



MANAGEMENT'S DISCUSSION AND ANALYSIS

**For the three month period
ended 31 March 2016**

13 May 2016

SERABI GOLD PLC
Management's Discussion and Analysis
for the three month period ended 31 March 2016

Introduction

This Management's Discussion and Analysis ("MD&A") dated 13 May 2016 provides a review of the performance of Serabi Gold plc ("Serabi", the "Company" or the "Group"). It includes financial information from, and should be read in conjunction with, the interim unaudited condensed financial statements of the Group for the three month period ended 31 March 2016 and also read in conjunction with the Group's annual report and audited consolidated financial statements and the Group's MD&A for the twelve month period ended 31 December 2015.

For further information on the Group, reference should be made to its public filings (including its most recently filed annual information form ("AIF") which is available on SEDAR at www.sedar.com. Technical reports, press releases and other information including the AIF are also available on the Group's website www.serabigold.com

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

The Group 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 issued 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 gold mining and development company based in London, England. The Group's principal assets are its gold projects in the Jardim do Ouro area of the Tapajos region in the State of Para in Brazil, which it holds through its wholly owned subsidiaries Serabi Mineração S.A. and Gold Aura do Brasil Mineração Ltda.

The Group's primary interests are the wholly owned Palito Gold Mine ("Palito" or the "Palito Mine") and the Sao Chico Gold Mine ("Sao Chico" or the "Sao Chico Mine") both of which are located in the Tapajos region of northern Brazil. These two properties lie within the larger Jardim do Ouro Gold Project ("JDO Project") which comprises a series of contiguous exploration licences of approximately 45,000 hectares, 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.

Work commenced at the Palito Mine in October 2012 to remediate and develop the existing underground mine and renovate the process plant with a view to commencing gold production by the end of 2013. The commissioning of the process plant started in December 2013 and during the first half of 2014 the planned production ramp-up was on-going, with the first consignments of gold/copper concentrate transported from the mine in February 2014. On 23 July 2014, the Group declared that the Palito Mine had achieved commercial production with effect from 1 July 2014. In 2014, the Group produced 18,000 ounces of gold from the Palito Mine, which increased in 2015 to approximately 29,800 ounces. The Palito Mine is fully permitted and has a mining licence covering 1,150 hectares which was issued in October 2007.

The Sao Chico Mine is a high-grade deposit located approximately 25 kilometres by existing road from Palito. Work commenced early in 2014 on earthworks to allow the Group to expose the bedrock and construct a mine portal. The portal was established at the end of September 2014 and during the fourth

quarter of 2014 the decline ramp was advanced towards the first two underground development levels. The Main Vein was intersected in January 2015, and by the end of December 2015 the ramp development provided access to three development levels and the production of ore from the first stopes was underway. Commercial production at the Sao Chico Mine was declared to be effective as of 1 January 2016. Ore from the Sao Chico Mine is transported by truck to the Palito gold process plant.

The gold at the Palito Mine is associated with occurrences of copper and iron and is hosted in quartz veins with bonanza gold grades associated with massive chalcopyrite-pyrite blowouts within the quartz veins. Gold recovery is undertaken by crushing and grinding prior to passing the ore through a flotation plant which produces a copper/gold concentrate which accounts for approximately 75% of the gold recovered from the Palito Mine ore. The residual tailings from flotation, which has also removed over 90% of the copper content of the ore, are then passed to a conventional Carbon in Pulp ("CIP") recovery circuit plant which can recover approximately 65% to 70% of the residual gold.

The gold at the Sao Chico Mine is hosted within a mineralised alteration zone including moderately high concentrations of pyrite, galena, and sphalerite although the gold is not directly associated with the latter two minerals. The gold mineralisation is amenable to direct cyanidation. For much of 2015, the Sao Chico Mine ore was passed directly through to cyanidation, where it was blended with the flotation tailings from the Palito Mine in the CIP recovery plant. However, following the successful commissioning in the fourth quarter of 2015 of an In-Line Leach Reactor ("ILR"), the processing flowsheet of the Sao Chico Mine ore was amended to allow the ore to pass initially to a gravity concentrator after milling, with the concentrate produced being passed through the ILR, where gold is leached, and then recovered through conventional electro winning and smelting processes to produce bars of gold doré. The ILR is a small but very intensive, closed cyanide leaching process for treating very high gold content material, typically to leach high grade gravity concentrate. The tailings from this process continue to pass to the CIP recovery plant where they are blended with the flotation tailings generated from the processing of the Palito ore.

The Group holds further exploration licences within the Tapajos region covering approximately 18,000 hectares. Exploration work undertaken by the Group on these licences is at an early stage.

On 3 March 2014, the Group completed a placement of shares and warrants to raise gross proceeds of UK£10 million. These proceeds were used in part to finance the next stage of evaluation and development of the Sao Chico project in advance of a decision to enter into commercial mining operations. On 26 September 2014, the Group entered into a credit facility for US\$8 million with the Sprott Resource Lending Partnership to provide development and working capital for Palito and Sao Chico. At 31 March 2016 the amount of US\$4 million was outstanding under this credit facility. On 30 December 2015, the Group agreed an unsecured short term working capital convertible loan facility of US\$5 million with its major shareholder Fratelli Investments Limited to provide additional working capital facilities. On 6 January 2016, the Group announced that it had made an initial draw down of US\$2 million against this convertible loan facility. The group has made no further drawdowns against this facility.

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.

Key Financial Information ⁽¹⁾

SUMMARY FINANCIAL STATISTICS FOR THE FIRST QUARTER ENDING 31 MARCH 2016

	3 months to 31 Mar 2016 US\$	3 months to 31 Mar 2015 US\$
Revenue ⁽¹⁾	11,679,089	7,484,215
Cost of Sales ⁽¹⁾	(6,689,506)	(4,859,909)
Depreciation and amortisation charges	(1,216,727)	(1,117,720)
Gross profit	3,772,856	1,506,586
Profit / (loss) before tax	1,501,304	191,398
Profit after tax	1,347,665	191,398
Earnings per ordinary share (diluted)	0.195 cents	0.024 cents
Average gold price received	1,165	1,212
	As at 31 Mar 2016	As at 31 Dec 2015
Cash and cash equivalents	4,410,589	2,191,759
Net assets	52,524,555	46,783,645
Cash Cost and All-In Sustaining Cost ("AISC")		
	3 months to 31 Mar 2016	3 months to 31 Mar 2015
Gold production for cash cost and AISC purposes	9,771	7,759
Total Cash Cost of production (per ounce)	US\$662	US\$599
Total AISC of production (per ounce)	US\$858	US\$759

- (1) The Sao Chico Mine was only declared to be in Commercial Production with effect from 1 January 2016 and all costs and revenues relating to this mine were capitalised prior to this date. The Income Statements for 2015 therefore only reflect the revenues and costs arising from the gold produced from the Palito Mine and the Cash Cost and AISC for the 2015 comparative period therefore also only reflect the activities from the Palito Mine.

Key Operational Information

SUMMARY PRODUCTION STATISTICS FOR THE FIRST QUARTER ENDING 31 MARCH 2016 (PALITO AND SAO CHICO)

		Quarter 1 2016	Quarter 1 2015
Horizontal development	Metres	2,925	1,825
Mined ore	Tonnes	37,546	32,504
	Gold grade (g/t)	11.02	10.51
Milled ore	Tonnes	36,615	30,384
	Gold grade (g/t)	8.58	8.52
Gold production ⁽¹⁾	Ounces	9,771	7,389

- (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.

Financial Highlights

- Cash Cost for the first quarter of 2015 of US\$662
- All-In Sustaining Cost for the first quarter of 2016 of US\$858.
- Gross profit from operations has increased by over 140% from US\$1.57 million to US\$3.77 million compared to the fourth quarter of 2015 and by over 150% compared to the first quarter of 2015.
- Post tax profit of US\$1.35 million compared with US\$0.19 million for the same quarter in 2015
- Earnings per share increased to 0.195 cents.
- Cash holdings of US\$4.4 million at 31 March 2016.
- Average gold price of US\$1,165 received on gold sales in the first quarter of 2016.

2016 Guidance

- Forecast gold production for 2016 of approximately 37,000 ounces with All-In Sustaining Cost between US\$840 to US\$870 per ounce.

Operational Highlights

- 9,771 ounces of gold produced for the first quarter of 2016 (fourth quarter of 2015 - 7,924 ounces).
- Mine production totalled 37,546 tonnes.
 - 26,752 tonnes at a grade of 11.84 grammes per tonne (g/t) of gold from the Palito Mine.
 - 10,794 tonnes at 9.00 g/t of gold from the Sao Chico Mine.
- 36,615 tonnes of ore processed through the plant for the combined mining operations.
- 2,926 metres of horizontal mine development completed in the quarter with 1,901 metres completed at the Palito Mine and 1,025 metres at the Sao Chico Mine.
- Installation of the third ball mill is almost complete, along with the second flotation line and enhancements in the carbon in pulp ("CIP") plant. The works are on schedule to be completed in May 2016. A carbon regeneration kiln is also being acquired which will assist in enhancing gold recoveries once the kiln is operational in the second half of the year.
- The Sao Chico Mine was declared to be in Commercial Production from 1 January 2016.
- The Sao Chico Mine is now being developed on the 171mRL, 156mRL and 141mRL, with production ore being mined from the 186mRL level. The ramp continues to be deepened to the 126mRL, the next planned development level, and will continue this year to the 96mRL to accommodate underground drilling of the Sao Chico deposit extension at depth.
- At the end of the first quarter of 2016, the combined surface coarse ore stockpiles from the Palito and Sao Chico Mines totalled 17,000 tonnes at a grade of 5.3 g/t of gold.

Outlook and Strategy

Palito Mine

The Palito Mine has now reached a relatively steady operational state with mining activities in a balanced cycle of development and production that generated approximately 112,000 tonnes of ore at a grade of 10.05 g/t of gold during 2015. Management anticipate that mine output for 2016 will be between 105,000 and 110,000 tonnes at an average grade of between 8.50 g/t and 8.90 g/t of gold. The gold production for 2016 will be supplemented by the processing of the surface stockpiles of ROM ore and the flotation tailings that were generated in 2014. The 2014 flotation tailings are a result of the plant not having the Carbon in Pulp ("CIP") recovery circuit operational until October 2014. Tailings produced from the flotation process were stockpiled during the first three quarters of 2014. The Group had planned to run down these existing stockpiles during 2015, but there has been limited plant capacity to process these tailings. The introduction of gravity concentration into the Sao Chico process flowsheet, together with other plant improvements, has increased effective capacity of the CIP plant and as a result management anticipates being able to process a significant proportion of these remaining

tailings during 2016. The introduction of a third ball mill in May 2015 will increase milling capacity and also allow the Group to run down surface stockpiles of run of mine ("ROM") ore during 2016.

In 2015 the Group focussed on ramp development and has now reached and is developing on the -19 metre relative level ("mRL"). Towards the end of 2015 increased priority was given to accessing and developing drilled, parallel vein structures on production levels above the 24mRL. These include the Chico da Santa zone which lies to the north east of the primary G1, G2 and G3 veins and the Senna zone which is located to the south west of the Palito West vein complex and which during 2008 and 2009 produced oxide material in excess of 3.0g/t. The cross cut to the Chico da Santa zone was completed in October 2015 and the cross cut to the Senna zone was completed during December. The opening up of these new sectors allows the Group to establish more ore faces and stoping areas especially on the upper levels in these zones. In the case of the Senna zone there has never been any previous underground development of the ore zones. Based on the ore grades recovered from the previous limited open pit operation, management is hopeful of the potential within the Senna zone where the Group has recorded a drill intersection in hole PDD289 of 0.55 metres at a grade of 50.99 g/t at approximately 300 metres below surface. Previous exploration activity at Senna highlighted up to four mineralised zones, with structural continuity for three zones of up to 900 metres in strike length and 300 metres vertical depth, of which the most prominent zone was confirmed on surface by trenches for over 600 metres. At the current time, approximately 250 metres of on-lode development on level 225mRL has been completed on the Senna vein.

During 2015, the Group continued mine development on G3 towards the Palito South area primarily on the 114mRL, which has been driven some 700 metres further south than any other underground working at Palito. Having intersected numerous high-grade pay shoots, the Group is testing the down-dip continuity of these pay shoots for future development of the mine at depth, as well as incorporating the up-dip extensions of these pay shoots in the upper levels into its future mine plans. These are as yet undeveloped and represent an excellent potential source of additional ore.

In light of the higher levels of ore production being achieved at the Palito Mine and an expectation of ore volumes at the Sao Chico Mine increasing, the Group acquired and is currently installing an additional ball mill. In the fourth quarter of 2015 it also implemented additional improvements within the Palito gold process plant that in conjunction with the additional mill will increase the current throughputs rates from 400 tonnes per day ("tpd") to at least 500 tpd. These improvements, whilst increasing gold production potential, are also intended to create excess plant capacity that will give much needed contingency when unplanned stoppages occur. The improvements which also include the installation of additional flotation capacity and new screens within the CIP tanks to improve inter-tank flow rates are expected to be completed in the second quarter of 2016 at a cost of approximately US\$1.2 million and are being funded from the cash flow of the current operations.

Sao Chico Mine

At the Sao Chico Mine, the fourth quarter of 2014 saw underground development commence. During 2015 approximately 2,800 metres of development was achieved allowing mining on three levels. During January 2015, the ramp development intersected the principal vein, the Main Vein, approximately 30 vertical metres below the portal entrance. The initial sampling confirmed a payable intersection with a true width of 3.6 metres and a gold grade of 42 g/t.

During the remainder of 2015, the Main Vein continued to be developed and evaluated with the continuation of 'on-lode' development and surface and underground drilling. The vein is sampled with each advance in the gallery. The development of the main ramp which is being driven at a 12% gradient is continuing, with mining activity ongoing on five levels at 186mRL, 171mRL, 156mRL, 141mRL and 128mRL.

The immediate priority is to evaluate and define stoping blocks on these first four levels to secure mine production for the next 12 to 18 months. Further ramp development will therefore be progressed to pursue the down-dip extension of the current areas that are in development. The rates of lateral development on existing levels will be increased when the Group, through a combination of its current

drilling programmes and on-lode development, has greater confidence in the distribution of the high grade mineralisation within the lateral strike extensions.

The Group has reported that the high grade mineralisation is dominantly hosted in a consistent alteration zone that can be anything from two to ten metres wide. The alteration zone itself is readily identifiable, however, the high grade gold zones within this alteration zone are much less so, and as result the mining operations will require on-lode development at regular vertical intervals, with regular channel sampling and in-fill drilling between these levels to best define the high grade gold mineralisation. This approach will allow the Group's mining personnel to readily identify stoping blocks and optimise mining the high gold grade zones.

With the notification of the approval of the Final Exploration Report ("FER") being issued in November 2014, the Group is continuing to progress the conversion of the Exploration License at Sao Chico to a Mining Licence. As the next major step in the conversion procedure, the Group submitted, in September 2015, the Plano Aprovimientto Economico, a form of economic assessment prepared in accordance with Brazilian legislation. However, with the Guia de Utilização (a trial mining license) already in place, all mining operations can continue in parallel. A submission for a further extension of the Guia de Utilização for a period of one additional year was also submitted in September 2015. The issuing of the mining licence also requires the submission of a risk assessment and management plan, safety assessments, environmental and social impact studies, closure and remediation plans. These additional reports have also been submitted and all the submissions are currently being reviewed by the DNPM and other relevant government bodies.

The Sao Chico Mine, whilst contributing to the Group's gold production was primarily in development during 2015. Commercial production has been declared effective as of 1 January 2016 and the mine is expected to achieve full production during 2016. A 7,000 metre diamond drilling programme completed during 2015, together with on-lode development, significantly enhanced the Group's understanding of the ore body and facilitated the mine planning for 2016. The programme was extended beyond its original planned 5,000 metres level to allow the Group to undertake closer spaced in-fill drilling. The surface programme was complemented by evaluation drilling being undertaken from within the existing underground developments.

The drilling programme which has built on the results and understanding gained from the 2011 and 2013 drilling campaigns continued to report numerous high grade intersections with some gold grades in excess of 100 g/t and indications that the grade and resource potential continues at depth. Further details are set out in a news release issued by the Group on 21 October 2015 which is available on the Group's website www.serabigold.com and has been filed on SEDAR.

2016 Production Guidance

The Group is currently forecasting gold production for 2016 of approximately 37,000 ounces with All-In Sustaining Cost expected to be between US\$840 to US\$870 per ounce.

Longer Term Growth Opportunities

As well as the potential that exists to grow resources at Sao Chico, the Palito South, Currutela and Piaui prospects still provide excellent opportunities for identifying additional resources which could both enhance current production levels as well as extend the mine life. At this time no surface drilling or other surface exploration activities are currently planned on the Group's properties. However, once adequate cash flow is being generated, the Group will step up its exploration activity and will be looking to add to its resource base and production potential by establishing additional satellite high-grade gold mines in relatively close proximity to the current Palito operation which would be a centralised processing facility. In this way the Group expects to be able to grow its production base at low capital cost, avoid the need for major infrastructure improvements to be in place for new operations to be commercially viable and have low environmental impact.

Management has and will continue to evaluate other opportunities within Brazil that it considers could increase the resource base and longer term production potential of the Group as well as having the potential to be value enhancing for its shareholders.

Palito Gold Project – Para State, Brazil

History

The Palito Mine is wholly owned by the Group, through its 100% owned subsidiary Serabi Mineração S.A. The Palito Mine and infrastructure 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 west/south west 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-east by paved road of the city of Itaituba which is also the municipal capital.

The Palito Mine is a high-grade, narrow vein, underground mine which was operated by the Group from late 2003 until the end of 2008. Between the beginning of 2005 until the end of 2008 the Group processed a total of 480,000 tonnes of ore through the plant at an average gold head grade of 6.76 g/t. Average gold recovery during the period was 90%, with copper recovery around 93%, providing total production over this period of approximately 100,000 ounces of gold.

In December 2010 the Group released a technical report (the NI 43-101 Technical Report for the Jardim do Ouro Project, Para State, Brazil) prepared by its consultants, NCL Brasil Ltda (“NCL”). The report estimated an NI 43-101 compliant Measured and Indicated mineral resource of 206,466 ounces of gold and Inferred mineral resources of 392,817 ounces of gold.

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.

Addition errors arise through rounding differences.

The operation was placed on care and maintenance in 2008, but the Group kept as much of the infrastructure intact as possible. This included a process plant comprising flotation and carbon-in-pulp (“CIP”) gold recovery circuits which had historically been treating up to 600 t/day (200,000 t/year) of ore and a camp that had housed 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 (Irirí) River.

In January 2012, the Group commissioned NCL to undertake a Preliminary Economic Assessment (“PEA”) in compliance with NI 43-101 into the viability of re-establishing underground mining operations at the Palito Mine. The results of the PEA were announced by the Group on 13 June 2012 and the complete NI 43-101 compliant technical report was issued on 29 June 2012. On 17 January 2013, a placement of new shares raising gross proceeds of UK£16.2 million was completed to finance the development of the project in line with the plans and scope outlined in the PEA.

The PEA estimated that the Palito Mine could be placed back into production for a capital cost of US\$17.8 million and would produce at an average annual production rate of 24,400 ounces per annum through the processing of 90,000 tonnes of ore at an average grade of 8.98 g/t. The Group calculates that total expenditure incurred on the rehabilitation and start-up of the Palito Mine was US\$18.2 million. During 2015 the operation processed approximately 114,000 tonnes of Palito ore with an average mill

feed grade of 8.65 g/t. Management anticipate that mine output for 2016 will be between 105,000 and 110,000 tonnes at an average grade of between 8.50 g/t and 8.90 g/t of gold.

Sao Chico Gold Project – Para State, Brazil

History

The Sao Chico property, acquired by the Group in July 2013 as part of the acquisition of Kenai Resources Ltd (“Kenai”), was initially represented by a single exploration licence area (AP 12836). The Sao Chico Mine is a small but very high grade gold deposit some 25km to the south west, along the Transgarimpeira Highway, from the Palito Mine. The Sao Chico exploration licence was in force until 14 March 2014 and the Group, prior to its expiry, commenced the process of converting the concession to a full mining licence. A trial mining licence has also been issued for the property valid to 20 November 2015 but automatically extended until a new licence is received or a formal notice of revocation is issued. An application to renew the trial mining licence for a further 12 month period was submitted in September 2015. In July 2015, the Group was also awarded exploration licences adjoining AP12836 to the south, east and west of AP12836, covering approximately 6,400 hectares, which the Group considers have excellent prospects for hosting extensions of the gold mineralisation identified at the Sao Chico Mine.

The Sao Chico Mine is located within an area of a historic garimpo mining operations but exploration over the area has been limited. Prior to the acquisition of the project by the Group, the most significant recent exploration was a 22 hole programme extending to about 3,300 metres of diamond drilling conducted by Kenai during 2011. Following this drilling programme, Kenai commissioned Exploration Alliance Limited to produce a NI 43-101 compliant technical report including a mineral resource statement.

The report, issued on 15 October 2012, estimated a NI 43-101 compliant Measured and Indicated mineral resource of 25,275 ounces of gold and Inferred mineral resources of 71,385 ounces of gold. During 2013 the Group completed an infill and step out diamond drilling programme totalling 4,950 metres to enhance the existing resource in terms of both resource confidence and size. The drill programme was supplemented by ground geophysics, and a further 1,120 metre diamond drilling to test initial geophysical anomalies. The Group has not, to date, commissioned any new independent technical report taking into account this additional drilling. The results from the ground geophysics have established other potential areas of interest within the Sao Chico exploration licence but the Group will undertake other confirmatory exploration work, including geochemistry, over these identified anomalies before embarking on any further drilling activity of these anomalies. The current Sao Chico gold resource which has grades in excess of 26 g/t considers only three vein structures, with a further ten more veins identified.

Mineral Resources	Tonnage	Gold (g/t Au)	Contained Gold (Ounces)
Measured	5,064	32.46	5,269
Indicated	21,423	29.14	20,006
Measured and Indicated	26,487	29.77	25,275
Inferred	85,577	26.03	71,385

- The effective date of the Mineral Resource is 30 May 2012.
- No cut-off grades have been applied to the block model in deriving the Mineral Resource reported above given insufficient drilling data.
- The Mineral Resource Estimate for the Sao Chico Gold Project was constrained within lithological and grade based solids. No optimisation studies have been applied to this high-grade, steeply dipping mineralisation.

Operational review for the first three months of 2016

Total production for the first quarter of 2016 was 9,771 ounces⁽¹⁾ of gold (first quarter of 2015 : 7,389 ounces).

The Palito Mine has now been in full production for over two years and has achieved a steady state of mine output. The Sao Chico Mine was in development for much of 2015 with no ore production in the first quarter of 2015. Mining rates in the last quarter of 2015 reached levels which allowed the Group to declare that commercial production had been achieved. The ore generated from the Sao Chico Mine in the first half of 2016 will continue to be derived from development operations rather than from stoping, a situation that is expected to start to reverse in the second half of the year.

Mining operations

Performance of the combined mining operations of both the Palito and Sao Chico Mines has resulted in approximately 37,546 tonnes of ore being extracted during the first quarter of 2016 which compares with a total of 32,504 tonnes produced in the same quarter in 2015. All of the 2015 production was from the Palito Mine and ore output in the first three months of 2016 from the Palito Mine was approximately 5,800 tonnes (18.5%) less than the same period in 2015. This lower production level was expected however, reflecting the limitations of the level of ore than can be processed and the availability of ore from the Sao Chico Mine to supplement the mine production from the Palito Mine. The mine production for the first quarter of 2016 from the Palito Mine is consistent with the production levels reported by Serabi for the second half of 2015.

Approximately 1,900 metres (three months to 31 March 2015: 1,491 metres) of horizontal development has been completed during the quarter at the Palito Mine, of which 1,064 metres is represented by ore development, with the balance being on the development of ramps, cross cuts and stope preparation. This rate of development is consistent with the levels required to maintain a consistent and adequate level of production stoping blocks and reflects the rate at which these blocks are depleted.

At the end of 2015 the Group opened up new sectors of the Palito Mine and this always creates options and flexibility, an essential part of any underground mining operation. This lateral expansion of the Palito Mine has opened up the Senna and Chico da Santa sectors. Senna especially is returning some very encouraging mineable grades to date. Underground diamond drilling is being used to evaluate numerous known, but underexplored veins and together with these two new sectors, we hope to open up numerous new mining faces in the upper levels. These have the advantage of being in close proximity to existing mine infrastructure and will not require any new ramp development.

This lateral development also reduces the requirement to continue to deepen the mine at the rates that the Group undertook in 2015. This could be expected to extend the life of the operation with the identification of mining areas that are not currently part of the mining plans and will also increase the amount of ore than can be recovered in each vertical meter of mine development which can improve margins and reduce costs.

At Sao Chico, ore development and production is now ongoing on a number of levels notably the 186mRL, 171mRL, 156mRL, 141mRL and most recently 128mRL. The vein is a 1.5 metre to 4.0 metre wide alteration zone, which itself is structurally continuous. However, the gold grades within this alteration zone are quite erratic and are hosted in four steeply plunging pay-shoots. In these pay-shoots, the grades are often truly spectacular, very often being in excess of 100 g/t of gold. Outside the pay-shoots the vein is continuous but with low gold grades and as a result it is unavoidable that, as the mine development passes between the pay-shoots, lower grade ore has to be mined. The central pay-shoot is the most established of these four high grade shoots, and is some 100 metres long. The Group has, and will continue to focus in the near-term, on developing this part of the Main Vein, and some consistent higher grade development ore is being generated as a result. Access to the other pay-shoots along strike will not be lost and these will be available for development later in the year.

Mined grades achieved for the quarter continued to be around 10 g/t of gold which has been the case for the past two years, and serves to illustrate the focus on quality that we employ through our selective mining approach.

At the end of the first quarter combined coarse ore stocks from the Palito and Sao Chico Mines were approximately 17,000 tonnes with an average grade of 5.3 g/t of gold (31 March 2015 : approximately 7,500 tonnes with an average grade of 5.00 g/t of gold).

Plant operations

Total production for the first quarter of 2016 was 9,771 ounces⁽¹⁾ of gold, generated from the processing of the run of mine (“ROM”) ore from the Palito and Sao Chico Mines, combined with the Palito surface coarse ore and the stockpiled flotation tailings accumulated from the processing of Palito mine production in 2014.

Gold production for the first quarter came from the processing of 36,615 tonnes of hard rock ROM ore from the Palito and Sao Chico Mines with an average grade of 8.58 g/t of gold (three months to 31 March 2015: 30,384 tonnes at 8.52 g/t of gold). The total mined ore for the same period was 37,546 tonnes with an average grade of 11.02 g/t of gold (three months to 31 March 2015: 32,504 tonnes at 10.51g/t of gold). In addition to the ROM ore, an additional 4,699 tonnes (three months to 31 March 2015: 352 tonnes) of flotation tailings with a grade of 2.90 g/t of gold was processed through the cyanidation plant.

At 31 March 2016, there were approximately 32,800 tonnes of flotation tails with an average grade of 2.5 g/t of gold (31 March 2015: approximately 50,000 tonnes at 2.5 g/t of gold) waiting to be processed.

The plant is being further expanded to allow the processing of significant surface ore stockpiles. The stockpiles have been accumulated as a result of the overall limitations in the capacity of the gold processing plant. The planned improvements are all expected to be completed and operational during May 2016. Following their completion it is anticipated that plant processing capacity could be increased from the current levels of throughput of 380-400 tonnes per day (tpd) to over 500 tpd. This will be in excess of mine production levels, allowing the stockpiles to be depleted and, importantly for the longer term, also creating surplus capacity to catch up any lost production caused by unplanned stoppages. This plant expansion is expected to provide sufficient incremental capacity to process most of the stockpiled material of both coarse ore and flotation tails during the remainder of 2016.

SUMMARY PRODUCTION STATISTICS FOR THE QUARTER ENDED 31 MARCH 2016 (Palito & Sao Chico)

		Quarter 1 2016	Quarter 1 2015
Horizontal development – Palito	Metres	1,900	1,825
Horizontal development – Sao Chico	Metres	1,025	n/a
Horizontal development - Total	Metres	2,925	1,825
Mined ore – Palito	Tonnes	26,752	32,504
	Gold grade (g/t)	11.84	10.51
Mined ore – Sao Chico	Tonnes	10,794	n/a
	Gold grade (g/t)	9.00	n/a
Mined ore – Total	Tonnes	37,546	32,504
	Gold grade (g/t)	11.02	10.51
Milled ore	Tonnes	36,615	30,384
	Gold grade (g/t)	8.58	8.52
Gold production ^{(1) (2)}	Ounces	9,771	7,389

(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.

Exploration and Licensing matters

The Group commenced a surface diamond drill programme in March 2015 at the Sao Chico Mine and the completed programme consisted of 42 diamond drill holes totalling 7,204 metres. A further 30 underground diamond drill holes were completed during 2015 totalling a further 1,459 metres of drilling. The drill programme was a combination of in-fill and step-out drilling and the results from this, in conjunction with the on-lode development mining that took place during the remainder of 2015 has greatly enhanced the understanding of the ore body and facilitated mine planning for 2016. The understanding of the orebody has also been assisted by paragenetic studies on mine ore sample including detailed petrological descriptions, SEM and QemScan analysis.

In February 2014, the Final Exploration Report (“FER”) for the Sao Chico gold project was completed and submitted to the Departamento Nacional de Produção Mineral (“DNPM”) who issued notification of their approval of this report in November 2014. This represented the first part of the process of transforming the Sao Chico exploration licence into a mining licence. As the next major step in the conversion procedure, Serabi submitted, in September 2015, the Plano Aprovimientto Economico, a form of economic assessment prepared in accordance with Brazilian legislation. However, with the Guia de Utilização (a trial mining license) already in place, all mining operations can continue in parallel. A submission for a further extension of the Guia de Utilização for a period of one additional year was also submitted in September 2015. The issuing of the mining licence also requires the submission of a risk assessment and management plan, safety assessments, environmental and social impact studies, closure and remediation plans. These additional reports have also either been submitted or will be submitted when requested, to the relevant government bodies.

Jardim do Ouro Exploration

The Jardim do Ouro exploration area (“JDO Project”) covers a total area of approximately 45,000 hectares, incorporating the Palito mining licence granted on 23 October 2007 covering an area of 1,150 hectares. The exploration licence covering the Sao Chico Mine is in the process of being converted to a full mining licence and there are a further nine exploration licences and four applications for exploration licences covering the remaining area. 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 focus of the Group has been on the identification and development of satellite ore deposits located in close proximity to Palito. The Group completed two air-borne electro-magnetic (“VTEM”) surveys in 2008 and 2010 over a total area of 14,500 hectares. From these surveys the Group identified a number of geophysical anomalies which it considers worthy of further investigation. During 2010 and 2011 the Group undertook a 12,000 metre drilling campaign over nine of these anomalies which resulted in the discovery of the Palito South, Currutela and Piaui prospects.

Palito – Near Mine Exploration

The underground development of the Palito Mine is being driven towards the Palito South area. In the second half of 2016 the Group intends to use down-hole geophysics (a previously successful exploration tool) in existing drill holes and in the Currutela and Piaui prospects in particular. It is hoped that the results will better define a subsequent evaluation drill programmes over these prospects.

Sao Chico Exploration

The Sao Chico Mine is located in the South West corner of the JDO Project area. During 2013 the Group completed a 6,000 metre drilling programme which more than doubled the known 150 metre strike extension of the principal mineralised structure (“the Main Vein”) at Sao Chico and confirmed the presence of a number of parallel mineralised structures. The development mining activities being undertaken during 2015 in conjunction with a 7,000 metre surface drilling programme are providing essential data for the further evaluation of the Main Vein and the immediate parallel structures. Once adequate cash-flow is being generated from production operations, the Group intends to use some of this cash flow to advance these exploration opportunities. This is forecast to commence early in the

third quarter when the Group would plan to conduct a ground geophysical survey to the east and west of the Sao Chico deposit with a view to defining the projected strike extension of the Main Vein.

Other Exploration Prospects

The Group has three other project areas, although activity on each of these projects has been limited in recent periods.

The Sucuba Project is located in the state of Para, and the Group holds two exploration permits covering an area of 10,449 hectares. The Pizon Project, located in the state of Amazonas, represents 4,733 hectares, in one exploration licence and the Modelo Project, also in Amazonas, represents 2,971 hectares in one exploration licence. The Group has not engaged in any exploration activity at any of these projects during the past 12 months and has currently not budgeted for any exploration activity during the next 18 months.

SELECTED FINANCIAL INFORMATION

The data included herein is taken from the Group'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 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.

Three month period ended 31 March 2016 compared to the three month period ended 31 March 2015

The three month period ended 31 March 2016 represents the first financial quarter when both of the Group's operations at the Palito Mine and the Sao Chico Mine are reported as being in commercial production. During 2015 all operating revenues and operating costs related to the Sao Chico Mine operations were capitalised and therefore revenue, operating costs and mine amortisation charges related only to the costs associated with the Palito Mine. This change in treatment for reporting the costs of the Sao Chico Mine operations has resulted in significant variation when comparing the results reported for the three month period ended 31 March 2016 compared with the reported results for the three month period ended 31 March 2015.

The Group has reported a gross profit for the quarter of US\$3,772,856 (three months to 31 March 2015: US\$1,506,586) and a profit after taxation for the three month period ended 31 March 2016 of US\$1,347,665 in comparison to a profit of US\$191,398 for the three months ended 31 March 2015. The Group has reported total revenue of US\$11,679,089 during the three month period to 31 March 2016 (three months to 31 March 2015: US\$7,484,215).

The gross profit of US\$3,772,856 can be analysed as follows:

	Three months to 31 Mar 2016 US\$	Three months to 31 Mar 2015 US\$	Variance US\$
Revenue from Ordinary Activity			
Gold Concentrate	5,386,663	4,987,504	399,159
Gold Bullion – Palito	2,874,233	1,993,738	880,496
Gold Bullion – Sao Chico	2,855,257	–	2,855,257
Copper	527,140	476,393	50,747
Silver	35,796	26,580	9,216
Total Sales	11,679,089	7,484,215	4,194,874
Costs of sales			
Operational costs	(5,810,021)	(4,103,140)	(1,706,881)
Shipping costs	(515,561)	(457,035)	(58,525)
Treatment charges	(247,211)	(214,602)	(32,609)
Royalties	(116,713)	(85,132)	(31,581)
Amortisation of Mine Property	(977,573)	(964,901)	(12,672)
Depreciation of Plant & Equipment	(239,154)	(152,819)	(86,336)
Total Operating costs	(7,906,233)	(5,977,629)	(1,928,604)
Gross profit	3,772,856	1,506,586	2,266,270

The Group can only recognise revenues in accordance with IFRS at such time as the risks and rewards of ownership of the goods are transferred to the buyer. Under the current contracts that the Group has in place this is considered to be the date on which the copper/gold concentrate arrives at the premises of the end purchaser.

During the first quarter of 2016 the Group recognised total sales of US\$11,679,089 (three months to 31 March 2015: US\$7,484,215). The sales can be separated between sales of copper/gold concentrate of

US\$5,949,599 (three months to 31 March 2015: US\$5,490,477) and sales of gold bullion of US\$5,729,490 (three months to 31 March 2015: US\$1,993,738).

During the three months to 31 March 2016 the Group produced 659 wet tonnes of copper/gold concentrate containing an estimated 5,240 ounces (three months to 31 March 2015 459 wet tonnes [5,048 ounces]) but revenue has only been recognised for 480 tonnes containing an estimated 4,062 ounces (three months to 31 March 2015: 420 wet tonnes [4,242 ounces]) which had been delivered to the end purchaser. The unsold material is held as inventory.

The amount of gold sold as concentrate has therefore reduced by approximately 4% notwithstanding that production of gold in concentrate has increased by 4%. This variation is entirely due to the timing of shipments and in particular the dates of arrival at the purchasers premises. The sales revenue for the first quarter includes an adjustment for shipments delivered in prior to the quarter but for which final settlement details including pricing and gold content were not finalised. This adjustment was approximately US\$547,568.

The Group also sold 4,836 ounces of gold bullion earning total revenue of US\$5,729,490 during the first quarter of 2016 (three months to 31 March 2015: 1,667 ounces (US\$1,993,738)). Of these bullion sales 2,405 ounces is attributable to gold production derived for the Palito Mine (three months to 31 March 2015: 1,667 ounces) an increase of 46% and 2,430 ounces derived from the Sao Chico Mine (three months to 31 March 2015: nil ounces). Gold bullion for the quarter was approximately 4,531 ounces by comparison with the same quarter in 2015 when gold bullion production was approximately 2,341 ounces. Whilst there are timing variation between production and shipment, during the first quarter of 2015, gold inventory was still being accumulated in the various elements of the process plant as the CIP plant had only become operational at the start of October 2014 and remained in a ramp up phase during that last quarter of 2014 and the early part of 2015.

Operating costs of US\$5,810,021 (three months to 31 March 2015: US\$4,103,140) relate to all mining and plant processing costs, as well as all general site costs incurred at both the Palito and Sao Chico Mines during the period.

	Three months to 31 Mar 2016 US\$m	Three months to 31 Mar 2015 US\$m	Variance US\$m
Labour	2.38	2.01	0.37
Mining consumables and maintenance	1.87	0.95	0.92
Plant operations	0.88	0.73	0.15
General site costs	0.68	0.41	0.27
Total operating costs	5.81	4.10	1.71

Labour costs have increased by US\$0.37 million for the three month period ended 31 March 2016 in comparison to the same period in the previous year due to an increased number of personnel employed to support the increase in activity as well as each Brazilian employee receiving an 8% increase in salary in May 2015 as a result of the national collective agreement in Brazil.

Mining consumables and maintenance have increased by US\$0.92 million as a result of increased mining activity primarily at the Sao Chico mine. Maintenance costs have also increased as all equipment held during the first quarter of 2015 is now a year older as well as new equipment having been purchased since 31 March 2015.

Plant costs have increased for the three month period ended 31 March 2016 in comparison to the same period in the previous year due to an increase in the volume of material processed through the plant.

General site costs have increased by US\$0.27 million for the three month period ended 31 March 2016 in comparison to the same period in the previous year primarily due to an increase in activity at the Sao Chico mine.

Shipping costs of US\$515,561 (three months to 31 March 2015: US\$457,035) includes all domestic road and river freight in Brazil from the Palito Mine to the international port at Belem and also international sea freight to the end purchaser. The increase of 13% by comparison with the same quarter for 2015 reflects the slightly higher volumes of material produced and in the process of being shipped. The Company recognises shipping costs as at the date they are incurred.

Treatment Charges of US\$247,211 (three months to 31 March 2015: US\$214,602) include US\$228,092 (three months to 31 March 2015: US\$198,579) relating to the treatment of the copper concentrate and levied by the refineries and US\$19,119 (three months to 31 March 2015: US\$16,023) for the cost of weighing, sampling and assay analysis carried out by a third party on behalf of the Group. The increase by comparison to the same quarter in 2015 reflects the increased level of concentrate shipped (an increase of 14%) and the increase in bullion sold (an increase of 190%).

Royalty payments of US\$116,713 (three months to 31 March 2015: US\$85,132) comprise statutory levies payable in Brazil. Rates are uniform across all mining operations and currently comprise a 1% royalty on gold production and a 2% royalty on copper production. The increase by comparison with the same quarter in 2015 of 37% reflects the overall increase in gold sold during the period. In addition the company during 2016 is now reporting as an operating expense an additional royalty on the production from the Sao Chico Mine to a former owner of that property.

Charges for the amortisation of mine property are calculated by reference to the depletion during the quarter of the total estimated mineable resource at each of the Palito and Sao Chico Mines. In each case the base carrying cost is adjusted to include a provision for future mine development costs for each of these operations. The total amortisation charge which is reducing the book value for the Palito Mine for the first quarter of 2016 is US\$963,592 (three months to 31 March 2015: US\$964,901) and for the Sao Chico Mine is US\$399,936 (three months to 31 March 2015: US\$nil). The charge reported in the income statement is however adjusted to reflect the level of sales rather than the level of production with the part of the depreciation being carried in inventory and released to the income statement when the goods are sold. As inventory levels in particular of copper/gold concentrate are significantly higher than at 31 March 2015 with stocks of copper gold concentrate being 542 wet tonnes compared with 406 wet tonnes at 31 March 2015 the amortisation charge reported in the income statement has increased by only 1% quarter on quarter notwithstanding that overall production has increased by 32% and that the Group is now amortising the accumulated value associated with the development of the Sao Chico Mine.

Depreciation charges of US\$239,154 (three months to 31 March 2015: US\$152,819) are in respect of mining and processing plant and equipment and is an increase of US\$86,336 or 56%. The variation is a combination of increased mobile fleet acquired for both the Palito and Sao Chico Mine operations partly offset by reduced depreciation charges for equipment that remains operational but is reaching the end of its useful life.

The Group has recognised an operating profit before interest and other income of US\$2,520,108 (three months to 31 March 2015: US\$500,062) after accounting for US\$1,132,200 (three months to 31 March 2015: US\$905,505) in administrative expenses as well as a charge of US\$123,116 (three months to 31 March 2015: US\$101,019) in respect of share option charges. The deemed value assigned to these share options is amortised over the expected option life and is calculated using the Black Scholes model. The charge for the three months to 31 March 2016 is in respect of options granted between January 2013 and 31 March 2016.

Administration costs of US\$1,132,200 for the three month period ended 31 March 2016 are roughly in line with administration costs of US\$905,505 incurred during the period ended 31 March 2015.

Corporate costs in London have increased by approximately US\$91,509 as a result of an increase in audit fees of US\$20,142 due to the higher complexity of the audit, once off due diligence fees of US\$20,175 which were incurred during the first quarter of 2016 and an increase in legal fees of US\$18,082 which were as a direct result of due diligence work carried out by the company. Pension contributions made to company Directors incurred during the first quarter of 2016 increased by approximately US\$33,111 in comparison to the same period of the previous year.

Corporate costs in Brazil have also increased during the first three months of 2016 in comparison to the same period in the previous year as a result in an increase in activity but also due to the movement in the exchange rate.

The Group recorded a foreign exchange loss of US\$40,799 in the three month period to 31 March 2016 which compares with a foreign exchange gain of US\$228,663 recorded for the three month period ended 31 March 2015. These foreign exchange gains and losses primarily arise in respect of the cash holdings of the Group in currencies other than US Dollars as at the period end and do not necessarily reflect actual realised profits or losses. The Group holds funds in certain currencies in anticipation of future expenditures that are anticipated to be settled in those currencies.

Net finance expenses for the three month period to 31 March 2016 were US\$978,005 compared with a net finance cost of US\$537,907 for the same period of 2015. An analysis of the composition of these charges is set out in the table below:

	3 months to 31 Mar 2016	3 months to 31 Mar 2015
	US\$	US\$
Charge on revaluation of warrants	–	287,590
Interest expense on Sprott loan	101,064	184,932
Interest on trade finance facility	84,842	88,342
Interest on unsecured convertible loan	57,049	–
Amortisation of fair value of derivatives	71,018	64,000
Finance arrangement fee	37,500	42,500
Expense on revaluation of derivative	262,232	–
Interest expense on convertible loan stock	–	22,796
Finance cost on gold trading	362,345	–
Asset finance charges	1,990	7,255
	978,040	697,415
Finance income on gold trading	–	(106,961)
Gain on revaluation of derivative	–	(52,932)
Interest income	(35)	(194)
Net finance expense	978,005	537,327

The charge in respect of warrant revaluation incurred in 2015 related to 100,000,000 warrants at an exercise price of 6 pence issued by the Group as part of the share placement completed on 3 March 2014. These warrants expired as of 2 March 2016 without being exercised. At 31 December 2015 the fair value of these warrants had been written down to a zero valuation reflecting the share price and limited remaining exercise period at that time.

The interest on the Sprott loan of US\$101,064 (three months to 31 March 2015: US\$184,932) is the cost of three months of interest paid in relation to funds advanced under the credit agreement with Sprott Resource Lending Partnership LLP. The reduction reflects the reduced amount outstanding during the period compared with the equivalent period in 2015.

The interest on trade finance loans of US\$84,842 (three months to 31 March 2015: US\$88,342) is the interest charged at source by Auramet Trading LLC who provide a working capital and gold trading facility secured against the debts due to the Group in respect of the sale of copper/gold concentrate.

The unsecured convertible loan facility is for up to US\$5 million and carries interest at a rate of 12% per annum. US\$2 million was drawn down on 5 January 2016.

The amortisation of fair value of derivatives of US\$71,018 (three months to 31 March 2015: US\$64,000) comprises two elements. US\$25,000 represents the amortisation charge for the quarter of the fair value ascribed to the call option granted to Sprott over 2,500 ounces of gold at a price of US\$1,125 per ounce which expires on 30 June 2017. During 2015, Sprott had a call option over 4,812 ounces of gold at a price of US\$1,285 per ounce which expired 31 December 2015 and was never exercised. The remaining

US\$46,018 relates to the amortisation charge for the quarter of the fair value ascribed to the fair value of the equity portion of the convertible loan provided by Fratelli Investments Limited in January 2016.

The arrangement fee of US\$37,500 (three months to 31 March 2015: US\$42,500) is for the extension for a further nine month period (2015: twelve month period) of the trade finance facility provided by Auramet Trading LLC in respect of the sales of copper/gold concentrate.

Asset finance charges relate to mining equipment acquired under supplier credit terms. The lease terms are for a three year period and bear interest at the rates of between 6.70 and 6.85% per annum. Lease interest charges are reducing as the capital element of the financing is paid down in monthly instalments.

The finance cost on gold trading of US\$362,345 (three months to 31 March 2015: income of US\$106,961) is actual and estimated variation expected to be incurred from short term movements in the gold price between the contractual pricing arrangements with the end purchaser of the copper/gold concentrate and the price ruling when the Group draws down on the trade finance arrangement that it has in place.

The expense on the revaluation of derivatives of US\$262,232 (three months to 31 March 2015: income of US\$52,932) represents the loss arising from a period-end revaluation of the fair value of the call options provided to Sprott Resource Lending Partnership LLP (US\$195,500) and the equity element of the convertible loan stock (US\$66,732) (as noted above). These revaluations reflect in the case of the call options the higher gold price prevailing at the period end and in the case of the convertible loan stock the higher share price at the period end.

Summary of quarterly results	Quarter ended 31 March 2016 US\$	Quarter ended 31 December 2015 US\$	Quarter ended 30 September 2015 US\$	Quarter ended 30 June 2015 US\$
Revenues	11,679,089	8,042,431	8,365,289	11,194,178
Operating expenses	(6,689,506)	(4,235,007)	(6,302,006)	(8,188,141)
Amortisation of mine property	(977,573)	(1,689,113)	(564,045)	(1,322,374)
Depreciation of plant and equipment	(239,154)	(547,846)	(307,531)	(292,140)
Gross profit	3,772,856	1,570,465	1,191,707	1,391,523
Administration expenses and other items	(1,129,632)	(1,355,099)	(871,153)	(1,248,013)
Option costs	(123,116)	(101,019)	(101,019)	(101,018)
Operating profit	2,520,108	114,347	219,535	42,492
Exchange	(40,799)	99,958	(364,869)	(35,032)
Net finance (expense) / income	(978,005)	70,916	259,510	(121,961)
Profit / (loss) before taxation	1,501,304	285,221	114,176	(114,501)
Income tax expense	(153,639)	(525,032)	-	-
Profit / (loss) after taxation	1,347,665	(239,811)	114,176	(114,501)
Profit / (loss) per ordinary share (basic)	0.205 cents	(0.036) cents	0.017 cents	(0.017) cents
Deferred exploration costs	9,324,314	8,679,246	9,018,777	10,857,942
Property, plant and equipment	42,123,789	40,150,484	39,181,535	48,840,812
Total current assets	23,092,061	17,663,339	20,423,920	23,414,155
Total assets	74,540,164	66,493,069	68,624,232	83,112,909
Total liabilities	22,015,609	19,709,424	22,394,854	25,102,757
Shareholders' equity	52,524,555	46,783,645	46,229,378	58,010,152

Summary of quarterly results	Quarter ended	Quarter ended	Quarter ended	Quarter ended
	31 March	31 December	30 September	30 June
	2015	2014	2014	2014
	US\$	US\$	US\$	US\$
Revenues	7,484,215	7,374,461	5,253,323	–
Operating expenses	(4,859,909)	(6,319,134)	(3,378,532)	–
Amortisation of mine property	(964,901)	(1,657,307)	(677,555)	–
Depreciation of plant and equipment	(152,819)	207,438	(239,849)	–
Gross (loss) / profit	1,506,586	(394,542)	957,387	–
Administration expenses	(905,505)	(619,941)	(1,243,580)	(1,482,040)
Option costs	(101,019)	(109,165)	(76,006)	(43,840)
Write-back of provision for contingencies	–	298,088	–	–
Write-back of provision for impairment	–	2,590,532	–	–
Depreciation of plant and equipment	–	–	–	(140,322)
Operating profit / (loss)	500,062	1,764,972	(362,199)	(1,666,202)
Exchange	228,663	25,419	(68,037)	18,794
Net finance (expense) / income	(537,327)	1,366,995	24,806	(21,329)
Profit / (loss) before taxation	191,398	3,157,386	(405,430)	(1,668,737)
Profit / (loss) per ordinary share (basic)	0.03 cents	0.48 cents	(0.06) cents	(0.25) cents
Deferred exploration costs	9,769,327	11,799,271	24,888,399	26,508,924
Property, plant and equipment	47,508,148	54,103,898	39,381,145	43,412,368
Total current assets	22,792,315	27,159,740	21,878,828	18,040,230
Total assets	80,069,790	93,062,909	86,148,372	87,961,522
Total liabilities	23,872,348	26,144,358	16,259,911	10,614,015
Shareholders' equity	56,197,442	66,918,551	69,888,461	77,347,507

Liquidity and Capital Resources

Non-current assets

On 31 March 2016, the Group's net assets amounted to US\$52.52 million which compares to US\$46.78 million as reported at 31 December 2015. This increase primarily reflects the effect of a strengthening of the Brazilian Real between 31 December 2015 when the rate was BrR\$3.9042 to US\$1.00, and 31 March 2016, when the rate was BrR\$3.5583 to US\$1.00. The Group has reported a profit after taxation of US\$1.35 million and it has incurred a gain of US\$4.27 million on the re-translation of the results of its Brazilian operations in the three month period since 31 December 2015.

Non-current assets totalling US\$51.45 million at 31 March 2016 (31 December 2015: US\$48.83 million), are primarily comprised of property, plant and equipment, which as at 31 March 2016 totalled US\$42.12 million (31 December 2015: US\$40.15 million) of which US\$30.96 million (31 December 2015 : US\$21.47 million) is attributable to the mining properties in production and US\$3.18 million is attributable to other assets in construction. Following the declaration of commercial production of the Sao Chico Mine with effect from 1 January 2016, the amount of US\$8.37 million was re-categorised from the category of other assets in construction to Mining Property and this value is now being amortised over the estimated mineable resources of the Sao Chico Mine.

The Group owns land, buildings, plant and equipment with a net book value of US\$7.99 million (31 December 2015: US\$7.45 million). During the first three months of 2016 the Group has acquired additional plant and machinery to the value of US\$0.40 million in the period and capitalised expenditure of US\$0.51 million for on-going capital development costs of the Palito and Sao Chico Mines. During 2015 all revenue and operating costs and well as long term mine development costs, principally for ramp and ventilation activities were capitalised resulting in a significantly higher level of capital development costs for the Sao Chico Mine during the first quarter of 2015 compared with the first quarter of 2016.

The gross value ascribed to the both the Palito and Sao Chico Mining Properties is being amortised over the expected recoverable ounces of each operation. An amortisation charge totalling US\$1.36 million has been recorded for the three month period to 31 March 2016. The net book value of Property, Plant and Equipment has been increased by US\$3.03 million as a result of the retranslation of the underlying values from Brazilian Reais to US dollars.

Deferred exploration costs as at 31 March 2015 totalled US\$9.32 million (31 December 2015: US\$8.68 million) which relates to capitalised exploration expenditures around the Palito Mine, Sao Chico Mine and the wider Jardim do Ouro project area. The carrying value has been increased by US\$0.65 million as a result of the variation in the exchange rates since the start of the year.

Finance and debt

On 26 September 2014, the Group entered into a US\$8 million credit facility (the "Sprott Facility") with the Sprott Resource Lending Partnership ("Sprott") which provided additional funding for the continued development of the Palito and the Sao Chico Mines, to finance an additional drilling programme at the Sao Chico Mine and for general corporate purposes. The Sprott Facility is for a term expiring on 31 December 2016 and carries interest at a rate of 10% per annum. During 2015 the group repaid US\$4.0 million of the US\$8.0 million loan to Sprott leaving a liability at 31 December 2015 of US\$4.0 million which the Group will repay during 2016. The first of nine equal monthly repayment instalments was paid on 29 April 2016.

On 30 December 2015, the Group's major shareholder, Fratelli Investments Limited ("Fratelli") agreed to provide an interim unsecured short term working capital convertible loan facility of US\$5 million (the "2015 Convertible Loan") to the Group to provide additional working capital facilities. The 2015 Convertible Loan is for a period expiring on 31 January 2017 and for a maximum of US\$5 million. The facility may be drawn-down in up to three separate instalments of an initial US\$2 million and two further instalments of US\$1.5 million each. The 2015 Convertible Loan is available to be used at any time up to 30 June 2016. Interest is chargeable at the rate of 12% per annum. There is no prepayment penalty or arrangement fee. The 2015 Convertible Loan is unsecured and subordinated to the Group's existing loan facilities, including the secured loan facility arrangement provided by the Sprott.

The first US\$2 million of the 2015 Convertible Loan is convertible at the election of Fratelli Investments into new Serabi Ordinary Shares at an exercise price of 3.6 pence per new Serabi Ordinary Share at any time. The remaining amount of the 2015 Convertible Loan, if drawn down, may be repaid by the Group at its option at any time on or before 30 June 2016. Thereafter, Fratelli Investments will have the right to convert all or part of the remaining amount of the 2015 Convertible Loan into new Serabi Ordinary Shares at an exercise price of 3.6 pence per new Serabi Ordinary Share at any time. The Group announced on 6 January 2016 that it had made an initial draw down of US\$2 million in respect of the 2015 Convertible Loan. There has been no further draw down against this facility.

Working Capital

The Group had a working capital position of US\$5.34 million at 31 March 2016 compared to US\$1.84 million at 31 December 2015, with the variation of US\$3.50 million detailed in the table below:

	March 2016 US\$	December 2015 US\$	Variance US\$
<u>Current assets</u>			
Inventories	9,709,839	6,908,790	2,801,049
Trade and other receivables	5,646,516	6,133,284	(486,768)
Prepayments	3,325,117	2,429,506	895,611
Cash and cash equivalents	4,410,589	2,191,759	2,218,830
Total current assets	23,092,061	17,663,339	5,428,722
<u>Current liabilities</u>			
Trade and other payables	5,045,368	4,212,803	832,565
Trade finance facility	5,487,474	6,652,930	(1,165,456)
Sprott credit facility	3,812,500	4,000,000	(187,500)
Shareholder loan	1,903,654	-	1,903,654

	March 2016	December 2015	Variance
	US\$	US\$	US\$
Lease finance liabilities	568,165	732,225	(164,061)
Derivative financial liabilities	674,145	-	674,145
Accruals	263,520	226,197	37,323
Total current liabilities	17,754,826	15,824,155	1,930,670
Working capital	5,337,235	1,839,184	3,498,052
<u>Non-current liabilities</u>			
Trade and other payables	2,042,840	1,857,914	184,926
Provisions	2,083,286	1,898,714	184,572
Lease finance liabilities	134,657	128,641	6,016
Total non-current liabilities	4,260,783	3,885,269	375,514

Inventories

In accordance with IFRS, revenues are only recognised at such time as the risks and rewards of ownership are transferred to the buyer. In relation to the copper/gold concentrate produced by the Group from its operation at the Palito Mine, this is considered to be the date on which the copper/gold concentrate contractually passes to the purchaser. In accordance with normal industry practice, initial payments from the smelter only occur after specified contractual periods following the arrival of the material at the smelter. Unsold production is held as inventory at the lower of attributable production costs and net realisable value.

The levels of inventory held by the Group have increased by US\$2.80 million compared with 31 December 2015. The inventory is calculated in Brazilian Reais and converted into US Dollars using the exchange rate at the balance sheet date. The 9% strengthening of the Brazilian Real during the three months ended 31 March 2016 has contributed to the overall increase in valuation but in addition, in Brazilian Real terms, the value of inventory of goods in progress and finished goods has increased by approximately 33% between 31 December 2015 and 31 March 2016. The total increase in the valuation of all inventory holdings including consumables is 35% in Brazilian Real terms. The increase in product inventories reflects the timing of the shipment and delivery of copper/gold concentrate to the end purchaser. At the end of March 2016 the Group held 542 wet tonnes of concentrate in stock compared with only 363 tonnes as at the end of December 2015. This 49% increase in volumes accounts for 35% of the total increase in inventory valuation in Brazilian Real. Of the remaining increase approximately 30% is attributable to the increase in coarse ore stockpile which at the end of March totalled US\$2.23 million compared with US\$1.43 million as at the end of December 2015.

At 31 December 2015 the surface stockpile of coarse ore from the Palito Mine had been valued at US\$0.99 million. At the 31 March 2016 this coarse ore stockpile was valued at approximately US\$0.83 million. Average costs per tonne in Brazilian Reais are BrR\$432 per tonne compared with BrR\$382 per tonne at 31 December 2015. The strengthening of the Brazilian Real compared with the US Dollar however means that in US Dollar terms the cost per unit has increased from US\$98 per tonne to US\$121 per tonne.

During 2014 the Group established a 54,000 tonne stockpile of material that had passed through the flotation processing circuit but retained a gold grade of approximately 2.5g/t. The Group during 2015 commenced the processing of these flotation tailings through the CIP plant and will continue to process this stockpiled material as capacity is available during 2016. The value ascribed to this stockpile as at 31 March 2016 is US\$1.02 million which compares to the valuation at 31 December 2015 of US\$1.07 million. The reduction reflects the volume of material that has been processed during the three months to 31 March 2016 as well as exchange rate movements.

At 31 March 2016, the Group had on hand an inventory of approximately 542 wet metric tonnes (31 December 2015: 363 wet metric tonnes) of copper/gold concentrate of which 62 tonnes was located at the Palito Mine (31 December 2015: 63 tonnes), 300 tonnes was on-route to the port of Belem (31 December 2015: 160 tonnes) and the remaining 180 tonnes was on-route to the refinery (31 December 2015: 120 tonnes). The value of this inventory of copper/gold concentrate awaiting sale was approximately

US\$3.60 million (31 December 2015: US\$1.95 million), representing a unit cost of US\$6,645 per tonne compared with a unit cost of US\$5,369 per tonne at 31 December 2015.

The valuation attributable to gold locked up within the processing plant, waiting to be smelted or in the process of being sold has decreased to US\$0.74 million as at 31 March 2016, (31 December 2015: US\$1.09 million).

Inventories of consumables (fuel, spare parts, chemicals, explosives etc.) at 31 March 2016 of US\$2.11 million have increased by approximately US\$0.75 million or 55% in comparison with the same inventory of consumables at 31 December 2015 (US\$1.36 million). The Group acquires stocks of certain materials including reagents and explosives and other consumables in quantities that are sufficient for up to three to four months consumption requirements to minimise freight and other logistics costs and improve pricing. The levels of inventory have increased reflecting a requirement to keep on hand higher levels of items related to equipment and plant maintenance. The increase also reflects the continued increase in activity at the Sao Chico Mine which entered into commercial production with effect from 1 January 2016. As all consumable stock is valued in Brazilian Reais, the valuation is also subject to exchange rate fluctuations. As such, the level of inventory in Brazilian Reais increased by BrR\$2.20 million, or 41%, from BrR\$5.31 million to BrR\$7.51 million.

Debtors

Trade and other receivables at 31 March 2016 of US\$5.65 million has decreased by US\$0.49 million from US\$6.13 million at 31 December 2015. As at 31 March 2016, the Group was owed US\$5.60 million (31 December 2015: US\$5.99 million) in respect of shipments of concentrate that had been made to the refinery but in accordance with the contractual payment terms remained outstanding at that date. Under the terms of the contract the Group receives instalments against the total value of each shipment on pre-determined dates with the final settlement only being made once the final metal content has been agreed between the Group and the refinery which may be up to 120 days after the date of arrival.

Monthly shipments of copper/gold concentrate which account for the bulk of the trade receivables vary according to the timing of collections from site and sailing dates, as well as reflecting normal production fluctuations resulting in varying tonnages and grades of material being produced and shipped. The variation in volumes shipped during each month will therefore result in fluctuations in the level of gold and copper recognised as revenue each month and the corresponding debtor balance in addition to prevailing metal prices. As at 31 March 2016 the Group was awaiting settlement for approximately 4,062 ounces of gold compared with a settlement outstanding at the end of December 2015 of approximately 5,065 ounces.

Also included within trade and other receivables are some trade advances for freight and insurance which have been reduced by US\$90,166 from US\$136,693 at 31 December 2015 to US\$46,527 at 31 December 2015.

Cash

Between 31 December 2015 to 31 March 2016 cash balances have increased by approximately US\$2.22 million reflecting in part the advance of US\$2.0 million received from Fratelli Investments Limited in January 2016 but also the cash flow generated from operations during the three month period of approximately US\$2.95 million and capital and development expenditure in the period of a further US\$1.18 million. The Group has reduced its liability due under the short term trade finance facility by US\$1.17 million and settled finance lease arrangements of US\$0.21 million. The significant increase in the level of copper/gold concentrate held in inventory and waiting to be shipped, has affected the level of cash holdings at the period end. The Company has realised the cash for these inventory holdings during April and May 2016 as the levels of copper/gold concentrate awaiting shipment from Brazil have been reduced.

Liabilities

Current liabilities have increased by US\$1.93 million from US\$15.82 million at 31 December 2015 to US\$17.75 million at 31 March 2016.

Trade and other payables amounting to US\$5.05 million at 31 March 2016 compare with an amount owed by the Group of US\$4.21 million at 31 December 2015. Of this increase of US\$0.83 million, trade

creditors accounts for US\$0.99 million as a result of increased activity at both the Palito and Sao Chico Mines but is offset by a decrease of US\$0.16 million in social and security taxes payable .

The Group operates a short term trade finance facility to minimise the effect on the working capital of the Group caused by the delay between production of copper/gold concentrate and payments for the material from the end purchaser. This facility is with a precious metals trading group whereby the Group can obtain an advance payment for the copper/gold concentrate once it has left the port in Belem, Brazil, secured against the debt due from the end purchaser. During the three months ended 31 March 2016 the total funds received by the Group under this facility were US\$5.15 million with US\$6.31 million having been repaid out of the receipts from the sale of copper and gold following refining. As at 31 March 2016 an amount of US\$5.49 million is owed by the Group (31 December 2015: US\$6.65 million) and will be repaid from the sale of the copper and gold extracted from the concentrate when the refining of the unprocessed material is completed.

The amount due under the loan facility to Sprott shows a notional reduction of US\$187,500. This is however merely a reflection of the accounting for the fair value of the gold call options granted to Sprott as part of the renegotiation of the payment period of the facility. The cash element outstanding at 31 March 2016 was US\$4.0 million.

The Group drew down, in January 2016, US\$2 million under a total US\$5 million convertible loan facility with its major shareholder Fratelli Investments Limited. The Group has accounted for the fair value of the equity element of this facility which at the date of the drawdown was estimated at US\$0.20 million. The value of the derivative at the date of grant is being amortised over the term of the facility.

The Group acquires some mobile equipment under finance leases. At 31 March 2016 the Group had liabilities under these financial leases totalling US\$0.70 million of which US\$0.57 million is due for repayment within one year (31 December 2015: US\$0.73 million). The remaining lease terms range from a twelve month period to a eighteen month period and bear interest at a rate between 6.7% and 6.85% per annum. (See below for further details on the amounts owed in more than one year).

The liability for derivatives relates to

- (i) a call option for 2,500 ounces of gold exercisable at a price of US\$1,125 which expires on 30 June 2017. The initial liability calculated at the date that the option was granted was US\$212,500. With the increase in the gold price between the date of grant and the period end, this call option had increased in value by US\$195,500 to US\$408,000 as at 31 March 2016.
- (ii) The equity element attributable to the amount of the convertible loan facility that has been drawn down. The initial liability of this derivative calculated at the date of the draw down was approximately US\$200,000. With the increase in the price of the Group ordinary shares the value of this derivative had increased by approximately US\$67,000 at the period end.

Long-term trade and other payables have increased by approximately US\$0.18 from US\$1.86 million at 31 December 2015 to US\$2.04 million. The increase in this liability which is due for settlement in Brazilian Real reflects the 9% strengthening of the Real from 31 December 2015 to 31 March 2016.

The Group makes provision for the future estimated rehabilitation costs for its mine sites at Palito and Sao Chico. The value of the rehabilitation provision carried by the Group at 31 December 2015 was US\$1.87 million. The value at 31 March 2016 is US\$2.06 million the increase reflecting the exchange rate movements from 31 December 2015 to 31 March 2016. The Group carried out a review of the underlying cost assumptions as at 31 December 2015.

Liabilities under lease finance arrangements have increased by US\$0.06 million reflecting the new leases taken out during the first quarter of 2016

The Group does not have any asset backed commercial paper investments.

Non-IFRS Financial Measures

The gold mining industry has sought to establish a common voluntary standard to enable investors to assess and compare the performance of companies engaged in gold mining activities. The Group has elected to provide calculations of Cash Costs and All-In Sustaining Costs and has conformed its calculation of these performance measurements with the guidance notes released by the World Gold Council. The measures seek to capture all of the important components of the Group's production and related costs. In addition, management utilises these and similar metrics as a valuable management tool to monitor cost performance of the Group's operations. These measures and similar measures have no standardised meaning under IFRS and may not be comparable to similar measures presented by other companies. This measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Total cash cost and all-in sustaining cost

The following table provides a reconciliation between non-IFRS cash cost and non-IFRS all-in sustaining cost to production costs included in cost of sales as disclosed in the consolidated statement of comprehensive income.

	3 Months to 31 Mar 2016 (US\$)	3 Months to 31 Mar 2015 (US\$)	12 Months to 31 Dec 2015 (US\$)
Cost of sales	6,689,506	4,859,909	23,585,063
Add/(subtract)			
Finished goods and WIP inventory stock adjustment	101,753	112,615	(1,780,142)
Grossing up of revenue for metal deductions	207,605	181,680	880,331
By-product credits	(535,066)	(502,973)	(2,482,958)
Total Cash Cost of production	6,463,798	4,651,231	20,202,294
Corporate G&A	1,132,200	905,505	4,379,770
Share-based remuneration	123,116	101,019	404,075
Capitalised cost for mine development	663,961	227,750	1,637,135
All-In Sustaining Cost ("AISC") of production	8,383,075	5,885,505	26,623,274
	3 Months to 31 Mar 2016 (ounces)	3 Months to 31 Mar 2015 (ounces)	12 month to 31 Dec 2015 (ounces)
Gold production for Cash Cost and AISC purposes ⁽¹⁾	9,771	7,759	29,841
	3 Months to 31 Mar 2016 (US\$)	3 Months to 31 Mar 2015 (US\$)	12 Months to 31 Dec 2015 (US\$)
Total Cash Cost of production (per ounce) ⁽¹⁾	US\$662	US\$599	US\$677
Total All-In Sustaining Cost of production (per ounce) ⁽¹⁾	US\$858	US\$759	US\$892

(1) The Sao Chico Mine was only declared to be in Commercial Production with effect from 1 January 2016 and all costs and revenues relating to this mine were capitalised prior to this date. The Income Statements for 2015 therefore only reflect the revenues and costs arising from the gold produced from the Palito Mine and the Cash Cost and AISC for the 2015 comparative period therefore also only reflect the activities from the Palito Mine.

Contractual commitments

The Group has operating leases in respect of office premises in London, England and Belo Horizonte and Belem in Brazil.

The Group holds certain exploration prospects which require the Group to make certain payments under rental or purchase arrangements allowing the Group 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 these exploration properties in which the Group has an interest is approximately US\$75,000 (31 December 2015: US\$90,000).

Contractual obligations	Total	Payments due by period			
		Less than 1 year	1-3 years	4-5 years	After 5 years
	\$	\$	\$	\$	\$
Short term debt	5,975,388	5,975,388	—	—	—
Capital lease obligations	460,478	414,057	46,421	—	—
Operating leases	143,049	124,314	18,735	—	—
Purchase obligations	—	—	—	—	—
Other long term obligations	—	—	—	—	—
Total contractual obligations	6,578,915	6,513,759	65,156	—	—

Transactions with related parties of the Group

The following transactions have been undertaken with related parties in the 24 months prior to 31 March 2016.

On 30 December 2015, the Group's major shareholder, Fratelli Investments Limited ("Fratelli") agreed to provide an interim unsecured short term working capital convertible loan facility of US\$5 million (the "2015 Convertible Loan") to the Group to provide additional working capital facilities. The 2015 Convertible Loan is for a period expiring on 31 January 2017 and for a maximum of US\$5 million. The facility may be drawn-down in up to three separate instalments of an initial US\$2 million and two further instalments of US\$1.5 million each. The 2015 Convertible Loan is available to be used at any time up to 30 June 2016. Interest is chargeable at the rate of 12% per annum. There is no prepayment penalty or arrangement fee. The 2015 Convertible Loan is unsecured and subordinated to the Group's existing loan facilities, including the secured loan facility arrangement provided by the Sprott Resource Lending Partnership.

The first US\$2 million of the 2015 Convertible Loan is convertible at the election of Fratelli Investments into new Serabi Ordinary Shares at an exercise price of 3.6 pence per new Serabi Ordinary Share at any time. The remaining amount of the 2015 Convertible Loan, if drawn down, may be repaid by the Group at its option at any time on or before 30 June 2016. Thereafter, Fratelli Investments will have the right to convert all or part of the remaining amount of the 2015 Convertible Loan into new Serabi Ordinary Shares at an exercise price of 3.6 pence per new Serabi Ordinary Share at any time. The Group announced on 6 January 2016 that it had made an initial draw down of US\$2 million in respect of the 2015 Convertible Loan.

Fratelli Investments Ltd owns 343,613,166 ordinary shares representing 52.35% of the voting shares in issue and is considered to be the controlling party.

Financial and other instruments

The Group's financial assets at 31 March 2016 which comprise other receivables and cash are classified as loans and receivables. All of the Group's financial liabilities which comprise trade and other payables and interest bearing liabilities, are classified as liabilities measured at amortised cost.

The Group, through its arrangements with Auramet Trading LLC and Sprott Resource Lending and because of the nature of the Convertible Loan with Fratelli Investment Limited ("Fratelli") has entered into the following derivative transactions.

Under its arrangements with Auramet it enters into short term hedging of a significant portion (90% to 95%) of the sales of gold contained in copper/gold concentrate protecting the Group against price variations between the date that it secures loan advances from Auramet for a specific shipment and the pricing that it will receive in respect of that shipment under its contractual arrangements with the refinery to whom the gold is finally sold. The arrangements are revalued at the period end to reflect prevailing prices. Any notional income or expense arising from this revaluation is taken to the income statement.

In January 2016, the Group granted a call option to Sprott over 2,500 ounces of gold at a price of US\$1,125 for a period expiring on 30 June 2017. The fair value at the date of the grant of these options is charged to the income statement over the option period. The option was revalued at the period end and any gain or loss arising on the revaluation has been taken to the income statement.

The convertible loan arrangement with Fratelli, being a loan denominated in US Dollars but convertible in shares based on a price denominated in UK Pounds Sterling, has a derivative element in respect of the equity element of the loan represented by the conversion rights. This equity portion is revalued at the end of each period taking into account the changes in exchange rate, the prevailing share price and the remaining conversion period. Any gain or loss arising on the revaluation has been taken to the income statement.

The main financial risks arising from the Group'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 the Group and the Company are 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 Group's intention to enter into any arrangements to protect itself from changes in the prices of these commodities. The Group does however closely monitor the prices of these commodities and will consider the use of hedging contracts, where appropriate, in future.

Whilst not representing a financial instrument at 31 March 2016, the Group carried inventory of finished goods and work-in-progress valued at US\$7.60 million (31 December 2015: US\$5.55 million) including US\$3.60 million of copper/gold concentrate representing 542 tonnes of material awaiting sale (31 December 2015: US\$1.95 million) and US\$4.00 million of other material in process (31 December 2015: US\$3.60 million). Of the copper/gold concentrate, the Group had, at the end of the quarter ended 31 March 2016, entered into arrangements fixing prices for approximately 95% of the gold content within 180 tonnes of this material. However all other inventory as at 31 March 2016, which is unsold, is subject to future variation in commodity prices and accordingly the results for the period and the equity position of the Group may be affected by any change in commodity prices subsequent to the end of the period.

Interest rate risk

During 2016, 2015 and 2014 the Group has taken out fixed rate finance leases for the acquisition of some equipment and have utilised floating rate short term trade finance in respect of sales of copper/gold concentrate production.

The Company has entered into an agreement with Auramet Trading LLC ("Auramet"), for a trade finance facility of US\$7.5 million under which Auramet will provide advance payment for

shipments of copper/gold concentrate for the period between shipments leaving Brazil and settlement from the refinery. The advance payments bear interest at 3 month US\$ LIBOR plus 5%.

Serabi Gold plc has also entered into a US\$8 million credit facility (the "Sprott Facility") with the Sprott Resource Lending Partnership ("Sprott") to be used to provide additional funding for the continued development of the Palito Mine and the Sao Chico gold project, to finance an additional drilling programme at Sao Chico and for general corporate purposes. On 20 January 2016 the Sprott Facility was extended for a term expiring on 31 December 2016. It carries interest at a rate of 10% per annum. As at 31 March 2016, the amount of US\$4 million (excluding future interest) was outstanding in respect of the Sprott Facility.

On 30 December 2015, Fratelli Investments Limited ("Fratelli"), the Company's major shareholder, agreed to provide an interim unsecured short term working capital convertible loan facility of US\$5 million (the "2015 Convertible Loan") to the Group to provide additional working capital facilities. The 2015 Convertible Loan is for a period expiring on 31 January 2017 and for a maximum of US\$5 million. Interest is chargeable at the rate of 12% per annum. The Group announced on 6 January 2016 that it had made an initial draw down of US\$2 million in respect of the 2015 Convertible Loan.

Liquidity risk

Historically the Group has relied primarily on funding raised from the issue of new shares to shareholders but has also received short term loans from its shareholders. It also uses floating rate short-term trade finance and fixed rate finance leases to finance its activities.

On 26 September 2014, Serabi Gold plc entered into the Sprott Facility details of which are set out above. Serabi may prepay in whole the Sprott Facility prior to 31 December 2016. If such payment is made prior to 30 June 2016, a penalty fee shall be payable amounting to 5% of the outstanding balance of the Sprott Facility. If such repayment is made after 1 July 2016 the penalty shall be equal to 60% of the remaining interest charges that would otherwise have been due under the Sprott Facility up until the expiry of the Sprott Facility.

The Group has a trade financing arrangement for up to US\$7.5 million with Auramet Trading LLC for the sale of its copper/gold concentrate production which is sold to a European refinery. Under the terms of this financing arrangement Auramet will advance to Serabi up to 95% of the gold content of a shipment of copper/gold concentrate secured against the final sale proceeds from the refinery. The period between the date of advance and settlement varies depending on the date of arrival at the refinery but is between 100 and 120 days. Interest is charged at 5.0% above 3 month US\$ LIBOR. The arrangements oblige the Group to fix the price of the gold that is subject to an advance payment and in so doing eliminate the pricing risk between the date of the advance and the contractual settlement terms with the refinery.

On 30 December 2015, the Group entered into the 2015 Convertible Loan with its major shareholder, Fratelli. The facility may be drawn-down in up to three separate instalments of an initial US\$2 million and two further instalments of US\$1.5 million each. The 2015 Convertible Loan is available to be used at any time up to 30 June 2016. Interest is chargeable at the rate of 12% per annum. There is no prepayment penalty or arrangement fee. The 2015 Convertible Loan is unsecured and subordinated to the Group's existing loan facilities, including the secured loan facility arrangement provided by the Sprott Resource Lending Partnership.

The first US\$2 million of the 2015 Convertible Loan is convertible at the election of Fratelli Investments into new Serabi Ordinary Shares at an exercise price of 3.6 pence per new Serabi Ordinary Share at any time. The remaining amount of the 2015 Convertible Loan, if drawn down, may be repaid by the Group at its option at any time on or before 30 June 2016. Thereafter, Fratelli Investments will have the right to convert all or part of the remaining amount of the 2015 Convertible Loan into new Serabi Ordinary Shares at an exercise price of 3.6 pence per new Serabi Ordinary Share at any time. The Group announced on 6 January 2016 that it had made an initial draw down of US\$2 million in respect of the 2015 Convertible Loan.

As at 31 March 2016, in addition to the Sprott Facility, the 2015 Convertible Loan and the Auramet facility, the Group had obligations under fixed rate finance leases amounting to US\$0.70 million (31 December 2015: US\$0.86 million).

The Group'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 increases in value of the Group for the benefit of shareholders. In establishing its capital requirements the Group will take account of the risks inherent in its plans and proposed activities and prevailing market conditions. The Group commenced gold production operations at the Palito Mine at the start of 2014 having completed the first phase construction of the gold recovery plant in December 2013, with the Carbon in Pulp ("CIP") leaching circuit completed in September 2014. On 23 July 2014 the Group announced that with effect from 1 July 2014 the Palito Mine had achieved Commercial Production. Having commenced initial development activities for the Sao Chico Mine at the end of 2014, this mine has been in development during 2015. On 1 February 2016, the Group announced that with effect from 1 January 2016 the Sao Chico Mine had achieved Commercial Production. There are risks associated with the commencement of any new mining operation whereby unforeseen technical and logistical events result in additional costs needing to be incurred, giving rise to the possibility that additional working capital may be required. The Group is also subject to pricing risks and significant short term variations in sale prices of commodities to which the Group is exposed may place significant additional pressure on the Group's working capital position. Should additional working capital be required the Directors consider that further sources of finance could be secured within the required timescale. The Group, where appropriate, will use fixed rate finance arrangements for the purchase of certain items of capital equipment and use short term trade finance particularly in respect of its projected sales of copper/gold concentrate. It will seek to raise debt finance where possible to finance further capital development of its projects taking due consideration of the ability of the Group to satisfy the obligations and undertakings that would be imposed in connection with such borrowings.

The following table sets out the maturity profile of the financial liabilities as at 31 March 2016:

	31 March 2016	31 December 2015
	Group US\$	Group US\$
Due in less than one month	4,204,290	3,598,089
Due between one month and three months	9,417,610	9,001,404
Due between three months and one year	3,195,261	3,081,343
Total due within one year	16,817,161	15,680,836
Due more than one year	2,177,497	2,689,985
Total	18,994,658	18,370,821

Currency risk

Although the parent company of the Group is incorporated in the United Kingdom, its financial statements and those of the Group are presented in US Dollars as funding of activities of its subsidiaries is generally made in US Dollars, all sales for the Group are denominated in US Dollars and future remittances of dividends, loans or repayment of capital from the subsidiaries are expected to be received 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 Group expects that future issues of Ordinary Shares may be priced in Sterling or Canadian Dollars. Expenditure is primarily in Brazilian Real and also in US Dollars, Sterling, Euros and Australian Dollars.

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

	Group	
	31 March 2016 US\$	31 December 2015 US\$
US Dollar	3,411,429	1,449,663
Canadian Dollar	11,418	11,762
Sterling	270,870	278,136
Australian Dollar	48,815	12,630
Euro	94,583	32,611
Brazilian Real	573,474	406,957
Total	4,410,589	2,191,759

The Group is exposed to foreign currency risk on monetary assets and liabilities, including cash held in currencies other than the functional currency of operations.

The Group seeks to manage its exposure to this risk by ensuring that the majority of expenditure and cash holdings of individual subsidiaries within the Group are denominated in the same currency as the functional currency of that subsidiary. Income is generated in US Dollars. However this exposure to currency risk is managed where the income is generated by subsidiary entities whose functional currency is not US Dollars by either being settled within the Group or in the same month that the sale is transacted where settlement is with a third party.

The Group 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 Group 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.

Credit risk

The Group's exposure to credit risk is limited to its cash and cash equivalents and trade and other receivables amounting to US\$10,057,105 (31 December 2015: US\$8,325,045). It is the Group's policy to only deposit surplus cash with financial institutions that hold acceptable credit ratings.

The Group currently sells most of its gold bullion to a single customer. The Group seeks to receive full settlement by bank transfer on delivery of its product to the purchaser to minimise its exposure to any credit risk on that customer.

The Group sells most of its copper/gold concentrate production to a single customer, a publicly quoted major copper smelter located in Europe. Settlement terms are in accordance with industry norms. The customer has a strong reputation within the industry and has a good credit risk history. As at the balance sheet date there were no amounts owed to the Group that were overdue.

The Group has not entered into any sales to other parties during the quarter.

Subsequent events

There has been no item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Group, to affect significantly the continuing operations of the entity, the results of these operations, or the state of affairs of the entity in future financial periods.

Changes in accounting policies

The Group 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 2016.

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 Group's earnings or shareholders' funds.

Off-balance sheet arrangements

As of the date of this Management's Discussion and Analysis, the Group does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Group, including, and without limitation, such considerations as liquidity and capital resources.

Critical accounting estimates

The preparation of financial statements requires management to make judgements and assumptions about the future in the use of accounting estimates. These are based on management's best knowledge of the relevant facts and circumstances. However these judgements and estimates regarding the future are a source of uncertainty and actual results may differ from the amounts included in the financial statements and adjustment will consequently be necessary. Estimates are continually evaluated, based on experience and reasonable expectations of future events.

Accounting estimates are applied in assessing and determining the carrying values of significant assets and liabilities.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Impairment of mining assets and other property, plant and equipment

Determining whether mining assets are impaired requires an estimation of the value in use of the cash-generating units ("CGU's). The value in use calculation requires the entity to estimate the future cash flows expected to arise from a CGU and a suitable discount rate in order to calculate present value. A CGU is a group of assets that generates cash inflows from continuing use. Given their interdependences and physical proximity, the Palito and Sao Chico mines are considered to be a single CGU.

As described in note 1(d) (iv), of the 2015 Financial Statement for the Group, the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Further disclosure is provided in note 19 of the 2015 Financial Statements for the Group regarding the key assumptions made in assessing the value in use.

Provisions and contingent liabilities

The Group reviews estimates of provisions for potential liabilities at the end of each reporting period where applicable, taking into account the circumstances of the potential liability, the availability and confidence of information used to calculate the potential liability and, where applicable, past history regarding the actual liability incurred in similar situations.

Mineral resources

Quantification of mineral resources requires a judgement on the reasonable prospects for eventual economic extraction. These judgements are based on assessments made in accordance with the provisions of Canadian National Instrument 43-101. These factors are a source of uncertainty and

changes could result in an increase or decrease in mineral resources and changes to the categorisation or mineral resources between Ore Reserves, Measured and Indicated Resources and Inferred Resources. This would in turn affect certain amounts in the financial statements such as depreciation and closure provisions, which are calculated on projected life of mine figures, and carrying values of mining property and plant which are tested for impairment by reference to future cash flows based on projected life of mine figures.

Development and deferred exploration expenditure

The recoverability of exploration expenditure capitalised within intangible assets is assessed based on a judgement about the feasibility of the project and estimates of its future cash flows. Future gold prices, operating costs, capital expenditure and production are sources of estimation uncertainty. The Group periodically makes judgements as to whether its deferred exploration expenditure may have been impaired, based on internal and external indicators. Any impairment is based on a variety of estimates and opinions and may include estimates of future cash flows. In particular, the Group recognises that, if it decides, or is compelled due to insufficient funding, to withdraw from exploration activity at a project, then the Group would need to assess whether an impairment is necessary based on the likely sale value of the property.

Inventory valuation

Valuations of gold in stockpiles and in circuit require estimations of the amount of gold contained in, and recovery rates from, the various work in progress. These estimations are based on analysis of samples and prior experience. A judgement is also required about when stockpiles will be used and what gold price should be applied in calculating net realisable value; these are both sources of uncertainty.

Commercial production

Following the commencement of development and construction work intended to advance a mining project into commercial production, the Board will consider and approve the criteria that they will apply in assessing when that mining project has achieved commercial production. These criteria may be agreed in conjunction with other stakeholders, particularly financing parties and lenders. There are no set regulations or standards to be applied but the criteria set will primarily consider the performance of the project compared to projections and generally these criteria will be measured over a continuous period of time. The judgements made and the relative performance measures will be based on the Board's view of the complexity and the relative importance of certain key activity areas in determining the long term commerciality of the mining project.

Restoration, rehabilitation and environmental provisions

Such provisions require a judgement on likely future obligations, based on assessment of technical, legal and economic factors. The ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including the timing of expenditure, the discount, inflation and foreign exchange rates used in calculating the current value of future expenditures and the projected scale of disturbance that is anticipated at the end of the project life.

Disclosure controls and procedures

The Chief Executive Officer and Chief Financial Officer have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the Group is made known to the Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the interim and annual filings are being prepared; and

- information required to be disclosed by the Group in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarised and reported within the time periods specified in securities legislation.

As at 31 December 2015, an evaluation was carried out, under the supervision of the Chief Executive Officer and Chief Financial Officer, of the design and operating effectiveness of the Group's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Group's disclosure controls and procedures were effective as at 31 December 2015.

Internal controls over financial reporting

The Chief Executive Officer and Chief Financial Officer have also designed internal controls over financial reporting, or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

As at 31 December 2015, an evaluation was carried out, under the supervision of the Chief Executive Officer and Chief Financial Officer, of the design and operating effectiveness of the Group's internal controls over financial reporting. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the internal controls over financial reporting were effective as at 31 December 2015, using the criteria, having taken account of the size and nature of the Group, put forward by the Financial Reporting Council in their revised guidance for directors on internal controls for UK listed companies (issued 2005).

The Group's management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that its disclosure controls and internal controls over financial reporting will prevent or detect all errors and fraud. A cost effective system of internal controls, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the internal controls over financial reporting are achieved.

Changes in internal controls over financial reporting

There have been no changes in the Group's internal controls over financial reporting during the twelve month period ended 31 December 2015 that have materially affected, or are reasonably likely to materially affect, the Group's internal controls over financial reporting.

Disclosure of outstanding share data

The Company had the following Ordinary Shares, Stock Options and Warrants outstanding at 12 May 2016:

Ordinary Shares	656,389,204
Stock Options	35,832,500
Other Warrants	-
Fully diluted ordinary shares outstanding	692,221,704

Fratelli Investments Limited holds 343,613,166 Ordinary Shares in the Group representing 52.35% of the voting shares in issue and is considered to be the controlling party.

Qualified persons statement

The technical information contained within this Management Discussion and Analysis has been reviewed and approved by Michael Hodgson, CEO of the Group. 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, recognising him as both a Qualified Person for the purposes of Canadian National Instrument 43-101 and by the AIM Guidance Note on Mining and Oil & Gas Companies dated June 2009.

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 Group and its projects, the future price of gold or other metal prices, the estimation of mineral resources, the realisation 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 Group'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 Group, information contained herein constitutes forward-looking statements, including any information as to the Group'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 Group 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 Group can be found in the section "Risks and uncertainties" 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 Group 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 Group 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, the reader should carefully consider the risk factors below which could materially affect the Group's business, financial condition and/or future results. These risks are not the only risks facing the Group and readers should also refer to the Group's Annual Information Form filed on SEDAR at www.sedar.com and the Group's website at www.serabigold.com which contains additional discussion of risks and in particular risks for investors in the Group's securities. Additionally risks and uncertainties not currently known to the Group or that management currently deems to be immaterial, may also materially affect the Group's business, financial condition and/or future results.

ECONOMIC RISKS			
Risk	Comment	Business Impact	Mitigation
Changes in gold prices	The profitability of the Group's operations is dependent upon the market price of gold. Gold prices fluctuate widely and are affected by numerous factors beyond the control of the Group. Reserve calculations and life-of-mine plans using significantly lower metal prices could result in material write-downs of the Group's investment in mining properties and increased amortisation, reclamation and closure charges.	High	Management closely monitors commodity prices and economic and other events that may influence commodity prices. The Board will use hedging instruments if and when it considers it appropriate.
Currency fluctuations may affect the costs of doing business and the results of operations.	The Group's major products are traded in prices denominated in US dollars. The Group incurs most of its expenditures in Brazilian Reals although it has a reasonable level of expenses in US Dollars, UK Pounds and other currencies. 2015 has been a period of significant weakening of the Brazilian Real against the US Dollar.	High	Management closely monitors fluctuations in currency rates and the Board may, from time to time, make use of currency hedging instruments.

OPERATIONAL RISKS			
Risk	Comment	Business Impact	Mitigation
Future exploration 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 Group 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.	Medium	Management undertakes exploration only following careful evaluation of opportunities and designs programmes that seek to ensure that expenditure is carefully controlled and can be ceased at any time that management considers that the exploration prospect is unlikely to be commercially viable and does not warrant further evaluation.
No guarantee that the Group's Applications for exploration licences and mining licences will be granted. Existing exploration licences may not be renewed	There is no guarantee that any application for additional exploration licences will be granted by the Departamento Nacional do Produção Mineral ("DNPM"). The DNPM can refuse any application. Persons may object to the granting of any exploration licence and the DNPM may take those objections into consideration when making any decision on whether or not to grant a licence. The exploration licence for the Sao Chico	High	Management maintains on-going dialogue with the DNPM and other relevant government bodies regarding its operations to ensure that such bodies are well informed and also to help ensure that the Group is informed at an early stage of any issues of concern that such bodies may have. The Group employs staff and consultants

OPERATIONAL RISKS			
Risk	Comment	Business Impact	Mitigation
<p><i>or approved or converted into mining licences.</i></p> <p><i>Title to any of the Group's mineral properties may be challenged or disputed</i></p>	<p>property expired March 2014. The Group has begun the process of applying for a full mining licence and has received no indication that, provided that the content and form of the application is made in accordance with prescribed regulations, a mining licence would not be granted.</p> <p>At the current time mining operations at the Sao Chico Mine are carried out under a trial mining licence which is renewable annually. If and when exploration licences are granted, they will be subject to various standard conditions including, but not limited to, prescribed licence conditions. Any failure to comply with the expenditure conditions or with any other conditions, on which the licences are held, can result in licence forfeiture.</p>		<p>who are experienced in Brazilian mining legislation to ensure that the Group is in compliance with legislation at all times.</p>
<p><i>The Group has declared commercial production effective as of 1 January 2016 at the Sao Chico gold mine located close to the Group's Palito Mine. There is however no certainty that the Group will be able to establish a commercially viable long term operation at Sao Chico.</i></p>	<p>The Sao Chico Mine has a small NI 43-101 compliant Measured and Indicated Resource and Inferred Resource and the Group has declared that commercial production has been attained effective as of 1 January 2016. There is however no NI 43-101 compliant technical report commissioned to date to demonstrate whether or not this resource can be mined on a commercial scale or that any mining activities that might be undertaken will be profitable in the future.</p>	High	<p>Management has made its own assessment of the Sao Chico Mine and during 2015 the mine has been in a development phase. Whilst management have noted, during the course of the development mining undertaken in 2015, that the mineralisation is more complex than was initially envisaged, it has now put in place changes to the mine plans and mining methodology to address the issues that were encountered.</p> <p>Management is now confident, based on its experience and knowledge, that the Sao Chico Mine will be a commercially viable mining operation.</p>
<p><i>Exploration and development of the Group's other properties, including continuing exploration and development projects, and the construction of mining facilities and commencement of mining operations, will require substantial additional funding.</i></p>	<p>Whilst the Group anticipates that it will use cash flow generated from operations at the Palito and Sao Chico Mines to finance further exploration and development activities at the Group's other properties, any cash flow that the Group generates may not be sufficient to meet these future exploration and development activities. Failure to obtain sufficient financing will result in a delay or indefinite postponement of exploration, development or production on any of the Group's other properties or even a loss of a property interest.</p>	Low	<p>Management of capital resources is a high priority for the Group and prior to taking any development decision the Group will seek to ensure, to the greatest extent possible, that the development is fully funded and will manage the development budgets and programmes to minimise and anticipate any potential budget over-runs.</p>
<p><i>The Group may experience higher costs and lower revenues than</i></p>	<p>Mining operations often experience unexpected problems during the life of the mine which may result from events of nature, unexpected geological features or mechanical</p>	Medium	<p>Management is experienced with similar mining operations and has gained valuable operational experience at both Palito and Sao Chico. Management have</p>

OPERATIONAL RISKS			
Risk	Comment	Business Impact	Mitigation
<i>estimated due to unexpected problems.</i>	issues that can result in substantial disruption to operations. Such disruption could increase operating costs, delay revenue growth and have implications for the working capital requirements of the business.		during 2015 increased the number of mining areas that can be active at any time at Palito and established increased process capacity levels which it does not intend to be fully utilised at all times. In this way it anticipates that short term operational issues should not be unduly disruptive and that any shortfall can be caught up quickly once the issue is resolved.
Environmental legislation	All phases of the Group'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 Group's business, financial condition and results of operations.	Low	Environmental regulations are constantly changing and governed by both local and global concerns and initiatives. Management seeks to ensure that it adopts sound and compliant environmental principles. The operations of the Group are relatively small and management does not consider the scale of the operations to have a material environmental impact on its surroundings.
Exposure to mining hazards.	The Group is exposed to a number of risks and hazards typically associated with mining operations including 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 Group'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.	Medium	The Group's operational teams regularly monitor mining risks, and report to the CEO who in consultation with the Board is responsible, on behalf of the Board, for ensuring appropriate measures are in place for anticipating, and responding to, such matters.
If mineral resource estimates are not accurate, production may be less than estimated which would adversely affect the Group's financial condition and the results 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 Group cannot be certain that the resource estimates are accurate and cannot guarantee that it will recover the indicated quantities of metals. Future production could differ dramatically from such estimates if mineralisation or formations at the properties were different from those predicted by drilling, sampling and similar examinations.	Medium	The Groups mineral resource estimates are prepared by either in-house staff or third party consultants who have considerable experience and as appropriate are certified in accordance with recognised international standards.
The Group is required to obtain	In the ordinary course of business, the Group will be required to obtain and renew	Low	The Group maintains good relationships with the appropriate licencing authorities

OPERATIONAL RISKS			
Risk	Comment	Business Impact	Mitigation
<i>and renew governmental permits and licences in order to conduct mining operations, which can be a costly and time-consuming process.</i>	governmental permits and licences for the operations 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 Group's efforts to obtain and renew permits and licences are contingent upon many variables not within its control including the interpretation of applicable requirements implemented by the permitting or licencing authority. The Group may not be able to obtain or renew permits and licences that are necessary to its operations or the cost to obtain or renew permits and licences may exceed what the Group expects.		and management are responsible for ensuring that conditions are adhered to and that renewals are submitted in a timely and complete manner.
<i>The mining industry is intensely competitive in all of its phases and the Group competes with many companies possessing greater financial and technical resources than itself.</i>	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. Such competition may result in the Group 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.	<i>Low</i>	The Group anticipates that it will be in a position to generate positive cash flow and have re-paid debt by the end of 2016 increasing its relative strength to attract and retain employees and to acquire and develop new properties and projects.

COUNTRY RISKS			
Risk	Comment	Business Impact	Mitigation
<i>The Group's operations are conducted in Brazil and, as such, the Group's operations are exposed to various levels of political, economic and other risks and uncertainties.</i>	The government of Brazil has been seeking to introduce a new Mining Code for some time and the matter continues to be area of debate. Any new legislation could result in all current applications being cancelled and require applicants to make new applications under the terms of and in compliance with the new Mining Code. Whilst only being re-elected in October 2014, the current government is losing support, the country is struggling economically and the Brazilian Real has devalued significantly against the US Dollar since May 2013. Against this backdrop the government may seek to reduce state subsidies on certain goods or, increase taxes and or royalties to boost state income.	<i>Medium</i>	The mining industry in Brazil is dominated by a small number of influential local companies and the interests and needs of smaller mining operations can be limited. The Group is affiliated with group's who help promote and lobby for the needs of smaller mining enterprises.

OTHER RISKS			
Risk	Comment	Business Impact	Mitigation
Finance risk	Many of the Group's assets at the Palito and Sao Chico mines have been pledged as security to the Sprott Resource Lending Partnership, with whom the Group signed a US\$8 million credit arrangement during 2014. The Group is therefore reliant on meeting its loan obligations with Sprott in order to avoid the potential loss of these assets which could arise from the enforcement of this security.	Low	The Group is in compliance with its obligations under the loan agreements with Sprott and at the current time anticipates meeting the on-going debt servicing obligations.
Portfolio risk of having two relatively small interdependent operating assets	The Group is reliant on two relatively small revenue-generating assets (the Palito Mine and the satellite operation at the Sao Chico Mine). Whilst any mining issues that affect production at one site should not impact production at the other site, the two mining operations share a single process plant and consequently certain issues affecting the operation of this process plant could have a significant impact on the Group's results.	Low	Whilst the Group is reliant on a single process plant the design is such that it is not generally reliant on a single element of the process plant to maintain a level of throughput and therefore gold production. Additionally the two ore sources, Sao Chico and Palito, do not share exactly the same process requirements and therefore management considers that a level of gold processing and gold production could be maintained other than in what it considers to be the most exceptional situations.