions in the gold price or appreciation of the Brazilian currency all of which could adversely affect the level of free cash flow that the Group can generate on a monthly basis. In the event that the Group is unable to generate sufficient free cash flow to meet its financial obligations as they fall due or to allow it to finance exploration and development activity on its other gold properties additional sources of finance may be required. The Group is currently in negotiations to increase and extend its loan facilities, but they have not been finalised.

These conditions 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 Company and the Group 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.

At the date of authorisation of the financial statements, the following standards and relevant interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and some of which were pending endorsement by the EU):

IAS 12 (amended) Recognition of Deferred Tax Asset for Unrealised Losses
IFRS 16 Leases
IAS 7 Disclosure Initiative
IFRIC 22 Foreign Currency Transactions and Advance Consideration
IFRS 9 Financial Instruments
IFRS 15 Revenue from Contracts
IFRS 2 (amended) Classification and Measurement of Share-based Payment Transactions
IFRS 15 Clarification to IFRS 15 Revenue from Contracts with Customers
Annual improvements to IFRSs: 2014-2016 Cycle

The Group considers that the only standard that may have any impact is IFRS 9. The new standard will replace existing accounting standards. It is applicable to financial assets and liabilities and will introduce changes to existing accounting concerning classification, measurement and impairment (introducing an expected loss method). The Group considers that whilst IFRS 15 and IFRS 16 may impact on the Group the effect will not be significant. The operating leases held by the Company are of low value and revenue contracts usually contain a single performance criteria that is satisfied at a point in time. The Group will adopt the above standards at the time stipulated by that standard. The Group does not at this time anticipate voluntary early adoption of any of the standards.

Going concern and availability of finance

On 1 February 2016, the Group announced that, with effect from 1 January 2016, the Sao Chico Mine had achieved Commercial Production. The Palito Mine has been in Commercial Production since 1 July 2014.

The Directors anticipate the Group now has access to sufficient funding for its immediate projected needs. The Group expects to have sufficient cash flow from its forecast production to finance its on-going operational requirements, to repay its secured loan facilities and to, at least in part, fund exploration and development activity on its other gold properties. The secured loan facility is repayable by 31 August 2017 and at 31 December 2016, the amount outstanding under this facility was US\$1.37 million (2015: US\$4.0 million). The Group is currently in negotiations to increase and extend the terms of its loan facilities.

The Directors consider that the Group's operations are performing at the levels that they anticipate but the Group remains a small scale gold producer with limited cash resources to support any unplanned interruption or reduction in gold production, unforeseen reductions in the gold price or appreciation of the Brazilian currency, all of which could adversely affect the level of free cash flow that the Group can generate on a monthly basis. In the event that the Group is unable to generate sufficient free cash flow to meet its financial obligations as they fall due or to allow it to finance exploration and development activity on its other gold properties, additional sources of finance may be required. 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	For the
year ended	year ended
31 December	31 December
2016	2015
US\$	US\$

Interest on trade financing loan	(256,898)	(364,656)
Finance cost on secured loan facility	(672,331)	(526,500)
Interest payable on secured loan facility	(281,333)	(586,667)
Interest payable on finance leases	(36,194)	(32,388)
Interest payable on convertible loan	(137,049)	-
Fair value provision on convertible loan ⁽¹⁾	(1,195,450)	-
Expense from gold hedging activities	(1,338,426)	-
Other finance-related expenses	-	(22,797)
Interest payable	(3,917,681)	(1,533,008)
Release of fair value for call options granted	-	196,330
Release of fair value for warrants issued ⁽²⁾	-	332,173
Income from gold hedging activities	-	674,520
Gains on financial instruments	-	1,203,023
Finance income on short-term deposits	573	1,123
Net finance expense	(3,917,108)	(328,862)

1. The fair value provision relates to the implied value of the equity conversion right included as part of the loan terms. The value was estimated at the date of drawdown and updated until the date of exercise to reflect the price of the Group's ordinary shares and the remaining period during which the conversion rights may be exercised.
2. The release of fair value for warrants issued in 2015 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 and the reduction in fair value was recognised through the income statement. The warrants expired on 2 March 2016 with none having been exercised.

5. Earnings per Share

	For the year ended 31 December 2016	For the year ended 31 December 2015
Profit / (loss) attributable to ordinary shareholders (US\$)	4,430,292	(48,738)
Weighted average ordinary shares in issue	672,502,757	656,389,204
Basic profit/(loss) per share (US cents)	0.659	(0.01)
Diluted ordinary shares in issue	722,412,757 ⁽¹⁾	656,389,204
Diluted profit / (loss) per share (US cents)	0.613	(0.01) ⁽²⁾

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

(2) As the effect of dilution is to reduce the loss per share, the diluted loss per share is considered to be the same as the basic loss per share.

6. Post balance sheet events

On 23 February, the Group extended the term for repayment of its secured loan facility with Spratt to 31 August 2017. With this exception there has been no item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the continuing operation of the entity, the results of these operations, or the state of affairs of the entity in future financial periods.

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.

ENDS