SERABI GOLD

Unaudited Interim Financial Results for the three and six month periods to 30 June 2018 and Management's Discussion and Analysis

Serabi Gold (AIM:SRB, TSX:SBI), the Brazilian focused gold mining and development company, today releases its unaudited interim financial results for the three and six month periods ending 30 June 2018 and at the same time has published its Management's Discussion and Analysis for the same periods.

Key Financial Information

	6 months to 30 June 2018 US$	**3 months to 30 June 2018 US$**	6 months to 30 June 2017 US$	3 months to 30 June 2017 US$
Revenue	**25,700,634**	**11,873,783**	23,316,260	10,142,676
Cost of Sales	**(17,272,887)**	**(7,783,786)**	(16,862,310)	(6,849,960)
Gross Operating Profit	**8,227,747**	**3,889,997**	6,453,950	3,292,716
Administration and share based payments	**(2,780,485)**	**(1,422,883)**	(2,482,415)	(1,175,340)
EBITDA	**5,447,262**	**2,467,114**	3,971,535	2,117,376
Depreciation and amortisation charges	**(4,490,900)**	**(2,498,047)**	(4,610,861)	(2,710,157)
Operating profit before finance and tax	**956,362**	**(30,933)**	(639,326)	(592,781)
Loss after tax	**(482,634)**	**(493,420)**	(1,005,680)	(891,637)
Earnings per ordinary share (basic)	**(1.10c)**	**(0.94c)**	(2.88c)	(1.10c)
Average gold price received	**US$1,309**	**US$1,296**	US$1,221	US$1,242

	As at 30 June 2018	As at 31 December 2017
Cash and cash equivalents	**21,052,325**	4,093,866
Net assets	**74,465,696**	60,770,712

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

	6 months to 30 June 2018	6 months to 30 June 2017
Gold production for cash cost and AISC purposes	**18,751**	18,009
Total Cash Cost of production (per ounce)	**US$861**	US$819
Total AISC of production (per ounce)	**US$1,121**	US$1,072

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Key Operational Information

SUMMARY PRODUCTION STATISTICS FOR 2018 YEAR TO DATE AND 2017

		Qtr 1 2018	**Qtr 2 2018**	**Year to Date 2018**	Qtr 1 2017	Qtr 2 2017	Qtr 3 2017	Qtr 4 2017	Total 2017
Horizontal development – Total	Metres	**2,353**	**2,744**	**5,097**	2,251	1,855	2,996	2,762	9,864
Mined ore – Total	Tonnes	**39,669**	**36,071**	**75,740**	36,918	41,684	41,263	49,011	168,876
	Gold grade (g/t)	**7.49**	**8.12**	**7.79**	10.12	7.80	9.80	8.25	8.92
Milled ore	Tonnes	**43,145**	**38,155**	**81,300**	41,722	43,294	44,205	43,345	172,565
	Gold grade (g/t)	**7.04**	**7.71**	**7.36**	7.62	6.29	7.28	7.27	7.11
Gold production (1) (2)	Ounces	**9,188**	**9,563**	**18,751**	9,861	8,148	9,657	9,337	37,004

(1) 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.
(2) Gold production totals for 2018 include treatment of 6,624 tonnes of flotation tails at a grade of 3.92 g/t (2017 full year : 4,568 tonnes)
(3) The table may not sum due to rounding.

Financial Highlights

- Cash holdings at period end of over US$21 million (31 December 2017: US$4.1 million).
- EBITDA for the six months to 30 June 2018 has increased by 37% to US$5.45 million (six months to 30 June 2017: US$3.97 million).
- Operating profit before finance and tax for the six month period of US$956,362 (six months to 30 June 2017: loss of US$639,326).
- Completion of share placements raising gross proceeds of US$23.8 million with strategic and institutional investors.
- Payment, on 16 April 2018, of second US$5 million instalment for the purchase of Chapleau Resource Ltd and the Coringa Gold Project.
- Consolidation of share capital completed on 19 June 2018, with every 20 existing ordinary shares being exchanged for 1 new ordinary share.

2018 Guidance

- Management maintains its initial production guidance and expects that gold production for 2018 will exceed that of 2017 and be up to 40,000 ounces.

Operational Highlights

- Second quarter production of 9,563 ounces of gold.
- Mine production totalling 36,071 tonnes at 8.12 grams per tonne ("g/t") of gold.
- 38,155 tonnes of run of mine ("ROM") ore processed through the plant from the combined Palito and Sao Chico orebodies, with an average grade of 7.71 g/t of gold.
- Additional 4,861 tonnes of historical tailings processed through the leaching circuit at a grade of 4.38 g/t of gold.
- 2,744 metres of horizontal mine development completed during the quarter.

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- Palito development and production continues to focus on the four main sectors of Senna, Pipocas, G3 and Mogno, whilst in the Sao Chico orebody, the main ramp is now close to reaching the next planned level at -15mRL, approximately 280 vertical metres below surface. Production is coming from levels 70 and 56mRL, with levels 10 and -3mRL in development.
- Step out surface drilling is underway on both the Palito and Sao Chico orebodies with initial drilling results to be released during Q3.
- By the end of the quarter, surface ore stocks were approximately 7,800 tonnes, (March end 2018: 10,200 tonnes) with an average grade of 3.5 g/t of gold, together with approximately 36,000 tonnes of flotation tailings grading approximately 3.0 g/t gold.

Mike Hodgson, CEO of Serabi commented:

"As reported in the news release on 23 July 2018, Serabi enjoyed an excellent second quarter, producing 9,563 ounces of gold, bringing total gold production for the year to date to 18,750 ounces. The Company remains on track to meet its annual production guidance.

"Following the successful placings in April, the Company is now also in a financially strong position and is able to push forwards with the growth plans, which it hopes to realise from the successful development of the Coringa project, which was acquired in December 2017, and from exploration success around its existing operations where there are significant indications of further parallel mineralised structures as well as strike extensions at both the Palito and Sao Chico deposits.

"It is clearly very pleasing that the operations continue to be profitable and that EBITDA has improved by 37% compared to the same six month period in 2017. The Group has benefitted during the first six months from the combination of a good gold price and a relatively weak Brazilian Real during the first six months. The fall off in the gold price in the last two months will impact on the revenue for the third quarter but we do see some protection in the continued weakness of the Real.

"As I have noted previously, the Company has increased development rates during the year and, more recently, we have introduced our new generation 'mini-scoops', the first of which arrived on site during the second quarter. These, along with a narrow-width face drilling jumbo, will allow us to advance much faster with less dilution and waste handling. This increased level of development together with stepping up the levels of underground drilling has, however, had a short-term impact on our cost base reflected in a slight increase in the AISC for the year to date. In some areas of the mine, development may be more than 12 months ahead of stope production, but it is absolutely essential to keep development moving forward to ensure the sustainability of long-term production. We also use development as part of the mine exploration and resource growth. Based on the current success with the new, smaller fleet, we plan a staged programme to replace the existing mine fleet at Palito with these smaller units and will redeploy the larger units to Sao Chico and in the future possibly to Coringa. This should result in reducing development size by approximately 40%, compared with current development dimensions, with consequent cost reductions, in those areas where it is beneficial to use this smaller fleet.

"Finance costs for the first six months of 2018 are significantly higher than the comparative period, in part reflecting the increased loan arrangement that the Group had compared with June 2017, but in fact many of these are non-cash items, with actual interest charges on loans being US$357,000, whilst US$352,000 arises from the accounting treatment that the regulations require for derivative transactions and the future payment obligations for Coringa.

"The income tax expense, reflecting the reported profits in Brazil, is also impacted by accounting requirements with the actual liability being approximately US$111,000 and the balance being deferred tax charges reflecting the benefit of past tax losses which are being used to reduce the tax changes in Brazil.

"We are committing funding to the exploration programme and whilst much of the initial drilling activity was to assist with short-term mine planning at Palito, we are now drilling some of the strike extensions at Palito and the geophysical anomalies at Sao Chico. In addition, we have, during July, completed an airborne geophysical survey over approximately 30,000 hectares of our tenements. This means that the whole of the contiguous exploration tenements, in which the Palito and Sao Chico orebodies are hosted, has now been covered by airborne geophysics as a first pass exploration tool. We expect to receive all the data files from the contractor during September and will then be able to undertake our own evaluation of the results of this survey and correlate these with our historic geological information database. For the six months to June we had spent approximately US$2.0 million on exploration of which US$0.5 million related to the initial costs of the airborne survey.

"We continue to progress the licencing of Coringa and completion of the various studies that are required by the various authorities. Over the last quarter, expenditure has been fairly modest at less than US$500,000 and outside of the costs for the various studies and licence applications has been limited to maintaining the exploration site in good order and steady refurbishment work of the process plant that was acquired with the project. I do anticipate that as soon as the necessary approvals are received that expenditure will increase as the preparatory works for initial development get underway."

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Condensed Consolidated Statements of Comprehensive Income

(expressed in US$)	Notes	For the three months ended 30 June 2018 (unaudited)	For the three months ended 30 June 2017 (unaudited)	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
CONTINUING OPERATIONS					
Revenue		**11,873,783**	10,142,676	**25,700,634**	23,316,260
Cost of sales		**(7,983,786)**	(6,849,960)	**(17,472,887)**	(16,642,310)
Release of provision for impairment of inventory		**200,000**	—	**200,000**	(220,000)
Depreciation of plant and equipment		**(2,498,047)**	(2,710,157)	**(4,490,900)**	(4,610,861)
Gross profit		**1,591,950**	582,559	**3,936,847**	1,843,089
Administration expenses		**(1,357,814)**	(1,178,903)	**(2,689,238)**	(2,420,358)
Share based payments		**(78,278)**	(112,412)	**(155,571)**	(178,032)
Gain on disposal of assets		**13,209**	115,975	**64,324**	115,975
Operating (loss) / profit		**169,067**	(592,781)	**1,156,362**	(639,326)
Foreign exchange loss		**(498,543)**	(167,236)	**(555,633)**	(120,399)
Finance expense	2	**(109,145)**	(34,194)	**(699,518)**	(68,011)
Finance income		**—**	35	**34**	69
(Loss) / profit before taxation		**(438,621)**	(794,176)	**(98,755)**	(827,667)
Income tax expense	3	**(54,799)**	(97,461)	**(383,879)**	(178,013)
(Loss) / profit for the period from continuing operations (1)		**(493,420)**	(891,637)	**(482,634)**	(1,005,680)
Exchange differences on translating foreign operations		**(8,925,573)**	(2,124,542)	**(9,260,004)**	(656,695)
Total comprehensive income/(loss) for the period		**(9,418,993)**	(3,016,179)	**(9,742,638)**	(1,662,375)
(Loss) / profit per ordinary share (basic) (1) (2) (3)	4	**(0.94c)**	(2.55c)	**(1.10c)**	(2.88c)
(Loss) / profit per ordinary share (diluted) (1) (2 (3)	4	**(0.94c)**	(2.55c)	**(1.10c)**	(2.88c)

(1) All revenue and expenses arise from continuing operations.

(2) On 19 June 2018, the Group completed a capital reorganisation with every 20 existing shares being consolidated to 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.

(3) For comparative purpose the weighted average ordinary shares in issue and the diluted ordinary shares in issue for the three and six month periods ended 30 June 2017, have been adjusted to reflect the share consolidation of 20 existing shares being consolidated into one new share.

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Condensed Consolidated Balance Sheets

(expressed in US$)	As at 30 June 2018 (unaudited)	As at 30 June 2017 (unaudited)	As at 31 December 2017 (audited)
Non-current assets			
Deferred exploration costs	**24,490,001**	9,868,205	23,898,819
Property, plant and equipment	**42,049,417**	43,557,012	48,980,381
Taxes receivable	**1,556,129**	—	1,474,062
Deferred taxation	**2,276,588**	3,133,428	2,939,634
Total non-current assets	**70,372,135**	56,558,645	77,292,896
Current assets			
Inventories	**5,827,745**	6,844,757	6,934,438
Trade and other receivables	**1,596,978**	2,865,877	1,277,142
Prepayments and accrued income	**3,398,201**	5,166,612	3,237,412
Cash and cash equivalents	**21,052,325**	3,832,218	4,093,866
Total current assets	**31,875,249**	18,709,464	15,542,858
Current liabilities			
Trade and other payables	**5,050,232**	5,330,772	5,347,964
Interest bearing loan	**5,000,000**	1,371,489	1,980,000
Amounts due on acquisition	—	—	5,000,000
Trade and asset finance facilities	**774,122**	1,338,475	865,712
Derivative financial liabilities	**346,992**	650,000	709,255
Accruals	**350,878**	512,649	614,198
Total current liabilities	**11,522,224**	9,203,385	14,517,129
Net current assets	**20,353,025**	9,506,079	1,025,729
Total assets less current liabilities	**90,725,160**	66,064,724	78,318,625
Non-current liabilities			
Trade and other payables	**2,233,353**	2,133,294	2,753,409
Provisions	**1,857,564**	1,824,472	2,047,131
Amounts due on acquisition	**10,481,843**	—	9,997,961
Interest bearing loan	**1,610,000**	—	2,500,000
Trade and asset finance liabilities	**76,704**	212,328	249,412
Total non-current liabilities	**16,259,464**	4,170,094	17,547,913
Net assets	**74,465,696**	61,894,630	60,770,712
Equity			
Share capital	**8,863,755**	5,540,960	5,540,960
Share premium reserve	**21,681,478**	1,722,222	1,722,222
Option reserve	**1,189,318**	1,332,578	1,425,024
Other reserves	**5,066,796**	3,404,624	4,015,369
Translation reserve	**(40,459,572)**	(31,264,543)	(31,199,568)
Retained earnings	**78,123,921**	81,158,789	79,266,705
Equity shareholders' funds	**74,465,696**	61,894,630	60,770,712

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 2017 prepared under IFRS as adopted in the EU and with IFRS and their interpretations adopted by the International Accounting Standards Board have been filed with the Registrar of Companies. 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.

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Condensed Consolidated Statements of Changes in Shareholders' Equity

(expressed in US$)

(unaudited)	Share capital	Share premium	Share option reserve	Other reserves (1)	Translation reserve	Retained Earnings	Total equity
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**	**63,378,973**
Foreign currency adjustments	—	—	—	—	(656,695)	—	(656,695)
Loss for the period	—	—	—	—	—	(1,005,680)	(1,005,680)
Total comprehensive income for the period	—	—	—	—	(656,695)	(1,005,680)	(1,662,375)
Transfer to taxation reserve	—	—	—	352,762	—	(352,762)	—
Share options lapsed in period	—	—	(184,106)	—	—	184,106	—
Share option expense	—	—	178,032	—	—	—	178,032
Equity shareholders' funds at 30 June 2017	**5,540,960**	**1,722,222**	**1,332,578**	**3,404,624**	**(31,264,543)**	**81,158,789**	**61,894,630**
Foreign currency adjustments	—	—	—	—	64,975	—	64,975
Loss for the period	—	—	—	—	—	(1,392,223)	(1,392,223)
Total comprehensive income for the period	—	—	—	—	64,975	(1,392,223)	(1,327,248)
Transfer to taxation reserve	—	—	—	610,745	—	(610,745)	—
Share options lapsed in period	—	—	(110,884)	—	—	110,884	—
Share option expense	—	—	203,330	—	—	—	203,330
Equity shareholders' funds at 31 December 2017	**5,540,960**	**1,722,222**	**1,425,024**	**4,015,369**	**(31,199,568)**	**79,266,705**	**60,770,712**
Foreign currency adjustments	—	—	—	—	(9,260,004)	—	(9,260,004)
Profit for the period	—	—	—	—	—	(482,634)	(482,634)
Total comprehensive income for the period	—	—	—	—	(9,260,004)	(482,634)	(9,742,638)
Transfer to taxation reserve	—	—	—	1,051,427	—	(1,051,427)	—
Share options lapsed in period	—	—	(391,277)	—	—	391,277	—
Shares issued in period	3,322,795	19,959,256	—	—	—	—	23,282,051
Share option expense	—	—	155,571	—	—	—	155,571
Equity shareholders' funds at 30 June 2018	**8,863,755**	**21,681,478**	**1,189,318**	**5,066,796**	**(40,459,572)**	**78,123,921**	**74,465,696**

(1) Other reserves comprise a merger reserve of US$361,461 and a taxation reserve of US$4,705,335 (31 December 2017: merger reserve of US$361,461 and a taxation reserve of US$3,653,908).

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Condensed Consolidated Cash Flow Statements

(expressed in US$)	For the three months ended 30 June 2018 (unaudited)	2017 (unaudited)	For the six months ended 30 June 2018 (unaudited)	2017 (unaudited)
Operating activities				
Operating (loss)/profit	**(493,420)**	(891,637)	**(482,634)**	(1,005,680)
Depreciation – plant, equipment and mining properties	**2,498,047**	2,710,157	**4,490,900**	4,610,861
Net financial expense	**607,688**	201,395	**1,165,117**	188,341
Provision for impairment of inventory	**(200,000)**	—	**(200,000)**	220,000
Provision for taxation	**54,799**	97,461	**383,879**	178,013
Share-based payments	**78,278**	112,412	**245,571**	178,032
Foreign exchange (loss) / gain	**222,774**	(84,778)	**154,350**	40,560
Changes in working capital				
(Increase)/decrease in inventories	**(619,967)**	(483,319)	**117,146**	987,364
(Increase) in receivables, prepayments and accrued income	**(1,003,947)**	(333,475)	**(1,503,295)**	(2,577,285)
Increase/(decrease) in payables, accruals and provisions	**242,933**	894,832	**113,080**	3,589
Net cash inflow from operations	**1,387,185**	2,223,048	**4,484,114**	2,823,795
Investing activities				
Acquisition payment for subsidiary	**(4,740,928)**	—	**(4,740,928)**	—
Purchase of property, plant and equipment and projects in construction	**(892,233)**	(815,924)	**(1,317,926)**	(1,083,839)
Capitalised mine development costs	**(1,064,966)**	(877,530)	**(2,030,489)**	(1,964,320)
Geological exploration expenditure	**(1,443,384)**	21	**(2,011,802)**	(2,500)
Pre-operational project costs	**(496,049)**	—	**(1,289,479)**	—
Proceeds from sale of assets	**13,209**	115,975	**64,324**	115,975
Interest received	**—**	35	**34**	69
Net cash outflow on investing activities	**(8,624,351)**	(1,577,423)	**(11,326,266)**	(2,934,615)
Financing activities				
Issue of ordinary share capital	**23,807,346**	—	**23,807,346**	—
Costs associated with issue of share capital	**(566,518)**	—	**(566,518)**	—
Drawdown secured loan	**—**	—	**3,000,000**	—
Repayment of secured loan	**(666,667)**	—	**(1,000,000)**	—
Payment of finance lease liabilities	**(143,063)**	(132,164)	**(426,210)**	(132,164)
Interest paid and other finance costs	**(234,166)**	(55,807)	**(386,587)**	(67,455)
Net cash inflow / (outflow) from financing activities	**22,196,932**	(187,971)	**24,428,031**	(199,619)
Net increase / (decrease) in cash and cash equivalents	**14,959,766**	457,654	**17,585,879**	(310,439)
Cash and cash equivalents at beginning of period	**6,695,526**	3,407,117	**4,093,866**	4,160,923
Exchange difference on cash	**(602,967)**	(32,553)	**(627,420)**	(18,266)
Cash and cash equivalents at end of period	**21,052,325**	3,832,218	**21,052,325**	3,832,218

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Notes

1. General Information

The financial information set out above 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. A copy of the statutory accounts for 2016 will be filed with the Registrar of Companies following their adoption by shareholders at the next Annual General Meeting. The full audited financial statements for the years end 31 December 2017 do comply with IFRS.

2. Basis of Preparation

These interim condensed consolidated financial statements are for the three and six month periods ended 30 June 2018. Comparative information has been provided for the audited three and six month periods ended 30 June 2017 and, where applicable, the audited twelve month period from 1 January 2017 to 31 December 2017. 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 2017 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 2017 and those envisaged for the financial statements for the year ending 31 December 2018.

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

As of 1 January 2018, lFRS 9 - Financial Instruments, and lFRS 15 - Revenue from Contracts, became effective and have been adopted. The effect of implementation has not had a material impact on the financial results of the Group

As of the date of authorisation of these financial statements, IFRS 16 – Leases, was in issue but not effective and has not been applied to these financial statements.

IFRS 16 will require the recognition of an asset and liability with respect to the material operating lease commitments that the group have. Management are currently considering the impact that this will have on the financial statements. The Group does not at this time anticipate voluntary early adoption of IFRS 16.

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

(i) Going concern

On 12 April 2018 the Company completed a Subscription Agreement with Greenstone Resources II LP ("Greenstone"), whereby Greenstone agreed to subscribe ("the Subscription") for 297,759,419 New Ordinary Shares ("the Subscription Shares") at a price of 3.6 pence per share (the "Subscription Price"). The New Ordinary Shares issued pursuant to the Subscription rank pari passu with the existing Ordinary Shares.

On 15 May 2018 the Company completed the placing of a further 176,678,445 new ordinary shares ("Placing Shares") at a price of 3.6 pence per Placing Share (the "Placing Price"), raising gross proceeds of £6.36 million for the Company. The Placing Shares rank pari passu with the existing ordinary shares.

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 fund planned exploration and development activity on its other gold properties. However additional funding will be required to bring the newly acquired Coringa gold project into production including the final acquisition payment. The secured loan facility is repayable by 30 June 2020 and at 30 June 2018, the amount outstanding under this facility was US$6.61 million (31 December 2017: US$4.48 million).

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. Any unplanned interruption or reduction in gold production, unforeseen reductions in the gold price or appreciation of the Brazilian currency, could adversely affect the level of free cash flow that the Group can generate on a monthly basis. Nonetheless with the proceeds to be received from the Subscription, the Directors consider that they will nonetheless be able to meet its financial obligations as they fall due.

On this basis, the Directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis.

(ii) Use of estimates and judgements

There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the 2017 annual financial statements.

(iii) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered impairment. Prior to carrying out of impairment reviews, the significant cash generating units are assessed to determine whether they should be reviewed under the requirements of IFRS 6 - Exploration for and Evaluation of Mineral Resources or IAS 36 - Impairment of Assets. Such determination is by reference to the stage of development of the project and the level of reliability and surety of information used in calculating value in use or fair value less costs to sell. Impairment reviews performed under IFRS 6 are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise; typically when one of the following circumstances applies:

(i) sufficient data exists that render the resource uneconomic and unlikely to be developed

(ii) title to the asset is compromised

(iii) budgeted or planned expenditure is not expected in the foreseeable future

(iv) insufficient discovery of commercially viable resources leading to the discontinuation of activities

Impairment reviews performed under IAS 36 are carried out when there is an indication that the carrying value may be impaired. Such key indicators (though not exhaustive) to the industry include:

(i) a significant deterioration in the spot price of gold

(ii) a significant increase in production costs

(iii) a significant revision to, and reduction in, the life of mine plan

If any indication of impairment exists, the recoverable amount of the asset is estimated, being the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Such impairment losses are recognised in profit or loss for the year.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss for the year.

2. Finance Costs

	Six months ended 30 June 2018 US$	Six months ended 30 June 2017 US$
Interest on secured loan	**(357,899)**	(68,011)
Unwinding of discount on acquisition payment	**(483,883)**	–
Amortisation of fair value of derivatives	**(130,000)**	–
Arrangement fee for secured loan	**(90,000)**	–
	(1,061,782)	(68,011)
Gain on revaluation of derivatives	**362,264**	–
Interest income	**34**	69
Net finance expense	**(699,484)**	(67,942)

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$272,459 as a deferred tax charge during the six month period to 30 June 2018.

The Group has also incurred a tax charge for the period in Brazil of US$111,420.

4. Earnings per share

	3 months ended 30 June 2018 US$ (unaudited)	3 months ended 30 June 2017 US$ (unaudited)	**6 months ended 30 June 2018 US$ (unaudited)**	6 months ended 30 June 2017 US$ (unaudited)
Loss attributable to ordinary shareholders (US$)	**(493,420)**	(891,637)	**(482,634)**	(1,005,680)
Weighted average ordinary shares in issue	**52,529,475**	34,935,089	**43,821,118**	34,935,089
Basic loss per share (US cents)	**(0.94)** [2]	(2.55) [3]	**(1.10)** [2]	(2.88) [3]
Diluted ordinary shares in issue[1]	**52,529,475**	34,935,089	**43,821,118**	34,935,089
Diluted loss per share (US cents)	**(0.94)**[2]	(2.55)[3]	**(1.10)**[2]	(2.88) [3]

1) 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.
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.
3) For comparative purpose the weighted average ordinary shares in issue and the diluted ordinary shares in issue for the three and six month periods ended 30 June 2017, have been adjusted to reflect the share consolidation of 20 existing shares being consolidated into one new share.

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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.

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

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

GLOSSARY OF TERMS

The following is a glossary of technical terms:

"Au" means gold.

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

"development" - excavations used to establish access to the mineralised rock and other workings

"DNPM" is the Departamento Nacional de Produção Mineral.

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

"g/t" means grams per tonne.

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

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

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

"on-lode development" - Development that is undertaken in and following the direction of the Vein

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

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

"stoping blocks" – a discrete area of mineralised rock established for planning and scheduling purposes that will be mined using one of the various stoping methods.

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

Qualified Persons Statement

The scientific and technical information contained within this announcement has been reviewed and approved by Michael Hodgson, a Director of the Company. Mr Hodgson is an Economic Geologist by training with over 30 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, recognizing 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.