Audited Results for the year ended 31 December 2018

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Serabi Gold plc
(“Serabi” or the “Company”)
Audited Results for the year ended 31 December 2018

Serabi (AIM:SRB, TSX:SBI), the Brazilian focused gold mining and development company, today releases its audited results for the year ended 31 December 2018.

Key Financial Information

SUMMARY FINANCIAL STATISTICS FOR THE THREE AND TWELVE MONTHS ENDING 31 DECEMBER 2018

	12 months to 31 Dec 2018 US$	3 months to 31 Dec 2018 US$	12 months to 31 Dec 2017 US$	3 months 31 Dec 20 US$
Revenue	43,261,743	10,037,906	48,449,868	12,224,81
Cost of Sales	(31,101,016)	(7,447,624)	(32,965,498)	(8,407,31
Gross Operating Profit	12,160,727	2,590,282	15,484,370	3,817,500
Administration and share based payments	(5,867,918)	(1,792,903)	(5,711,046)	(1,734,75
EBITDA	6,292,809	797,379	9,773,324	2,082,749
Depreciation and amortisation charges	(9,004,411)	(2,856,127)	(10,465,283)	(2,919,43
Operating (loss)/profit before finance and tax	(2,711,602)	(2,058,748)	(691,959)	(836,687
Loss after tax	(5,754,541)	(3,023,431)	(2,397,903)	(1,627,27
Earnings per ordinary share (basic)	(11.20 cents)	(5.13 cents)	(6.86 cents)	(4.60 cen
Average gold price received	US$1,258	US$1,213	US$1,244	US$1,265

	As at 31 December 2018	As at 31 Decem
Cash and cash equivalents	9,216,048	4,093,866
Net assets	69,110,287	60,770,71

Cash Cost and All-In Sustaining Cost (“AISC”)

	12 months to 31 December 2018	12 month 31 Decem
Gold production for cash cost and AISC purposes	37,108	37,004
Total Cash Cost of production (per ounce)	US$821	US$799
Total AISC of production (per ounce)	US$1,093	US$1,071

Financial Highlights

- Cash Cost for the year of US$821 per ounce.
- All-In Sustaining Cost for the year of US$1,093 per ounce.
- EBITDA of US$6.3 million

- Post tax loss of US$5.75. million reflecting lower level of gold sales realised during the period compared with 2017. The sales shortfall reflects the timing between production and sale recognition and will be recorded in 2019.
- Loss per share of 11.20 cents for 2018.
- Cash holdings of US$9.2 million at 31 December 2018 (31 December 2017: US$4.1 million), had increased to US$12.8 million by the end of January 2019.
- Average gold price of US$1,258 received on gold sales in 2018.
- Completion of share placings in second quarter 2018 raising more than US$23.5 million for exploration and activity and ongoing development of Coringa project.

2019 Guidance

- 2019 production is forecast to be in the range of 40,000-44,000 ounces.

Operational Highlights

- Annual gold production totalling 37,108 ounces is an improvement on 2017 production (2017: 37,004 ounces).
- Fourth quarter gold production of 10,256 ounces of gold represents record quarterly production for Serabi.
- Mine production in 2018 totalling 162,722 tonnes at 7.29 g/t of gold, with the highest level of mined tonnage for 2018 achieved in fourth quarter with a total of 44,257 tonnes at 7.45 grams per tonne (“g/t”) of gold.
- 168,253 tonnes processed through the plant in 2018 for the combined mining operations, with an average grade of 7.06 g/t of gold.
- 45,548 tonnes of run of mine (“ROM”) ore processed through the plant from the combined Palito and Sao Chico orebodies during the fourth quarter with an average grade of 7.39 g/t of gold, representing the highest quarterly throughput for the year.
- 10,371 metres of horizontal mine development completed in the year, with 2,460 metres of horizontal development completed during the fourth quarter.

- Successful factory testing of ore sorter completed in December 2018 and the unit is now in transit to site with commissioning planned for the second half of the year.

Exploration and Development Highlights

- A series of discrete “apparent conductivity” anomalies have been delineated by the analysis of the airborne magnetic and electromagnetic (“VTEM”) survey flown during the third quarter of 2018. These anomalies are indicative of probable sulphide bodies which the Company hopes will be gold bearing.
- Identification of the “Cinderella” anomaly, a chargeability and conductive high extending over seven kilometres, which is coincident with a strong magnetic anomaly defined by the airborne VTEM survey – Cinderella is the most significant of a number of anomalies around Sao Chico identified by an Induced Polarisation (IP) terrestrial geophysics programme completed at Sao Chico in the fourth quarter.
- Environmental Impact Assessment (“EIA”) for the Coringa project approved by State Environmental Agency (“SEMAS”) and public hearings now being planned.
- Mineral Resources for the Coringa project increased to 514,000 ounces representing a 37% increase over the previously disclosed estimation (as of May 3, 2017), following completion of a surface drilling programme of approximately 7,000 metres.
- Completion of a 4,343 line kilometre airborne HeliTEM Electro-magnetic (“EM”) and Magnetic survey.
- Completion of 80 line kilometres of a terrestrial Induced Polarisation (“IP”) geophysical survey.
- 4,237 metres of surface exploration drilling completed over the Sao Chico deposit, successfully intersecting the strike extension of the Sao Chico orebody up to 500 metres west of the current mine limit.
- 1,520 metres of surface drilling at the Palito deposit, targeting the north extension of the main G3 vein, with the most significant intersection recording 19 g/t of gold over a width of 0.55 metres.
- Drilling at Palito confirms northerly and southerly extensions of the key Pipocas and G3 veins and southerly extensions in the Chico da Santa area.

Key Objectives for 2019

·Building an increase in mineral resources and setting the platform for future production growth in 2020.
·Continue the permitting process for Coringa to allow construction to commence during the fourth quarter of 2019.
·Continue, and accelerate, the current drilling programme at Palito to test the strike extension of orebodies beyond the current resource limits.
·Commence a similar drill and surface geophysics campaign at Sao Chico to test the five kilometre trend that hosts the Sao Chico deposit as well as multiple historic artisanal mines along its length.
·Optimise mine planning and development plans for the Coringa project to improve the economics and the projected life.
·Continue to evaluate M&A opportunities in the region and across Brazil.

Mike Hodgson, CEO of Serabi commented,
“2018 has been a very satisfying year operationally and with a strong first half of the year, and a record fourth quarter, the Company exceeded 2017 production and this momentum has been maintained into the first months of 2019. Both orebodies have performed well and mine production has continued to exceed plant capacity. During 2018 we began a process to improve the plant’s production capabilities, firstly by commissioning a ‘scrubbing system’ to independently feed stockpiled gold bearing (3g/t Au) flotation tailings to supplement that daily production of mined ore. The processing of this material will contribute to an improved level of gold production for this year and our guidance is for 40,000-44,000 ounces for 2019. We are also anticipating the commissioning of an ore sorter during the second part of the year. The ore sorter will help screen out some waste that despite our very selective mining methodology, inevitably still enters the mill feed and consumes precious plant capacity and we can increase mining rates to take advantage of this capacity. Whilst we are not forecasting production benefits from the ore sorter in 2019, we are planning for its impact to be significant in 2020.

“The last 12 months have also yielded some exciting exploration news, with results, particularly around Sao Chico, being better than expected. The surface and ground geophysics results around Sao Chico are the best we have seen on our exploration tenements and I am excited by the significant growth potential that we continue to identify. At our Coringa project we are maintaining progress in advancing the permitting of this project and have recently announced an increase in the mineral resources of 37 per cent. We are now working on a Preliminary Economic Assessment the initial results of which are expected to be available before the end of the second quarter.

“Looking at our year end and the fourth quarter financial performance, whilst gold production achieved in the fourth quarter of 10,256 ounces was a record quarterly level, a significant portion of the sales have only been recognised during the first quarter of 2019. Gold sales recognised in the fourth quarter were only for 8,043 ounces which has affected the revenue achieved in the fourth quarter and therefore profitability. The unsold production comprising copper/gold concentrate and gold bullion was held as inventory at the end of the year and the value of inventory has increased from US$2.3 million at the end of September 2018 to US$3.8 million at the end of December 2018 reflecting this higher level of unsold production.

“This production has now been sold and proceeds received which have helped to improve the cash position of the company and by the end of February 2019 the Group’s cash holdings had increased by approximately US$3 million to over US$12.1 million.

“As we approach the end of the first quarter of 2019, I am pleased to confirm that we have enjoyed an excellent start to the year. Gold production will again be in excess of 10,000 ounces for the quarter whilst sales realised will total over 12,000 ounces.”

“Our cash costs and AISC had seen a modest increase year on year and I am very hopeful that, with the increased production that we expect to generate in 2019, we will see a reduction in these as we spread our cost base over a larger level of gold production. We did experience some exceptional expenditure during the year particularly in undertaking work to bring our tailings ponds into conformity with updated legislative requirements and introduced following the events at Mariana in 2015 and we do have a fully compliant and licenced tailings facility. I do not expect a similar level of expenditure, which was in excess of US$1 million, being required in 2019, notwithstanding that recent events at Brumadinho.

“We have, however, taken the decision to amend the Environmental Impact Assessment for the Coringa project to incorporate filtration and dry stacking of mine tailings, and therefore dispense with the requirement for a tailings dam. Whilst this EIA, which was inherited having already been submitted by the previous operator, has now been approved by the State Environmental Agency, we feel that, for a new mining project, such a variation will eliminate a significant perceived area of risk and thus simplify the permitting and financing process. Successful studies into the viability of using a filtration plant and stacking of the dried mine tails were completed during 2018 so the work to complete the variation submission is already well advanced.

Chairman’s Statement

The past 12 months have seen the start of what, I hope, will be a sustained period of growth for the Company. The acquisition of the Coringa project at the end of 2017 provided the initial impetus and following the successful equity financings completed in the second quarter of 2018, the Company has been able to undertake an aggressive and highly encouraging exploration programme over the past nine months. The highlights of this exploration work, to date, have been the identification of significant new growth potential in and around the Sao Chico deposit and a significant enhancement of the geological resource at Coringa with an overall increase of 37 per cent in the total Measured, Indicated and Inferred Resources. These are certainly encouraging signs that the Company’s near term objectives, of being a 100,000 ounce per annum producer with a global gold resource of more than two million ounces, are well within reach.

The current mining and processing operations of the Palito Complex continued to perform well during the year and overall production of 37,108 ounces represented an improvement on 2017 levels. For 2019, the Company’s production guidance is between 40,000 and 44,000 ounces with the improvements expected to be generated from improved control of mining dilution, resulting in improved head-grades, the increased processing rates of stockpiled material, particularly the historic flotation tailings. In the second half of the year, the Company also plans to be commissioning of an ore-sorter which is expected to liberate processing capacity within the current plant and have a significant production impact for 2020.

The real step change in production will begin during 2020 with the development of the Coringa gold project located approximately 200 kilometres to the south of the Palito Complex. During the year the Company has made steady progress with the permitting and licensing of this project with trial mining licences being issued in May 2018 and at the end of the year the approval of the state environmental authority (“SEMAS”) of the Environmental Impact Assessment (“EIA”) that had been submitted to them at the end of 2017. This approval has allowed the process of arranging the required public hearings to begin, and if there is a positive outcome from thes, this will clear the way for the award by SEMAS of the first, and generally the most contentious licencing stage, the Preliminary Licence (“Licencia Previa” or “LP”). This will allow the Company to engage consultants to prepare and present the technical submissions to support the application for the Installation Licence which is required before construction can commence.

In the meantime, the Company has been undertaking further exploration around the Coringa project and a diamond drilling campaign completed in February 2019 has contributed to a 37 per cent increase in the global gold resource of the project. This is extremely encouraging and may, potentially, extend the life of mine significantly beyond the initial five years projected by the feasibility study published Anfield Gold, the previous owners, in September 2017.

The Company has also enjoyed significant exploration success with the regional and near mine programmes carried out during 2018. Most significant of these was the airborne magnetic and electromagnetic (“VTEM”) survey flown in July 2018. This had been long awaited and, by complementing similar surveys undertaken in 2008 and 2011, it now means the entire 43,000 hectare tenement, that comprises the Palito Complex, has been covered by airborne VTEM. The survey results have highlighted the presence of numerous pronounced magnetic anomalies, most notably a major east-west lineament crossing the entire tenement. This feature is extremely interesting and there are a significant number of electromagnetic anomalies lying on the flanks of this magnetic high. The survey also identified an extremely interesting electromagnetic (“EM”) anomaly trending north-south and located to the south east and east of the Sao Chico tenement. The Company’s current ground geophysics and drill programmes have not extended out this far and this is therefore untested ground. As a completely new find and considering that it extends for more than 10 kilometres, is a very exciting development.

However, the area of our near term focus will be what has been christened the Cinderella zone, a north east to south west trending feature extending over seven kilometres and traversing the south east corner of the

Sao Chico mining tenement. This has developed into a very compelling exploration target, and our exploration team has worked quickly to develop, and have already begun, geochemical survey programmes that will allow us to evaluate further the potential of this zone. It is made more interesting by the current and historical artisanal mining activity around the areas that drain from the anomaly. As the old adage goes, the best place to find gold is next to an old gold mine.

We were all deeply saddened by the recent and tragic events at Brumadinho in Minas Gerais state in Brazil. This has created significant concern in Brazil over the safety of tailings dams generally. The Group had already undertaken studies for using a filtration plant that would produce dry tailings which could be stacked, and negating the need for a tailings dam. The Group is currently amending the Environmental Impact Study for Coringa to incorporate a filtration plant, removing the need for a wet tailings facility which the Group sees as a major factor in minimising permitting delays and concerns. I would also like to give reassurance to our stakeholders regarding the tailings management facility at Palito. Serabi’s operations are all about quality not quantity, therefore we mine and process almost insignificant volumes of rock relative to industrial mineral, iron ore and bauxite operations such as Brumadinho. New legislation had already been introduced following the dam failure at Mariana, also in Minas Gerais, in 2015 and the Company undertook significant civil works during 2018 to add further strengthening to out tailings ponds and the annual audit of our tailings facilities, undertaken late last year by an accredited Brazilian geotechnical engineering expert, confirmed our tailings management facility to be in good order, and it remains fully licenced and certified.

Whilst the outlook for the Company is extremely exciting it must not be forgotten that its fortunes are very closely linked to the gold price and also, in our case, the Brazilian Real/ US Dollar exchange rate. Jair Bolsonaro, the new president of Brazil, only took power on 1 January 2019, and it will take some time to see the reaction, both domestically and internationally, to some of the policy changes and initiatives that he is seeking to introduce. After many years of control by the Workers Party, the switch to a pro-business, right-leaning president wanting to re-invigorate the economy, reduce government bureaucracy and maximise the economic benefits of the country’s vast natural resources, including the expansion of its hydro-electric capability are all encouraging signs that should promote new investment and reduce perceived risk. However, the task that lays ahead of him is not easy and it can be expected that it will take time for his reforms to be agreed by the government and implemented. In the long term it might be expected that renewed economic success for Brazil will lead to a strengthening of the currency but we feel that it will be some time before this materialises.

Gold prices have averaged approximately US$1,250 and US$1,260 in 2017 and 2018 respectively although across these two years there has been some significant volatility with 2018 seeing a high point of more than US$1,350 and a low below US$1,200. Increasing tensions in US politics, questions over the strength of the global economy and the expectation that the US Federal Reserve will hold off on the previously expected interest rates rises for 2019, have in recent months contributed to attracting investors back to gold as they show signs of anxiety about the state of the world. Stock markets remain somewhat fragile and in January 2018, Goldman Sachs raised its gold forecast and now expects a gold price of $1,425 over the next year. Against this backdrop, it seems a very opportune time to be looking to develop and bring on stream production growth.

Nevertheless, the Serabi Board will continue to be prudent in its growth strategy as we seek to maximise the value that we can achieve from each dollar invested. We remain a small producer for now and will insist that management continues to follow its proven formula and systematic approach to exploration activity. We feel we have excellent potential in our tenements, at Palito, Sao Chico and Coringa, so anything outside these areas has to offer a significant value upside to be included in our growth strategy. Growth will always need 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 remain open to looking at further acquisitions that we consider can bring synergies and reduce the Company’s overall unit costs and whilst Brazil remains our immediate focus, we are aware of opportunities outside of Brazil that could represent an excellent fit for Serabi, through increased levels of gold production and having the potential for further long term growth. Recent combinations of some of the larger gold mining groups, may lead to a reduction in the levels of funding available to junior miners from senior miners compared with recent years. With reduced levels of activity from US, Canadian and European brokerage houses, the reduced numbers of specialist mining funds, dwindling interest from generalist investment funds and retail investors this funding from major mining groups has been a significant source of finance for juniors whilst the majors have used the juniors to undertake a significant element of greenfield exploration on their behalf. Serabi’s Board is of the view that this further reduction in the availability of capital will create opportunities that can be accretive and that Serabi, with its existing cash flow and supportive shareholder base, will be well positioned to take advantage of.

The next 12 months will undoubtedly be a very interesting chapter in the Company’s history. By this time next year, I very much hope that I will be discussing progress on the construction and development of Coringa ahead of a first gold pour later in 2020, the Company will have delineated the nature and level of production expansion within the Palito Complex, and Serabi being well on the way to realising its target of annualised production of 100,000 ounces.

We are fortunate as a Company to have a strong and supportive group of major shareholders who share the vision and strategy of the Board. On behalf of the Board of Directors I would like to extend my appreciation to them for the continued support and confidence. As a Board we are also indebted 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 2019 and beyond. Finally, thank you to the rest of our shareholders, large and small, for your patience during the last few years. I continue to believe the future is extremely bright for Serabi.

Mel Williams - Chairman

Serabi’s Directors Report and Financial Statements for the year ended 31 December 2018 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. The person who arranged the release of this statement on behalf of the Company was Clive Line, Director.

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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 2018 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 2019. 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 2018, 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 2018 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 2018

		Group		
		For the year ended 31 December 2018		For the yea
	Notes	US$		US$
CONTINUING OPERATIONS				
Revenue		43,261,743		48,449,868
Cost of sales		(31,501,016	)	(32,015,498
Release of/(provision for) impairment of inventory		400,000		(950,000
Depreciation and amortisation charges		(9,281,387	)	(10,465,283
Total cost of sales		(40,382,403	)	(43,430,781
Gross profit		2,879,340		5,019,087
Administration expenses		(5,538,298	)	(5,500,275
Share-based payments		(329,620	)	(381,362
Gain on disposal of fixed asset		276,976		170,591
Operating loss		(2,711,602	)	(691,959
Foreign exchange loss		(594,596	)	(214,488
Finance expense	4	(2,385,313	)	(839,191
Finance income	4	861,430		135
Loss before taxation		(4,830,081	)	(1,745,503
Income tax expense		(924,460	)	(652,400
Loss for the period from continuing operations(1)		(5,754,541	)	(2,397,903
Other comprehensive income (net of tax)				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations		(9,607,555	)	(591,720
Total comprehensive loss for the period(1)		(15,362,096	)	(2,989,623
Loss per ordinary share (basic) (1) (2)	5	(11.20c)		(6.86c)
Loss per ordinary share (diluted) (1) (2)	5	(11.20c)		(6.86c)

(1) The Group has no non-controlling interests and all losses are attributable to the equity holders of the parent company.
(2) On 19 June 2018, the Group completed a capital reorganisation with every 20 existing shares being

consolidated into one new share. The total number of existing ordinary shares in issue immediately prior to the capital reorganisation was 1,175,281,440. The total number of ordinary shares in issue following the capital reorganisation was 58,764,072. For comparative purposes the weighted average ordinary shares in issue and the diluted ordinary shares in issue for the twelve-month period ended 31 December 2017, has been adjusted to reflect the share consolidation of 20 existing shares being consolidated into one new ordinary share.

Balance Sheet as at 31 December 2018

	Group	
	2018	2017
	US$	US$
Non-current assets		
Deferred exploration costs	27,707,795	23,898,819
Property, plant and equipment	42,342,102	48,980,381
Taxes receivable	1,555,170	1,474,062
Deferred taxation	2,162,180	2,939,634
Total non-current assets	73,767,247	77,292,896
Current assets		
Inventories	8,511,474	6,934,438
Trade and other receivables	758,209	1,277,142
Prepayments	4,166,916	3,237,412
Cash and cash equivalents	9,216,048	4,093,866
Total current assets	22,652,647	15,542,858
Current liabilities		
Trade and other payables	6,273,321	5,347,964
Interest-bearing liabilities	4,302,798	2,845,712
Acquisition payment outstanding	10,997,757	5,000,000
Derivative financial liabilities	390,976	709,255
Accruals	372,327	614,198
Total current liabilities	22,337,179	14,517,129
Net current assets	315,468	1,025,729
Total assets less current liabilities	74,082,715	78,318,625
Non-current liabilities		
Trade and other payables	955,521	2,753,409
Provisions	1,543,811	2,047,131
Acquisition payment outstanding	–	9,997,961
Interest-bearing liabilities	2,473,096	2,749,412
Total non-current liabilities	4,972,428	17,547,913
Net assets	69,110,287	60,770,712
Equity		
Share capital	8,882,803	5,540,960
Share premium reserve	21,752,430	1,722,222
Option reserve	1,363,367	1,425,024
Other reserves	4,763,819	4,015,369
Translation reserve	(40,807,123)	(31,199,568)
Retained surplus	73,154,991	79,266,705
Equity shareholders’ funds attributable to owners of the parent	69,110,287	60,770,712

Statements of Changes in Shareholders’ Equity

For the year ended 31 December 2018

Group	Share capital	Share premium	Share option reserve	Other reserves	Translation reserve
	US$	US$	US$	US$	US$
Equity shareholders’ funds at 31 December 2016	5,540,960	1,722,222	1,338,652	3,051,862	(30,607,848)
Foreign currency adjustments	–	–	–	–	(591,720)
Loss for year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	(591,720)
Transfer to taxation reserve	–	–	–	963,507	–
Share options lapsed in period	–	–	(294,990)	–	–
Share option expense	–	–	381,362	–	–
Equity shareholders’ funds at 31 December 2017	5,540,960	1,722,222	1,425,024	4,015,369	(31,199,568)
Foreign currency adjustments	–	–	–	–	(9,607,555)
Loss for year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	(9,607,555)
Transfer to taxation reserve	–	–	–	748,450	–
Shares issued in period	3,341,843	20,030,208	–	–	–
Share options lapsed in period	–	–	(391,277)	–	–
Share option expense	–	–	329,620	–	–
Equity shareholders’ funds at 31 December 2018	8,882,803	21,752,430	1,363,367	4,763,819	(40,807,123)

Other reserves comprise a merger reserve of US$361,461 and a taxation reserve of US$4,402,358 (2017: merger reserve of US$361,461 and taxation reserve of US$3,653,908).

Cash Flow Statement
For the year ended 31 December 2018

	Group	
	For the year ended 31 December 2018	For the year ended 31 December 2017
	US$	US$
Cash outflows from operating activities		
Operating profit / (loss)	(5,754,541)	(2,397,903)
Net financial expense	1,938,479	1,053,544
Depreciation – plant, equipment and mining properties	9,281,387	10,465,283
Inventory impairment expense	(400,000)	950,000
Other provisions	–	156,404
Taxation (benefit) / expense	924,460	652,400
Share-based payments	509,620	381,362
Interest paid	(770,100)	(747,072)
Foreign exchange	(155,484)	(178,753)
Changes in working capital		
(Increase) / decrease in inventories	(2,520,338)	(287,898)
(Increase) / decrease in receivables, prepayments and accrued income	(1,425,384)	(1,968,858)
Increase / (decrease) in payables, accruals and provisions	(20,870)	165,249
Increase / (decrease) in short term intercompany payables	–	–
Net cash flow from operations	1,607,229	8,243,758
Investing activities		
Acquisition payment for subsidiary net of cash acquired	(4,740,928)	(4,994,665)

Purchase of property, plant, equipment and projects in construction	(4,048,391)	(2,144,753)
Mine development expenditure	(4,090,860)	(4,362,192)
Geological exploration expenditure	(4,610,450)	(2,487)
Pre-operational project costs	(2,274,133)	–
Proceeds from sale of assets	301,480	214,566
Loans to subsidiaries	–	–
Interest received and other finance income	4,780	135
Net cash outflow on investing activities	(19,458,502)	(11,289,396)
Financing activities		
Issue of ordinary share capital	23,807,346	–
Costs associated with issue of ordinary shares	(615,295)	–
Draw-down of short term loan facility	3,000,000	3,628,511
Repayment of short term secured loan	(1,939,394)	–
Receipt from repayment of intercompany loan	–	–
Payment of finance lease liabilities	(797,945)	(644,340)
Net cash (outflow) / inflow from financing activities	23,454,712	2,984,171
Net (decrease) / increase in cash and cash equivalents	5,603,439	(61,467)
Cash and cash equivalents at beginning of period	4,093,866	4,160,923
Exchange difference on cash	(481,257)	(5,590)
Cash and cash equivalents at end of period	9,216,048	4,093,866

Notes

1. General Information
The financial information set out above for the years ended 31 December 2018 and 31 December 2017 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 2017 has been delivered to the Registrar of Companies and those for 2018 will be delivered to the Registrar of Companies following approval by shareholders at the Annual General Meeting. The full audited financial statements for the years end 31 December 2018 and 31 December 2017 comply with IFRS.

2. Auditor’s Opinion
The auditor has issued an unqualified opinion in respect of the financial statements for both 2017 and 2018 which do not contain any statements under the Companies Act 2006, Section 498(2) or Section 498(3). The auditor’s opinion in respect of the financial statements for 2018, does however contain an emphasis of matter regarding the Group and the Company’s ability to continue as a going concern and specifically the Group and the Company’s ability to ggenerate sufficient cash flows to settle, in full, the deferred consideration of US$12 million payable for the acquisition of Coringa which falls due in December 2019. It is however emphasised that the auditor’s opinion is not qualified in respect of this uncertainty.

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.

Accounting standards, amendments and interpretations effective in 2018

A number of new and amended standards and interpretations issued by IASB have become effective for the first time for financial periods beginning on (or after) 1 January 2018 and have been applied by the Group in these financial statements. None of these new and amended standards and interpretations had a significant effect on the Group because they are either not relevant to the Group’s activities or require accounting which is consistent with the Group’s current accounting policies.

The following new standards and interpretations have been adopted by the Group:

- IFRS 15 has replaced IAS 18 Revenue and IAS 11 Construction Contracts as well as various interpretations previously issued by the IFRS Interpretations Committee. The Group’s accounting policies have remained unchanged from those previously disclosed in the 2017 annual financial statements. Under IAS 18, the timing of revenue recognition from the sale of goods was based primarily on the transfer of risks and rewards, whereas IFRS 15 focuses instead on when control of those goods has transferred to the customer. This different approach has not resulted in a change of timing for revenue recognition for the Group.
- IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement. The Group’s principal financial assets comprise long and short-term loans, cash and short-term deposits, restricted cash as well as trade and other receivables. All of these financial assets continue to be classified and measured at amortised cost. The Group’s principal financial liabilities comprise trade and other payables, loans and borrowings, convertible loans and finance leases and derivative gold call options. With the exception of the gold call options, all of these financial liabilities continue to be classified and measured at amortised cost. The gold call options are classified and measured at fair value through profit or loss. There are no material financial assets subject to the expected credit loss model defined within IFRS 9, except for cash. The level of credit risk that the Group is exposed to has not given rise to material allowances within the expected credit loss model.

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods and which have not been adopted early. None of these are expected to have a significant effect on the Group, in particular:

- IFRS “16 Leases” (effective for periods beginning on or after 1 January 2019) requires lessees to recognise all lease assets and liabilities on the balance sheet for both finance leases and operating leases. Management have completed an assessment of existing operating contracts and do not anticipate the adoption of IFRS 16 to have a significant impact on the Group’s financial statements as the operating leases held by the Group are of low value and the majority of the existing contracts either relate to service agreements or otherwise do not result in right of use assets or lease liabilities.

Going concern and availability of finance

As at 31 December 2018 the Group had cash in hand of $9.2 million and net assets of $69.1 million. The Directors have prepared a cash flow forecast for the period to 31 March 2020. Based on this forecast, which includes planned capital and exploration programmes, the Group may not be able to not generate sufficient cash flows to settle, in full, the deferred consideration of US$12 million payable for the acquisition of Coringa which falls due in December 2019.

The Directors believe there is a reasonable prospect of the Group securing further funds as and when required in order that the Group can meet all liabilities including the deferred consideration payable for the acquisition of Coringa as and when they fall due in the next 12 months and have prepared the financial statements on a going concern basis.

As at the date of this report the outcome of raising further funds remains uncertain and this represents a material uncertainty surrounding going concern. If the Group fails to raise the necessary funds the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The matters explained indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent’s ability to continue as a going concern. These financial statements do not show the adjustments to the assets and liabilities of the Group or the Parent company if this was to occur.

4. Finance expense and income

	For the year ended 31 December	For the year ended 31 December

	2018 US$	2017 US$
Interest on trade financing loan		–
Finance cost on secured loan facility	(180,000)	(189,255)
Interest payable on secured loan facility	(685,517)	(314,732)
Unwinding of discount on rehabilitation provision		(335,204)
Interest payable on finance leases	–	–
Unwinding of discount on acquisition payment	(999,796)	–
Amortisation of fair value of derivative	(520,000)	–
Arrangement fee for secured loan	–	–
Interest payable	(2,385,313)	(839,191)
Release of fair value for call options granted	318,279	–
Unwinding of discount on rehabilitation provision	538,371	
Finance income on short term deposits	4,780	135
Net finance expense	(1,523,883)	(839,056)

5. Earnings per Share

	For the year ended 31 December 2018	For the year ended 31 December 2017
(Loss) / profit attributable to ordinary shareholders (US$)	(5,754,541)	(2,397,903)
Weighted average ordinary shares in issue	51,396,253	34,935,088[1]
Basic (loss) / profit per share (US cents)	(11.20)	(6.86)
Diluted ordinary shares in issue	51,396,253	34,935,088[2]
Diluted (loss) / profit per share (US cents)	(11.20)	(6.86)

1. On 19 June 2018, the Group completed a capital reorganisation with every 20 existing shares being consolidated into one new share. For comparative purpose the weighted average ordinary shares in issue and the diluted ordinary shares in issue for the year ended 31 December 2017, has been adjusted to reflect the share consolidation of 20 existing shares being consolidated into one new share.
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
Subsequent to 31 December 2018, 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

Attachment

- Serabi Gold Plc 2018 annual results new release