



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended 30 June 2011

15 August 2011

SERABI MINING PLC
Management's Discussion and Analysis
for the three and six months ended 30 June 2011

Introduction

This Management's Discussion and Analysis ("MD&A") dated 15 August 2011 provides a review of the performance of Serabi Mining plc ("Serabi" or "the Company"). It includes financial information from, and should be read in conjunction with, the unaudited condensed consolidated financial information of the Company for the three and six month periods ended 30 June 2011 and also read in conjunction with the Company's annual report and audited consolidated financial statements and its MD&A for the year ended 31 December 2010.

Please refer to the cautionary notes at the end of this MD&A.

The Company reports its financial position, results of operations and cash flows in United States dollars (unless otherwise stated) and 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") and adopted for use within the European Union and with IFRS and their interpretations adopted by the IASB. The consolidated financial statements have also been prepared in accordance with those parts of the UK Companies Act 2006 applicable to companies reporting under IFRS.

Overview

The Company is a United Kingdom registered and domiciled mineral exploration company based in London, England. The Company's principal focus centres upon the Jardim do Ouro Gold Project located in an area known as the Tapajos region of the State of Para in Brazil, which it holds through its wholly owned subsidiary Serabi Mineracao S.A.

The Company currently holds either granted or in application approximately 144,000 hectares of Exploration Licenses. The Jardim do Ouro Gold Project (JDO Project) covers approximately 53,000 hectares of this total, and lies on the 50km wide NW-SE trending Tocantinzinho Trend, which is the major controlling structural feature in the Tapajos region. The vast majority of the hard rock mineral resources discovered to date in the Tapajos region lie on this trend. The JDO Project includes the Palito mine (the "Palito Mine") currently on 'care and maintenance' and several areas of exploration interest in close proximity to the Palito Mine. The Palito Mine complex is fully permitted and a mining licence covering 1,150 hectares has been issued. The Company does not currently have any assets or mineral properties in commercial production but is actively pursuing a programme of mine-site exploration with a view to increasing its existing mineral resource inventory to a level that will support a sustainable and meaningful level of production in the future. The Company's shares trade on the Toronto Stock Exchange ("TSX") under the symbol "SBI" and on AIM, a market operated by the London Stock Exchange under the symbol "SRB". The Company is incorporated under the laws of England and Wales and is a reporting issuer in British Columbia, Alberta and Ontario.

Additional information on the Company is available on SEDAR at www.sedar.com.

Corporate Highlights - 2011

- On 30 March 2011 the Company completed an Initial Public Offering ("IPO") and the listing of its Ordinary Shares and Warrants on the TSX and also completed the issue of 9,000,000 units raising gross proceeds of C\$4,950,000

- On 1 July 2011 Fox-Davies Capital Ltd was appointed in the UK as Broker to the Company.
- On 30 June 2011, the Company had cash and cash equivalents of approximately \$7.9 million.
- 27 exploration drill holes totaling 5,977 metres, have been drilled with assay results received to date highlighting the potential for additional resources in the exploration areas near the Palito Mine.

History

The Company currently holds, either granted or in application approximately 144,000 hectares of Exploration Licences all located within the Tapajos Gold Mining Province, within the states of Para and Amazonas, Northern Brazil. These licenses are divided into four project areas, namely the JDO, Sucuba, Modelo and Pizon projects. The Company does not have any assets or mineral properties in commercial production, however, the JDO Project does incorporate the Palito Mine which has been in production under Serabi's management in the past, and currently is under care and maintenance. The Sucuba Project, located in the state of Para, comprises a single exploration licence, currently in application, of 6,534 hectares. The Modelo Project lies in the state of Para, with some 40,000 hectares in five exploration permits, four granted and one in application. The Pizon Project, located in the state of Amazonas, represents 44,703 hectares, in five exploration licenses, one granted and four in application. The Company has not engaged in any exploration activity in the Sucuba, Pizon or Modelo projects over the past 12 months, and has currently not budgeted for any exploration activity over the next 18 months. All activity budgeted at this time will focus on the JDO Project area.

Jardim do Ouro Project

The JDO Project originally acquired by the Company in 2001, covers a total area of 52,945 hectares, and is comprised of one mining licence granted on October 23, 2007 covering an area of 1,150 hectares, four exploration licences and five applications for exploration licences covering an aggregate of 51,795 hectares. The JDO Project is located in the Tapajós Mineral Province in the south east part of the Itaituba Municipality in the west of Pará State in central north Brazil. The Palito Mine and infrastructure itself lies some 4.5km south of the village of Jardim do Ouro and approximately 15km via road. Jardim do Ouro lies on the Transgarimpeira Road some 30km WSW of the town of Moraes de Almeida, located on the junction of the Transgarimpeira and the BR 163 (the Cuiabá - Santarém Federal Highway). Moraes de Almeida is approximately 300km south south-east by road of the municipal capital, and similarly named city, of Itaituba.

Within the JDO Project area is the Palito Mine, a high grade, narrow vein; underground mine which was operated by the Company from late 2003 until the end of 2008, when the underground mining operation was placed on care and maintenance. In 2004, the Company undertook an upgrade of the Palito plant to process sulphide ores from the underground operation and in December 2004, the first shipment was made of a copper/gold/silver concentrate to a European smelter. Since that time until the end of 2008, the Company processed a total of 480,000 tonnes of ore through the plant at an average gold head grade of 6.76 g/t. Average plant recovery during the period was 90% and total production was 110,097 gold equivalent ounces.

In September 2008, the Company announced that it had insufficient working capital to undertake necessary mine development and concluded that with no opportunity to raise additional working capital, as a result of the state of financial markets at that time, it was necessary to halt mining activity and place the underground portion of the Palito Mine on care and maintenance.

Since that time, the Company has focused on mine-site exploration, primarily airborne and ground geophysics and geochemistry, followed by currently ongoing discovery diamond drilling into advanced targets. Following a Change of Mine Plan report filed to the Departamento Nacional de Produção Mineral ("DNPM") in December 2008, and a subsequent amendment to the Company's PAE (Plano de Aproveitamento Economico), the Company maintained some minor surface oxide ore production, through which some 7,200 ounces gold was been produced up to June 2010.

In December 2010 the Company released a technical report prepared by its consultants, NCL Brasil Ltda, (the NI 43-101 Technical Report for the Jardim do Ouro Project, Para State, Brazil). The report estimated, in accordance with Canadian Securities Administrators National Instrument 43-101 (“NI 43-101”), a compliant Measured and Indicated mineral resource of 224,272 ounces (gold equivalent) and Inferred mineral resources of 443,956 ounces (gold equivalent).

Mineral Resources	Tonnage	Gold (g/t Au)	Copper (% Cu)	Contained Gold (Ounces)⁽¹⁾	Contained Gold Equivalent (Ounces)⁽²⁾
Measured	97,448	9.51	0.26	29,793	32,045
Indicated	753,745	7.29	0.23	176,673	192,228
Measured and Indicated	851,193	7.54	0.23	206,466	224,272
Inferred	2,087,741	5.85	0.27	392,817	443,956

(1) Mineral resources are reported at a cut-off grade of 1.0 g/t.

(2) Equivalent gold is calculated using an average long-term gold price of US\$700 per ounce, a long-term copper price of US\$2.75 per pound, average metallurgical recovery of 90.3% for gold and 93.9% for copper.

The infrastructure at the Palito Mine remains intact and includes a process plant comprised of flotation and carbon-in-pulp (“CIP”) gold recovery circuits capable of treating up to 600 t/day (200,000 t/year) of ore, a camp for over 200 employees and maintenance and workshop facilities. The site is supplied with mains power sourced from a 25 mW hydroelectric generating station located approximately 100 km north east of the town of Novo Progresso on the Curuá (Iriiri) River.

In the period following the decision to place the Palito Mine on care and maintenance the Company’s board of directors undertook a strategic review of the operation and determined that the original expectation that the Palito Mine could support production levels in excess of 50,000 ounces per annum was not supported by the then current mine plans and reserve and resource estimates. The Company concluded that limited infrastructure in the region contributed to a relatively high fixed cost associated with the project and determined that an operation capable of sustaining production levels of 70,000 to 75,000 ounces per annum was required as the basis for a viable and competitive operation.

The Company considers that with the information now available and having considered the various mining methodologies available, the deposit at the Palito Mine (referred to herein as the “Palito Deposit”) requires a selective mining operation to maximise its economic value and that under such a methodology a sustainable long term production rate is likely to be limited to 30,000 ounces per annum. The Company therefore determined that it would not in the short-term seek to re-open the Palito Mine but instead concentrate on building the reserve and resource base.

The Company is now pursuing a strategy of mine-site/district exploration and resource growth before making any decision on when to recommence production at the Palito Mine. Its exploration objective is to identify two or more Palito style and size deposits in close proximity to the Palito Mine and processing infrastructure. The Company has established nine drill targets within three kilometres of the Palito Mine, each of which it believes, based on its exploration results to date, has the potential to yield a Palito style and size deposit. This exploration effort has been divided into two phases, a current and on-going Phase 1 discovery programme, followed by a Phase 2 programme during which it is hoped a resource update will be reported.

The current and on-going Phase 1 has an exploration budget of US\$7.6 million and is aimed to investigate the initial nine mine-site targets as well as immediate surrounding tenements. The programme details are:

Phase 1 – 2011

'Head-frame' exploration with the objective to discover more Palito style deposits

- Drill 8,100 metres over nine high priority targets within three kilometres of the plant – **5977metres drilled to date**
- Follow-up ground geophysics on the remaining geophysical anomalies in the 14,000 hectare tenement that has been flown – **currently underway**
- Airborne geophysical VTEM survey - **60% completed**

Phase 2 will commence in Q4 2011, though it is based on the success of phase 1 and securing the necessary funding.

Phase 2 (Oct 2011 onwards), will focus on infill and step out drilling of the discoveries made to date and possible future success in the currently on-going drill programme, with a mineral resource estimate update provisionally planned for Q3 2012.

Background to Exploration Strategy

Palito and near mine mineralised zones are characterised by quartz-sulphide and massive sulphide veins. The vast bulk of the ore mined from the underground Palito mine was hosted in quartz-sulphide veins, with higher grade bonanza shoots existing in small diameter, plunge continuous, massive sulphide pods or shoots.

The nature of the quartz and sulphide content of the ore zones lends itself to detection via electrical geophysical methods, due to the conductivity in the sulphides and the resistivity provided by the quartz. Historically ground electrical geophysical exploration methods such as electromagnetics ("EM") and Induced Polarisation ("IP") have yielded good results in the Palito area reinforcing their importance as primary exploration tools for identifying these types of mineralisation.

In 2006, Serabi conducted a trial of ground EM surveying at Palito. The positive results led to Serabi commissioning the helicopter-borne VTEM geophysical survey over the Palito Deposit and surrounding 6,000 hectare area. The benefit of the EM technique is that it can highlight the massive sulphide component of the Palito style of mineralization, and therefore immediately provides a focal point for exploration within the dense vegetation surrounding Palito.

The 2008 airborne VTEM survey identified 47 discrete anomalies and 19 anomalous complex conductive zones. These geophysical targets were then integrated with the other geological datasets including soil geochemistry, drilling data, lineament analysis and geology for the project. As a result 18 "target areas" were defined for further follow-up exploration. These 18 targets provided the focal point for discovering potential mineralised zones.

Bearing in mind that the bulk of Palito ore was sourced from quartz-sulphide vein material and not massive sulphide, the VTEM survey represented the first step in the identification of additional resources whilst the application of IP should help delineate the quartz-sulphide veins. It is expected that the combination of both EM and IP and the subsequent 3D modeling will provide a direct focus for drilling activities and the subsequent potential expansion of resources at the JDO Project. Fifteen of the targets are within three kilometres of the mine and of these fifteen, seven are situated within the Company's existing mine licence. The remaining targets are all located within the Company's surrounding exploration licences.

RESULTS OF OPERATIONS

Exploration and technical programmes executed during the second quarter 2011.

The Company's results of operations for the three month period ended 30 June 2011 were comprised solely of the activities related to the results of operations of the Company's 100% owned subsidiary Serabi Mineracao S.A.

Property Highlights:

- 7 April - Results from the first five drill holes of the Phase 1 discovery drilling programme were released. The drilling was testing a 200m strike length of the 500m long geophysical model and significant gold intercepts were identified in all five drill holes. The style of the mineralization date appeared to be of broader width to mineral resources identified at the JDO Project to date.
- 23 May - Results of an 8,000 hectare VTEM survey flown in January 2011 were released. The survey increased the area covered by VTEM to 14,000 hectares and identified a further 47 conductive electromagnetic anomalies.
- 23 May – The Company announces that the integration and reprocessing of magnetic data had indicated that the structural zone hosting the Palito Deposit could extend as far to the south east as Currutela and in addition indicated the possible existence of a number of sub-parallel trending lineaments.
- 13 June – Results from drilling into the Pan Handle target and initial holes into the Currutela targets were released. High grade gold intersections were identified at Currutela as drilling intersected multiple zones of hydrothermally altered granite similar to those hosting mineralization at the Palito Deposit.
- 11 July – Further drill results at Currutela were released with promising assays showing further intersections of gold mineralisation in hydrothermal alteration zones.
- 15 July – Following up from the integration and reprocessing of magnetic data the announced that drilling had confirmed the potential structural and mineralizes continuity of the Palito gold deposit and the Currutela gold discovery, a distance of some 2km.
- 11 August – The commencement of further ground geophysics (Induced Polarisation) focusing upon the potential structural continuity between the Palito gold deposit and the Currutela gold discovery some 2km away, plus recently identified anomalies at Jamanxim and Calico was announced.
- Throughout the period Serabi's management has continued to pursue exploration and development opportunities primarily in the Tapajos Region of Brazil which would add value to the company strategy. The Company also sought to divest or joint venture non-core assets during the year.

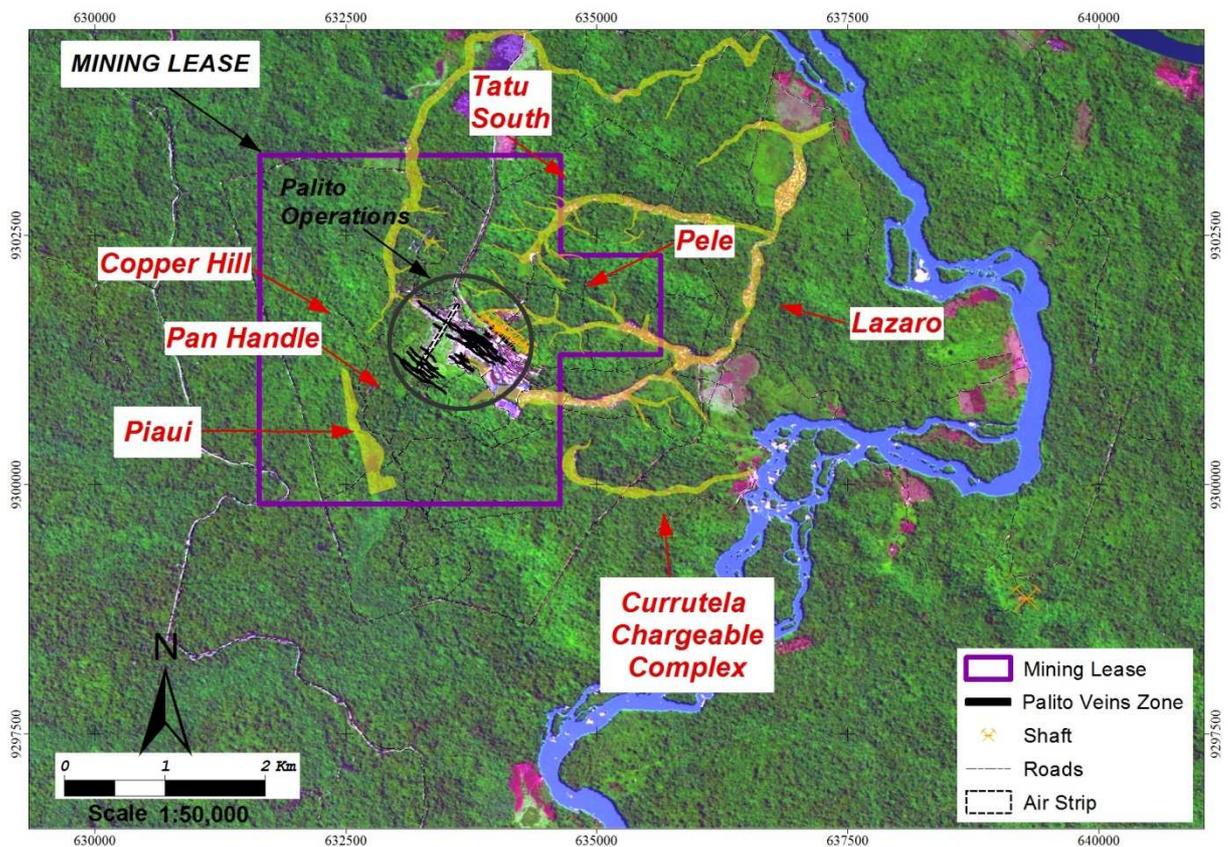
The Company's focus during the second quarter of 2011 has continued to be the advancement of the exploration opportunities of the JDO Project, which hosts the Palito Mine (including its process plant, mine camp and other infrastructure) along with numerous high priority mine-site and near mine targets. The cornerstone of this mine-site exploration effort has been the 2008 and 2011 airborne VTEM (Electromagnetic and Magnetic) Surveys, which covered a 14,000 hectare area enveloping the Palito deposit and immediate surrounding area. The 2008 VTEM survey generated 18 high priority geophysical targets, thirteen of which have, to date, been the subject of follow-up ground geophysics generating nine drilling targets. The 2011 VTEM survey has generated 47 discrete anomalies, a good number of which are clustered into 3 main areas. Some of these together with other untested anomalies will now be the subject of follow up ground geophysics in Q3 2011.

Progress during the quarter and six months ended June 30th 2011

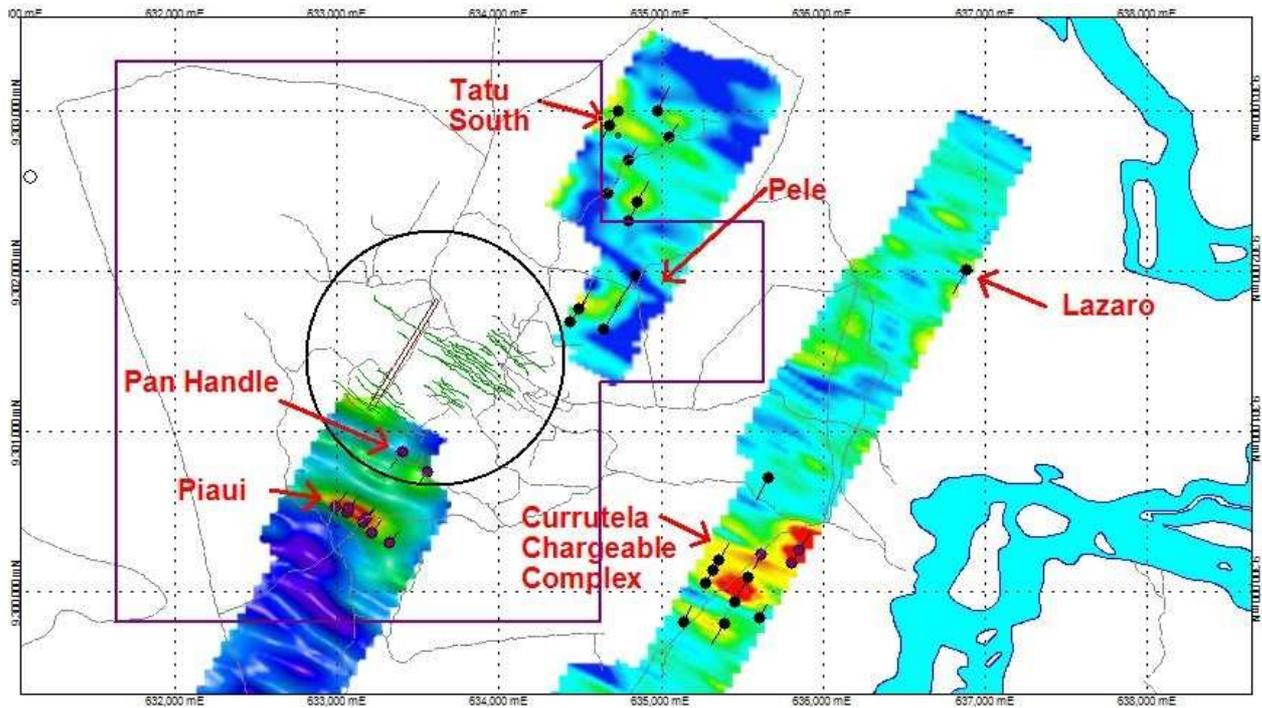
The Company commenced the 8,100 metre Phase 1 discovery in late December 2010. The programme is comprised of 35 holes, into nine mine site targets, all located within 3km of the current mine site

infrastructure. The purpose of the programme is to discover additional gold deposits with a longer term objective of expanding the JDO Project geological resources to 1.5 million ounces. The indications that additional gold discoveries can be made which will complement the existing resources comprising the Palito gold deposit remain good, based on the number of garimpo workings in the immediate mine area, as well as the positive geological and geophysical data amassed by the Company over the past 10 years.

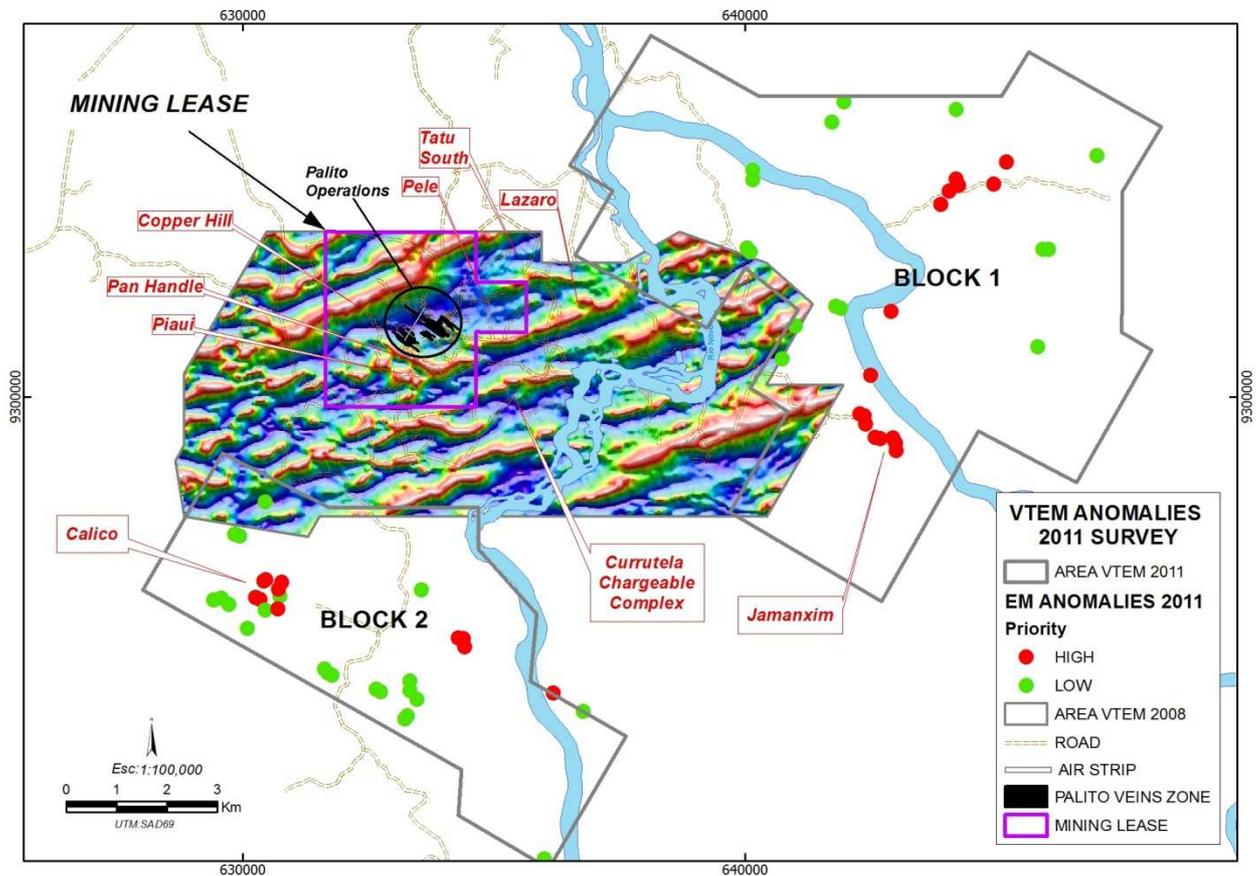
By the end of the first quarter 2011, 1,673 metres had been drilled. Performance improved during the second quarter, mainly a result of the end of the rainy season but also assisted by the introduction of a second diamond drill rig. During the second quarter, a further 3,150 metres were drilled, bringing the cumulative drilling total to 4,823 metres. By the end of July, the total drilled metres had reached 5,977 metres out of the 8,160 metres programmed, with 27 out of the 35 planned holes completed. All 35 holes are planned in the 9 mine-site targets namely; Piaui, Pan Handle, and Currutela (3 targets), Lazaro, Pele, Tatu and Copper Hill, the locations of which are shown in the illustration below:



The mine-site targets and the actual drill hole locations along with the geophysical results from the IP survey undertaken in 2011 can in also be seen in the following diagram which also demonstrates their close proximity to the existing Palito infrastructure:



In January 2011, the Company completed an additional 8,000 hectare airborne electromagnetic VTEM survey immediately to the east and west of the original 2008 mine site survey area. The results were released in May 2011, and are shown in the figure below alongside the contoured (aero magnetics) 2008 VTEM survey area:



The Company was advised in February 2011 that its appeal to the Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis ("IBAMA") that the original penalty of Brazilian Reals 3,597,300 (~US\$2.2 million) assessed by IBAMA in June 2010 was cancelled with immediate effect. In the same month the Company announced positive geochemical results from trenching over the Piauí drill target. The Piauí target is a 500m strike length anomaly. This initial trenching tested the Piauí prospect, perpendicular to strike via a 240 metre long trench to a depth of five metres. Results included mineralised zones of three metres averaging 16.16g/t and one metre averaging 33.6 g/t.

The Piauí target has subsequently been drilled at depth and significant gold intersections recorded and in April 2011 the Company released details of the assays for the first five drill-hole results into the Piauí target. The drilling tested a 200m strike length of the 500m long target, and intersections demonstrated a broader width mineralization to mineral resources identified at JDO to date. A follow up drill programme is planned as part of the Phase 2 discovery programme.

In May 2011 the Company announced the results of the 8,000 hectare VTEM survey undertaken in January 2011. Ranking the priorities using the same parameters used to assess the 2008 survey results, indicated no Priority 1 anomalies but 47 Priority 2 and Priority 3 anomalies were defined including some clustered results indicative of the presence of some very prospective structural corridors. Some of the areas of interest identified will be the subject of follow-up ground geophysics, which commenced on 1 August 2011.

Initial drill results of the first three drill holes into the Currutela target were announced in June 2011, which highlighted the presence of multiple zones of high grade gold bearing mineralization. The mineralisation appears to be hosted in alteration zones of very similar nature to those that host the Palito gold resource some 2km to the north-west. Results for the Pan Handle target were also released.

Assay results from a further five holes drilled over the Currutela target were announced in July 2011, reported that drilling had continued to intersect gold mineralisation in hydrothermal alteration zones. These results further supported the view, that the Currutela mineralisation was not confined to one or two structures, but multiple zones of high grade gold mineralisation.

The Company has also undertaken a complete reprocessing of all the available aeromagnetic data and press released the findings of this work in July 2011. As a result of this work the Company has determined that the potential exists for a structural continuity between the Currutela prospect and the existing Palito gold resource extending over some 1.6km. This potential was further enhanced by the intersection of multiple zones of hydrothermally altered granite in a drill hole located approximately midway between Palito and Currutela. The drill hole recorded multiple zones of hydrothermally altered granite, similar to previously reported Palito and Currutela intercepts, at down-hole depths between 84 metres and 102 metres, grading 17.06m @ 1.17g/t Au and was indicative of both structural and mineralized continuity between the Palito resource and the Currutela target with the potential for a mineralised zone extending over three kilometres in total.

The company plans to undertake further drilling in this target area but will first obtain additional ground geophysical data using IP over the area in order to complement its existing geological database with a view to enhancing target definition and future drill planning. This IP survey is part of a larger 70 line kilometre programme covering this area, some of the remaining untested 2008 VTEM anomalies as well as the Jamaxim and Calico areas identified by the 2011 VTEM survey. This work commenced at the start of August 2011.

Throughout the period Serabi's management continued to evaluate other exploration and development opportunities primarily in the Tapajós Region of Brazil which might add value to the company strategy. The Company continues also to seek to divest or joint venture non-core assets.

Exploration expenditures on the JDO Project for the 6 month period ending 30 June 2011 totalled US\$3.9 million with US\$2.2 million spent on direct exploration costs including US\$940,000 on diamond drilling, US\$310,000 on geophysics, US\$330,000 on land rentals and DNPM payments, US\$270,000 on exploration labour costs, and approximately US\$350,000 on exploration consumables, assays, and travel expenses. US\$1.7 million has been spent on other site G+A costs, including the non-direct exploration staff costs, care and maintenance activities, and regional support expenditures.

Outlook

The Company expects to complete its Phase 1 exploration programme over the JDO Project by the end of the third quarter of 2011. The focus of this programme has been on 'head-frame' exploration with the objective to make mine-site gold discoveries which in turn can increase the mineral resource to a sufficient level to support a meaningful and sustainable level of production.

Activity over the next quarter;

- The completion of the planned 8,100m diamond drilling into the 9 high priority targets of which almost 6,000 metres had been drilled by the end of July.
- Follow-up ground geophysics (Induced Polarisation) is being undertaken over four main anomalous areas identified by the 14,000 hectares of airborne geophysics. This work commenced in August 2011.
- The Company has acquired a powered Augur drill rig and has commenced a thorough mine-site deep geochemistry Geochemical/Trenching/Auger programme.
- The Palito underground mine will remain on care & maintenance

In the fourth quarter of 2011 and beyond, the Company's objectives are to:

- Follow up mine-site discoveries with drilling to increase resource >1.5m oz.
- Commence discovery drilling on potential new targets defined from the 2011 geophysical surveys
- Replicate the 'Palito Discovery Model' within the 55,000 ha of contiguous concessions that envelope the Palito deposit continuing to use a mixture of geophysics and geochemistry to identify additional areas of interest and potential drill targets
- Seek JV partners/buyers with respect to the non-core assets

The above-described exploration plans are based on management's current assessment of the status of JDO project and are subject to change as additional information such as new exploration results, becomes available. Readers are cautioned that actual exploration and development activity of the Company may change as a result.

SELECTED FINANCIAL INFORMATION

The data included herein is taken from the Company's annual audited financial statements and unaudited interim financial information. The audited financial statements are 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") and adopted for use within the European Union (IFRS) and with IFRS and their interpretations adopted 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. Whilst the unaudited interim financial statements are compiled in accordance with IFRS, they do not contain sufficient financial information to comply with IFRS.

Results of Operations

Three month period ended 30 June 2011 compared to the three month period ended 30 June 2010

For the three month period ended 30 June 2011 the Company recorded a net loss of US\$1,562,635 (2.44 US cents per share) compared to a net loss of US\$1,634,584 (4.70 US cents per share) for the comparative period last year. The decrease in the loss of US\$71,949 reflects a reduction in the gross loss for the

period of US\$293,000 and a reduced loss on foreign exchange of US\$44,988 compared with a loss in the corresponding period of US\$271,000. These improvements have been offset by a US\$267,000 increase in administration costs. A charge of US\$100,000 was taken in the period to increase the provision for the rehabilitation of the Palito mine site upon eventual abandonment. This charge which results from changes in exchange rates and discount rates used to estimate the provision required has been recorded as a foreign exchange cost of US\$70,500 and a finance cost of US\$29,500.

In the three months ended 30 June 2010, the Company had limited gold production from open pit mining operations which yielded a gross loss of US\$424,253. Mining operations were suspended at the end of June 2010 and there has been no mining operation during the three month period ended 30 June 2011 and as a result the Company incurred a gross loss for the second quarter of 2011 of US\$131,197.

The increase in administration costs reflects increased costs and activity levels of the operations in Brazil resulting in an overall increase in charges of US\$170,000 and at the corporate level an increase of \$86,000.

In Brazil the major cost increase related to the settlements of employment claims which relate in some case to employees who left the company more than two years previously. Charges for the settlement of these claims amount to US\$302,000. Whilst Serabi Mineraçao SA, did not undertake any mining activity in the period it has sold crushed waste rock generating non mining revenues of US\$172,000 in the period.

The appreciation of the Brazilian Reais against the United States dollar by some 11% in the period has also had an adverse effect and results in an increase in period on period costs of some US\$15,000. Costs for internal travel within Brazil have increased reflecting the increased levels of exploration activity compared with the corresponding period in 2010.

The increased level of costs at the corporate level for the three month period principally reflect increased levels of investor relations activities since the initial public offering of the Company's Shares on the Toronto Stock Exchange ("TSX") on 30 March 2011 and the fees of the non-executive directors who were appointed at the end of March 2011.

Six month period ended 30 June 2011 compared to the six month period ended 30 June 2010

For the six month period ended 30 June 2011 the Company recorded a net loss of US\$2,305,277 (4.22 US cents per share) compared to a net loss of US\$2,588,183 (7.66 US cents per share) for the comparative period last year.

The reduction in the loss of approximately US\$280,000 principally reflects a gain on foreign exchange of US\$142,000 compared with a loss in the corresponding period for 2010 of US\$273,000.

For the six months to 30 June 2011 there has been an increase in administration costs of US\$525,000 in comparison with the same period for 2010.

At the corporate level costs have increased primarily as a result of higher staffing charges which account for US\$200,000 of the increase. This increase reflects the higher remuneration for executive management compared with 2010, including a bonus relating to performance in 2010, of which two thirds was settled by the issue of shares paid in the first quarter and the remuneration of the new non-executive directors who were appointed at the end of Mach 2011.

The company also incurred additional costs in 2011 compared to 2010 as a result of the initial public offering of the Company's shares on the TSX.

In Brazil costs for the six months to 30 June 2011 were lower than in the equivalent period in 2010 as a result of two items of income. The Company has, during 2011, generated revenues from the sale of crushed waste rock and also reached a settlement with a supplier resulting in the write back of historic charges amounting to some US\$540,000.

This income has been offset by higher charges in the six months to 30 June 2011 for settlement of past employment claims plus increased costs required to support the 2011 exploration programme compared to the same period in 2010.

Summary of quarterly results

	Quarter ended 30 June 2011 US\$	Quarter ended 31 March 2011 US\$	Quarter ended 31 December 2010 US\$	Quarter ended 30 September 2010 US\$
Revenues	1,063	–	57,643	22,909
Operating expenses	(132,260)	(183,822)	(511,257)	(411,103)
Gross loss	(131,197)	(183,822)	(453,614)	(388,194)
Administration expenses	(701,818)	(665,387)	(863,506)	(561,015)
Write back of prior period expenses	–	540,441	–	–
Option costs	(63,740)	(30,571)	(28,569)	(25,103)
Gain / (Loss) on asset disposals	11,178	(13,515)	(8,379)	(111,106)
Depreciation of plant and equipment and provisions	(593,796)	(567,336)	(597,548)	(497,439)
Operating loss	(1,479,373)	(920,190)	(1,951,616)	(1,582,857)
Exchange	(44,988)	187,297	4,085	241,092
Finance costs	(38,274)	(9,749)	(58,207)	(44,325)
Loss before taxation	(1,562,635)	(742,642)	(2,005,738)	(1,386,090)
Loss per ordinary share (basic and diluted)	(2.44) cents	(1.65) cents	(4.48) cents	(3.10) cents
Development and deferred exploration costs	14,785,541	11,679,390	9,797,406	8,558,842
Property, plant and equipment	34,843,749	34,088,905	33,951,140	34,280,250
Total current assets	10,867,744	13,933,052	11,174,647	8,412,810
Total assets	60,527,034	59,701,347	54,923,193	51,251,902
Total liabilities	6,076,157	5,603,473	10,571,375	5,586,203
Shareholder's equity	54,450,877	54,097,874	44,351,818	45,665,699

	Quarter ended 30 June 2010 US\$	Quarter ended 31 March 2010 US\$	Quarter ended 31 December 2009 US\$	Quarter ended 30 September 2009 US\$
Revenues	308,360	840,639	719,884	1,191,571
Operating expenses	(732,613)	(761,773)	(1,186,957)	(1,506,070)
Gross profit/(loss)	(424,253)	78,866	(467,073)	(314,499)
Administration expenses	(444,757)	(397,634)	(480,024)	(192,978)
Option costs	(25,102)	(25,102)	(86,864)	(20,013)
Write-off of past exploration expenditures	–	–	(18,171)	(476,967)
Gain / (Loss) on asset disposals	49,874	(54,568)	(5,018)	33,442
Impairment	–	–	(760,715)	(1,159,596)
Depreciation of plant and equipment and provisions	(507,509)	(509,949)	(531,132)	(845,788)
Operating loss	(1,351,747)	(908,387)	(2,348,997)	(2,976,399)
Exchange	(271,393)	(1,180)	(181,348)	73,060
Finance costs	(11,444)	(44,032)	(22,273)	(32,619)
Loss before taxation	(1,634,584)	(953,599)	(2,552,618)	(2,935,958)
Loss per ordinary share (basic and diluted)	(4.70) cents	(2.91) cents	(11.19) cents	(20.95) cents
Development and deferred exploration costs	7,475,863	7,058,548	6,880,038	6,478,501
Property, plant and equipment	33,024,475	33,917,842	35,327,788	3,522,960
Total current assets	10,198,256	6,290,130	7,030,342	3,825,915
Total assets	50,698,594	47,266,520	49,238,168	46,227,376
Total liabilities	5,870,534	5,821,027	6,033,451	5,966,225
Shareholder's equity	44,828,060	41,445,493	43,204,717	40,261,151

Liquidity and Capital Resources

The Company had a working capital position of US\$6,913,394 at 30 June 2011 compared to US\$2,793,046 at 31 December 2010. The working capital position at 30 June 2011 includes cash and cash equivalents of US\$7,859,831 (31 December 2010: US\$8,598,755). The Company does not have any asset backed commercial paper investments. Whilst there has been a small decrease in cash balances the improvement in the working capital position compared with 31 December 2010 arose principally from the exercise during the quarter ended 31 March 2011 of the Special Warrants issued by the Company on 2 December 2010. The value attributed to these Special Warrants had been shown at 31 December 2010 as a current liability and excluding this liability, the working capital position at 31 December 2010 would have been US\$7,853,041. As the Company has no source of revenue and is dependent on the issue of additional securities to raise additional cash when it is required, the Company's cash position at any time will be dependent upon the timing of raising new finance and timing and levels of its exploration activity.

During the six month period ended 30 June 2011, the Company issued 9,124,470 Ordinary Shares and 4,500,000 Warrants for net cash proceeds of US\$4,462,844, of which 9,000,000 Ordinary Shares and 4,500,000 Warrants were issued pursuant to the IPO on the Toronto Stock Exchange completed on 30 March 2011.

The placement comprised the issue of 9,000,000 units where each unit consists of one Ordinary Share and one half of a Warrant whereby each whole Warrant entitles the holder to subscribe for one Ordinary Share at a price of C\$0.75 at any time before 2 December 2012.

At the same time a further 10,070,000 Ordinary Shares and 5,035,000 Warrants were issued upon the automatic exercise of the Special Warrants issued by the Company on 2 December 2010. Each of the Special Warrants comprised a unit which in turn was comprised of one Ordinary Share and one half of a Warrant whereby each whole Warrant entitles the holder to subscribe for one Ordinary Share at a price of C\$0.75 at any time before 2 December 2012.

The Company has during the six month period ended 30 June 2011, incurred costs of US\$4,229,417 on mineral property exploration, US\$45,636 on asset purchases and used cash of US\$1,321,782 on its operating activities. Further details of the exploration activity conducted during the year are set out elsewhere in this MD&A.

On 30 June 2011, the Company's total assets amounted to US\$60,527,034, which compares to the US\$54,923,193 recorded as at 31 December 2010. Total assets are mostly comprised of property, plant and equipment, which as at 30 June 2011 totalled US\$34,843,749 (December 2010: US\$33,951,140), and deferred exploration and development cost which as at 30 June 2011 totalled US\$14,785,541 (December 2010: US\$9,797,406), of which US\$13,198,002 relates to capitalized exploration expenditures at, or in close proximity to, the Palito Mine. The Company's total assets also included cash holdings of US\$7,859,831 (December 2010: US\$8,598,755).

Receivables of US\$131,973 as at 30 June 2011 have increased by US\$35,830 compared to the receivables balance of US\$96,143 as at 31 December 2010. The receivables as of 30 June 2011 are primarily deposits paid by the Company. Prepayments as of 30 June 2011 were US\$1,325,456 compared with US\$1,061,945 as at 31 December 2010, an increase of US\$263,511. The prepayments primarily represent prepaid taxes in Brazil of US\$1,069,891 of which the majority is federal and state sales taxes which the Group expects to recover either through offset against other federal tax liabilities or through recovery directly.

The Company's total liabilities at 30 June 2011 of US\$6,076,157 (December 2010: US\$10,571,375) included accounts payable to suppliers and other accrued liabilities of US\$4,282,871 (December 2010: US\$3,873,633). The total liabilities include US\$282,260 (December 2010: US\$249,176) attributable to the £300,000 loan from a related party, which has a repayment date of 31 October 2014 subject to the right of the holder at any time, on one or more occasions, on or before the repayment date, to convert any of the outstanding amounts owed by the Company to Ordinary Shares at a price of 15 pence per Ordinary Share. It also includes the amount of US\$1,511,026 (December 2010: US\$1,388,571) in respect of provisions including US\$1,155,000 (December 2010: US\$1,055,000) for the cost of rehabilitation of the current Palito Mine site at the conclusion of operational activity.

Management believes that the Company has adequate working capital to undertake all of its currently planned exploration and development programmes for the remainder of 2011 in relation to the Company's existing mineral properties and to cover administrative expenses for the same fiscal year.

Contractual Commitments

The Company has operating leases in respect of office premises in London and Belo Horizonte and also in respect of certain computer equipment.

The Company holds certain exploration prospects which require it to make certain payments under rental or purchase arrangements allowing the Company to retain the right to access and undertake exploration on these properties. Failure to meet these obligations could result in forfeiture of any affected prospects. Management estimates that the cost over the next twelve months of fulfilling the current contracted commitments on all the properties in which the Group has an interest will be US\$271,400.

On 9 November 2009 (as further detailed in note 16 of the Company's 2010 annual financial statements) the Company entered into a Convertible Loan Stock agreement with Greenwood Investments Limited ("Greenwood") whereby Greenwood made available to the Company a loan of UK£300,000 repayable on 31 October 2014. Greenwood has the right at any time, on one or more occasions, on or before the repayment date to convert any of the outstanding amounts owed by the Company to Ordinary Shares at

a price of UK£0.15 per share. The loan was drawn down on 14 December 2009 and interest will accrue at the rate of 1 percent per annum and is compounded.

Contractual Obligations	Total	Payments due by period			
		Less than 1 year	1-3 years	4-5 years	After 5 years
	\$	\$	\$	\$	\$
Long term debt	282,260	-	-	282,260	-
Capital Lease Obligations	-	-	-	-	-
Operating Leases	156,904	118,764	38,140	-	-
Purchase Obligations	-	-	-	-	-
Other Long Term Obligations	-	-	-	-	-
Total Contractual Obligations	439,164	118,764	38,140	282,260	-

Transactions with related parties of the Company

The Company paid, during the six month period ended 30 June 2011, UK£3,000 to a company controlled by one of its former directors in respect of fees receivable by that director for the provision of his services to the Company.

Financial and Other Instruments

The Company's financial assets at 30 June 2011 which comprise trade and other receivables and cash, are classified as loans and receivables. All of the Company's financial liabilities which comprise trade and other payables, accruals and interest bearing liabilities, are classified as liabilities measured at amortised cost.

The Company has not entered into any derivative transactions and it is not currently the Company's policy to undertake trading in financial instruments.

The main financial risks arising from the Company's activities remain unchanged from the previous financial year namely commodity prices, currency, liquidity, credit and interest rates. The Board reviews and agrees policies for managing each of these risks and these are summarised below:

Commodity price risk

By the nature of its activities and whilst the Company may only produce very limited revenue, the Company is potentially exposed to fluctuations in commodity prices and in particular the price of gold and copper as these could affect its ability to raise further finance in the future, its future revenue levels and the viability of its projects. It is not currently the Company's intention to enter into any arrangements to protect itself from changes in the prices of these commodities. The Company does however closely monitor the prices of these commodities and will consider the use of hedging contracts, where appropriate, in future.

At the end of the three and six month periods ended 30 June 2011 and at the end of the financial year ended 31 December 2010, the Company had no unsold or part-paid production and accordingly the results for the year and the equity position of the Company is not affected by any change in commodity prices subsequent to the end of the year.

Interest rate risk

The Company currently finances its operations through equity financing and has a convertible loan of £300,000 which bears interest at the rate of 1% per annum compounded and has a repayment date of October 2014.

There is not considered to be any material interest rate risk. The Company's policy is to retain surplus funds as short-term deposits, of up to 32 days duration, at prevailing market rates and to pay trade payables within their credit terms.

The fair value of all financial instruments is approximately equal to book value due to their short-term nature.

Liquidity risk

To date the Company has relied on shareholder funding and, in prior years, short-term trade finance and fixed rate finance leases to finance its activities. The Company has also drawn down on a convertible loan stock instrument which is repayable in 2014, but otherwise does not have any other borrowing or credit facilities. The Company's objectives when managing its capital are to maintain financial flexibility to achieve its development plans, safeguard its ability to continue to operate as a going concern through management of its costs whilst optimising its access to capital markets by endeavouring to deliver increase in value of the Company for the benefit of shareholders. In establishing its capital requirements the Company will try to take account of the risks inherent in its plans and proposed activities and prevailing market conditions. During the six month period ended 30 June 2011, the Company raised new funds through the issue of new shares. Continued development of the Company's projects will be dependent on the ability to attract additional funding, through joint ventures, asset disposals, new equity or debt. There is no guarantee that the Company will be able to secure adequate funding in the future or that the terms of such funding will be acceptable.

Currency risk

Although the Company is incorporated in the United Kingdom its financial statements and those of the group are denominated in US Dollars.

Share issues have historically been priced solely in Sterling but the issue of Special Warrants undertaken in December 2010 and the issue of new Ordinary Shares and Warrants on 30 March 2011 were priced in Canadian dollars. The Company expects that future issues of Ordinary Shares may be priced in Sterling or Canadian dollars. Expenditure is primarily in Brazilian Real but also in US Dollars, Sterling, and Canadian Dollars.

The Company's main subsidiary operates in Brazil with its expenditure being principally in Brazilian Real and its financial statements are maintained in that currency. The Company's policy for dealing with exchange differences is outlined in the statement of Significant Accounting Policies in its 2010 Annual Report and Accounts under the heading "Foreign currencies".

The Company does not presently utilise swaps or forward contracts to manage its currency exposures, although such facilities are considered and may be used where appropriate in the future.

The Company seeks to minimise its exposure to currency risk by closely monitoring exchange rates and holding surplus funds in currencies considered most appropriate to their expected future utilisation.

The Company considers book value to equal fair value.

The functional currency of the Company's operations is US Dollars, which is also the reporting currency. The Company's cash holdings at the balance sheet date were held in the following currencies:

	30 June 2011 \$	31 December 2010 \$
US Dollar	1,956,187	1,708,548
Canadian Dollar	5,146,433	5,238,373
Sterling	704,670	1,634,450
Australian Dollar	2,762	3,059
Brazilian Real	49,779	14,326
Total	7,859,831	8,598,755

The cash is held at floating rates prevailing at the balance sheet date.

Credit risk

The Company's exposure to credit risk is limited to its cash and cash equivalents and trade and other receivables amounting to US\$9,317,260 as at 30 June 2010 (31 December 2010: US\$9,756,843). It is the Company's policy to only deposit surplus cash with financial institutions that hold good credit ratings and to provide credit in respect of receivables only with parties that themselves have good credit history or otherwise to hold some form of lien pending settlement.

Subsequent Events

There are no events to be reported subsequent to 30 June 2011.

Changes in Accounting Policies

The Company has not adopted any standards or interpretations in advance of the required implementation dates. There has been no significant measurement impact on the consolidated financial statements from new standards or interpretations effective in 2011.

It is not anticipated that the adoption in the future of the new or revised standards or interpretations that have been issued by the International Accounting Standards Board will have a material impact on the Company's earnings or shareholders' funds.

Disclosure of Outstanding Share Data

The Company has an authorised capital of UK£30,000,000 comprised of 333,735,776 Ordinary Shares of 5 pence each and 140,139,065 Deferred Shares of 9.5 pence each.

The Company had the following Ordinary Shares, Deferred Shares, Stock Options and Warrants outstanding at 16 August 2011.

Ordinary Shares	63,968,529
Stock Options	6,020,785
Tradeable Warrants	9,535,000
Other Warrants	2,585,400
Fully diluted ordinary shares outstanding	82,109,714

The above table does not include 2,100,123 Ordinary Shares being the maximum number of Ordinary Shares that the Company calculates it would be obliged to issue in satisfaction of the Convertible Loan, being the principal owed of £300,000 and the accumulated interest over the life of the Convertible Loan of £15,018.42.

Eldorado Gold Corporation holds 16,840,000 Ordinary Shares in the Company, 2,420,000 warrants and 1,500,000 share purchase warrants. 12,000,000 shares acquired by Eldorado were subject to an orderly marketing agreement entered into on 16 June 2010, whereby Eldorado had agreed not to dispose of any of those Ordinary Shares prior to 16 June 2011. This orderly marketing agreement has now expired.

Qualified Persons Statement

The technical information contained within this Management Discussion and Analysis has been reviewed and verified by Michael Hodgson, CEO of the Company. Mr Hodgson is an Economic Geologist by training with over 25 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. Oil and Gas Companies dated March 2006.

Cautionary Statement on Forward-Looking Information

This management's discussion and analysis contains "forward-looking information" (also referred to as "forward-looking statements") which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company and its projects, the future price of gold or other metal prices, the estimation of mineral resources, the realization of mineral resource estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration and/or exploitation, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of regulatory matters, and that reflects management's expectations regarding the Company's future growth, results of operations, performance and business prospects and opportunities. Often, but not necessarily always, the use of words such as "anticipate", "believe", "plan", "estimates", "expect", "intend", "budget", "scheduled", "forecasts" and similar expressions have been used to identify these forward-looking statements or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. These statements reflect management's current beliefs and are based on information currently available to management. Except for statements of historical fact relating to the Company, information contained herein constitutes forward-looking statements, including any information as to the Company's strategy, plans or financial or operating performance. Forward-looking statements involve significant risks, uncertainties and assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause actual results to differ from these forward-looking statements include risks related to failure to define mineral resources, to convert estimated mineral resources to reserves, the grade and recovery of ore which is mined varying from estimates, future prices of gold and other commodities, capital and operating costs varying significantly from estimates, political risks arising from operating in Brazil, uncertainties relating to the availability and costs of financing needed in the future, changes in equity markets, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, uninsured risks and other risks involved in the mineral exploration and development industry. A description of risk factors applicable to the Company can be found in the section "Risk Factors" in this management's discussion and analysis. Although the forward-looking statements contained in this management's discussion and analysis are based upon what management believes to be reasonable assumptions, the Company cannot assure prospective purchasers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this management's discussion and analysis, and the Company assumes no obligation to update or revise them to reflect new events or circumstances, except in accordance with applicable securities laws. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Risks and Uncertainties

In addition to the other information set forth in this report, you should carefully consider the risk factors below which could materially affect the Company's business, financial condition and/or future results. These risks are not the only risks facing the Company. Additionally risk and uncertainties not currently known to the Company or that management currently deems to be immaterial, may also materially affect the Company's business, financial condition and/or future results.

Future exploration at the Company's projects or elsewhere may not result in increased mineral resources.

Mineral exploration involves significant risks over a substantial period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. Even if the Company discovers a valuable deposit of minerals, it may be several years before production is possible and

during that time it may become economically unfeasible to produce those minerals. There is no assurance that current or future exploration programs will result in any new economically viable mining operations or yield new resources to replace and expand current resources.

There is no guarantee that the Company's applications for exploration licences will be granted on a timely basis or at all or that the existing exploration licences of the Company can be renewed or converted into mining licences. In addition, there can be no assurances that title to any of the Company's mineral properties will not be challenged or disputed.

There is no guarantee that any application for additional exploration licenses may be granted by the DNPM. The DNPM may refuse any application. Persons may object to the granting of any exploration license and the DNPM may take those objections into consideration when making any decision on whether or not to grant a license.

If and when exploration licenses are granted, they will be subject to various standard conditions including, but not limited to prescribed license conditions. Any failure to comply with the expenditure conditions or with any other conditions, on which the licenses are held, can result in license forfeiture. Generally, the licenses are granted for a term of three years and further renewal of an exploration license is at the discretion of the DNPM and on such conditions as the DNPM may in its discretion impose. Renewal conditions may include increased expenditures and work commitments or compulsory relinquishment of areas of the licenses comprising the Company's properties. The failure of the DNPM to renew the Company's exploration licences or the imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Company.

Title to, and the area of, mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impaired.

The exploration and development of the Company's properties, including continuing exploration and development projects, and the construction of mining facilities and commencement of mining operations, will require substantial additional financing.

Failure to obtain sufficient financing will result in a delay or indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of a property interest. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders. Failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition and results of operations.

The Company faces numerous exploration, development and operating risks.

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices that are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

There is no certainty that the expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries of commercial quantities of ore.

The Company is considered to be a development stage company and although it generated revenue from mining operations in the past continuous commercial operations have been discontinued. There can be no assurance that the Company will re-commence commercial production, generate any revenues or be able to operate profitably.

The development of the Company's properties will require the commitment of substantial resources to complete exploration programs and to bring the properties into commercial production. There can be no assurance that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as needed consultants, personnel and equipment associated with advancing exploration, development and commercial production of its properties are added. The amounts and timing of expenditures will depend on the progress of ongoing development, the results of consultants' analysis and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Company's acquisition of additional properties and other factors, some of which are beyond the Company's control.

If mineral resource estimates are not accurate, production may be less than estimated which would adversely affect the Company's financial condition and result of operations.

Mineral resource estimates are imprecise and depend on geological analysis based partly on statistical inferences drawn from drilling, and assumptions about operating costs and metal prices, all of which may prove unreliable. The Company cannot be certain that the resource estimates are accurate and cannot guarantee that it will recover the indicated quantities of metals if commercial production is commenced. Future production could differ dramatically from such estimates for the following reasons: mineralization or formations at the properties could be different from those predicted by drilling, sampling and similar examinations; declines in the market price of gold may render the mining of some or all of the resources uneconomic; and the grade of ore may vary significantly from time to time and the Company cannot give any assurances that any particular quantity of metal will be recovered from the resources.

The occurrence of any of these events may cause the Company to adjust the resource estimates or change its mining plans, which could negatively affect the Company's financial condition and results of operation.

The Company's exploration and development properties may not be successful and are highly speculative in nature.

Exploration for gold is highly speculative in nature. The Company's exploration activities in Brazil involve many risks, and success in exploration is dependent upon a number of factors including, but not limited to, quality of management, quality and availability of geological expertise and the availability of exploration capital. The Company cannot give any assurance that its current or future exploration efforts will result in the discovery of a mineral reserve or new or additional mineral resources, the expansion of current resources or the conversion of mineral resources to mineral reserves.

As well, mineral deposits, even though discovered, may be insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by additional factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment and other factors, which may make a mineral deposit unprofitable to exploit.

The Company's mineral properties are in the exploration stage and are without known bodies of mineral reserves, although a mineral resource has been established at the Jardim do Ouro Project.

Development of such properties will only follow upon obtaining satisfactory exploration results and the completion of feasibility or other economic studies.

The risks and hazards associated with mining and processing may increase costs and reduce profitability in the future.

Mining and processing operations involve many risks and hazards, including among others: environmental hazards; mining and industrial accidents; metallurgical and other processing problems; unusual and unexpected rock formations; flooding and periodic interruptions due to inclement or hazardous weather conditions or other acts of nature; mechanical equipment and facility performance problems; and unavailability of materials, equipment and personnel. These risks may result in: damage to, or destruction of, the Company's properties or production facilities; personal injury or death;

environmental damage; delays in mining; increased production costs; asset write downs; monetary losses; and legal liability.

The Company cannot be certain that its insurance will cover the risks associated with mining or that it will be able to obtain or maintain insurance to cover these risks at affordable premiums. The Company might also become subject to liability for pollution or other hazards against which it cannot insure or against which the Company may elect not to insure because of premium costs or other reasons. Losses from such events may increase costs and decrease profitability.

The Company may experience higher costs and lower revenues than estimated due to unexpected problems and delays.

New mining operations often experience unexpected problems during the development and start-up phases and such problems can result in substantial delays in reaching commercial production. Delays in construction or reaching commercial production in connection with the Company's development of its mines would increase its operating costs and delay revenue growth.

The Company's vulnerability to changes in metal prices may cause its share price to be volatile and may affect the Company's operations and financial results.

If the Company commences production, the profitability of the Company's operations will be dependent upon the market price of mineral commodities. Metal prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of mineral commodities and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and results of operations. Furthermore, reserve calculations and life-of-mine plans using significantly lower metal prices could result in material write-downs of the Company's investment in mining properties and increased amortization, reclamation and closure charges. In addition to adversely affecting the Company's reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

The Company is subject to extensive environmental legislation and the costs of complying with these regulations may be significant. Changes in environmental legislation could increase the costs of complying with applicable regulations and reduce levels of production.

All phases of the Company's operations are subject to environmental regulation in Brazil. There is no assurance that existing or future environmental regulation will not materially adversely affect the Company's business, financial condition and results of operations.

Environmental legislation relating to land, air and water affects nearly all aspects of the Company's operations. This legislation requires the Company to obtain various operating licenses and also imposes standards and controls on activities relating to exploration, development and production. The cost of obtaining operating licenses and abiding by standards and controls on its activities may be significant. Further, if the Company fails to obtain or maintain such operating licenses or breaches such standards or controls imposed on its activities, it may not be able to continue its operations in its usual manner, or at all, or the Company may be subject to fines or other claims for remediation which may have a material adverse impact on its operations or financial results. While the Company is unaware of any existing material environmental liabilities, it cannot guarantee that no such liabilities currently exist or will occur in the future.

Changes in environmental laws, new information on existing environmental conditions or other events may increase future compliance expenditures or otherwise have a negative effect on the Company's financial condition and results of operations. In addition to existing requirements, it is expected that other environmental regulations will likely be implemented in the future with the objective of further protecting human health and the environment. Some of the issues expected to be under future review by environmental agencies include reducing or stabilizing air emissions, mine reclamation and

restoration, and water quality. Other changes in environmental legislation could have a negative effect on production levels, product demand, product quality and methods of production and distribution. The complexity and breadth of these issues make it difficult for the Company to predict their impact. The Company anticipates capital expenditures and operating expenses will increase as a result of compliance with the introduction of new and more stringent environmental regulations. Failure to comply with environmental legislation may result in the issuance of clean up orders, imposition of penalties, liability for related damages and the loss of operating permits. While the Company believes it is now in material compliance with existing environmental legislation, it cannot give assurances that it will at all future times be in compliance with all federal and state environmental regulations or that steps to bring the Company into compliance would not have a negative effect on its financial condition and results of operations.

Government approvals and permits are currently, or may in the future be, required in connection with the Company's operations. To the extent such approvals are required and but are not granted, the Company may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties.

Currency fluctuations may affect the costs of doing business and results of operations.

Currency fluctuations may affect the Company's costs and the Company has not entered into any derivative financial instruments to hedge such fluctuations. The Company pays for goods and services in Canadian dollars, U.S. dollars, British Pound Sterling and Brazilian Real and the Company receives the proceeds of financings in Canadian dollars and British Pound Sterling. As a result of the use of these different currencies, the Company is subject to foreign currency fluctuations. Foreign currencies are affected by a number of factors that are beyond the control of the Company. These factors include economic conditions in the relevant country and elsewhere and the outlook for interest rates, inflation and other economic factors. Adverse fluctuations in the relative value of these currencies could materially and adversely affect the Company's results of operation and financial position.

Compliance with current and future government regulations may cause the Company to incur significant costs and slow its growth.

The Company's activities are subject to extensive Brazilian laws and regulations governing matters relating to occupational health, labour standards, prospecting, exploration, production, exports and taxes. Compliance with these and other laws and regulations could require the Company to make significant capital outlays which may slow its growth by diverting its financial resources. The enactment of new adverse regulations or regulatory requirements or more stringent enforcement of current regulations or regulatory requirements may increase costs, which could have an adverse effect on the Company. The Company cannot give assurances that it will be able to adapt to these regulatory developments on a timely or cost effective basis. Violations of these regulations and regulatory requirements could lead to substantial fines, penalties or other sanctions.

The Company is required to obtain and renew governmental permits and licences in order to conduct mining operations, which is often a costly and time-consuming process.

In the ordinary course of business, the Company will be required to obtain and renew governmental permits and licenses for the operation and expansion of existing operations or for the commencement of new operations. Obtaining or renewing the necessary governmental permits is a complex and time-consuming process. The duration and success of the Company's efforts to obtain and renew permits and licenses are contingent upon many variables not within its control including the interpretation of applicable requirements implemented by the permitting or licensing authority. The Company may not be able to obtain or renew permits and licenses that are necessary to its operations, or the cost to obtain or renew permits and licenses may exceed what the Company expects. Any unexpected delays or costs associated with the permitting and licensing process could delay the development or impede the operation of the Company's projects, which could adversely affect the Company's revenues and future growth.

The Company's operations are conducted in Brazil and, as such, the Company's operations are exposed to various levels of political, economic and other risks and uncertainties.

These risks and uncertainties vary from time to time and include, but are not limited to: terrorism; hostage taking; military repression; extreme fluctuations in currency exchange rates; high rates of

inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licences, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitude in Brazil may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income and other taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations or profitability.

The Company is a holding company that conducts operations through foreign subsidiaries and substantially all of its assets are held in such entities.

Any limitation on the transfer of cash or other assets between the parent corporation and such entities, or among such entities, could restrict the Company's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Company's valuation and stock price.

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure.

Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

If the Company loses key personnel or is unable to attract and retain additional personnel, the Company's mining operations and prospects could be harmed.

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, additional key financial, administrative and mining personnel as well as additional operations staff will be required. Although the Company believes it will be successful in attracting, training and retaining qualified personnel, there can be no assurance of such success. If the Company is not successful in attracting, training and retaining qualified personnel, the efficiency of operations may be affected.

The mining industry is intensely competitive in all of its phases and the Company competes with many companies possessing greater financial and technical resources than itself.

Competition in the precious metals mining industry is primarily for mineral rich properties that can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and the capital for the purpose of funding such properties. Many competitors not only explore for and mine precious metals, but conduct refining and marketing operations on a global basis. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Company's prospects for mineral exploration and success in the future.