SERABI GOLD

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and twelve month periods ended 31 December 2017

29 March 2018

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Introduction

This Management's Discussion and Analysis ("MD&A"), dated 29 March 2018, 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 Group's annual report and audited consolidated financial statements and the Group's MD&A for the 12 month period ended 31 December 2017.

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 has a current 40,000 ounce per annum producing gold operation in the Tapajos region in the State of Para in Brazil. This is held through its wholly owned subsidiaries Serabi Mineração S.A. and Gold Aura do Brasil Mineração Ltda. On 21 December 2017, the Group also acquired the Coringa Gold Project ("Coringa") also located in the Tapajos Region approximately 200 kilometres to the south of the JDO Project area. This interest is held through a wholly owned subsidiary Chapleau Exploração Mineral Ltda ("Chapleau Brazil")

The current mining operations within the Palito Complex are over the Palito orebody ("Palito") and the Sao Chico orebody ("Sao Chico") and lie within the larger Jardim do Ouro project area ("JDO Project") which comprises a series of contiguous exploration licences covering an area of over 40,000 hectares, and lies on the 50 kilometres wide north west to south east trending Tocantinzinho Trend, a major controlling structural feature in the Tapajos region. The vast majority of the hard rock mineral resources discovered to date in the Tapajos region lie on this trend.

The Palito operation is fully permitted and has a mining licence issued in October 2007, covering 1,150 hectares. Remediation work commenced in October 2012, developing the existing underground mine and renovating the process plant. Commissioning of the process plant started in December 2013 with the first consignments of gold/copper concentrate transported from the Palito 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.

The gold at Palito 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 producing a copper/gold concentrate which can account for up to approximately 60 per cent to 70 per cent of the gold recovered from the Palito orebody. The residual tailings from the flotation process, which also recovers over 90 per cent of the copper content of the ore, are then passed to a conventional Carbon in Pulp ("CIP") plant which can recover approximately

65 per cent to 70 per cent of the residual gold. Overall gold recovery from the Palito orebody is approximately 92 per cent.

The Sao Chico orebody is a high-grade deposit located approximately 30 kilometres, by road, from the Palito deposit. Initial development of the mine portal and ramp was undertaken during 2015 with the Main Vein intersected in January 2015. 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 Sao Chico was declared as of 1 January 2016. Ore from the Sao Chico deposit is transported by truck to a central gold process plant located adjacent to the Palito orebody.

The gold of the Sao Chico orebody 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. The ore passes initially to a gravity concentrator after milling, with the concentrate produced being passed through the In-Line Leach Reactor ("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 gravity circuit currently recovers up to 60 per cent of the gold. The tailings from this ILR 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. Overall gold recovery from the Sao Chico orebody is approximately 93 per cent.

On 23 March 2018 the Company entered into a Subscription Agreement with Greenstone Resources II LP ("Greenstone"). Greenstone has conditionally agreed to subscribe ("the Subscription") for 297,759,419 New Ordinary Shares ("the Subscription Shares") at a price of 3.6 pence per share (the "Subscription Price"). The New Ordinary Shares to be issued pursuant to the Subscription will rank pari passu with the existing Ordinary Shares. Application will be made to the London Stock Exchange for the Subscription Shares to be admitted to trading on AIM ("Admission") and listed for trading on the TSX. Completion of the Subscription and Admission is expected to take place at 8:00 a.m. on or around 12 April 2018.

In January 2018 the Group released a technical report (the NI 43-101 Technical Report Palito Mining Complex, Brazil) prepared by its consultants, SRK Consultants (US) Inc ("SRK") (the "Palito Complex Technical Report") which provided updated estimates of the Mineral Reserves and Mineral Resources for each of the Palito and Sao Chico orebodies. The report estimated as of 30 June 2017, an NI 43-101 compliant Proven and Probable Reserves for the Palito ore body of 157,000 ounces of gold at an average grade of 7.99 g/t and included within a Measured and Indicated mineral resource of 271,000 ounces of gold and an Inferred mineral resources of 177,000 ounces of gold and for the Sao Chico orebody an NI 43-101 compliant Proven and Probable Reserves of 24,000 ounces of gold at an average grade of 8.43 g/t, included within a Measured and Indicated mineral resource of 36,000 ounces of gold and an Inferred mineral resources of 54,000 ounces of gold.

Coringa was acquired by the Group from Anfield Gold Corp. ("Anfield") on 21 December 2017 (the "Acquisition"). Management considers that Coringa is very much a "carbon-copy" of Palito in terms of the geology, size and mining operations that will be used. Coringa is an advanced development project and a feasibility study prepared by MTB Project Management Professionals of Colorado USA for Anfield and Chapleau Resources Ltd ("Chapleau"), published in September 2017 ("the Coringa FS") estimated:

- Gold production of approximately 32,000 oz per year averaged over a 4.8 year mine life;
- Average life of mine process fully-diluted gold grade of 6.5 g/t;
- Post-tax internal rate of return of 30.1 per cent.;
- Post-tax net present value of US$30.5 million at a 5 per cent. discount rate;
- Remaining capital costs of US$28.8 million;
- Average net cash operating costs of US$585/oz and all-in sustaining costs of US$786/oz; and
- Probable mineral reserves of 161,000 oz of gold and 324,000 oz of silver.

Serabi has made an initial payment to Anfield in respect of the Acquisition of US$5 million in cash ("Initial Consideration"). A further US$5 million in cash is payable within three months of 21 December 2017 and a final payment of US$12 million in cash will be due upon the earlier of either the first gold being produced or 24 months from 21 December 2017 (both payments together being the "Deferred Consideration"). The total proposed consideration for the acquisition amounts to US$22 million in aggregate.

The Group holds other 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.

The Group has not undertaken any issues of new equity during 2017. On 30 June 2017, the Group entered into a credit facility for US$5 million with the Sprott Resource Lending Partnership ("Sprott") to provide development and working capital for Palito and Sao Chico. This facility included an amount of US$1.37 million that was outstanding under a previous credit facility with Sprott, entered into on 26 September 2014, with the remaining funds being received on 5 July 2017. On 19 January 2018 the facility was increased to US$8 million to provide additional working capital to the Group and in particular to reimburse the funds used to settle the Initial Consideration.

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

SUMMARY FINANCIAL STATISTICS FOR THE THREE AND TWELVE MONTHS ENDING 31 DECEMBER 2017				
	3 months to 31 December 2017 US$	**12 months to 31 December 2017 US$**	**3 months to 31 December 2016 US$**	**12 months to 31 December 2016 US$**
Revenue	**12,224,818**	**48,449,868**	10,472,823	52,593,751
Cost of Sales	**8,407,318**	**32,965,498**	7,077,485	32,906,426
Depreciation and amortisation charges	**2,919,436**	**10,465,283**	1,832,637	8,384,738
Gross profit	**898,064**	**5,019,087**	1,562,701	11,302,587
(Loss) / profit before tax	**(1,408,368)**	**(1,745,503)**	(435,552)	1,870,179
(Loss) / profit after tax	**(1,627,274)**	**(2,397,903)**	2,958,630	4,430,292
Earnings per ordinary share (basic)	**(0.230 cents)**	**(0.343 cents)**	0.423 cents	0.659 cents
Average gold price received	US$1,265	US$1,244	US$1,207	US$1,245
			As at 31 December 2017	**As at 31 December 2016**
Cash and cash equivalents			**4,093,866**	4,160,923
Net assets			**60,770,712**	63,378,973

<u>Cash Cost and All-In Sustaining Cost ("AISC")</u>	**12 months to 31 December 2017**	**12 months to 31 December 2016**
Gold production for cash cost and AISC purposes	**37,004**	39,390
Total Cash Cost of production (per ounce)	**US$799**	US$770
Total AISC of production (per ounce)	**US$1,071**	US$965

Key Operational Information

		SUMMARY PRODUCTION STATISTICS FOR THE FOUR QUARTERS TO 31 DECEMBER 2017									
		Qtr 1	**Qtr 2**	**Qtr 3**	**Qtr 4**	**Year to Date**	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total
		2017	**2017**	**2017**	**2017**	**2017**	2016	2016	2016	2016	2016
Horizontal development – Total	Metres	**2,251**	**1,855**	**2,996**	**2,762**	**9,864**	2,925	2,941	2,649	2,694	11,209
Mined ore – Total	Tonnes	**36,918**	**42,075**	**41,263**	**49,011**	**168,876**	37,546	33,606	43,133	44,579	158,864
	Gold grade (g/t)	**10.12**	**7.80**	**9.80**	**8.25**	**8.92**	11.02	9.56	9.61	8.94	9.74
Milled ore	Tonnes	**46,663**	**43,905**	**44,954**	**43,345**	**172,565**	36,615	39,402	42,464	40,485	158,966
	Gold grade (g/t)	**7.09**	**6.26**	**7.21**	**7.27**	**7.11**	8.58	8.17	8.08	7.60	8.11
Gold production (1) (2)	Ounces	**9,861**	**8,148**	**9,657**	**9,337**	**37,004**	9,771	9,896	10,310	9,413	39,390

(1) Gold production figures are subject to amendment pending final agreed assays of the gold content of the copper/gold concentrate and gold doré that is delivered to the refineries.

(2) Gold production totals for 2017 include treatment of 4,568 tonnes of flotation tails (2016 full year : 16,716 tonnes)

Financial Highlights

- Concluding a new US$8 million loan with Sprott Resource Lending Partnership (“Sprott”).
- Announcement in March 2018 of a share subscription by Greenstone Resources LP raising US$15 million.

2018 Guidance

- Management does not anticipate a major shift in mine performance and therefore hard rock gold production, in 2018 compared with 2017. However, with the ability to process increased levels of stockpiled flotation tails in 2018, management expects that gold production for 2018 will exceed that of 2017 and be up to 40,000 ounces.

Operational Highlights

- Total gold production for 2017 of 37,004 ounces.
- Mine production in 2017 totalling 168,876 tonnes at 8.92 g/t of gold.
- 172,565 tonnes processed through the plant for the combined mining operations, with an average grade of 7.11 g/t of gold.
- 9,864 metres of horizontal mine development completed in the year.
- Completion of new estimation of Mineral Reserves and Resources for the Palito Mining Complex. Total Mineral Reserves estimated at 181,000 ounces within a total Mineral Resources of 538,000 ounces.

- The acquisition of Chapleau Resources Ltd and its wholly owned Coringa gold deposit with a mineral resource of 370,000 ounce.
- Commencement of an initial 8,000 metre surface drill programme at Palito in December 2017.
- Successful test work to evaluate the benefits or ore-sorting to improve process plant efficiency.
- Palito development and production continues to focus on the four main sectors of Senna, Pipocas, G3 and Mogno, whilst in the Sao Chico orebody, the main ramp has now reached level 10mRL, approximately 245 vertical metres below surface.

Outlook and Strategy

Operations

The Palito Mine is currently operating across four key mining sectors and the current mining plans for the next two years take into account only eight of the 26 veins that comprise the Measured, Indicated and Inferred resources of the Palito Mine. Underground drilling of the Palito orebody is helping to identify mineralisation at depth, making the rate and location of future mine development more efficient and also identifying additional smaller parallel vein structures that could be accessed from existing mine development.

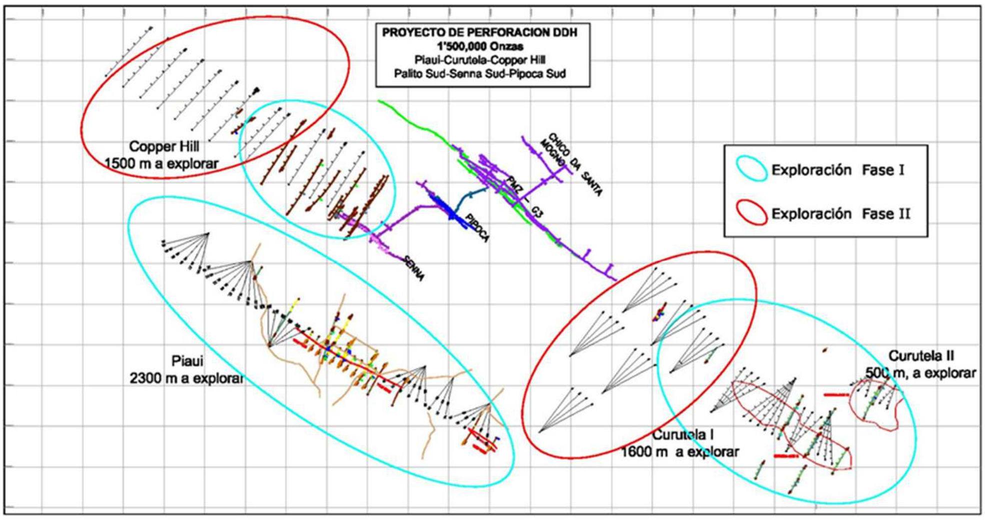
Within the Palito orebody, the G3 vein is the most developed of the 26 veins, developed to a depth of approaching 300 metres and over a strike length of over one kilometre. Management consider that there is strong potential for the Palito veins to continue both at depth and along strike to the southeast and the northwest, as far as the Currutela and Copper Hill discoveries respectively, opening up a potential four kilometre strike length of mineralisation.

At Sao Chico the mine development has, to date, focused on the central ore shoot of the Main Vein. The Sao Chico orebody, whilst contributing to the Group's gold production, was primarily in development during 2015 and much of 2016, as the Group sought to ensure that it secured a rolling medium-term production plan for up to two years into the future. It was only later in 2016 that levels of stoping activity began to increase. The Group is driving development galleries east and west towards additional ore shoots that have been identified by surface drilling. Management is confident that these ore shoots will provide additional mineable ore at Sao Chico. Underground drilling is being undertaken at Sao Chico for short term operational and mine planning purposes focussing on the deeper part of the mine, and the depth of the central ore zone.

The Group has been conducting extensive test work to assess the benefits of ore-sorting to further enhance ore feed grade and to reduce waste entering the process plant. This will also free plant capacity for future organic growth. Test on the Palito ore have been extremely encouraging and the final design and acquisition process is being completed. With the time for manufacture, shipping and commissioning it is not expected that this process change will have any significant impact during 2018.

Near-term production growth for the Palito Complex

Management continues to evaluate the Group's options for expanding its gold production in the Palito Complex and also the wider JDO Project area. Mine-site geophysical studies undertaken during the third quarter of 2016 over the Currutela and Piaui discoveries and other areas close to the current Palito orebody are now being followed up with an initial 8,000 metre surface drilling programme which commenced in November 2017. This is the first phase of a larger exploration and evaluation drill programme that management would like to undertake and which it feels could, on or before completion, provide sufficient confidence to justify commencement of new mine portals and underground exploration development drives. These would be used to access and fully evaluate any new discoveries that are considered to have potential to be commercially viable. In time, these discoveries could become new near-mine satellite deposits adding incremental production.



Indicative locations and allocation of the 8,000 metre drill programme

Other Palito Complex Exploration
The Group has also commenced mine-site surface geophysics programmes around the Sao Chico deposit. Management considers that the mineralisation at Sao Chico is hosted in a regional shear zone and have used geophysics to help identify additional deposits that may lie along a five kilometre strike zone around the current Sao Chico deposit. Again, in time, this exploration work may lead to the identification of additional near-mine satellite mining opportunities.

All exploration activity had been on-hold since the end of 2011 when the Group took the strategic decision to focus its immediate efforts on bringing the Palito Mine back into production. Whilst currently the immediate focus of management is to evaluate the near-mine potential within two to three kilometres of its existing operation, on a wider regional basis the Group is developing plans to progress the evaluation of its whole tenement package.

The Group has flown 14,650 hectares of airborne electro-magnetic ("VTEM") geophysical surveys and these initial aerial surveys have highlighted many areas of interest and exploration opportunities to pursue in due course as and when adequate funding is available. The Group is cognisant that the exploration tenements it holds are only granted for limited terms and is therefore keen to implement a regional exploration programme to highlight the tenement areas that should be prioritised as having the highest potential as soon as it can make available adequate funds. With a number of historic garimpo operations lying within the Group's tenements, management is confident that, in the fullness of time, it will be able to make further discoveries all of which could have the potential to be additional satellite operations lying within 15 kilometres of its current Palito or Sao Chico operations and contribute further resource and production growth.

Through this combination of near-mine and regional exploration and evaluation, the Group expects to establish a strong pipeline of development opportunities that will allow the Group to grow its production base at a low capital cost, leverage off existing infrastructure and resources to minimise development and operational costs and, with high grades and low volumes, have a low environmental impact.

Except for the 8,000 metre programme that commenced in November 2017 at Palito, at this current time, no other surface drilling or other surface exploration activities are currently committed on any other exploration properties of the Group.

Coringa

Serabi is continuing the work started by Anfield on the permitting and licencing process and will pursue the formal approval of the Environmental Impact Study ("EIS") and undertake any supplementary work or reports that may be requested. The Group will review the cost estimates contained in the Coringa Feasibility Study and optimise these, prepare its own mine development plans and evaluate alternative construction development and processing options that Serabi's management consider could enhance the economics of the project. Coringa has been placed on care and maintenance whilst the permitting process is completed.

Management has, and will continue to evaluate, other value adding, cost effective 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. These opportunities will always be assessed, and only considered, if they outrank existing organic growth options.

2018 Production Guidance

Management does not anticipate a major shift in mine performance and therefore hard rock gold production, in 2018 compared with 2017. However, with the ability to process increased levels of stockpiled flotation tails in 2018, management expects that gold production for 2018 will exceed that of 2017 and be up to 40,000 ounces.

Operational Review for the year

Overview

Total gold production for the fourth quarter of 2017 was 9,337 ounces of gold resulting in total gold production for the year of 37,004 ounces. Whilst this level of gold production is approximately six per cent lower than for 2016, this reduction was primarily the result of an operational issue experienced during April and much of May (and fully described in the Company's Management Discussion and Analysis for the second quarter of 2017, issued on 14 August 2017), which has now been resolved. The Group has designed and is constructing an independent feed system to increase the processing of historic flotations tailings, produced during 2014. Independently feeding this directly into the plant, management anticipates this will increase the levels that can be treated each month increasing total gold production.

The successful outcome of the ore-sorting test work will bring feed grade increases as well as freeing up some plant capacity for future organic growth. Final design specifications are being agreed although with manufacturing and other lead time involved it is not expected that this process enhancement will have any impact until 2019.

The Group is in the process of commissioning a new de-toxification plant based on the INCO process. This will see further reductions of cyanide levels in the discharges and significantly below the levels prescribed by legislation.

Mining operations

Mining of the Palito orebody has been at relatively steady levels for over two years and production and development rates achieving a steady state of mine output. The ore generated from the Sao Chico orebody in 2016 was derived principally from development. With sufficient development headings now established the Group started to increase the level of stoping activity in the first quarter of 2017 and consequently the tonnage of ore that is being recovered from stope mining. However, the stoping method at Sao Chico requires the use of remote controlled loaders to muck the broken ore, and during the first half of 2017 the Group was still in the process of building up its mining fleet. Commissioning problems with the new remote-controlled scoop fleet, significantly reduced stope production during these months and it was therefore necessary to use development ore as alternative mill feed. Ore recovered from development mining is unavoidably more diluted and is therefore generally lower grade. By June, with the original unit returned to full operation and the second new unit commissioned and operating, production improved significantly. During the second half of the year mine production from the Sao Chico orebody has been excellent with no further significant operational issues.

There were improvements in the average grades mined from both orebodies during the third and fourth quarters. The fourth quarter also saw the highest level of mined tonnage achieved since operations restarted with over 49,000 tonnes being mined during the period. Mine development from the Sao Chico orebody in particular has been very encouraging, and there are no indications that the payability of ore development is diminishing with depth. In addition, development is now comfortably ahead of stoping, with over two years of ore now developed and 'blast ready' at current production rates.

At the Palito orebody, eight veins out of the 26 veins that comprise the total geological resource, are now in various stages of development and production. The Pipocas, G3, and Senna veins remain the backbone of the sources of ore, with smaller contributions from the newly developed Jatoba, Mogno, Zonta and G1 veins. As has been previously reported, the G3 vein has been intersected on the -50mRL, the lowest level in the mine, and development on this level has been on-going through the second half of the year. The mineralised vein remains strong, with very good grades being encountered. The Pipocas vein is in development on the 30mRL and 0mRL levels, with deepening underway to access the -30mRL level.

Performance of the combined mining operations of both the Palito and Sao Chico orebodies has resulted in approximately 170,000 tonnes of ore being extracted during 2017 which compares with a total of approximately 159,000 tonnes produced in 2016, representing an improvement of six per cent. This increase in output has been assisted by the continued development of the Sao Chico orebody where there are now a number of faces available and with mining operations (stoping and development) now active over eight different levels.

Mined grades achieved for 2017 averaged 8.92 g/t, and whilst slightly lower than reported for 2016, they are slightly above the reserve grade for the two orebodies estimated by SRK in the Palito Complex Technical Report issued in January 2018. Lower grades from the Palito orebody were expected and reflect variances arising from normal mine scheduling, whilst the lower grades from the Sao Chico orebody were the consequence of the commissioning problems with the new remote-controlled scoop fleet during the second quarter and the resultant increase in the higher level of development ore mining than was undertaken to compensate for lost stope mining and to provide the necessary mill feed.

With both of the Palito and Sao Chico orebodies, development is slightly ahead of production, and as a result the Group has been able to reduce the levels of development mining activity during 2017 by almost 12 per cent compared with rates for 2016.

At the end of 2017 combined coarse ore stocks were approximately 15,000 tonnes with an average grade of 3.0 g/t of gold (31 December 2016: approximately 21,000 tonnes with an average grade of 4.0 g/t of gold).

Palito Orebody

Mining of the Palito orebody is now very much in regime. During 2016, the Group focused on opening up new sectors in the mine as well as continuing to develop the existing sectors. Up until 2016, mining operations at Palito had focused on the G1, G2 and G3 vein complex ("the Main Zone") as well as the Palito West sector. During 2016, the Group continued development of these two sectors but also gave increased priority to developing and accessing previously drilled, but undeveloped sectors in the upper levels, namely Senna and Chico da Santa. Chico da Santa lies to the east of the Main Zone, with the Senna zone located to the west.

In the G1, G2 and G3 vein complex, the main ramp has now reached the -50mRL where the G3 vein has been intersected. Development of this new level started during the second quarter of 2017 and it is the lowest production level in the Palito orebody.

The Senna zone was mined during 2008 and 2009 as a small open pit where approximately 25,000 tonnes of oxide ore with a grade of 3.0 g/t gold was extracted. It is now in underground development and to date has been very successful. Mine development on the 250mRL, 237mRL, 225mRL, 210mRL and 185mRL is on-going with the ramp now being taken down to the 170mRL. The adjacent Zonta vein is also under development on levels 225mRL, 210mRL and 185mRL. All ore being mined from the Senna sector is currently from development activity with stoping yet to start. Based on the ore grades recovered from the open pit operation and deeper exploration drill-holes, management is hopeful of the long-term potential within the Senna zone which, whilst part of the main Palito Mine complex, has the benefit of an independent access from surface.

In the Chico da Santa sector the Ipe, Jatoba and Mogno veins are being developed. Good grades have been encountered in all three veins, though the veins in the sector tend be slightly narrower than the veins being mined elsewhere in the Palito Mine.

Opening up new sectors of the Palito orebody has created options and flexibility, an essential part of any small underground mining operation. Underground diamond drilling is being used to evaluate numerous known, but underexplored, veins and together with these new sectors, the Group plans 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.

Such lateral development also reduces the requirement to continue to deepen the mine at the rates that were previously necessary. 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 metre of mine development, which can improve margins and reduce costs.

In the longer term, management anticipates that the Palito orebody will expand along strike as well. To the south this will be towards the Palito South and Currutela prospects. Recent underground development and surface drilling on the Pipocas vein is suggesting good potential to the north and further to the north there is also the Copper Hill geophysical anomaly which offers the exciting possibility of a significant discovery. At this time, drill intersections on the Pipocas north area show the vein continuing north approximately 250 metres from the most northerly exposure underground. Assay analysis is currently in progress. The Group has undertaken mine development on G3 towards the Palito South area, primarily on the 114mRL, which has been driven approximately 700 metres further south than any other underground working at Palito. Diamond drilling from surface is now underway to test the down-dip continuity of the G3 vein at depth.

Sao Chico Orebody

Underground development of the Sao Chico orebody commenced in the fourth quarter of 2014. During 2015, approximately 2,800 metres of development were completed 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 42.0 g/t.

Since this time, the Main Vein has continued to be developed and evaluated with a combination of 'on-lode' development and underground drilling. The main ramp has now reached the 26mRL, approximately 225 metres below surface and will continue to be deepened during 2017. Development has been completed, or is active, on the 86mRL, 70mRL, 56mRL, 40mRL, 26mRL and the new 10RL whilst stoping activity is currently focused on the 128mRL, 116mRL and 100mRLs.

During 2016, the decision to implement sublevel open stoping as the principal mining method was taken, which resulted in the development of sublevels with 15 metre vertical spacings floor to floor. Each sublevel is advanced three metres at a time and channel sampled. The closer sample spacing that this allows has greatly increased the understanding of the orebody and the increased level of mine development has enabled the Group to define a clear 24 month mine plan.

The Main Vein or ore zone at Sao Chico can vary from one metre to eight metres wide, but most commonly is a 2.5 metre wide alteration zone, which itself is structurally continuous. However, the gold grades within this alteration zone are quite erratic and are hosted in three 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 mineralisation has to be mined. Whilst the alteration zone itself is readily identifiable, the high grade within it is much less so, and as a result, on-lode development levels are mined 15 vertical metres apart, along which regular channel sampling is made. This is further complimented by in-fill drilling between these levels to best define the high-grade gold mineralisation. This approach allows the Group's mining personnel to readily identify stoping blocks and optimise mining of the high gold grade zones.

The central pay-shoot is the most established of these three high grade shoots, and is some 100 to 150 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 the strike will not be lost and these will be available for development in future periods.

During the second quarter of 2016, the Group commenced underground exploration drilling of the central pay-shoot targeting its down dip extension. The on-going drilling programme is confirming the belief that the Sao Chico Main Vein, is a regional shear structure. This bodes well for the continuation and strike extension outside the immediate and current mine limits.

Plant operations

Total gold production for 2017 was 37,004 ounces of gold, generated from the processing of the run of mine ("ROM") ore from the Palito and Sao Chico orebodies, combined with the surface coarse ore stockpiles and the stockpiled flotation tailings accumulated from the processing of Palito Mine production in 2014.

Gold production for 2017 came from the processing of 172,565 tonnes from the Palito and Sao Chico orebodies with an average grade of 7.11 g/t of gold (12 months to 30 December 2016: 158,966 tonnes at 8.11 g/t of gold). The 8.6 per cent increase in processed ore reflects the increased plant capacity installed and available from the second half of 2016, and the introduction of the gravity circuit and ILR for treating the Sao Chico ore.

The Group made the decision before the end of 2015 to acquire a third ball mill and modify the plant to increase nominal daily plant throughput capacity from an average of 400 tonnes per day ("tpd") to at least 500 tpd. Further improvements undertaken within the process plant during 2016 included the installation of additional flotation capacity and automation, along with new carbon screens within the CIP tanks to improve inter-tank flow rates. A carbon regeneration kiln was installed, commissioned and became operational during the fourth quarter of 2016. This kiln regenerates fouled carbon reducing the need to purchase fresh carbon and has improved gold recoveries by 1.0-2.0 percent since being installed.

Since the Group's operations began, they have been limited by the capacity of its process plant and the Group has not yet been able to run down the surface ore stocks, a legacy of the fact that mine production began six months before the ore processing.

Plant performance during the fourth quarter was excellent, with approximately 43,000 tonnes of ROM ore milled. The Group still has approximately 15,000 tonnes of coarse ore in stockpiles and an estimated 50,000 tonnes of flotation tails stockpiled (with an average grade of around 2.7 g/t of gold), levels that have been fairly static since 2014. This reflects that the operation remains somewhat constrained by the capacity of the plant.

To date the Group has tried to pump the flotation tailings in a wet form to the CIP plant, but this has proved to be slow and labour intensive. Passing the material 'dry' through the ore feed system has to date been restricted by belt capacity and would therefore only displace higher grade ore. An independent feed system has now been designed and is in construction allowing this material to be added to the current dry mill feed, and therefore increase the levels that can be treated each month.

An encouraging development this year has been the test work undertaken by the Group on ore sorting of the Palito and Sao Chico ores. Current mining operations whilst excellent and employing the most selective methods possible, nonetheless result in a minimum stope mining width of generally 1.0 metre. The veins being mined have an approximate width of 0.5 to 0.7 metres, and therefore there remains considerable dilution from stope mining with even higher levels in the development mining activities. Having undertaken test work initially in Brazil and more recently on bulk samples at the manufacturer's facilities in Poland, excellent results have been achieved using X-ray scanning using relative atomic densities to physically separate crushed sulphide bearing ore and granite waste. The contrast and results have been quite remarkable. The intention now is to introduce an X-ray ore sorter after the main crushing plant that will separate material ahead of milling and remove from the mill feed a significant percentage of the waste that would otherwise have formed part of the feed into the plant. Not only will this reduce process costs per ounce recovered, it will also liberate capacity in a mill constrained operation. In this way it is hoped that, using this technology, the plant can be debottlenecked, mill feed grade elevated as a result, and plant capacity freed up for the future organic growth with the added benefit of potentially reducing the surface stockpiles of ore. This equipment is built to order and it is anticipated it will take between nine months and a year before it can be fabricated, installed and commissioned. Payback of the estimated US$1.2 million cost is however expected to be less than 12 months.

Palito Complex Exploration and Licensing matters

The Group undertook 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 an additional 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, greatly enhanced the understanding of the orebody and facilitated mine planning for 2016 and 2017. It built on the results and understanding gained from the 2011 and 2013 drilling campaigns and reported 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. The understanding of the orebody has also been assisted by paragenetic studies on mine ore samples 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 Approvimiento 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. Prior to its expiry in December 2017, a submission has been made for a further extension of the Guia de Utilização for a period of one additional year. 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 all of which have been submitted to the relevant government bodies. Any further reports requested or updates to existing reports will be submitted promptly upon request.

Two geophysical exploration programmes commenced during the second half of 2016, over each orebody. The first of these programmes involved using down-the-hole electromagnetics ("DHEM") in the discovery holes drilled by the Group in 2011 at the Currutela, Piaui and Palito South prospect areas and other areas of interest close to the Palito orebody. DHEM provides data to model the likely geographical location and extent of the sulphide rich zones intersected in the 2011 drill holes. The second programme was undertaken at Sao Chico using surface induced polarisation ("IP") and, included areas immediately around the Sao Chico orebody. Some large anomalies parallel to the Sao Chico orebody have been identified and will require further testing by surface drilling. Both geophysical programmes are using well established techniques to identify conductive bodies and sulphide mineralisation as pathfinders to locating gold occurrences which are associated with these features.

The Group, during 2017, has secured additional tenements located to the south and the west of the original Sao Chico licence area, and management consider that these offer excellent potential for hosting strike extensions of the current Sao Chico veins.

As noted earlier, an initial 8,000 metre drill programme focussed on four key areas around the current Palito orebody commenced in late November 2017. This is the first phase of a larger exploration and evaluation drill programme that management would like to undertake and which it feels could, on or before completion, provide sufficient confidence to justify commencement of new mine portals and underground exploration development drives. Drilling to date has focussed on the Pipocas vein to the north and south and while assays received are still to be received, encouraging intersections have been made particularly to the north of the current mine workings.

Jardim do Ouro Exploration

With the addition of the new tenement to the west and south at Sao Chico, the JDO Project covers a total area of over 45,000 hectares, incorporating the Palito and Sao Chico mining licence areas. The Palito mining licence was granted on 23 October 2007 covering an area of 1,150 hectares, whilst the Sao Chico licence is in the process of being converted into a full mining licence. The remainder of the tenement area comprises exploration licences either granted or in application. 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 airborne geophysical VTEM surveys in 2008 and 2010 over a total area of 14,650 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.

The Sao Chico orebody 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 undertaken during 2015 and 2016, in conjunction with the 7,000 metre surface drilling programme, has provided essential data for the further evaluation of the Main Vein and the immediate parallel structures.

It has always been the intention of the Group to use cash flow generated from its production operations to advance its exploration opportunities.

Coringa Project Development and Licencing

On 14 August 2017, Anfield announced that it had received key permits required to commence construction of the Coringa project, being (1) the license of operation for exploration and trial mining, (2) the vegetation suppression permit and (3) fauna capture permit, all issued by the SEMAS. The SEMAS permits contain a list of conditions for the conservation and protection of fauna and flora.

The next step in the permitting process will be for a formal trial mining licence to be issued by the DNPM. The trial mining licence will authorise the Group to commence mine development and limited production from Coringa. The trial mining license will authorise mining and processing of up to 50,000 tonnes of ore per year at Coringa. Under applicable regulations, once the mine is operational, Chapleau Brazil may apply to the DNPM to increase the processing limit.

On 27 September 2017, Anfield announced that it understood the Brazilian Ministério Público Federal ("MPF") was bringing an action against SEMAS, the DNPM and Chapleau Brazil. The action seeks to nullify the operating license previously granted to Chapleau Brazil by SEMAS and states that SEMAS should not have granted the license without requiring Chapleau Brazil to prepare a full socio-economic analysis and Environmental Impact Assessment ("EIA") for Coringa. Anfield and its legal counsel believe that Chapleau Brazil has complied with all applicable regulations. At an initial hearing the court denied a request from the MPF to cancel the operating licence and requested submissions from SEMAS, DNPM and Chapleau Brazil. A further hearing has not yet been scheduled. Anfield and Chapleau Brazil, in the meantime, continued to progress the completion of a full EIA and this was submitted to SEMAS for approval on 24 November 2017.

Serabi and its legal advisers have considered the position adopted by the MPF and believe that the completion of the EIA should significantly address the main concerns of the MPF and have concluded, based on the current available information, that there is a low risk of significant delay to the licencing and permitting process.

Progress has also been made in several other areas relating to the development of Coringa. Applications for required camp and start-up water were submitted prior to the date of the Acquisition and the tailings storage permit request was submitted on 11 December 2017. Discussions for long-term land access agreements are underway with the Instituto Nacional de Colonização e Reforma Agrária ("INCRA"), a government agency which claims ownership of the surface rights where the project is situated.

Other Exploration Prospects

The Group has three other project areas, although activities on each of these projects have 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. These projects are non-core for the Group and it is the intention to relinquish these tenements upon their expiry.

Background to the Group's Tapajos Gold Projects

Palito Gold Project – Para State, Brazil

The Palito Mine is wholly owned by the Group, through its 100 per cent owned subsidiary Serabi Mineração S.A. The Palito Mine and infrastructure lies some 4.5 kilometres south of the village of Jardim do Ouro and approximately 15 kilometres via road. Jardim do Ouro lies on the Transgarimpeira Road some 30 kilometres 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 300 kilometres 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 mining operation which was operated by the Group from late 2003 until the end of 2008. Between the start 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 per cent, with copper recovery around 93 per cent, providing total production over this period of approximately 100,000 ounces of gold.

The operation was placed on care and maintenance in 2008, but the main infrastructure was kept intact as much as possible. This included a process plant comprising flotation and CIP gold recovery circuits which had historically been treating up to 600 tonnes per day (200,000 tonnes per 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 25mW hydroelectric generating station located approximately 100 kilometres north-east of the town of Novo Progresso on the Curuá (Iriri) River.

In January 2018 the Group released the Palito Complex Technical Report which estimated an NI 43-101 compliant Proven and Probable Reserves for the Palito ore body of 157,000 ounces of gold at an average grade of 7.99 g/t and included within a Measured and Indicated mineral resource of 271,000 ounces of gold and an Inferred Mineral Resource of 177,000 ounces of gold.

Since 30 June 2017 the Group has extracted from the Palito orebody total contained gold of approximately 14,800 ounces having mined a total of approximately 55,600 tonnes at an average grade of 8.28 g/t.

Table 1 - Mineral Resource Statement, Palito Mine, Para State, Brazil, as of June 30, 2017

Classification	Vein Width	Quantity	Grade		Contained Metal	
			Gold	Copper	Gold	Copper
	m	000't	g/t	%	000'oz	t
Underground						
Measured	0.52	274	15.21	0.77	134	2,110
Indicated	0.57	371	10.91	0.57	130	2,115

Table 1 - Mineral Resource Statement, Palito Mine, Para State, Brazil, as of June 30, 2017

Classification	Vein Width	Quantity	Grade		Contained Metal	
			Gold	Copper	Gold	Copper
	m	000't	g/t	%	000'oz	t
Surface Stockpiles						
Measured	-	12	3.15	-	1	-
Tailings						
Measured	-	60	2.70	-	5	-
Combined						
Measured	-	346	12.62	0.61	140	2,110
Indicated	-	371	10.91	0.57	130	2,115
Measured and Indicated	**-**	**717**	**11.74**	**0.59**	**271**	**4,225**
Underground						
Inferred	0.77	784	7.02	0.20	177	1,568

Notes to Table 1:

(1) *Mineral Resources have been rounded. Mineral Resources are not Mineral Reserves and have not demonstrated economic viability. Mineral Resources are reported inclusive of Mineral Reserves. All figures are rounded to reflect the relative accuracy of the estimates. Underground Mineral Resources are reported within classification domains inclusive of in-situ dilution at a cut-off grade of 3.10 g/t gold assuming an underground extraction scenario, a gold price of US$1,500/oz, a 3.5:1 Brazilian Real to U.S. Dollar exchange rate, and metallurgical recovery of 91%. Polygonal techniques were used for mineral resource estimates. Surface stockpiles and tailings are reported at a cut-off grade of 1.65 g/t gold assuming a gold price of US$1,500/oz, a 3.5:1 Brazilian Real to U.S. Dollar exchange rate, and metallurgical recovery of 78%.*

(2) *Serabi is the operator and owns 100% of the Palito Mine such that gross and net attributable mineral resources are the same. The mineral resource estimate was prepared by the Company in accordance with the standard of CIM and Canadian National Instrument 43-101, with an effective date of 30 June 2017, and audited and approved by Mr Glen Cole of SRK Consulting (Canada) Inc., who is a Qualified Person under the Canadian National Instrument 43-101.*

Table 2 - Mineral Reserves Statement, Palito Mine, Para State, Brazil, as of June 30, 2017

Classification	Quantity	Grade		Contained Metal	
		Gold	Copper	Gold	Copper
	000't	g/t	%	000'oz	T
Underground					
Proven	265	9.77	0.46	83	1,219
Probable	276	7.64	0.39	68	1,076
Surface Stockpiles					
Proven	12	3.15	-	1	-
Tailings					
Proven	60	2.70	-	5	-
Combined					
Proven	337	8.28	0.36	90	1,219
Probable	276	7.64	0.39	68	1,076
Proven and Probable	**613**	**7.99**	**0.37**	**157**	**2,295**

Notes to Table 2:

(1) *Mineral Reserves have been rounded to reflect the relative accuracy of the estimates. Proven Underground Mineral Reserves are reported within the Measured classification domain, and Probable Underground Mineral Reserves are reported within the Indicated classification domain. Proven and Probable Underground Mineral Reserves are inclusive of external mining dilution and mining loss and are reported at a cut-off grade of 3.70 g/t gold assuming an underground extraction scenario, a gold price of US$1,250/oz, a 3.5:1 Brazilian Real to U.S. Dollar exchange rate, and metallurgical recovery of 91%. Proven Mineral Reserves surface stockpiles and tailings are reported at a cut-off grade of 1.95 g/t gold assuming a gold price of US$1,250/oz, a 3.5:1 Brazilian Real to U.S. Dollar exchange rate, and metallurgical recovery of 78%.*

(2) *Serabi is the operator and owns 100% of the Palito Mine such that gross and net attributable mineral reserves are the same. The mineral reserve estimate was prepared by the Company in accordance with the standard of CIM and Canadian National Instrument 43-101, with an effective date of 30 June 2017, and audited and approved by Mr Timothy Olson of SRK Consulting (US) Inc., who is a Qualified Person under the Canadian National Instrument 43-101.*

Sao Chico Gold Project – Para State, Brazil

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 high-grade underground gold mining operation some 30 kilometres 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 22 December 2017. In July 2015, the Group was also awarded exploration licences adjoining AP12836 to the south, east and west, covering approximately 6,400 hectares, which the Group considers to 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 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. 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 metres of diamond drilling to test initial geophysical anomalies. 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.

In January 2018 the Group released the Palito Complex Technical Report which estimated an NI 43-101 compliant Proven and Probable Reserves of 24,000 ounces of gold at an average grade of 8.43 g/t and included within a Measured and Indicated mineral resource of 36,000 ounces of gold and an Inferred Mineral Resource of 54,000 ounces of gold.

Since 30 June 2017 the Group has extracted from the Sao Chico orebody total contained gold of approximately 11,200 ounces having mined a total of approximately 34,600 tonnes at an average grade of 10.05 g/t.

Table 3 - Mineral Resource Statement, Sao Chico Mine, Para State, Brazil, as of June 30, 2017

Classification	Thickness	Quantity	Grade	Contained Metal
			Gold	Gold
	M	000't	g/t	000'oz
Measured	1.82	60	13.34	26
Indicated	1.79	22	14.70	10
Measured and Indicated	**1.81**	**82**	**13.70**	**36**
Inferred	1.80	123	13.77	54

Notes to Table 3:

(1) *Mineral Resources have been rounded. Mineral Resources are not Mineral Reserves and have not demonstrated economic viability. Mineral Resources are reported inclusive of Mineral Reserves. All figures are rounded to reflect the relative accuracy of the estimates. Underground Mineral Resources are reported within classification domains inclusive of in-situ dilution at a cut-off grade of 2.85 g/t gold assuming an underground extraction scenario, a gold price of US$1,500/oz, a 3.5:1 Brazilian Real to U.S. Dollar exchange rate, and metallurgical recovery of 95%. Polygonal techniques were used for mineral resource estimates.*

(2) *Serabi is the operator and owns 100% of the Sao Chico Mine such that gross and net attributable mineral resources are the same. The mineral resource estimate was prepared by the Company in accordance with the standard of CIM and Canadian National Instrument 43-101, with an effective date of 30 June 2017, and audited and approved by Mr Glen Cole of SRK Consulting (Canada) Inc., who is a Qualified Person under the Canadian National Instrument 43-101.*

Table 4 - Mineral Reserves Statement, Sao Chico Mine, Para State, Brazil, as of June 30, 2017

Classification	Quantity	Grade	Contained Metal
		Gold	Gold
	000't	g/t	000'oz
Underground			
Proven	65	8.15	17
Probable	25	9.15	7
Proven and Probable	**90**	**8.43**	**24**

Notes to Table 4:

(1) *Mineral Reserves have been rounded to reflect the relative accuracy of the estimates. Proven Underground Mineral Reserves are reported within the Measured classification domain, and Probable Underground Mineral Reserves are reported within the Indicated classification domain. Proven and Probable Underground Mineral Reserves are inclusive of external mining dilution and mining loss and are reported at a cut-off grade of 3.45 g/t gold assuming an underground extraction scenario, a gold price of US$1,250/oz, a 3.5:1 Brazilian Real to U.S. Dollar exchange rate, and metallurgical recovery of 95%*

(2) *Serabi is the operator and owns 100% of the Sao Chico Mine such that gross and net attributable mineral reserves are the same. The mineral reserve estimate was prepared by the Company in accordance with the standard of CIM and Canadian National Instrument 43-101, with an effective date of 30 June 2017, and audited and approved by Mr Timothy Olson of SRK Consulting (US) Inc., who is a Qualified Person under the Canadian National Instrument 43-101.*

Coringa Gold Project – Para State, Brazil

Coringa is located in north-central Brazil, in the State of Pará, 70 kilometres southeast of the city of Novo Progresso. Access to the property is provided by paved (National Highway BR-163) and gravel roads. Coringa is in the south eastern part of the Tapajós gold district, Brazil's main source of gold from the late 1970s to the late 1990s. Artisanal mining at Coringa produced an estimated 10 tonnes of gold (322,600 ounces) from alluvial and primary sources within the deep saprolite or oxidized parts of shear zones being mined using high-pressure water hoses or hand-cobbing to depths of 15 metres. Other than the artisanal workings, no other production has occurred at Coringa. Artisanal mining activity ceased in 1991 and a local Brazilian company (Tamin Mineração Ltda.) staked the area in 1990. Subsequently, the concessions were optioned to Chapleau (via its then subsidiary, Chapleau Brazil) in August 2006. On 1 September 2009, Magellan Minerals Ltd. ("Magellan Minerals") acquired Chapleau. Between 2007 and 2013, extensive exploration programmes were completed on the property, including airborne magnetic, radiometric and electro-magnetic surveys; surface IP surveys; stream, soil, and rock sampling; and trenching and diamond drilling (179 holes for a total length of 28,437 meters). On 9 May 2016, Anfield acquired Magellan Minerals. Anfield subsequently completed an infill drill programme (183 holes for a total length of 26,413 meters) for the Serra and Meio veins in 2016 and 2017.

Table 5 - Mineral Resources Statement, Coringa Gold Project, Para State, Brazil, as of May 3, 2017

Zone	ktonnes	Average Grade					Contained Metal	
		Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)	Au (koz)	Ag (koz)
Indicated								
Serra	488	7.45	16.1	0.04	0.09	0.04	117	253
Meio	160	10.69	20.7	0.12	1.38	0.65	55	106
Galena	78	9.36	14.7	0.13	0.70	0.45	24	37
Total	726	8.36	17.0	0.07	0.44	0.22	195	396
Inferred								
Serra	262	4.30	8.7	0.02	0.03	0.01	36	73
Meio	229	4.18	6.1	0.03	0.22	0.12	31	45
Galena	63	3.41	3.5	0.03	0.38	0.15	7	7
Mae de Leite	244	5.92	2.6	0.01	0.18	0.04	46	20
Come Quieto	253	4.50	7.5	0.06	0.02	0.01	37	61
Valdette	249	2.96	1.0	0.00	0.04	0.03	24	8
Total	1,301	4.32	5.1	0.02	0.11	0.05	181	215

Notes to Table 5:

Base case cut-off is 2 g/t Au.

Table 6 - Mineral Reserves Statement, Coringa Gold Project, Para State, Brazil, as of July 1, 2017

Classification	Quantity	Grade	Contained Metal
		Gold	Gold
	000’t	g/t	000'oz
Underground			
Proven	-	-	-
Probable	768.6	6.49	160.3
Proven and Probable	768.6	6.49	160.3

Notes to Table 6:

(1) *The reserves summarized in the table above include diluting material, thus the grades are fully diluted.*

(2) *Probable Reserves are reported based on Indicated resources inside of mining shapes and after it was demonstrated that it can be mined at a profit.*

(3) *Indicated resources below the mining cut-off grade, and inside of mining solids are also included in reserves as internal dilution.*

(4) *Rounding may result in apparent summation differences.*

The effective date of the mineral reserves estimate is July 1, 2017.

SELECTED FINANCIAL INFORMATION

The data included herein is taken from the Company's annual audited financial statements and unaudited interim financial information. The audited financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") in force at the reporting date and their interpretations issued by the International Accounting Standards Board ("IASB") and adopted for use within the European Union and with IFRS and their interpretations adopted by the IASB. The consolidated financial statements have also been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. Whilst the unaudited interim financial statements are compiled in accordance with IFRS, they do not contain sufficient financial information to comply with IFRS.

Results of Operations

Three month period ended 31 December 2017 compared to the three month period ended 31 December 2016

During the fourth quarter of 2017 the Group produced 9,338 ounces of gold (fourth quarter of 2016: 9,490 ounces) and recognised sales for 9,295 ounces (third quarter of 2016: 9,059 ounces).

The gross profit of US$898,064 for the financial quarter ended 31 December 2017 can be analysed as follows:

	Three months ended December 2017	Three months ended December 2016	Variance
Concentrate sold (Ounces)	1,767	3,695	(1,928)
Bullion Sold (Ounces)	7,528	5,364	2,164
Total Ounces	**9,295**	**9,059**	**236**
	US$	US$	US$
Revenue from Ordinary Activity			
Gold (in Concentrate)	2,123,488	3,299,439	(1,175,951)
Copper (in Concentrate)	396,298	600,070	(203,772)
Silver (in Concentrate)	13,332	26,428	(13,096)
Total Concentrate Revenue	**2,533,118**	**3,925,937**	**(1,392,819)**
Gold Bullion	9,691,700	6,546,886	3,144,814
Total Sales	**12,224,818**	**10,472,823**	**1,751,995**
Costs of sales			
Operational costs	(7,550,024)	(6,389,768)	(1,160,256)
Stock Impairment	(330,000)	–	(330,000)
Shipping costs	(248,330)	(385,237)	136,907
Treatment charges	(106,732)	(152,959)	46,227
Royalties	(172,232)	(149,521)	(22,289)
Amortisation of Mine Property	(2,220,886)	(1,193,660)	(1,027,126)
Depreciation of Plant & Equipment	(698,550)	(638,977)	(59,573)
Total Operating costs	**(11,326,754)**	**(8,910,122)**	**(2,416,632)**
Gross Profit	**898,064**	**1,562,701**	**(664,637)**

Revenue

For the three month period ended 31 December 2017 the Group generated US$12,224,818 (2016: US$10,472,823) in revenue by selling an estimated 1,767 ounces of gold from the sale of 280 tonnes of copper concentrate (2016: 3,695 ounces from 460 tonnes) and also recognised revenue for 7,528 ounces of gold bullion generating total revenue of US$9,691,700 during the fourth quarter of 2017, (fourth quarter of 2016: sale of 5,364 ounces for revenue of US$6,546,886).

During the fourth quarter of 2017, with the Group producing more gold in the form of bullion as opposed to in copper/gold concentrate, there has been a 40 percent increase in bullion sales during the three months ended 31

December 2017 compared with the same period of 2016. At the same time there has been a 54 per cent decrease in sales of copper/gold concentrate.

During the three months to 31 December 2017 the Group produced 334 wet tonnes of copper/gold concentrate, containing an estimated 1,858 ounces; (during the three months to 31 December 2016: the Group produced 471 wet tonnes of copper/gold concentrate, containing 3,397 ounces of gold). The unsold material is held as inventory.

Operating Costs

Operating costs of US$7.55 million, (three months period to 31 December 2016: US$6.39 million), comprise all mining costs at both the Palito and Sao Chico mine, plant processing costs, as well as all general site costs incurred on both mine sites during the period in the production of the final sales products as per the table below. The table below shows a breakdown of operating activities and operating costs.

	Three Months Ended December 17	Three Months Ended December 16	Variance	Variance %
Tons Mined	49,011	46,021	2,990	6%
Tons Milled	43,345	40,485	2,860	7%
Ounces Produced	9,338	9,490	(152)	(2%)
Ounces Sold	9,295	9,059	236	3%
Operating Costs	**US$'000**	**US$'000**	**US$'000**	**%**
Labour	3,096	2,747	349	13%
Mining consumables & Maintenance	2,567	2,173	394	18%
Plant Consumables	1,133	895	238	27%
General Site	755	575	180	31%
	7,550	6,390	1,160	18%

During the fourth quarter of 2017, the Group mined 6% more tons and milled 7% more tons in comparison to the fourth quarter of 2016. The Group also sold 3% more ounces during the fourth quarter of 2017 by comparison with the same period in 2016.

Labour
The increase in labour costs of 13% is primarily due to each Brazilian employee receiving an 8 per cent increase in salary in May 2017 as a result of the national collective agreement in Brazil. The Group also incurred one-off termination costs during the last quarter of 2017 following a reduction in headcount.

Mining consumables & Maintenance
Mining consumables and maintenance for the three month period ended 31 December 2017 have increased by US$0.39 million in comparison to the same three month period from 2016. As a result of the increased mine production and because of aging of the plant and equipment, plant maintenance costs have increased as have mine maintenance costs with a larger mining fleet, new equipment having been purchased since 31 December 2016. Power costs, particularly diesel power, have increased significantly during the fourth quarter of 2017 in comparison to the fourth quarter of 2016 following a global increase in the price of oil.

Plant Consumables
Plant costs have increased by US$0.24 million, for the three month period ended 31 December 2017 in comparison to the same period in the previous year. This is as a result of the increase in tonnes processed through the plant, which for the last three months of 2017 were 7 per cent higher than the same period in 2016 as well as an increase in the unit cost of both electricity and diesel between the two periods.

General Site Costs

General site costs for the three month period ended 31 December 2017 increased by 31 per cent versus the same period in the previous year reflecting some once off consultants cost incurred during the last quarter of 2017 as well as general increases due to inflation.

Provision for impairment of inventory

The Group calculates unit costs of mined production on a cost per tonne basis irrespective of grade and has established stockpiles of low grade run of mine ore which are available for processing in the future. The Group has assessed the likely future value of these stockpiles and made an increase to the general impairment provision of US$0.33 million at the end of the fourth quarter in 2017 to bring the total provision to US$0.95 million against the carrying value of these coarse ore stockpiles.

Other costs of Sales

Shipping costs of US$248,330 (2016: US$385,237) include 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 as well as air transport and insurance for the bullion sold from the Palito Mine to its final destination in Sao Paulo. The decrease by comparison to the same period in 2016 reflects the reduction in the volume of concentrate shipped; fourth quarter of 2017 being 280 tonnes in comparison to 460 tonnes for the same period of the previous year.

Treatment Charges

Treatment Charges have decreased by 30 percent between the fourth quarter of 2016 in comparison to the same period during 2017 as the Group sold 180 tons less of copper concentrate in the three month period ended 31 December 2017 in comparison to the same period in 2016.

Royalties

Royalty payments of US$172,232, (2016: US$149,521) comprise statutory levies payable in Brazil. Rates are uniform across all mining operations, however royalties on gold increased during the fourth quarter of 2017, with a new rate of 1.5 per cent on gold replacing the previous rate of 1.0 per cent. The royalty on copper production of 2.0 per cent has not been adjusted. The increase in royalty payments of US$22,711 by comparison with the same quarter in 2016 reflects an overall increase in gold sold during the period in addition to the increase of 0.5 per cent increase on gold royalties.

Amortisation

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 orebodies. In each case the base carrying cost of the asset is adjusted to include a provision for future mine development costs for each of these ore bodies. The total amortisation charge relating to the Palito and Sao Chico ore bodies for the fourth quarter of 2017 is approximately US$2.92 million. The charge reported in the Income Statement is however adjusted to reflect the level of sales rather than the level of production, with part of the depreciation being carried in inventory and released to the income statement when the goods are sold. The increase in the amortisation charge for the three month period ended 31 December 2017 in comparison to the same period of the previous year is primarily due to the reduced levels of inventory held in stock at the end of the period in comparison to the previous year. As there is less stock held in inventory, there is a higher percentage of the total amortisation charge for the period released to the income statement.

Depreciation

There was also a depreciation charge of US$698,550 charged during the fourth quarter of 2017 on mining plant and equipment, (fourth quarter of 2016: US$638,977). The increase is primarily due to an increased mobile fleet acquired for both the Palito and Sao Chico Mine during 2017.

Operating Profit

The Group has recognised an operating loss before interest and other income for the three month period ended 31 December 2017 of US$0.84 million compared with a profit of US$0.32 million for the same period of the previous year reflective of the lower of gross profit and an increase in administration costs.

Administration expenses have increased during this period by approximately US$0.52 million primarily because during the fourth quarter of 2017 the Group incurred additional legal and professional fees in relation to due diligence work performed on the acquisition of Chapleau Resources as well as providing for a provision of US$156,404 for potential future legal actions in Brazil.

Group also incurred costs of US$0.10 million on share-based payments (2016: US$0.10 million). 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 December 2017 is in respect of options granted between January 2015 and December 2017.

The Company recorded a foreign exchange loss of US$70,068 in the 3 month period to 31 December 2017 which compares with a foreign exchange loss of US$135,351 recorded for the 3 months ended 31 December 2016. These foreign exchange gains and losses primarily relate to the settlement of foreign currency liabilities from Brazil and therefore reflect the devaluation of the Brazilian Real and the revaluation of cash holdings of the Company in currencies other than US Dollars as at the period end. The exchange movements on cash holdings do not necessarily reflect actual realised profits or losses. The Company holds funds in certain currencies in anticipation of future expenditures that are anticipated to be settled in those currencies.

Net interest and other finance related costs for the three-month period to 31 December 2017 were US$55,331 compared with US$585,489 for the same period in the previous year. An analysis of the composition of these charges is set out in the table below:

	Quarter Ended December 2017 US$	**Quarter Ended December 2016 US$**
Interest expense on secured loan	(124,658)	(32,674)
Unwinding of the discount on the rehabilitation provision	(335,204)	–
Charge on revaluation of derivatives	–	(131,106)
Asset finance charges	–	(31,739)
Amortisation of fair value of derivatives	(65,000)	–
Interest on trade finance facility	–	(422,173)
	(524,862)	**(617,692)**
Gain on revaluation of derivatives	23,214	–
Interest income	35	(464)
Net finance income / (expense)	**(501,613)**	**(617,228)**

The interest on the secured loan of US$124,658, (2016: US$32,674) is the cost of three months of interest paid in relation to funds advanced under the credit agreement with Sprott Resource Lending Partnership, with the increase reflecting the higher levels of loan principal outstanding during the period. On 30 June 2017, the Group entered into a new agreement with Sprott to increase the loan from US$1.37 million to US$5.00 million.

The expense on the unwinding of the discount on the rehabilitation provision of US$335,204 is as a result of changes in the discount rate used in calculating the net present value of the future estimated rehabilitation costs which the Group will incur upon mine closure.

The amortisation of fair value of derivatives of US$65,000 represents three months amortisation charge of the fair value ascribed to the call option granted to Sprott on 30 June 2017. As part of the new loan arrangement the Group granted call options to Sprott over 6,109 ounces of gold exercisable at a price of US$1,320 which expire on 31 December 2019. On 30 June 2017, the date these call options were granted, their value was assessed as being US$650,000 and a provision for a derivative financial liability of US$$650,000 was recognised in the accounts.

The gain on the revaluation of derivatives of US$23,214 (three months to 31 December 2016 : expense of US$131,106) represents the gain arising on the revaluation of the derivative provision at the 31 December 2017. The initial value of provision as at 30 June 2017 was US$650,000 which having been revalued to US$732,469 on 30 September 2017 required a downward revaluation to US$709,255 at 31 December 2017 resulting in a gain during the three month period ended 31 December 2017. For the three months to 2016 the expense on the revaluation of derivatives of US$131,106 represented the loss arising from a period-end revaluation of the fair value of gold call options provided to Sprott Resource Lending Partnership LLP. These revaluations reflect in the case of the call options the higher gold price prevailing at the period end.

Twelve month period ended 31 December 2017 compared to the twelve month period ended 31 December 2016

The twelve month period ended 31 December 2017 has seen higher levels of gold bullion production than the same period of 2016 offset by lower levels of production of copper/gold concentrate reflecting the variations in the ore sources and grades being mined during 2017 compared with 2016. These changes do not have any direct effect on the overall levels of gold production achieved by the Group.

Gold production for the twelve month period ended 31 December 2017 was 37,004 ounces which is approximately six per cent less than the same period in the previous year (39,390 ounces). The Group experienced shortfalls in gold production during April 2017 and May 2017 resulting from commissioning problems with some new mining fleet however, gold production returned to previous levels from the start of the third quarter of 2017 and continued for the rest of the year. However, as a result, both production and sales of gold have decreased in comparison with corresponding twelve month period of 2016. Reflecting the decrease in production the total amount of ounces sold during the twelve months of 2017 was 37,161 ounces, which is approximately 4 per cent less than the 38,561 ounces sold during the twelve months of 2016.

The Group has recognised a gross profit for the twelve month period ended 31 December 2017 of US$5,019,087 (2016: US$11,302,587) and an operating loss of US$691,959 (2016 operating profit of: US$6,023,906).

The gross profit of US$5,019,087 for the period ended 31 December 2017 can be analysed as follows:

	Year ended December 2017	Year ended December 2016	Variance
Concentrate sold (Ounces)	11,195	17,569	(6,374)
Bullion Sold (Ounces)	25,966	20,992	4,974
Total Ounces	**37,161**	**38,561**	**(1,400)**
Revenue from Ordinary Activity	**US$**	**US$**	**Variance**
Gold (in Concentrate)	13,661,002	23,676,825	(10,015,823)
Copper (in Concentrate)	1,852,679	2,498,933	(646,254)
Silver (in Concentrate)	106,523	192,918	(86,395)
Total Concentrate Revenue	**15,620,204**	**26,368,676**	**(10,748,472)**
Gold Bullion	32,829,664	26,225,075	6,604,589
Total Sales	**48,449,868**	**52,593,751**	**(4,143,883)**
Costs of sales			
Operational costs	(29,568,195)	(29,082,200)	(485,995)
Stock Impairment Provision	(950,000)	–	(950,000)
Shipping costs	(1,344,154)	(1,889,111)	544,957
Treatment charges	(543,338)	(1,085,039)	541,701
Royalties	(559,811)	(850,076)	290,265
Amortisation of Mine Property	(7,787,166)	(6,308,840)	(1,478,226)
Depreciation of Plant & Equipment	(2,678,117)	(2,075,898)	(602,219)
Total Operating costs	**(43,430,781)**	**(41,291,164)**	**(2,139,517)**
Gross Profit	**5,019,087**	**11,302,587**	**(6,283,400)**

Revenue

Under the current contracts that the Group has in place, revenue from the sale of copper/gold concentrate is recognised at the time that this product departs from the port of Belem in Brazil and the customer assumes all further physical risk for the product.

During the twelve month period ended 31 December 2017 the Group has recognised total sales of US$48,449,868 (2016: US$52,593,751). The sales were split between sales of copper/gold concentrate of US$15,620,204 (2016: US$26,368,676) and sales of gold bullion of US$32,829,664 (2016: US$26,225,075).

During 2017 the Group produced 1,420 wet tonnes of copper/gold concentrate containing an estimated 10,050 ounces (2016: 2,039 wet tonnes containing 17,571 ounces) although revenue has been recognised for 1,440 tonnes containing an estimated 11,195 ounces (2016: 2,240 wet tonnes containing 17,569 ounces) which were delivered in accordance with the sales contract to the end customer. The unsold material is held as inventory.

The amount of gold sold as concentrate has therefore reduced by approximately 42 per cent and production of gold in concentrate has decreased by 43 per cent. This reduction in the both the production and sale of gold in concentrate has been partly offset by an increase in the production and sale of gold in the form of bullion. The concentrate sales revenue recognised during 2017 included adjustments for shipments sold during the last four months of 2016 but for which final settlement details, including pricing and gold content, were only finalised during 2017. This adjustment was US$0.21 million with the equivalent adjustment recognised during 2016, relating to gold sold during the last quarter of 2015 being approximately US$0.53 million. In addition, following a change in purchaser and contract terms for the Group's production of copper/gold concentrate, the Group recognised during September 2016 the sale of an additional shipment of copper/gold concentrate having the effect of recognition of additional revenue of US$1.9 million.

The Group also sold 25,966 ounces of gold bullion generating revenue of US$32,829,664 during the 2017 (2016: 20,992 ounces (US$26,225,075). Gold bullion production for 2017 was approximately 26,954 ounces by comparison with the same period in 2016 when production was approximately 21,819 ounces.

Operating Costs

Operating costs for the 12 months ended 31 December 2017 of US$29,568,195 (2016: US$29,082,200) comprise all mining costs at both the Palito and Sao Chico Mines, plant processing costs, as well as all general site costs incurred on both mine sites during the 12 month period in the production of the final sales products as shown in the table below:

	Year ended December 2017	**Year ended December 2016**	**Variance**	**Variance %**
Tonnes Mined	167,555	161,473	6,082	4%
Tonnes Milled	172,949	158,966	13,983	9%
Ounces Produced	37,004	39,390	(2,386)	(6%)

	Year ended December 2017	**Year ended December 2016**	**Variance**	**Variance %**
	US$'000	**US$'000**	**US$'000**	**%**
Operating Costs				
Labour	12,860	12,140	720	6%
Mining consumables & Maintenance	9,358	9,699	(341)	(4%)
Plant Consumables	4,176	4,209	(33)	(1%)
General Site	3,174	3,034	140	5%
	29,568	29,082	486	2%

Labour Costs

Labour costs have increased by US$0.720 million for the twelve month period ended 31 December 2017 in comparison to the same period in the previous year due to each Brazilian employee receiving an eight per cent increase in salary in May 2017 as a result of the national collective agreement in Brazil.

Mining Costs

Mining consumables and maintenance for the twelve month period ended 31 December 2017 have decreased by US$0.34 million in comparison to the same twelve month period from 2016. The main area of cost saving relates to power generation and supply during the first nine months of the year, however due to global prices the cost savings the Group were enjoying in power generation reversed in the fourth quarter of 2017.

Plant processing costs

Plant costs are roughly in line with the previous year. There was a cost saving in power supply costs during the first three quarters of 2017 in comparison to the same period of the previous year, however this was offset by an increase in maintenance costs resulting from the aging of the equipment and an increased mining fleet.

General Site Costs

General site costs for the twelve month period ended 31 December 2017 increased by three per cent versus the same period in the previous year reflecting general increases in inflation between the two periods.

Provision for impairment of inventory

The Group calculates unit costs of mined production on a cost per tonne basis irrespective of grade and has established stockpiles of low grade run of mine ore which are available for processing in the future. The Group has assessed the likely future value of these stockpiles and made a general impairment provision of US$0.95 million during the twelve months of 2017 against the carrying value of these coarse ore stockpiles.

Shipping Costs

Shipping costs of US$1,344,154 (2016: US$ 1,889,111), show a decrease of 29 per cent for the year ended 31 December 2017 in comparison to the same period in the previous year. This covers domestic road and river freight in Brazil for the copper/gold concentrate and international sea freight from Belem to the final destination. During the twelve month period ended 31 December 2017 1,440 tonnes departed from the port of Belem, in comparison to the 2,240 tonnes which departed from Belem in the previous year, a decrease of 36 per cent.

Treatment Charges

Treatment Charges of US$543,338 (2016: US$1,085,039) are the costs for the processing of copper/gold concentrate and include US$482,772 of charges levied by the refinery, (2016: US$1,006,524), and US$60,566 for the cost of weighing, sampling and assay analysis carried out by a third party on behalf of the Group (2016: US$78,515). The treatment charges have decreased by 50 per cent as a result of the decrease in the volume and value of sales of concentrate. The treatment charges of copper concentrate levied by the refinery are a best estimate based on volume and values of sales achieved during the period and are subject to amendment with the final invoiced treatment charges usually agreed approximately three months after the arrival of the goods.

Royalty Charges

Royalty payments of US$559,811 (2016: US$850,076) comprise statutory levies payable in Brazil on both copper/concentrate sales as well as bullion sales. Rates are uniform across all mining operations and currently comprise a 1.5 per cent royalty on gold production, (this increased during December 2017 from the previous rate of 1.0 per cent) and a 2.0 per cent royalty on copper production. The decrease by comparison with the same period in 2016 reflects an overall decrease in gold and copper sold during the period.

Amortisation Charges

Charges for the amortisation of mine property are calculated by reference to the depletion during the period of the total estimated mineable resource at each of the Palito and Sao Chico Mines. The base carrying cost is adjusted to include a provision for future mine development costs for each of these operations.

The total amortisation charge for the Palito and Sao Chico Mines for the 12 month period ended 31 December 2017 is US$7,787,166 (2016: US$6,308,940).

The charge reported in the income statement is, however, adjusted to reflect the level of sales rather than the level of production with part of the depreciation charge being carried in inventory and released to the Income Statement when the goods are sold. The increase in the amortisation charge of US$1.48 million notwithstanding the lower levels of gold production and therefore depletion in the period has been affected by the relative strength of the Brazilian Real against the US Dollar compared with the same twelve month period in 2016. The average exchange rate for the full year of 2017 was BrR$3.19:US$1.00, compared with BrR$3.48:US$1.00 for the same period in 2016 which represents an eight per cent strengthening of the Brazilian Real against US Dollar. The amortisation charge is also impacted by the lower levels of work-in-progress inventories held at the end of the current year compared with levels at 31 December 2016.

Depreciation Charge

Depreciation charges of US$2.68 million (2016: US$2.08 million) are in respect of mining and processing plant and equipment and is an increase of US$0.60 million. The increase is primarily due to the movement in the exchange rate. It is also impacted by an 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.

Operating Loss

The Group has recognised an operating loss before interest and other income of US$0.69 million, (2016: operating profit of US$6.02 million) reflective of the lower level of gross profit from operations and after incurring US$5.50 million (2016: US$4.96 million) in administrative expenses as well as US$0.38 (2016: US$0.35 million) on share based payments. 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 twelve months to 31 December 2017 is in respect of options granted between January 2015 and 31 December 2017. The Group also reported a profit of US$0.17 million from the disposal of assets (2016: US$0.03 million).

Administration costs of US$5.50 million for the twelve month period ended 31 December 2017 are comparable with the amount of US$4.96 million in administration costs incurred during the twelve month period ended 31 December 2016. Corporate costs in Brazil have decreased by US$0.26 million during 2017 in comparison to the same period in the previous year reflecting the settlement during 2016 of once off old tax bills relating to the period between 2008-2013. Corporate costs incurred in the United Kingdom for the year ended 31 December 2017 have increased by US$0.66 million in comparison to the same period of the previous year reflecting costs related to the compilation of a new technical report as well as due diligence work done on the acquisition of Chapleau Resources. Additional consultancy and professional fees were incurred on the evaluation of other opportunities during the year.

The Company recorded a foreign exchange loss of US$214,488 for the year ended 31 December 2017 which compares with a foreign exchange loss of US$236,619 recorded for the year ended 31 December 2016. These foreign exchange losses are primarily incurred in respect of the cash holdings of the Company in currencies other than US Dollars as at the period end and do not necessarily reflect actual realised profits or losses. The Company holds funds in certain currencies in anticipation of future expenditures that are anticipated to be settled in those currencies.

Net interest charges for the 12 month period to 31 December 2017 were US$839,056 compared with US$3,917,108 for 2016. An analysis of the composition of these charges is set out in the table below:

	Twelve months ended 31 December 2017 US$	Twelve months 31 December 2016 US$
Interest on secured loan	(314,732)	(281,333)
Charge on revaluation of derivatives	(59,255)	(1,474,618)
Amortisation of fair value of derivatives	(130,000)	(355,663)
Unwinding of the discount on the rehabilitation provision	(335,204)	–
Interest on trade finance facility	–	(294,398)
Interest on convertible loan	–	(137,049)
Settlement of hedging arrangements	–	(1,338,426)
Asset finance charges	–	(36,194)
	(839,191)	(3,917,681)
Interest income	135	573
Net finance expense	(839,056)	(3,917,108)

The interest on the secured loan of US$314,732, (2016: US$281,333) is the cost of twelve months of interest paid in relation to funds advanced under the credit agreement with Sprott Resource Lending Partnership, with the increase reflecting the higher levels of loan principal outstanding during the period. On 30 June 2017, the Group entered into a new loan agreement with Sprott to increase the loan facility from US$1.37 million to US$5.00 million.

The expense on the unwinding of the discount on the rehabilitation provision of US$335,204 is as a result of changes in the discount rate used in calculating the net present value of the future estimated rehabilitation costs which the Group will incur upon mine closure.

The charge on the revaluation of derivatives of US$59,255 (2016: US$1,474,618) represents the charge arising on the revaluation of the derivative provision at the 31 December 2017. The initial value of provision as at 30 June 2017 was US$650,000. This was revalued to US$709,255 on 31 December 2017. For the twelve months to 31 December 2016 the expense on the revaluation of derivatives of US$1,474,618represented the loss arising from a period-end revaluation of the fair value of the call options provided to Sprott Resource Lending Partnership LLP and the equity element of convertible loan stock. 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 prior to exercise of the conversion rights in August 2016.

The amortisation of fair value of derivatives of US$130,000 represents six months amortisation charge of the fair value ascribed to the gold call options granted to Sprott on 30 June 2017. As part of the new loan arrangement the Group granted call options to Sprott over 6,109 ounces of gold exercisable at a price of US$1,320 which expire on 31 December 2019. On 30 June 2017, the date these call options were granted, their value was assessed as being US$650,000 and a provision for a derivative financial liability of US$$650,000 was recognised in the accounts.

Summary of quarterly results	Quarter ended 31 December 2017 US$	Quarter ended 30 September 2017 US$	Quarter ended 30 June 2017 US$	Quarter ended 31 March 2016 US$
Revenues	12,224,818	12,908,790	10,142,676	13,173,584
Operating expenses	(8,077,318)	(7,295,870)	(6,849,960)	(9,792,350)
Provision for impairment of inventory	(330,000)	(400,000)	–	(220,000)
Amortisation of mine property	(2,220,886)	(2,191,090)	(1,984,784)	(1,390,406)
Depreciation of plant and equipment	(698,550)	(743,896)	(725,373)	(510,298)
Gross profit	898,064	2,277,934	582,599	1,260,530
Administration expenses	(1,672,081)	(1,407,836)	(1,178,903)	(1,241,455)
Option costs	(101,665)	(101,665)	(112,412)	(65,620)
Gain on disposal of asset	38,995	15,621	115,975	–
Operating (loss) / profit	(836,687)	784,054	(592,781)	(46,545)
Exchange	(70,068)	(24,021)	(167,236)	46,837
Net finance expense	(501,613)	(269,501)	(34,159)	(33,783)
Profit / (loss) before taxation	(1,408,368)	490,532	(794,176)	(33,491)
Income tax expense	(218,906)	(255,481)	(97,461)	(80,552)
Profit / (loss) after taxation	(1,627,274)	235,051	(891,637)	(114,043)
Earnings / (loss) per ordinary share (basic)	(0.23) cents	0.03cents	(0.13) cents	(0.016) cents
Deferred exploration costs	23,898,819	10,235,454	9,868,205	10,234,360
Property, plant and equipment	48,890,381	44,260,723	43,557,012	45,862,328
Total current and other assets	19,956,554	26,498,341	21,798,843	20,668,013
Total assets	92,835,754	80,994,518	75,268,109	76,764,701
Total liabilities	32,065,042	16,396,195	13,373,479	11,966,304
Shareholders' equity	60,770,712	64,598,323	61,894,630	64,798,397

Summary of quarterly results	Quarter ended 31 December 2016 US$	Quarter ended 30 September 2016 US$	Quarter ended 30 June 2016 US$	Quarter ended 31 March 2016 US$
Revenues	10,472,823	16,209,753	14,232,086	11,679,089
Operating expenses	(7,077,485)	(10,216,119)	(8,923,316)	(6,689,506)
Amortisation of mine property	(1,193,660)	(2,292,006)	(1,845,601)	(977,573)
Depreciation of plant and equipment	(638,977)	(615,155)	(582,612)	(239,154)
Gross profit	1,562,701	3,086,473	2,880,557	3,772,856
Administration expenses	(1,179,345)	(1,265,828)	(1,387,719)	(1,129,632)
Option costs	(101,071)	(101,072)	(25,640)	(123,116)
Gain on disposal of asset	34,742	–	–	–
Operating profit	317,027	1,719,573	1,467,198	2,520,108
Exchange	(135,351)	(28,860)	(31,609)	(40,799)
Net finance (expense) / income	(617,228)	(947,210)	(1,374,665)	(978,005)
(Loss) / profit before taxation	(435,552)	743,503	60,924	1,501,304
Income tax benefit / (expense)	3,394,182	(278,023)	(402,407)	(153,639)
Profit / (loss) after taxation	2,958,630	465,480	(341,483)	1,347,665
Profit / (loss) per ordinary share (basic)	0.423 cents	0.071 cents	(0.052) cents	0.205 cents
Deferred exploration costs	9,990,789	9,731,144	9,550,074	9,324,314
Property, plant and equipment	45,396,140	44,860,837	46,927,210	42,123,789
Total current assets	20,454,525	22,798,838	26,427,165	23,092,061
Total assets	75,841,454	77,390,819	82,904,449	74,540,164
Total liabilities	12,462,481	16,648,980	25,336,298	22,015,609
Shareholders' equity	63,378,973	60,741,839	57,568,151	52,524,555

Liquidity and Capital Resources

Non-Current Assets

On 31 December 2017, the Group's net assets amounted to US$60.77 million, which compares to US$63.38 million as reported at 31 December 2016. The Group has also reported a loss after taxation of US$2.40 million in the twelve month period since 31 December 2016.

On 21 December 2017 ("Closing"), the Group finalised the acquisition of Chapleau Resources for a total amount of US$22 million, with US$5 million being paid in cash on 21 December 2017. A further US$5 million in cash is payable within three months of Closing and a final payment of US$12 million in cash will be due upon the earlier of either the first gold being produced or 24 months from the date of Closing. As a result of the acquisition of Chapleau there is a US$5 million payable included within the Group's current liabilities, a US$10 million deferred payable included within long term liabilities as well as a US$14.03 million increase in Deferred Exploration costs and a US$6.21 million increase in Fixed Assets.

Non-current assets totalling US$77.29 million at 31 December 2017 (31 December 2016: US$58.64 million), are primarily comprised of property, plant and equipment, which as at 31 December 2017 totalled US$48.98 million, (31 December 2016: US$45.40 million), including US$6.21 million of assets acquired as part of the Chapleau acquisition, as well as development and deferred exploration costs with a value of US$23.90 million, (31 December 2016: US$10.00 million), including US$14.03 million of assets acquired as part of the Chapleau acquisition. The Group has also a provision for a deferred tax asset of US$2.94 million (31 December 2016: US$3.25 million) and a long-term receivable in respect of state taxes due in Brazil of US$1.47 million (31 December 2016: US$ nil).

The Group's property, plant and equipment includes the value of its mine assets relating to the Palito Mining Complex at 31 December 2017 of US$28.41 million (2016: US$31.79 million). This includes US$4.36 million of additions from the Palito and Sao Chico ore bodies incurred during the year. Assets in construction as at 31 December 2017 and relating to the Palito Mining Complex had a book value of US$3.69 million (2016: US$2.83 million).

The Group owns land, buildings, plant and equipment with a cost of US$11.19 million (31 December 2016: US$10.78 million). During 2017 the Group has acquired additional plant and machinery to the value of US$2.19 million in relation to its ongoing operations at the Palito Mining Complex with a further US$0.52 million of plant and equipment acquired as part of the acquisition of Chapleau Resources.

The gross value ascribed to the Palito Mining Complex is now being amortised over the expected recoverable ounces of each orebody. An amortisation charge totalling US$7.4 million has been recorded for the twelve month period to 31 December 2017 (2016: US$6.1 million). The increase of US$1.3 million in the amortisation charge for 2017 arises because the total base value of the mining property has increased significantly during the twelve month period and also because the average exchange rate from US Dollar to Brazilian Real for 2017 was US$1.00 to BR$ 3.19 in comparison to US$1.00 to BR$3.48 for the same 12 month period in 2016.

Deferred exploration costs as at 31 December 2017 totalled US$23.90 million (31 December 2016: US$10.00 million), which relates to US$9.87 million capitalised exploration expenditures around the Palito Mine, Sao Chico Mine and the wider Jardim Do Ouro project area as well as US$14.03 of assets acquired as part of the Chapleau acquisition. During 2017 the Group capitalised costs of US$2,487 (2016: US$525,444) on exploration and evaluation expenditure.

Working Capital

The Group had a working capital position of US$1.03 million at 31 December 2016 compared to US$8.88 million at 31 December 2017, the decrease of US$7.85 million being detailed in the table below:

	December 2017 US$	December 2016 US$	Variance US$
Current assets			
Inventories	6,934,438	8,110,373	(1,175,935)
Trade and other receivables	1,277,142	1,233,049	44,093
Prepayments	3,237,412	3,696,550	(459,138)
Cash and cash equivalents	4,093,866	4,160,923	(67,057)
Total current assets	**15,542,858**	**17,200,895**	**(1,658,037)**
Current liabilities			
Trade and other payables	5,347,964	4,941,775	406,189
Acquisition payment due	5,000,000	–	5,000,000
Interest-bearing liabilities	2,845,712	2,964,057	(118,345)
Derivative financial liabilities	709,255	–	709,255
Accruals	614,198	415,810	198,388
Total current liabilities	**14,517,129**	**8,321,642**	**6,195,487**
Working capital	**1,025,729**	**8,879,253**	**(7,853,524)**
Non-current liabilities			
Trade and other payables	2,753,409	2,211,078	542,331
Acquisition payment due	9,997,961	–	9,997,961
Provisions	2,047,131	1,851,963	195,168
Interest-bearing liabilities	2,749,412	77,798	2,671,614
Total non-current liabilities	**17,547,913**	**4,140,839**	**13,407,074**

Inventories

The level of inventory held by the Group at 30 December 2017 has decreased by US$1.18 million since 31 December 2016. A breakdown of the Group's inventories at the 31 December 2017 and at 31 December 2016 is set out in the table below:

	30 September 2017 US$	31 December 2016 US$	Variance US$	Variance %
Stockpile of mined ore	1,091,656	2,829,600	(1,737,944)	(61%)
Finished Goods awaiting sale	1,741,860	1,572,774	169,086	11%
Other material in process	1,019,593	618,350	401,243	65%
Stockpile of flotation tails	494,117	708,775	(214,657)	(30%)
	4,347,226	**5,729,500**	**(1,382,273)**	**(24%)**
Consumables	2,587,212	2,380,873	206,339	9%
Total Inventory	**6,934,436**	**8,110,372**	**(1,175,934)**	**(14%)**

The Group has made a provision during the year of US$950,000 against the value of its stockpiles of mined ore.

Inventories of consumables (fuel, spare parts, chemicals, explosives etc.) at 31 December 2017 of US$2.58 million (31 December 2016: US$2.38 million) have increased by approximately US$0.21 million or 9% per cent. The Group acquires stocks of certain materials including reagents, 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 value of the stock of surface ore has decreased by 61 per cent from US$2.83 million to US$1.09 million as the Group reflecting reduced volume of the stockpile and the US$950,000 impairment provision. The total coarse ore stockpile tonnage has decreased from 21,429 tonnes at 31 December 2016 to 14,957 tonnes at 31 December 2017, a decrease of 30 percent. The Group deemed it necessary to establish the impairment provision to reflect the reducing grade of the stockpiles which has decreased from 3.58 g/t at 31 December 2016 to approximately 2.64 g/t at 31 December 2017.

The value of finished goods awaiting sale at 31 December 2017 of US$1.74 million compares with the value at 31 December 2016 of US$1.57 million. The total value of finished goods held in stock at 31 December 2017 comprises 142 bags of copper/gold concentrate (31 December 2016: 162 bags) and bullion on hand for smelting which, at 30 September 2017, was 39,893 grammes valued at US$1.08 million in comparison to 13,508 grammes at 31 December 2016 valued at US$0.33 million.

During 2014 the Group had established a stockpile of partly processed material which having only passed through the flotation processing circuit, retained a gold grade of approximately 2.5 g/t. At 31 December 2016, there were approximately 20,800 tonnes of flotation stockpile on site with a value of US$0.71 million. During 2017 the Group processed approximately 5,000 tonnes of this stockpile leaving approximately 14,700 tonnes at 30 December 2017 with a value of US$0.49 million.

The valuation attributable to gold locked up within the processing plant has increased to US$1.02 million as at 31 December 2017 (31 December 2016: US$0.62 million) reflecting normal operational variances.

<u>Taxes Receivable after more than twelve months</u>

The Group, in common with all businesses in Brazil, subject to a number of State and Federal taxes on goods that it purchases. As an exporter of goods, it is exempt from any sales taxes on its products. As a result, it is due tax rebates by both Federal and State tax bodies. In general, the Company is able to utilise its tax debts by way of offset against other taxes that it owes. The Group has however determined based on the actions of the State tax authorities and the expected future operational expenditures over the next twelve months, that certain State taxes that is able to recover and is owed at 31 December 2017, are not expected to be recovered through such an offset arrangement during the next twelve months and has therefore categorised the balance owed in respect of these State taxes as being due in more than 12 months. The Group has received legal advice confirming that these taxes owed to the Group by the State of Para are fully recoverable.

<u>Trade Receivables</u>

Trade and other receivables at 31 December 2017 of US$1.2 million have increased by US$0.05 million from US$1.23 million at 31 December 2016.

As at 31 December 2017 the Group was owed US$1.22 million from the sale of its copper concentrate in comparison to US$1.05 million as at 31 December 2016.

Also included within trade and other receivables are other some trade advances for freight and insurance which have decreased from US$0.18 million at 31 December 2016 to US$0.05 million at 31 December 2017.

<u>Prepayments</u>

Prepayments have decreased by US$0.46 million from US$3.70 million at 31 December 2016 to US$3.24 million at 31 December 2017. Prepayments are composed of recoverable taxes ICMS (state taxes) and PIS and Cofins (Federal taxes) that remain to be recovered at the period end. The ICMS tax recoverable tax actually increased by US$0.99 from 31 December 2016 to 31 December 2017, however as the Group is now of the opinion that the outstanding balance is not recoverable in less than one year, an amount of US$1.47 million has been reclassified into non-current assets.

Cash at Bank

Between 31 December 2016 and 31 December 2017, cash balances have decreased by approximately US$0.07 million.

The Group increased the interest-bearing loan by a further US$3.63 million from US$1.37 million at 31 December 2016 to US$5.00 million at 31 December 2017 and also paid US$5.00 million for the acquisition of Chapleau Resources as the first instalment of the total consideration of US$22 million payable

Current Liabilities

Current liabilities have increased by US$6.20 million from US$8.32 million at 31 December 2016 to US$14.52 million at 31 December 2017.

Trade Creditors

Trade and other payables amounting to US$5.35 million at 31 December 2017 compare with an amount owed by the Group of US$4.94 million at 31 December 2016, an increase of US$0.41 million. This increase in trade creditors is as a result of timing differences between the two period ends.

Acquisition payment due

The amount due on acquisition of US$5.00 million relates to the second instalment due on the acquisition of Chapleau Resources. The Group completion the acquisition of Chapleau Resources on 21 December 2017 for a total amount of US$22 million, making an initial payment of US$5.00 million upon closing. A further US$5.00 million is due three months after closing and the balance, a further US$12.00 million, is due upon the earlier of either the first gold being produced or 24 months from the date of closing.

Interest-Bearing liabilities

On 30 June 2017 the Group entered into a new loan agreement with Sprott for US$5.00 million expiring 31 December 2019 with the loan repayments commencing over 24 months starting in January 2018. Of the total loan US$2,500,000 is due in more than 12 months. The total loan balance shown in the table above is US$4.48 million with the balance of US$0.52 million representing the unamortised portion of the fair value derivative relating to the gold call options granted as part of the loan.

Obligations under Finance Leases

Obligations under finance leases for less than one year have decreased by US$0.31 million from US$1.17 million at 31 December 2016 to US$0.87 million at 31 December 2017. During 2017, the Group purchased one new underground loader, however this was offset by lease repayments totalling approximately US$0.64 million. All finance leases are held by Serabi Mineracao SA ("SMSA") in Brazil but are denominated in Euro or US Dollar before being converted to Brazilian Reais, the functional currency for SMSA.

Derivative Financial Liabilities

By way of a fee for the loan agreement with Sprott the Group has granted call options to Sprott over 6,109 ounces of gold exercisable at a price of US$1,320 which expire on 31 December 2019. On 30 June 2017, the date these call options were granted, their value was assessed as being US$650,000 and a provision for a derivative financial liability of US$$650,000 has been recognised in the accounts. At 31 December 2017, the derivative provision was revalued to US$709,255 with the increase in the provision of US$59,255 being reflected as an expense in the income statement.

Non-Current Liabilities

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 2017 was US$2.01 million. The value at 31 December 2016 was US$1.82 million. There has been a small increase in some of the cost assumptions underlying the provision and changes to the discount, exchange rate and inflation factors used to estimate the future value of the liability.

The amount due on acquisition of US10.00 million relates to the net present value of the US$12 million due upon the earlier of either the first gold being produced or 24 months from the date of closing.

The property acquisition payment due by the Group has increased by U$0.45 million as a result of a change in the discount rate used and changes in the exchange rate.

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 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.

	12 Months Ended 31 December 2017 (US$)	12 months Ended December 2016 (US$)
Total operating costs (calculated on a sales basis)	32,015,498	32,906,426
Add/(subtract)		
Finished goods and WIP inventory stock adjustment	(347,562)	(914,050)
Grossing up of revenue for metal deductions	555,476	1,022,048
By-product credits	(2,663,981)	(2,691,851)
Total cash cost of production	29,559,430	30,322,573
Corporate G&A	5,343,871	4,962,524
Share-based remuneration	381,362	350,899
Capitalised cost for mine development	4,362,192	2,366,486
All-In Sustaining Cost of production	39,646,855	38,002,482

	12 months ended 31 December 2017 (ounces)	12 months ended 31 December 2016 (ounces)
Gold ounces produced	37,004	39,390

	12 months ended 31 December 2017 (US$)	12 months ended 31 December 2016 (US$)
Total Cash Cost of production (per ounce)	US$799	US$770
Total All-In Sustaining Cost of production	US$1,071	US$965

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 12 months of fulfilling the current contracted commitments on these exploration properties in which the Group has an interest is US$121,344 (2016: US$50,355). The increase in comparison to the previous year is due to the acquisition of Chapleau Resources.

	Payments due by period				
Contractual obligations	**Total**	**Less than**	**1-3 years**	**4-5 years**	**After 5**
	$	**$**	**$**	**$**	**$**
Short term debt	5,000,000	2,500,000	2,500,000	—	—
Capital lease obligations	1,115,124	865,712	249,412	—	—
Operating leases	472,372	167,428	304,944	—	—
Purchase obligations	—	—	—	—	—
Other long term obligations	—	—	—	—	—
Total contractual obligations	**6,587,496**	**3,533,140**	**3,054,356**	—	—

Transactions with related parties of the Group

During the period the Company has made no loans to subsidiaries (2016: US$Nil). There were no loans converted into new shares issued by subsidiaries during 2017 (2016: US$Nil).

The Company has loans receivable from subsidiaries totalling US$16,188,272 (2016: US$16,188,272) before any provision for the impairment of these loans.

The Company has purchased, during the year from its subsidiary SMSA, 2,080 tonnes of copper/gold concentrate for a consideration of US$12,082,870 (2016: 2,080 tonnes; US$20,552,303).

Financial and other instruments

The Group's and the Company's financial assets at 31 December 2017 which comprise other receivables and cash, and in the case of the Company include amounts due from subsidiaries, are classified as loans and receivables. All of the Group's and Company's financial liabilities which comprise trade and other payables and interest bearing liabilities are classified as liabilities measured at amortised cost.

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 December 2017, the Group carried inventory of finished goods and work-in-progress valued at US$4.35 million (31 December 2016: US$5.73 million) including US$0.66 million of copper/gold concentrate representing 142 tonnes of material awaiting sale (31 December 2016: US$1.24 million; 162 tonnes) and US$3.69 million of other material in process (31 December 2016: US$4.50 million). All inventory as at 31 December 2017, 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 the preceding two years the Group has taken out fixed rate finance leases for the acquisition of some equipment and, during 2016, utilised floating rate short term trade finance, in respect of sales of copper/gold concentrate production and in September 2014 took out a US$8 million loan facility with Sprott of which US$1.37 million remained outstanding as at the start of the year.

On 30 June 2017, the Group signed a new US$5 million loan with Sprott expiring on 31 December 2019 and, to be used to support general working capital requirements (to include the rolling over of any remaining liability under the previous arrangement). The increased funds of US$3.63 million were received on 5 July 2017. There have been no repayments of this loan during 2017 and the balance outstanding at 31 December 2017 is US$5.0 million.

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 has also used floating rate short term trade finance and fixed rate finance leases to finance its activities and on 30 June 2017 increased a secured loan facility from US$1.37 million to US$5.00 million, all of which remained outstanding as at 31 December 2017.

As at 31 December 2017, the amount outstanding under a trade finance facility available in connection with the sale of its copper/gold concentrate was US$ nil (31 December 2016: US$415,607).

As at 31 December 2017, in addition to the Sprott Facility the Group had obligations under fixed rate finance leases amounting to US$1.12 million (31 December 2016: US$1.25 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. There are risks associated with any 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 available and 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 December 2017:

	31 December 2017 Group US$	31 December 2016 Group US$
Due in less than one month	1,082,671	1,774,068
Due between one month and three months	1,897,943	2,462,350
Due between three months and one year	5,213,062	4,179,387
Total due within one year	8,193,676	8,415,805
Due more than one year	2,749,412	2,288,876
Total	10,943,088	10,704,681

Currency risk

Although the Company is incorporated in the United Kingdom, its financial statements and those of the Group are presented in US Dollars which is also considered to be the functional currency of the Company 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 Company 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 December 2017 US$	31 December 2016 US$
US Dollar	2,635,299	3,425,809
Canadian Dollar	44,578	(5,183)
Sterling	126,198	136,159
Australian Dollar	28,101	6,350
Euro	105,977	53,261
Brazilian Real	1,153,713	544,087
Total	4,093,866	4,160,923

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

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 by ensuring settlement 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$8,608,420 (2016: US$9,090,522). 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 currently sells most of its copper/gold concentrate production to a single customer, a publicly quoted trading group located in Japan having changed customer in the second half of 2016. 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. Whilst the Group has made sales to other parties during the year all amounts due have been settled and therefore there is no credit risk associated with these sales.

Subsequent events

On 22 January 2018, the Group increased its loan with Sprott by US$3 million ("The New Loan") and at the same time extended the final repayment period on its existing US$5 million loan (The Existing Loan") with Sprott by six months from 31 December 2019 to 30 June 2020. The New Loan may be repaid, at the Company's request and with the agreement of Sprott (the "Extension Option") in equal monthly instalments commencing 30 September 2018 with a final payment due 22 months later on 30 June 2020. If the Extension Option is not exercised the New Loan must be repaid in full on 30 September 2018. Notwithstanding the above, both the New Loan and the Existing Loan may be repaid by Serabi in full without penalty at any time.

On 23 March 2018 the Company entered into a Subscription Agreement with Greenstone resources II LP ("Greenstone"), Greenstone has conditionally agreed to subscribe ("the Subscription") for 297,759,419 New Ordinary Shares ("the Subscription Shares") at a price of 3.6 pence per share (the "Subscription Price"). The New Ordinary Shares to be issued pursuant to the Subscription will rank pari passu with the existing Ordinary Shares. Application will be made to the London Stock Exchange for the Subscription Shares to be admitted to trading on AIM ("Admission") and listed for trading on the TSX. Completion of the Subscription and Admission is expected to take place at 8:00 a.m. on or around 12 April 2018.

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

Changes in accounting policies

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

The following standards and relevant interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and some of which were pending endorsement by the EU):

IFRS 9 Financial Instruments
IFRS 15 Revenue from Contracts
IFRS 16 Leases

The Group considers that the only standard that may have any impact is IFRS 9. The new standard will replace existing accounting standards. It is applicable to financial assets and liabilities and will introduce changes to existing accounting concerning classification, measurement and impairment (introducing an expected loss method). The Group considers that whilst IFRS 15 and IFRS 16 may impact on the Group the effect will not be significant. The operating leases held by the Company are of low value and revenue contracts usually contain a single performance criterion that is satisfied at a point in time. The Group will adopt the above standards at the time stipulated by that standard. The Group does not at this time anticipate voluntary early adoption of any of the standards.

Off-balance sheet arrangements

The Group has no off-balance sheet arrangements

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

An initial judgement is made as to whether the mining assets are impaired based on the matters identified for mining assets in the impairment policy at 1 h) relating to IAS 36 impairment. .

In the event that there is an indication of impairment, mining assets are assessed for impairment through 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 one single CGU. Management consider that there was an indicator of impairment. Details of the estimates used are included within note 21.

The value in use calculation will also be determined by the judgments made by management regarding the levels of Mineral Reserves and Mineral Resources that are included in the value in use calculations and judgments regarding any future changes in legislation or economic circumstances that might impact the operations.

As described in note 1(d) (iv), 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 21 regarding the key assumptions made in assessing the value in use.

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 Mineral Reserves, Measured and Indicated Mineral Resources and Inferred Mineral Resources. Only Mineral Reserves have been established to have economic viability and only at the time that such estimation is undertaken, Any change in the underlying factors under which the economic assessment was made may give rise to management making a judgment as to whether it is reasonable that such Mineral Reserves should be used for the purposes of forecasts. This would, in turn, affect certain amounts in the financial statements such as depreciation, which is 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 (see note 21).

Mineral Resources have not been established to have economic viability and to the extent that management includes Mineral resources to calculate projected life of mine figures or in calculations of amortisation or depreciation, management will make judgements based on historical reports, future economic factors and other empirical measures to make estimates as the level of Mineral Resources that in incorporates into its assessments.

Recoverability of deferred exploration expenditure (note 10)

The recoverability of exploration expenditure capitalised within intangible assets is assessed based on a judgement about the potential of the project to become commercial viable and if there are any facts or circumstances that would suggest the costs should be impaired. In making this judgement management will consider the items noted in the impairment policy in respect of exploration assets as noted in accounting policy 1 h). Should an indicator of impairment be identified the value in use is estimated on a similar basis as the mining asset as detailed above. Management determined that there were no indicators of impairment in the year.

Recoverability of debts including recoverable taxes

In making its judgments over the recoverability of any amounts owed to the Group management will assess the creditworthiness of the debtor, the legal enforceability of the Groups rights and the practicalities and costs of obtaining and enforcing judgments relative to the debt outstanding. Based on these assessments it will estimate the likely recoverability of sums that are due to the Group, the likely time period over when such debts might be received and any provision that needs to be established against the future recoverability. Management have determined that the debts are recoverable and that no provision has been made.

Acquisition of Chapleau (note 22)

Chapleau Resources Limited was acquired by the group in the year. An initial judgement is made as to whether to account for this as an asset acquisition or a business combination. If an acquisition is determined to be a business combination then it falls within the scope of IFRS 3, if it does not then it is treated as an asset of group of assets.

The judgement involves whether the acquired entity meets the definition of a business. Key components of a business consist of inputs, processes and outputs. Inputs and processes are the essential elements that have to be present in order to be classified as a business. A business does not have to have outputs to qualify as a business. The acquisition has been accounted for as an asset acquisition as Chapleau is judged not to have the required inputs and processes to qualify as a business and that a market participant would not be capable of conducting and managing the entity as a business.

Estimates are involved in determining the respective attributable value of the assets and liabilities over which the cost of the acquisition is attributed. Further details are included in note 22.

The following are the critical estimates 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

Inventory valuation (note 11)

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. The balance that is most subject to changes in estimates is the stockpile of mined ore which has been impaired in the year.

Utilisation of historic tax losses and recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. Recognition of deferred tax assets therefore involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

The amounts recognised in the consolidated financial statements in are derived from the Group's best estimation and judgement as set out in note 5.

Restoration, rehabilitation and environmental provisions (note 16)

Management uses its judgement and experience to provide for and amortise the estimated mine closure and site rehabilitation over the life of the mine. Provisions are discounted at a risk-free rate and cost base inflated at an appropriate rate. The ultimate closure and site rehabilitation costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements or the emergence of new restoration techniques. The expected timing and extent of expenditure can also change, for example in response to changes in ore reserves or processing levels. As a result, there could be significant adjustments to the provisions established which could affect future financial results.

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 2017, 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 2017.

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 2017, 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 2017, 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 12 month period ended 31 December 2017 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 29 March 2018:

Ordinary Shares	700,843,570
Stock Options	34,735,000
Fully diluted ordinary shares outstanding	735,578,570

Fratelli Investments Limited ("Fratelli") holds 386,375,734 Ordinary Shares in the Group representing 55.13 per cent of the voting shares in issue and is considered to be the controlling party.

On 23 March 2018 the Company entered into a Subscription Agreement with Greenstone Resources II LP ("Greenstone"), Greenstone has conditionally agreed to subscribe for 297,759,419 New Ordinary Shares at a price of 3.6 pence per share (the "Subscription Price"). The New Ordinary Shares to be issued pursuant to the Subscription will rank pari passu with the existing Ordinary Shares. Application will be made to the London Stock Exchange for the Subscription Shares to be admitted to trading on AIM ("Admission") and listed for trading on the TSX. Completion of the Subscription and Admission is expected to take place at 8:00 a.m. on or around 12 April 2018.

Following the Completion of the Subscription the issued share capital will be 998,602,989 Ordinary Shares of 0.5 pence each. At that time and assuming no further issues of Ordinary Shares, Fratelli will hold a 38.69 per cent interest in the issued share capital of the Group and Greenstone will hold a 29.82 per cent interest in the issued share capital of the Group.