3rd Quarter Results

13.12.2022 | GlobeNewswire

For immediate release

13 December 2022

Serabi Gold Plc

("Serabi" or the "Company")

Unaudited interim results for the three and nine month periods ended 30 September 2022

Serabi Gold Plc (AIM:SRB, TSX:SBI), the Brazilian focused gold mining and development company, today releases its unaudited results for the three and nine month periods ended 30 September 2022.

A copy of the full interim statements together with commentary can be accessed on the Company's website using the following link - https://bit.ly/3YjvbIU

Financial Highlights

- Gold production for the third quarter of 8,541 ounces brings total gold production for the first nine months of 2022 to 24,021 ounces.
- Cash held at 30 September 2022 of US$10.18 million (31 December 2021 : US$12.2 million).
- EBITDA for the nine-month period of US$5.9 million (2021: US$15.0 million).
- Post tax loss for the nine-month period of US$0.87 million, after provision of US$1.0 million against the recovery of historic tax debts owed to the Company in Brazil.
- Loss per share of 1.15 cents compared with a profit per share pf 10.64 cents for the same nine month period of 2021.
- Net cash inflow from operations for the nine-month period (after mine development expenditure of US$2.88 million) of US$0.11 million (2021: US$8.45 million inflow).
- Average gold price of US$1,810 per ounce received on gold sales during the nine month period (2021: US$1,772).
- Cash Cost for the three-month period to September 2022 of US$1,242 per ounce (Q2 2022 : US$1,395 per ounce) representing an 11.0% improvement quarter on quarter.
- All-In Sustaining Cost for the three-month period to September 2022 of US$1,564 per ounce (Q2 2022 : US$1,637 per ounce) represents a 4.5% improvement compared to Q2 2022.

Key Financial Information

SUMMARY FINANCIAL STATISTICS

	9 months to 30 September 2022 US$	9 months to 30 September 2021 US$	3 months to 30 September 2022 US$	3 months to 30 Septembe US$
Revenue	44,388,304	46,741,222	13,187,441	14,210,749
Cost of sales	(34,078,338)	(27,227,697)	(10,809,753)	(8,870,024)
Gross operating profit	10,309,966	19,513,525	2,377,688	5,340,725
Administration and share based payments	(4,443,642)	(4,514,034)	(1,676,866)	(1,391,574)
EBITDA	5,866,324	14,999,491	700,822	3,949,151
Depreciation and amortisation charges	(4,596,838)	(4,093,089)	(1,673,593)	(1,376,482)
Operating profit before finance and tax	1,269,486	10,906,402	(972,771)	2,572,669
Profit after tax	(870,520)	7,661,601	(2,943,459)	1,308,948
Earnings per ordinary share (basic)	(1.15c)	10.64c	(3.89c)	1.73c
Average gold price received (US$/oz)	US$1,810	US$1,772	US$1,720	US$1,753

	As at 30 September 2022 US$	As at 31 December US$
Cash and cash equivalents	10,177,647	12,217,751
Net assets	79,452,932	79,885,501

Cash Cost and All-In Sustaining Cost ("AISC")

	9 months to 30 September 2022	3 months to 30 September 2022	6 months to 30 June 2022	12 months to 31 Decemb
Gold production for cash cost and AISC purposes	24,021 ozs	8,541 ozs	15,480 ozs	33,848 ozs
Total Cash Cost of production (per ounce)	US$1,353	US$1,242	US$1,415	US$1,090
Total AISC of production (per ounce)	US$1,662	US$1,564	US$1,716	US$1,429

Clive Line, CFO of Serabi commented,

"Following good progress in the second quarter in realising improvements in cost efficiency it is very pleasing to report a continued reduction in quarterly AISC and Cash Costs. The margin over direct costs of sales increased by 3.6% to 34.4% compared to the second quarter of 2022. The reduction in AISC has also contributed to an improvement in the cash flow being generated from operations. We have reported cash flow from operations for the latest 3 month period of US$2.69 million (US$1.66 million after capitalised mine development costs) which compares with the second quarter when we reported figures of US$1.75 million and US$0.96 million respectively.

The revenue and operating costs reported for the third quarter also include revenues generated from the first sales of gold from the Coringa project together with the associated operating costs incurred. Revenues from these initial sales were US$1.45 million or 3% of the year to date sales revenue.

Whilst gold production of 8,541 ounces for the third quarter was slightly higher than that of the second *quarter of this year, ounces sold in the third quarter were 1,696 lower than in the second quarter (which had included the release of some inventory as previously reported).. The lower sales volume in the third quarter, albeit it at a better margin, together with the lower gold price and the decision to make an additional provision against the recovery of historic tax debts owed to the Company in Brazil have however reduced the overall level of gross operating profit compared to the preceding quarter.*

Increased costs of operations at the Palito Complex reflect the increased level of underground drilling being undertaken which is building mineral resources for the future and helping secure production for the coming years. The level of expenditure incurred in the first nine months of the year has increased by 51%. Whilst the Brazilian government has also reduced the level of taxes applied to diesel, nonetheless expenditure on diesel and electricity has also increased by 45% compared with the same nine month period of 2021. Headcount reductions have ensured that labour costs have remained static notwithstanding the mandatory cost of living increases that have been incurred.

"The cash position remains strong, with cash held at 30 September 2022 of US$10.2 million notwithstanding the continued investment being made in the development of the Coringa project. Whilst we anticipate gold production continuing to improve as we progress into 2023, with further mining levels developed, and new areas prepared for stoping, we expect Coringa to continue to require funding from the Palito cash flow in the immediate term."

With gold sales from its Coringa deposit having started during this third quarter, the Company has reallocated the accumulated capitalised costs (including the initial acquisition cost) of approximately US$26.4 million from Deferred Exploration Costs to Property. Plant and Equipment. Development cost will continue to be capitalised until the Coringa project attains commercial production.

During the third quarter the tax authorities in Para approved the recovery of approximately BrR$8 million (US$1.5 million) of ICMS (state sales tax incurred on goods purchased) relating to the period 2016 to 2019 with an additional BrR$$14 million (US$2.67 million) of ICMS incurred over the same period still being audited by the authorities. Further amounts totalling BrR$13.0 million (US$2.98 million) in respect of taxes paid in 2020 and 2021 are also still to be reviewed and audited by the authorities. In 2020, the Company made a provision of approximately BrR$8.2 million against the recoverability of these taxes and in this quarter has made a further provision of BrR$5.14 million (US$1.0 million) in light of the continued uncertainty over the time period over which these taxes will be recovered. A finance cost has also been recorded arising from these same ICMS taxes although, having been set off against amounts owed to the Company, this has had no cash impact. Whilst the authorities confirmed the approval of BrR$8.2 million of taxes and allowed these to be set off against tax liabilities owed to the State of Para they determined that interest and penalties should be assessed on taxes owed to the State whilst refusing to recognise the Company's claims for interest on amounts due to Serabi. Whilst this matter remains subject to legal appeal, the Company has reported a US$1.5 million charge in respect of the fines and interest levied."

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 as it forms part of UK Domestic Law by virtue of the European Union (Withdrawal) Act 2018.

The person who arranged the release of this statement on behalf of the Company was Clive Line, Director.

Enquiries:

Serabi Gold Plc	
Michael Hodgson Chief Executive	Tel: +44 (0)20 7246 6830 Mobile: +44 (0)7799 473621
Clive Line Finance Director	Tel: +44 (0)20 7246 6830 Mobile: +44 (0)7710 151692
Email: contact@serabigold.com Website: www.serabigold.com	
Beaumont Cornish Limited	
Nominated Adviser and Financial Adviser Roland Cornish / Michael Cornish	Tel: +44 (0)20 7628 3396
Peel Hunt LLP	
Joint UK Broker Ross Allister / Alexander Allen	Tel: +44 (0)20 7418 9000
Tamesis Partners LLP	
Joint UK Broker Charlie Bendon / Richard Greenfield	Tel: +44 (0)20 3882 2868
Camarco	
Financial PR Gordon Poole / Emily Hall	Tel: +44(0) 20 3757 4980

See www.serabigold.com for more information and follow us on twitter @Serabi_Gold

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 the unaudited interim financial statements for the three and nine months to 30 September 2022.

Statement of Comprehensive Income

For the three and nine month periods ended 30 September 2022

		For the three months ended 30 September		For the nine months ended 30 September	
		2022	2021	2022	2021
(expressed in US$)	Notes	(unaudited)	(unaudited)	(unaudited)	(unaudited)

CONTINUING OPERATIONS					
Revenue		13,187,441	14,210,749	44,388,304	46,741,222
Cost of sales		(9,808,516)	(8,870,024)	(33,077,101)	(27,227,697)
Provision for state sales taxes receivable		(1,001,237)	-	(1,001,237)	-
Depreciation and amortisation charges		(1,673,593)	(1,376,482)	(4,596,838)	(4,093,089)
Total cost of sales		(12,483,346)	(10,246,506)	(38,675,176)	(31,320,786)
Gross profit		704,095	3,964,243	5,713,128	15,420,436
Administration expenses		(1,654,689)	(1,648,211)	(4,250,706)	(4,654,625)
Share-based payments		(65,195)	(71,903)	(279,117)	(208,103)
Gain on disposal of assets		43,018	328,540	86,181	348,694
Operating (loss)/profit		(972,771)	2,572,669	1,269,486	10,906,402
Foreign exchange (loss)/gain		(91,446)	125,566	47,659	81,823
Finance expense	2	(1,710,056)	18,140	(1,776,581)	(322,418)
Finance income	2	115,966	-	268,590	-
(Loss)/profit before taxation		(2,658,307)	2,716,375	(190,846)	10,665,807
Income tax expense	3	(285,152)	(1,407,427)	(679,674)	(3,004,206)
(Loss)/profit after taxation		(2,943,459)	1,308,948	(870,520)	7,661,601
Other comprehensive income (net of tax)					
Exchange differences on translating foreign operations		(1,827,939)	(4,468,408)	158,834	(2,240,458)
Total comprehensive (loss)/profit for the period(1)		(4,771,398)	(3,159,460)	(711,686)	5,421,143
(Loss)/profit per ordinary share (basic)	4	(3.89)	1.73c	(1.15c)	10.64c
(Loss)/profit per ordinary share (diluted)	4	(3.89)	1.62c	(1.15c)	9.93c

(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 30 September 2022

(expressed in US$)	Notes	As at 30 September 2022 (unaudited)	As at 30 September 2021 (unaudited)	As at 31 December 2021 (audited)
Non-current assets				
Deferred exploration costs	6	12,236,052	33,034,342	34,857,905
Property, plant and equipment	7	54,088,968	26,476,342	27,575,335
Right of use assets	8	5,134,677	2,274,281	2,600,631
Deferred taxes		914,859	1,257,745	1,224,360
Taxes receivable		3,173,123	637,071	605,125
Total non-current assets		75,547,679	63,679,781	66,863,356
Current assets				
Inventories	9	8,316,685	7,771,427	6,973,207
Trade and other receivables		2,133,787	2,147,503	2,307,458

Prepayments and accrued income		1,871,869	2,313,484	2,316,669
Cash and cash equivalents		10,177,647	15,165,875	12,217,751
Total current assets		22,499,988	27,398,289	23,815,085
Current liabilities				
Trade and other payables		5,576,575	7,155,764	5,624,511
Interest bearing liabilities	10	5,855,425	278,857	290,060
Accruals		431,126	396,670	397,400
Total current liabilities		11,863,126	7,831,291	6,311,971
Net current assets		10,636,862	19,566,998	17,503,114
Total assets less current liabilities		86,184,541	83,246,779	84,366,470
Non-current liabilities				
Trade and other payables		463,323	83,722	427,663
Interest bearing liabilities	10	1,200,297	538,144	444,950
Deferred tax liability		628,231	903,421	861,430
Long term state tax		1,762,766	-	-
Derivative financial liabilities	11	-	394,529	165,495
Provisions		2,676,992	1,389,599	2,581,431
Total non-current liabilities		6,731,609	3,309,415	4,480,969
Net assets		79,452,932	79,937,364	79,885,501
Equity				
Share capital	13	11,213,618	11,213,618	11,213,618
Share premium reserve		36,158,068	36,158,068	36,158,068
Option reserve	13	1,354,465	1,012,820	1,075,348
Other reserves		14,463,647	12,151,873	13,694,731
Translation reserve		(68,489,336)	(66,245,416)	(68,648,170)
Retained surplus		84,752,470	85,646,401	86,391,906
Equity shareholders' funds		79,452,932	79,937,364	79,885,501

The interim financial information has not been audited and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. Whilst the financial information included in this announcement has been compiled in accordance with International Financial Reporting Standards ("IFRS") this announcement itself does not contain sufficient financial information to comply with IFRS. The Group statutory accounts for the year ended 31 December 2021 prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 have been filed with the Registrar of Companies. The auditor's report on these accounts was unqualified. The auditor's report did not contain a statement under Section 498 (2) or 498 (3) of the Companies Act 2006.

Statements of Changes in Shareholders' Equity

For the nine month period ended 30 September 2022

(expressed in US$)					
(unaudited)	Share capital	Share premium	Share option reserve	Other reserves (1)	Tra
Equity shareholders' funds at 31 Dec 2020	8,905,116	21,905,976	1,173,044	10,254,048	(64
Foreign currency adjustments	-	-	-	-	(2,2
Profit for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(2,2
Transfer to taxation reserve	-	-	-	1,897,825	-
Share premium	-	-	-	-	-

Share issued during period	2,308,502	14,252,092	-	-	-
Share options lapsed in period	-	-	(368,327)	-	-
Share option expense	-	-	208,103	-	-
Equity shareholders' funds at 30 September 2021	11,213,618	36,158,068	1,012,820	12,151,873	(66
Foreign currency adjustments	-	-	-	-	(2,4
Profit for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(2,4
Transfer to taxation reserve	-	-	-	1,542,858	-
Share incentives lapsed	-	-	-	-	-
Share incentives expense	-	-	62,528	-	-
Equity shareholders' funds at 31 Dec 2021	11,213,618	36,158,068	1,075,348	13,694,731	(68
Foreign currency adjustments	-	-	-	-	158
Profit for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	158
Transfer to taxation reserve	-	-	-	768,916	-
Share incentives expense	-	-	279,117	-	-
Equity shareholders' funds at 30 September 2022	11,213,618	36,158,068	1,354,465	14,463,647	(68

(1) Other reserves comprise a merger reserve of US$361,461 and a taxation reserve of US$14,102,186 (31 December 2021: merger reserve of US$361,461 and a taxation reserve of US$13,333,270).

Cash Flow Statement

For the three and nine month periods ended 30 September 2022

	For the three months ended 30 September		For the nine months ended 30 September	
	2022	2021	2022	2021
(expressed in US$)	(unaudited)	(unaudited)	(unaudited)	(unaudited
Operating activities				
Post tax profit for period	(2,943,459)	1,308,948	(870,520)	7,661,601
Depreciation - plant, equipment and mining properties	1,673,593	1,376,482	4,596,838	4,093,089
Increase in provision for long term taxes receivable	1,001,237	-	1,001,237	-
Gain/ (loss) on asset disposals	(43,018)	-	(86,181)	-
Net financial expense	1,685,536	(143,706)	1,460,332	240,595
Provision for taxation	285,152	1,407,427	679,674	3,004,206
Share-based payments	65,195	71,903	279,117	208,103
Taxation Paid	1,479	(203,221)	(129,983)	(333,922)
Interest Paid	(34,659)	(12,891)	(86,497)	(1,295,72
Foreign exchange (loss) / gain	93,501	49,636	(62,406)	161,072
Changes in working capital				
(Increase)/decrease in inventories	(731,322)	(663,820)	(1,126,128)	(763,112)
(Increase)/decrease in receivables, prepayments and accrued income	1,018,749	(259,673)	(2,893,573)	(1,104,84
Increase/(decrease) in payables, accruals and provisions	562,581	287,149	222,587	378,041
Net cash inflow from operations	2,634,565	3,218,234	2,984,497	12,249,10
Investing activities				
Purchase of property, plant and equipment and assets in construction	(917,558)	(1,698,160)	(3,408,060)	(2,439,46
Mine development expenditure	(1,029,512)	(1,244,454)	(2,878,974)	(3,802,79
Geological exploration expenditure	(68,519)	(1,474,640)	(761,499)	(3,274,60

Pre-operational project costs	-	(1,753,513)	(2,266,252)	(3,019,404
Acquisition payment for subsidiary	-	-	-	(5,500,000
Acquisition of other property rights	-	(930)	-	(102,316)
Proceeds from sale of assets	38,198	340,664	102,960	365,745
Interest received	103,095	-	103,095	-
Net cash outflow on investing activities	(1,874,296)	(5,831,033)	(9,108,730)	(17,772,84
Financing activities				
Issue of Ordinary share capital (net of costs)	-	-	-	16,560,59
Issue of warrants	-	-	-	333,936
Drawdown of unsecured loan	-	-	4,868,170	-
Repayment of convertible loan	-	-	-	(2,000,000
Payment on arrangement fee on convertible loan	-	-	-	(300,000)
Payment of finance lease liabilities	(244,201)	(85,990)	(746,426)	(349,269)
Net cash (outflow) / inflow from financing activities	(244,201)	(85,990)	4,121,744	14,245,26
Net increase / (decrease) in cash and cash equivalents	516,068	(2,698,789)	(2,002,489)	8,721,522
Cash and cash equivalents at beginning of period	9,819,882	18,121,392	12,217,751	6,603,620
Exchange difference on cash	(158,303)	(256,728)	(37,615)	(159,267)
Cash and cash equivalents at end of period	10,177,647	15,165,875	10,177,647	15,165,87

Notes

1. Basis of preparation
These interim condensed consolidated financial statements are for the nine month period ended 30 September 2022. Comparative information has been provided for the unaudited nine month period ended 30 September 2021 and, where applicable, the audited twelve month period from 1 January 2021 to 31 December 2021. These condensed consolidated financial statements do not include all the disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2021 annual report.
The condensed consolidated financial statements for the periods have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the accounting policies are consistent with those of the annual financial statements for the year ended 31 December 2021 and those envisaged for the financial statements for the year ending 31 December 2022.

Accounting standards, amendments and interpretations effective in 2022

The Group has not adopted any standards or interpretations in advance of the required implementation dates.

The following Accounting standards came into effect as of 1 January 2022

	Effective Date
Property, Plant and Equipment - Proceeds before Intended Use (amendments to IAS 16)	1 January 2022
Onerous Contracts- Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Reference to Conceptual Framework (Amendments to IFRS 3)	1 January 2022

The adoption of these standards has had no effect to date on the financial results of the Group. The updated standard Property, Plant and Equipment - Proceeds before Intended Use (amendments to IAS 16) which is effective 1 January 2022 will impact the Group as it develops the Coringa mine. At such time as the Group generates revenues from the processing of ore from Coringa in future periods, this will be reflected as operational revenue of the business and the Group will account for the costs incurred in relation to this income as a cost of sale. Previously, under IAS16, the sales would have been treated as a deduction from the cost of bringing an item (or items) of property, plant and equipment to the location and condition necessary to be capable of operating in the manner intended by management.

There are a number of standards, amendments to standards, and interpretations which have been issued that are effective in future periods and which the Group has chosen not to adopt early.

	Effective D
IFRS 17 Insurance Contracts, including Amendments to IFRS 17	1 January
Classification of Liabilities as Current or Non-current (Amendments to IAS 1) and Classification of Liabilities as Current or Non-current - Deferral of Effective Date	1 January

These financial statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006.

(i) Going concern

At 30 September 2022, the Group held cash of US$10.2 million. The reduction in cash reflects the expenditure on the continued development of Coringa during the quarter.

Following operational challenges encountered during the first quarter of 2022 in mining the Julia Vein at S?o Chico, the Group reduced its production guidance for 2022. This reduced the Group's expected revenues for 2022 and impacted on the level of positive operational cash flow that the Group could generate in 2022 to support its mine development and capital programmes including the pace of development of its Coringa operation. Management have taken action to reduce operational costs and continue to evaluate near-term options to generate additional gold production to improve cash generation. In May 2022, the Group started transporting high grade ore from Coringa for processing at its Palito Complex gold plant. The first gold sale was recorded in July 2022.

Management prepares, for Board review, regular updates of its operational plans and cash flow forecasts based on their best judgement of the expected operational performance of the Group and using economic assumptions that the Directors consider are reasonable in the current global economic climate. The most recent plans assume that during 2023 the Group will continue gold production from its Palito Complex operation and will be able to increase gold production to exceed the levels of 2022. Limited gold production from its Coringa operation will continue, at least in the first quarter, with continued transportation of ore from Coringa to the Palito Complex for processing.

The Directors will, however, continue to limit the Group's discretionary expenditures including the continued development of Coringa which, on a longer term basis, requires additional external sources of finance to be secured. The Group has debt comprising a 12 month, US$5 million bank loan maturing in May 2023. The Board considers that this facility can be renewed or replaced.

The Directors have concluded that, based on the current operational projections, it remains appropriate to adopt the going concern basis of accounting in the preparation of these interim unaudited financial statements. The Directors acknowledge that the Group remains subject to operational and economic risks and any unplanned interruption or reduction in gold production or unforeseen changes in economic assumptions may adversely affect the level of free cash flow that the Group can generate on a monthly basis and its ability to secure further finance as and when required The Directors consider that the Group will be able to secure the necessary external finance for the development of its Coringa project but that the timing of this may be dependent on the receipt of further permits and licences. The Directors have received no indications that the necessary permits and licences will not be awarded.

2. Finance expense and income

	3 months ended 30 September 2022 (unaudited) US$	3 months ended 30 September 2021 (unaudited) US$	9 months ended 30 September 2022 (unaudited) US$
Interest expense on short term unsecured loan	(79,272)	-	(133,131)
Interest expense on short term trade loan	(22,838)	-	(35,504)
Interest and fines on state sales tax	(1,503,742)	-	(1,503,742)
Intertest on finance leases	(104,204)	-	(104,204)
Interest expense on convertible loan	-	-	-
Interest expense on mineral property acquisition liability	-	-	-
Loss in respect of non-substantial modification	-	-	-
Loss on revaluation of warrants	-	-	-
Amortisation of arrangement fee for convertible loan	-	-	-
Total finance expense	(1,710,056)	-	(1,776,581)
Gain on revaluation of warrants	12,871	18,140	165,495
Interest income	103,095	-	103,095
Total finance income	115,966	-	268,590
Net finance (expense)/income	(1,594,090)	18,140	(1,507,991)

3. Taxation

The Group has recognised a deferred tax asset to the extent that the Group has reasonable certainty as to the level and timing of future profits that might be generated and against which the asset may be recovered. The Group has released the amount of US$92,612 as a deferred tax charge during the nine month period to 30 September 2022 (nine months to 30 September 2021 - US1,149,614).
The Group has also incurred a tax charge on profits in Brazil for the nine month period of US$587,062 (nine months to 30 September 2021 - US$1,854,592)

4. Earnings per Share

	3 months ended 30 September 2022 (unaudited)	3 months ended 30 September (unaudited)
Profit attributable to ordinary shareholders (US$)	(2,943,459)	1,308,948
Weighted average ordinary shares in issue	75.734,551	75,734,551
Basic (loss)/profit per share (US cents)	(3.89c)	1.73c
Diluted ordinary shares in issue (1)	81,488,078	80,904,748
Diluted (loss)/profit per share (US cents)	(3.89c)(2)	1.62c

1. Based on 1,750,000 options vested and exercisable and 4,003,527 unexercised warrants as at 30 September 2022 (30 September 2021: 1,166,670 options and 4,003,527 unexercised warrants)
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

5. Post balance sheet events

Subsequent to the end of the period, 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 35 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.

Assay Results

The assay results reported within this release include those provided by the Company's own on-site laboratory facilities at Palito which may not have been independently verified. Serabi closely monitors the performance of its own facility against results from independent laboratory analysis for quality control purpose. As a matter of normal practice the Company sends duplicate samples derived from a variety of the Company's activities to accredited laboratory facilities for independent verification. Based on the results of this work, the Company's management are satisfied that the Company's own facility shows good correlation with independent laboratory facilities. The Company would expect that in the preparation of any future independent Reserve/Resource statement undertaken in compliance with a recognised standard, the independent authors of such a statement would not use Palito assay results but only use assay results reported by an appropriately certificated laboratory.

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