SERABI GOLD

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the three and twelve months periods ended 30 December 2015

30 March 2016

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Introduction

This Management's Discussion and Analysis ("MD&A") dated 30 March 2016 provides a review of the performance of Serabi Gold plc ("Serabi" or the "Company") and its subsidiary entities ("Serabi" or the "Group"). It includes financial information from, and should be read in conjunction with, the interim unaudited condensed financial statements of the Group's three month and twelve month periods ended 31 December 2015 and also read in conjunction with the Group's annual report and audited consolidated financial statements and the Group's MD&A for the twelve month period ended 31 December 2015.

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

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

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

Overview

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

The Group's primary interests are the wholly owned Palito Gold Mine ("Palito" or the "Palito Mine") and the Sao Chico Gold Mine ("Sao Chico" or the "Sao Chico Mine") both of which are located in the Tapajos region of northern Brazil. These two properties lie within the larger Jardim do Ouro Gold Project ("JDO Project") which comprises a series of contiguous exploration licences of approximately 45,000 hectares, and lies on the 50km wide NW-SE trending Tocantinzinho Trend, which is the major controlling structural feature in the Tapajos region. The vast majority of the hard rock mineral resources discovered to date in the Tapajos region lie on this trend.

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

The Sao Chico Mine is a high-grade deposit located approximately 25 kilometres by existing road from Palito. Work commenced early in 2014 on earthworks to allow the Group to expose the bedrock and construct a mine portal. The portal was established shortly prior to the end of September 2014 and during the fourth quarter of 2014 the decline ramp was advanced towards the first two underground development levels. The Main Vein was intersected in January 2015, and by the end of December 2015 the ramp development provided access to three development levels and the production of ore from the first stopes was underway. Commercial production at the Sao Chico Mine was declared to be effective as of 1 January 2016. Ore from the Sao Chico Mine is transported by truck to the Palito gold process plant.

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

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

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

On 3 March 2014, the Group completed a placement of shares and warrants to raise gross proceeds of UK£10 million. These proceeds were used in part to finance the next stage of evaluation and development of the Sao Chico project in advance of a decision to enter into commercial mining operations. On 26 September 2014, the Group entered into a credit facility for US$8 million with the Sprott Resource Lending Partnership to provide development and working capital for Palito and Sao Chico. At 31 December 2015 the amount of US$4 million was outstanding under this credit facility. On 30 December 2015, the Group agreed an unsecured short term working capital convertible loan facility of US$5 million with its major shareholder Fratelli Investments Limited to provide additional working capital facilities. On 6 January 2016, the Group announced that it had made an initial draw down of US$2 million against this convertible loan facility.

The Company's shares trade on the Toronto Stock Exchange ("TSX") under the symbol "SBI" and on AIM, a market operated by the London Stock Exchange, under the symbol "SRB". The Company is incorporated under the laws of England and Wales and is a reporting issuer in British Columbia, Alberta and Ontario.

Key Financial Information (1)

	3 months to 31 Dec 2015 US$	3 months to 31 Dec 2014 US$	12 months to 31 Dec 2015 US$	12 months to 31 Dec 2014 US$
Revenue (1)	**8,042,431**	7,374,461	**35,086,113**	12,627,784
Cost of Sales (1)	**(4,235,007)**	(6,319,134)	**(23,585,063)**	(9,697,665)
Depreciation and amortisation charges	**(2,236,959)**	(1,449,869)	**(5,840,769)**	(2,633,578)
Gross profit	**1,570,465**	(394,542)	**5,660,281**	296,541
Profit / (loss) before tax	**285,221**	3,157,386	**476,294**	(174,401)
Loss after tax	**(239,811)**	3,157,386	**(48,738)**	(174,401)
Loss per ordinary share (basic)	**(0.036c)**	0.48c	**(0.01c)**	(0.03c)
Average gold price received	**1,105**	1,202	**1,151**	1,243

	As at 31 December 2015	As at 31 December 2014
Cash and cash equivalents	**2,191,759**	9,813,602
Net assets	**46,783,645**	66,918,551

Cash Costs and All-In Sustaining Costs

	3 months to 31 Dec 2015	3 months to 31 Dec 2014	12 months to 31 Dec 2015	6 months to 31 Dec 2014
Gold ounces produced	**7,925**	7,819	32,629	13,334
Gold production from Sao Chico	**(971)**	–	(2,788)	–
Gold production for cash cost and AISC purposes	**6,954**	7,819	29,841	13,334
Total Cash Cost of production (per ounce)	**US$610**	US$712	**US$677**	US$793
Total All-In Sustaining Cost of production (per ounce)	**US$907**	US$922	**US$892**	US$1,034

(1) The Sao Chico Mine was only declared to be in Commercial Production with effect from 1 January 2016 and therefore all costs and revenues relating to this mine have been capitalised. The Income Statements therefore only reflect the revenues and costs arising from the gold produced from the Palito Mine and the Cash Costs and AISC therefore also only reflect the activities from the Palito Mine.

Key Operational Information

SUMMARY PRODUCTION STATISTICS FOR THE FOUR QUARTERS ENDING 31st DECEMBER 2015 (Palito & Sao Chico)

		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Year to Date
Horizontal development	Metres	1,825	2,380	2,705	2,688	9,598
Mined ore	Tonnes	32,504	31,488	37,876	33,959	135,827
	Gold grade (g/t)	10.51	9.16	10.43	9.03	9.80
Milled ore	Tonnes	30,384	33,278	31,789	34,848	130,299
	Gold grade (g/t)	8.52	8.22	9.52	7.55	8.43
Gold production (1)	Ounces	7,389	8,237	9,078	7,925	32,629

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

Financial Highlights

- The Company has declared commercial production at Sao Chico effective from 1 January 2016.
- All-In Sustaining Costs ("AISC") of US$892 for the year to date with cash costs of US$677.
- AISC of US$907 for the fourth quarter of 2015 with cash costs of US$610.
- Gross profit from operations of US$5.66 million compared with a profit of US$0.3 million for 2014
- Operating profit before finance costs of US$0.88 million compared with a loss ofUS$1.33 million for 2014.
- Cash holdings of US$2.2 million at 31 December 2015.
- Average gold price of US$1,105 received on gold sales in the fourth quarter of 2015 and US$1,151for the year.
- Group has secured an additional US$5 million working capital facility.
- At 31 December 2015, the Brazilian Real to US Dollar exchange rate had weakened by approximately 47% compared against 31 December 2014.
- Annual inflation in Brazil for January 2016 was 10.48% the highest rate since November 2003. The local Central Bank overnight (SELIC) interest rate was set at 14.25% in January 2016.

2016 Guidance

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

Post Year End Highlights

- Approximately 6.500[(1)] ounces of gold produced during the first two months of 2016.
- Testing of third ball mill underway.
- Other plant expansion programmes proceeding on schedule.
- Increased plant processing capacity expected to be operational from 1 May 2016

Operational Highlights

- The final quarter of 2015 recorded 7,925[(1)] ounces of gold production, giving a year-end total of 32,629[(1)] ounces.
- Combined mill throughput for the fourth quarter, for both Palito and Sao Chico ore, totalled 34,848 tonnes, with 130,299 tonnes being milled for the year.
- A total of 9,598 metres of horizontal development across both mining operation was achieved for the year.
- At the end of the fourth quarter, surface stockpiles at Palito and Sao Chico totalled approximately 16,000 tonnes at a grade of 4.7 g/t of gold.
- November saw the commissioning of the Gekko intensive leach reactor ("ILR"), which works in tandem with the Falcon gravity centrifugal concentrator. This equipment is working exclusively on the Sao Chico feed to recover gravity gold.
- Installation of the third ball mill is well underway and this along with improvements in the flotation and CIP process circuits are on schedule to be completed early in the second quarter of 2016. A carbon regeneration kiln is also being acquired which will assist in enhancing gold recoveries once the kiln is operational in the second half of the year.

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

Palito development

- Annual mine development was 6,928 metres of which 1,960 metres was completed in the fourth quarter of 2015.
- Annual mine production was 111,751 tonnes at 10.05 g/t of which 26,953 tonnes at 8.84 g/t grammes per tonne ("g/t") was produced in the fourth quarter of 2015.

Sao Chico development

- Annual mine development was 2,997 metres of which 729 metres was completed in the fourth quarter of 2015.
- Annual mine production was 22,096 tonnes at 8.45 g/t of which 7,006 tonnes at 9.76 g/t was produced in the fourth quarter of 2015.
- Sao Chico is now being developed on the 186mRL and 156mRL levels, with production on the 199mRL and 186mRL levels. The ramp is now being deepened to the 126mRL, the next planned development level, and will continue this year to the 96mRL to accommodate underground drilling of the Sao Chico deposit extension at depth.

Outlook and Strategy

Palito

The Palito Mine has now reached a relatively steady operational state with mining activities in a balanced cycle of development and production that generated approximately 111,751 tonnes of ore at a grade of 10.05 g/t of gold during 2015. Management anticipate that mine output for 2016 will be between 105,000 and 110,000 tonnes at an average grade of between 8.50 g/t and 8.90 g/t of gold. The gold production for 2016 will be supplemented by the processing of surface stockpiles of ROM ore and approximately 37,500 tonnes of flotation tailings generated in 2014. The 2014 flotation tailings are a result of the plant not having the Carbon in Pulp ("CIP") recovery circuit operational until October 2014. Tailings produced from the flotation process were stockpiled during the first three quarters of 2014. The Group had planned to run down these existing stockpiles during 2015, but there has been limited plant capacity to process these tailings. The introduction of gravity concentration into the Sao Chico process flowsheet, together with other plant improvements, has increased effective capacity of the CIP plant and as a result management anticipates processing these remaining tailings during 2016. The introduction of a third ball mill increases milling capacity and will also allow the Group to run down surface stockpiles of run of mine ("ROM") ore during 2016. The new ball mill is anticipated to be commissioned and operational by May 2016.

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

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

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

Sao Chico

At the Sao Chico Mine, the fourth quarter of 2014 saw underground development commence. During 2015 approximately 2,800 metres of development had been achieved with three levels now in development and a fourth level shortly expected to be reached and in ore development. During January 2015, the ramp development intersected the principal vein, the Main Vein, approximately 30 vertical metres below the portal entrance. The initial sampling confirmed a payable intersection with a true width of 3.6 metres and a gold grade of 42 g/t.

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

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

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

With the notification of the approval of the Final Exploration Report ("FER") being issued in November 2014, the Group is continuing to progress the conversion of the Exploration License at Sao Chico to a Mining Licence. As the next major step in the conversion procedure, the Group submitted, in September 2015, the Plano 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. A submission for a further extension of the Guia de Utilização for a period of one additional year was also submitted in September 2015. The issuing of the mining licence also requires the submission of a risk assessment and management plan, safety assessments, environmental and social impact studies, closure and remediation plans. These additional reports have also either been submitted or, when requested, are being submitted to the relevant government bodies.

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

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

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

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

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

Palito Gold Project – Para State, Brazil

History
The Palito Mine is wholly owned by the Group, through its 100% owned subsidiary Serabi Mineração S.A. The Palito Mine and infrastructure lies some 4.5km south of the village of Jardim do Ouro and approximately 15km via road. Jardim do Ouro lies on the Transgarimpeira Road some 30km west/south west of the town of Moraes de Almeida, located on the junction of the Transgarimpeira and the BR 163 (the Cuiabá - Santarém Federal Highway). Moraes de Almeida is approximately 300km south-east by paved road of the city of Itaituba which is also the municipal capital.

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

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

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

(1) Mineral resources are reported at a cut-off grade of 1.0 g/t.
(2) Equivalent gold is calculated using an average long-term gold price of US$700 per ounce, a long-term copper price of US$2.75 per pound, average metallurgical recovery of 90.3% for gold and 93.9% for copper.
Addition errors arise through rounding differences.

The operation was placed on care and maintenance in 2008, but the Group kept as much of the infrastructure intact as possible. This included a process plant comprising flotation and carbon-in-pulp ("CIP") gold recovery circuits which had historically been treating up to 600 t/day (200,000 t/year) of ore and a camp that had housed over 200 employees and maintenance and workshop facilities. The site is supplied with mains power sourced from a 25 mW hydroelectric generating station located approximately 100 km north east of the town of Novo Progresso on the Curuá (Iriri) River.

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

The PEA estimated that the Palito Mine could be placed back into production for a capital cost of US$17.8 million and would produce at an average annual production rate of 24,400 ounces per annum through the processing of 90,000 tonnes of ore at an average grade of 8.98 g/t. The Group calculates that total expenditure incurred on the rehabilitation and start-up of the Palito Mine was US$18.2 million. During 2015 the operation processed approximately 114,000 tonnes of Palito ore with an average mill feed grade of 8.65 g/t. Management anticipate that mine output for 2016 will be between 105,000 and 110,000 tonnes at an average grade of between 8.50 g/t and 8.90 g/t of gold.

Sao Chico Gold Project – Para State, Brazil

History

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

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

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

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

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

Operational review for the twelve months of 2015

Management considers that Palito is now in a steady state of operation. Total gold production by the Group was 32,629 ounces. The third quarter and fourth quarters saw increases in the volume of Sao Chico ore being processed at the Palito plant rising from 4,134 tonnes at the end of June 2015 to a total of 10,306 tonnes at the end of September and a further 6,057 tonnes for the final three month period of 2015. Average feed grade improved from 6.68 g/t for the six month period to the end of June 2015 to an average of 6.90 g/t for the year as a whole. Gold production is now being derived from four ore sources being Palito Mine ROM ore, the coarse ore stockpiles at Palito, the Sao Chico ROM ore and the flotation tailings produced at the Palito Mine during 2014.

Mining operations

Performance of the combined mining operations of both the Palito and Sao Chico Mines has resulted in approximately 135,900 tonnes of ore being extracted during 2015 with approximately 33,959 tonnes (25%) being produced in the final quarter to 31 December 2015 . The reported gold grade of the ore being mined during the year has averaged 9.86g/t. At the Palito Mine the Group has adopted selective mining (re-suing) in some of the development drives which has reduced dilution and resulted in higher grades of development ore being extracted from development mining activities. The production in the final quarter of 2015 was adversely affected by power generation problems at the Sao Chico Mine which delayed mining activities. The shortfall in what was supposed to be high grade Sao Chico development ore feed was replaced by surface stockpiled ore from the Palito Mine, albeit at lower grade. By December, the problems were resolved and the Sao Chico Mine turned in its best month of the year with over 4,000 tonnes mined at grades in excess of 11.5 g/t gold.

These mined production figures represent an increase of 34% compared with the fourth quarter of 2014 when 25,308 tonnes were produced, although all of this production was derived from mining operations at the Palito Mine as the Sao Chico mine portal was still in development at that time. With approximately 7,000 tonnes of ore mined from the Sao Chico Mine during the fourth quarter of 2015, ore production from the Palito Mine at 26,950 tonnes was approximately 1,600 tonnes better than that for the same quarter in 2014. With long term planned ore production rates from the Palito Mine expected to average around 105,000 to 110,000 tonnes per annum, this would equate to approximately 26,250 tonnes to 27,500 tonnes per quarter.

A total of 9,598 metres of horizontal development was completed during the twelve months to 31 December 2015 with 2,688 metres (28%) of this being completed during the three month period to 31 December 2015. This compares with an average of 1,471 per quarter for the last two quarters of 2014 of which 1,348 was completed in the three month period ended 31 December 2014. During 2014, there was minimal horizontal development undertaken at the Sao Chico Mine whereas during the three months to 31 December 2015, a total of 729 metres was completed. Management remains focused on ensuring that development mining rates are maintained to ensure that adequate stopes are generated each quarter to maintain ore production rates.

At the Palito Mine the Group has to date focused its efforts on the veins within the Palito Main Zone and the Palito West areas. During the third and fourth quarters of 2015, significant development was undertaken to access the Chico da Santa and Senna zones to the north east and south west respectively. Parts of the Chico da Santa zone were mined to a limited degree during previous underground mining activities in the last decade but the Senna zone has never been accessed from underground until now. The cross cut to the Chico da Santa sector was competed during October 2015 whilst development to the Senna sector was completed in December 2015.

The Sao Chico Mine remained in a development phase for 2015 and is only expected to achieve full production during 2016. Nonetheless the level of mine development for 2016 will remain high. As a consequence it can be expected that the levels of both horizontal and vertical development as a result of deepening the ramp to access the highest confidence ore zones will remain relatively high in the near term.

The better than forecast mining performance at the Palito Mine has resulted in the surface ore stockpiles not being run down as quickly as management forecast and by the end of December 2015 the surface stockpile of Palito ore was measured at approximately 10,200 tonnes with an estimated average grade of 5.48g/t of gold. At 31 December 2014, the stockpile of ore from the Palito Mine was estimated at approximately 10,200 tonnes with a grade of 4.55g/t. In the first six months of the intervening period the Group was able to draw on the higher grade portion of the stockpile to make full use of the processing capability of the Palito gold plant but as the Group has, from the second quarter of 2015, also been processing material mined from the Sao Chico Mine, the level of stockpiled material has started to increase again. Over the intervening period the stockpile of Palito ore has been supplemented with stockpiled ore from the Sao Chico Mine which, as at the end of December 2015, has been measured at approximately 6,500 tonnes with an estimated average grade of 4.99 g/t.

At the Sao Chico Mine, where initial mine development only began in the fourth quarter of 2014, approximately 2,800 metres of development had been completed by the end of the fourth quarter 2015. In January 2015, the 216mRL access from the main ramp intersected the Main Vein, the principal structure at the Sao Chico Mine, approximately 30 vertical metres below the portal entrance, in a four metre high and four metre wide gallery, crossing the ore perpendicular to its strike. The initial sampling confirmed a payable intersection with a true width of 3.6 metres and a gold grade of 42 g/t gold. The Group immediately commenced lateral development of this 216mRL following the Main Vein to the east and west and at the same time has continued the development of the ramp.

During 2015, the mine decline ramp was deepened to the 156mRL level accessing 85 vertical metres of the Main Zone ore lode. Mine development was undertaken on three levels during 2015. The 216mRL was developed along a 400m strike, the 186mRL level along 370m strike and the 156mRL level along a 150m strike length.

On lode development ore continued to feed the Palito plant throughout 2015. The first stope production on the 216mRL level commenced in June, with subsequent stopes on the 186mRL commencing later in the year. The Sao Chico Mine continues to provide ore from both development and stope sources.

In February 2016, the ramp intersected the Main Zone lode on the 141mRL level and sub level access has intersected the ore lode on the 199mRL and 171mRL. On lode development on these two levels continues in preparation for stope development.

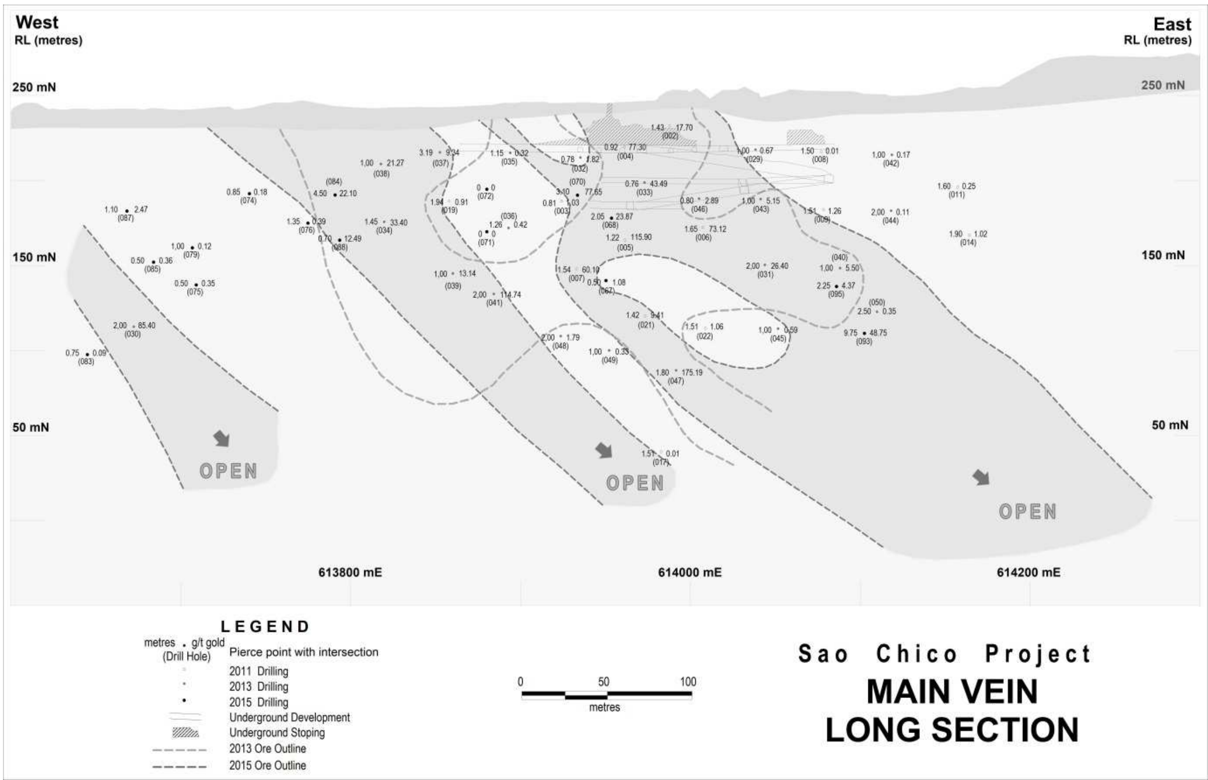
Stope mining has focussed on four moderate-steep, east plunging pay chutes on the 216mRL and 186mRL, the largest being a 110m strike on the 216mRL.

Total mine production from the Sao Chico Mine as of December 2015 was over 22,000 tonnes, grading 8.86g/t gold. In January 2016 the Sao Chico Mine was declared to have achieved commercial production.

The Group had initially planned to have development levels spaced at approximately 30 metre vertical intervals. However, in light of the geological complexity and need for greater geological understanding, at least in these initial months, the closer spaced 199mRL and 186mRL were introduced. This allows, in the near term, for better control over the identification of the high grade gold zones with the wider mineralised zones. The next development levels that are in progress are at the 171mRL, 156mRL and 141mRL. Development of levels 126mRL, 111mRL and 96mRL are planned for 2016.

Since the end of the second quarter of 2015, the Group has been building up a better picture of the geometry of the mineralisation at the Sao Chico Mine. A 7,000 metre diamond drilling programme completed during 2015, together with on-lode development has significantly enhanced the Group's understanding of the ore body and facilitated the mine planning for 2016. The programme was extended beyond its original planned 5,000 metres level to allow the Group to undertake closer spaced in-fill drilling. The surface programme was complemented by evaluation drilling being undertaken from within the existing underground developments.

The drilling programme which has built on the results and understanding gained from the 2011 and 2013 drilling campaigns continued to report numerous high grade intersections with 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 Serabi on 21 October 2015 which is available on Serabi's website www.serabigold.com and has been filed on SEDAR.



The original interpretation using surface drill holes suggested a single ore shoot, easterly plunging and covering a strike length of some 250m. The combination of further drilling and underground development now suggests not a single ore shoot, but an ore zone divided into three sub zones, with low grade areas between each ore zone. Each sub-zone maintains the easterly plunge, and together they cover a cumulative strike length of 300 metres.

With the development ongoing, the ore zones clearly display locations where the ore can be mined both by selective and more mechanised methods, and over the coming quarter the Group will be optimising its mine plan for 2016.

The mining fleets at the Palito and Sao Chico Mines are relatively new. In total the Group now operates both mines with a combined fleet of seven 20 tonne trucks, five underground drilling jumbo rigs and four underground scooptrams/loaders. The Group also owns various other mobile equipment including four front end loaders, a bulldozer and other smaller vehicles. Whilst further equipment purchases are planned during 2016, both mining operations are now well equipped. From time to time the Group will transfer equipment between the two locations to supplement capacity as required and a low loader is used to transport equipment between the two mines. Transportation of the ore from the Sao Chico Mine to the Palito processing plant is undertaken by a contractor and began in February 2015.

Plant operations

Total volume processed of both Palito and Sao Chico ore during 2015 was 130,299 tonnes equivalent to an average daily rate of approximately 360 tonnes per day. Milling performance at the start of the first quarter was affected by power stoppages resulting from an inconsistent electricity supply from CELPA, the regional power supply company. The reliability of the power supplied by CELPA has remained subject to fluctuation and interruption which is particularly detrimental to the performance of the gold process plant. As a consequence during the second quarter, the Group took the decision to commit to the use of diesel generated power for the operation of the plant. Management expects that the benefits of increased plant availability will significantly outweigh the increased operational costs. The power requirements of mining operations together with the day to day needs of the mine-site, camp and other operations continue to be met by power supplied by CELPA except in exceptional circumstances.

During 2015, the Group has been processing the flotation tailings that were produced during the first three quarters of 2014 through the CIP plant. This material is being used as top-up feed for the CIP plant as and when the opportunity arises. The process plant is however often at capacity and as a result, the Group has not been as successful as hoped at running down surface stockpiles. At the beginning of January 2015 a stockpile of approximately 56,000 tonnes of flotation tailings with an average grade of approximately 2.5 g/t had been established. The Group has processed approximately 18,350 tonnes of these tailings in the year to 31 December 2015 but in the last quarter the volume processed was only 3,335 tonnes (18%). Priority will always be given to higher grade material and in particular the treatment through the CIP plant of Sao Chico ore, so processing of these flotation tailings remains a secondary priority.

To enable processing of ore from the Sao Chico Mine through the Palito gold recovery plant, a separate process line was established with a dedicated feed hopper which can feed one of the two mills that have been in operation during 2015 with a dedicated feed of Sao Chico ore. The construction of the hopper was completed at the end of the first quarter of 2015 and after an initial commissioning period using ore from the Palito Mine, the processing of the Sao Chico ore commenced in the last two weeks of April 2015. In the short term, the crushed and milled Sao Chico ore has passed directly to the CIP plant. During the third quarter of 2015, the Group acquired and installed an ILR which was commissioned during November 2015. With this now fully operational the milled Sao Chico ore can be passed initially through a gravity concentrator, with the recovered gravity concentrate containing "free-gold" passing through the ILR where in a small closed circuit it is leached with high concentrations of cyanide, dissolving the gold. The gold in solution is then recovered by conventional electro-winning and smelting. With some of the gold recovered through gravity the Sao Chico ore will then, as it does today, be passed directly to the existing CIP plant. This use of the gravity concentrator enhances gold recovery for the Sao Chico ore, and creates efficiencies in the CIP plant and the ability to increase flow rates.

By the end of December 2015, approximately 16,300 tonnes of Sao Chico ore had been processed through the gold recovery plant located at Palito.

SUMMARY PRODUCTION STATISTICS FOR THE FOUR QUARTERS ENDING 31st DECEMBER 2015 (Palito & Sao Chico)

		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Year to Date
Horizontal development	Metres	1,825	2,380	2,705	2,688	9,598
Mined ore	Tonnes	32,504	31,488	37,876	33,959	135,827
	Gold grade (g/t)	10.51	9.16	10.43	9.03	9.80
Milled ore	Tonnes	30,384	33,278	31,789	34,848	130,299
	Gold grade (g/t)	8.52	8.22	9.52	7.55	8.43
Gold production (1)	Ounces	7,389	8,237	9,078	7,925	32,629

(1) The Sao Chico Mine was only declared to have achieved Commercial Production as of 1 January 2016. Therefore all costs and revenues relating to this mine during 2015 were capitalised. The Income Statements therefore only reflect the revenues and costs arising from the gold produced from the Palito Mine and the Cash Costs and AISC therefore also only reflect the activities from the Palito Mine.

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

Exploration and Licensing matters

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

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

Jardim do Ouro Exploration

The Jardim do Ouro exploration area ("JDO Project") covers a total area of approximately 45,000 hectares, incorporating the Palito mining licence granted on 23 October 2007 covering an area of 1,150 hectares. The exploration licence covering the Sao Chico Mine is in the process of being converted to a full mining licence and there are a further nine exploration licences and four applications for exploration licences covering the remaining area. The JDO Project is located in the Tapajós Mineral Province in the south east part of the Itaituba Municipality in the west of Pará State in central north Brazil.

The focus of the Group has been on the identification and development of satellite ore deposits located in close proximity to Palito. The Group completed two air-borne electro-magnetic ("VTEM") surveys in 2008 and 2010 over a total area of 14,500 hectares. From these surveys the Group identified a number of geophysical anomalies which it considers worthy of further investigation. During 2010 and 2011 the Group undertook a 12,000 metre drilling campaign over nine of these anomalies which resulted in the discovery of the Palito South, Currutela and Piaui prospects.

Palito – Near Mine Exploration
The underground development of the Palito Mine is being driven towards the Palito South area but the Group has no immediate plans during 2016 to undertake further exploration on either this or the Currutela and Piaui prospects or undertake further investigation of other anomalies. Once adequate cash-flow is being generated from production operations, the Group intends to use some of this cash flow to advance these exploration opportunities.

Sao Chico Exploration
The Sao Chico Mine is located in the South West corner of the JDO Project area. During 2013 the Group completed a 6,000 metre drilling programme which more than doubled the known 150 metre strike extension of the principal mineralised structure ("the Main Vein") at Sao Chico and confirmed the presence of a number of parallel mineralised structures. The development mining activities being undertaken during 2015 in conjunction with a 7,000 metre surface drilling programme are providing essential data for the further evaluation of the Main Vein and the immediate parallel structures. At this time no additional work is planned in the wider area around the Sao Chico Mine, although the Group has identified a number of other prospective zones. Once adequate

cash-flow is being generated from production operations, the Group intends to use some of this cash flow to advance these exploration opportunities.

Other Exploration Prospects

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

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

SELECTED FINANCIAL INFORMATION

The data included herein is taken from the 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 2015 compared to the three month period ended 31 December 2014

The Group's Sao Chico Mine was still in its development phase during the fourth quarter of 2015 and therefore all revenue earned and costs incurred relating to this operation were being capitalised until commercial production was declared effective from 1 January 2016. During the three month period ended 31 December 2015 971 ounces of Sao Chico bullion was produced and sold for which all relating revenues (US$1,066,268) were capitalised.

The Group has recognised a gross profit for the quarter of US$1,570,465 (three months to 31 December 2014: loss of US$394,542) and an operating profit of US$114,347 (three months to 31 December 2014, operating profit of US$1,764,972). The Group recognised a profit before taxation for the three month period ended 31 December 2015 of US$285,221 in comparison to a profit before taxation of US$3,157,386 for the three months ended 31 December 2014.

The gross profit of US$1,570,465 for the financial quarter ended 31 December 2015 can be analysed against the gross loss of US$394,542 for the same period in 2014 as follows:

	Three Months Ended December 2015	**Three Months Ended December 2014**	**Variance**
Concentrate sold (Ounces)	4,954	4,108	846
Bullion Sold (Ounces)	1,855	979	876
Total Ounces	**6,809**	**5,087**	**1,722**
Revenue from Ordinary Activity	**US$**	**US$**	**US$**
Gold Concentrate	5,395,967	5,408,194	(12,227)
Gold Bullion	1,998,942	1,275,205	723,737
Copper	609,641	660,478	(50,837)
Silver	37,881	30,584	7,297
Total Sales	**8,042,431**	**7,374,461**	**667,970**
Costs of sales			
Operational costs	(3,281,243)	(5,721,921)	2,440,678
Shipping costs	(510,884)	(345,928)	(164,956)
Treatment charges	(345,645)	(186,063)	(159,582)
Royalties	(97,235)	(65,222)	(32,013)
Amortisation of Mine Property	(1,689,113)	(1,657,307)	(31,806)
Depreciation of Plant & Equipment	(547,846)	207,438	(755,284)
Total Operating costs	**(6,471,966)**	**(7,769,003)**	**1,297,037**
Gross Profit	**1,570,465**	**(394,542)**	**1,965,007**

The Group can only recognise revenues in accordance with IFRS at such time as the risks and rewards of ownership of the goods transfers to the buyer. For the sales of the copper/gold concentrate produced from the processing of the Palito ore, this is considered to be the date on which the copper/gold concentrate arrives the port where the Group's designated smelter is located. For the sales of gold bullion the sale occurs when the Group enters into a binding sales agreement and completes the delivery of the gold doré or gold bullion in accordance with that agreement.

During the fourth quarter of 2015 the Group recognised total sales of US$8,042,431, (three months to 31 December 2014: US$7,374,461). The sales can be separated between sales of copper/gold concentrate of US$6,043,489 (three months to 31 December 2014: US$6,099,256) and sales of gold bullion of US$1,998,942, (three months to 31 December 2014: US$1,275,205). Revenue has been recognised for sales of 640 tonnes of copper/gold concentrate, containing an estimated 5,064 ounces, which had been delivered to the end purchaser during the quarter ended 31 December 2015, (fourth quarter 2014: 440 tonnes sold containing 4,108 ounces of gold). The unsold material is held as inventory.

During the three months to 31 December 2015 the Group produced 580 wet tonnes of copper/gold concentrate, containing an estimated 4,687 ounces of gold (during the three months to 31 December 2014, the Group produced 493 wet tonnes of copper/gold concentrate, containing 4,741 ounces of gold).

The Group also recognised revenue for 1,855 ounces of gold bullion earning total revenue of US$1,998,942 during the fourth quarter of 2015, (during the three months ended 31 December 2014: the Group sold 979 ounces earning revenue of US$1,275,205). However, this does not include revenue of US$1,066,268 earned from the sale of 971 ounces of bullion sold from ore produced from the Sao Chico Mine. This income has been treated as capitalised income and set off against capitalised costs of the Sao Chico Mine development as the Sao Chico Mine had not attained commercial production until 1 January 2016.

Total operating costs of US$3.28 million comprise all mining and plant processing costs, (three month period to 31 December 2014: US$5.72 million), as well as all general site costs incurred at the Palito operations during the period. Total operating costs have decreased by 43% for the three month period ended 31 December 2015 in comparison to the same period in the previous year, however in Brazilian Reais the operating costs have decreased by 19%. This is in part reflects a change adopted by the Group during 2015 in the calculation methodology for valuing inventories. The intention was to more accurately apportion fixed operational costs over the different work-in-progress categories and as a consequence specifically adjusted the value ascribed to each unit of inventory. With the exception of the inventory of flotation tailings the unit values of all other categories of inventory were affected by this change.

Labour costs of US$1.69 million for the three month period ended 31 December 2015 represent a reduction of 32% in comparison to the same period in the previous year. Labour costs actually increased by 3.4% in Brazilian Reais between the two periods due to an increase in the number of staff employed at the mine site reflecting increased level of activity and reflecting salary inflation between the two periods. This reduction in labour costs is therefore the result of the movement in the exchange rate between the two periods. The average exchange rate for the three month period ended 31 December 2014 was approximately US$1.00 to BrR$2.54 in comparison to an average exchange rate of US$1.00 to BrR$3.89 during the same three month period in 2015.

The cost of mining consumables and maintenance was US$0.63 million for the three month period ended 31 December 2015 representing a decrease of 64% in comparison with the same period in the prior year. However, in Brazilian Reais, costs have decreased by 45%. Maintenance costs of US$0.15 million have decreased by 56% for the three month period ended 31 December 2015 in comparison to the same three month period in the previous year, although in local currency the decrease is only 33%.

Plant operating costs of US$0.55 million for the three month period ended 31 December 2015 have decreased by 37% in comparison to the same period of the previous year, however in local currency plant operating costs are roughly in line between the two quarters.

Site costs have decreased by approximately US$0.82 million from the three month period ended 31 December 2014 to the three month period ended 31 December 2015, however in local currency terms site costs have remained relatively unchanged between the two periods.

Shipping costs of US$510,884 (three months to 31 December 2014: US$ 345,928) include all domestic road and river freight in Brazil from the Palito Mine to the international port at Belem and also international sea freight. The shipping charges are incurred as soon as the goods to which they relate depart from the port of Belem. During the three month period ended 31 December 2015 640 tonnes departed from the port of Belem, in comparison to the 440 tonnes which departed from Belem during the same period in the previous year. The cost per tonne shipped has decreased by 2% from the 3 month period ended 31 December 2014 in comparison to the same period in 2015.

Treatment Charges of US$345,645 (three months to 31 December 2014: US$186,063) predominantly relate to charges for the processing of copper/gold concentrate and include an estimated US$314,615 relating to the expected cost that will be levied by the refineries used (three months to 31 December 2014: US$166,096), and US$31,030 for the cost of weighing, sampling and assay analysis carried out by a third party on behalf of the Group (three months to 31 December 2014: US$19,967). The cost per tonne has decreased from US$492 per tonne for the three month period ended 31 December 2014 to US$480 per tonne for the corresponding three month period in 2015.

Royalty payments of US$97,235 comprise statutory levies payable in Brazil, (three months to 31 December 2014: US$65,222). Rates are uniform across all mining operations and currently comprise a 1% royalty on gold production and a 2% royalty on copper production. Royalty charges on shipments of copper/gold concentrate of US$61,970 for the three month ended 31 December 2015 are incurred as soon as the goods they relate to depart from the port of Belem, (whereas sales are recognised when ownership transfers to the end buyer). Royalty charges on bullion are incurred shortly after the bullion is collected from site, as soon as the commercial invoice is issued. Royalty charges on bullion for the three month period ended 31 December 2015 totalled US$35,265.

Following the commencement of commercial production on 1 July 2014, the Group began to amortise the capitalised value of the Palito Mine property. The cost base used for the calculation of amortisation of its Mine Property includes a provision for future mine development of US$4.50m (31 December 2014: US$6.4 million). This has given rise to an amortisation charge for the three month period of US$1,689,113 (three months to 31 December 2014: US$1,657,307). This charge is calculated by reference to the number of mined ounces during the period compared with the total expected recoverable ounces during the anticipated life of the Palito Mine.

There was also a depreciation charge of US$547,846 charged during the fourth quarter of 2015 on mining plant and equipment. During the fourth quarter of 2014 the Group undertook a full review of its plant and equipment and depreciation charges incurred to date and identified overcharges arising in previous periods of 2014 and prior year financials. As a result there was a write back of depreciation charges on mine and plant equipment during the fourth quarter of 2014 totalling US$207,438.

The profit from operations decreased by US$1,650,625 from US$1,764,972 for the 3 month period ended 31 December 2014 to a profit of US$114,347 for the three month period ended 31 December 2015. In the fourth quarter of 2014 there was a write back of a past impairment provision of US$2.59 million, a one-off event which had a major impact on the profit during this period. Excluding this item, profit from operations would have increased by USS$0.94 million.

The results for the fourth quarter of 2014 also included the one-off write-back of a provision for contingencies of US$298,088 related to a provision which was held at 31 December 2013 for potential labour settlements which the Group considered to no longer be required.

The Group has recognised an operating profit before interest and other income of US$114,347, (three months to 31 December 2014: US$1,764,972) after incurring US$1,355,099 in administrative expenses, (three months to 31 December 2014: US$619,941) as well as a charge of US$101,019 on share based payments, (three months to 31 December 2014: US$109,165). 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 2015 is in respect of options granted between January 2012 and 31 December 2015.

Administration expenses have increased during this period by US$735,157 from US$619,942 for the three months ended 31 December 2014 to US$1,355,099 for the same period in 2015, while the cost of share based payments have decreased by US$8,146. This main reasons for the increase in administration expenses for the three month period are:

(i) During the three month period ended 31 December 2015 the Group incurred professional charges relating to the Sprott loan of US$125,610. During the same period in the previous year the Group wrote back legal and arrangement costs of approximately US$273,690 relating to the Sprott credit facility having previously reported an expense of US$365,000 during the third quarter of 2014. In preparation of the Group's year-end accounts it was determined that the correct accounting treatment required that the totals costs relating to this facility should be amortised over the life of the loan.
(ii) Wages and Salaries increased by US$277,700 during the three month period ended 31 December 2015 in comparison to the same three month period of the previous year. This increase reflects a provision for bonus payments in respect of the 2015 calendar year of approximately US$270,000.

The Group recorded a foreign exchange gain of US$99,958 in the 3 month period to 31 December 2015 which compares with a foreign exchange gain of US$25,419 recorded for the 3 months ended 31 December 2014. 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 Group 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 Group holds funds in certain currencies in anticipation of future expenditures that are anticipated to be settled in those currencies.

Net interest income for the 3 month period to 31 December 2015 was US$70,916 compared with income of US$1,366,995 for the same period in 2014. An analysis of the composition of these charges is set out in the table below:

	Quarter Ended December 2015 US$	**Quarter Ended December 2014 US$**
Interest expense on Sprott Loan	112,055	79,726
Interest on trade finance facility	83,592	101,862
Sprott Finance Fees	128,000	120,000
Asset finance charges	3,084	24,756
	326,731	326,344
Finance income	(327,329)	(218,316)
Gain on revaluation of warrants	(61,377)	(1,350,827)
Gain on revaluation of Sprott derivative	(8,661)	(123,670)
Interest income	(280)	(526)
Net finance (income) / expense	(70,916)	(1,366,995)

The interest on the Sprott loan of US$112,055 is the cost of three months of interest paid in relation to funds advanced under the credit agreement with Sprott Resource Lending Partnership. During the fourth quarter of 2014 the average principal outstanding was lower resulting in a charge of US$79,726.

The interest on trade finance loans of US$83,592 is the interest charged at source by Auramet Trading LLC who provide a working capital and gold trading facility secured against the debts due to the Group in respect of the sale of copper/gold concentrates. The lower charge in the quarter to 31 December 2015 reflects the lower level of debt due to Auramet during the quarter.

The finance cost of US$128,000 relating to the Sprott loan represents the effective interest rate charge of the arrangement and finance fees for the quarter of US$72,000 as well as US$56,000 for the fair value ascribed to the call option granted to Sprott over 4,812 ounces of gold at a price of US$1,285 per ounce.

Asset finance charges relate to mining equipment acquired under supplier credit terms. The lease terms range from a twenty two month period to a thirty month period and bear interest at a rate between 6.7% and 6.85% per annum. Lease interest charges are reducing as the capital element of the financing is paid down in monthly instalments.

The finance income receivable of US$327,329 relates to gold hedging income due to the Group arising from short term movements in the gold price between the contractual pricing arrangements with the designated refinery and the price ruling when the Group draws down on the trade finance arrangement that it has in place.

As part of the share placing completed by the Group on 3 March 2014, the Group issued 100,000,000 warrants at an exercise price of 6 pence. At the date of issue the Group valued these warrants using a Black-Scholes model at US$1.68 million. Warrants are normally considered as part of equity but in this instance because the exercise price of the warrant is denominated in UK Sterling and the functional currency of the Group is US Dollars, under IAS 32 the warrants are not considered to be equity but instead a liability of the Group at the time of issue. At 30 September 2015, the value of these warrants was US$61,377. At 31 December 2015, the Group has written down the warrants in accordance with fair value accounting principles to US$0 and the gain on this revaluation of the warrants amounting to US$61,377 has been recorded as finance income and the derivative provision liability decreased by the same value.

The gain on the revaluation of the derivative of US$8,661 arises from the period-end revaluation of the fair value of the call options provided to Sprott Resource Lending Partnership. These call options expired at 31 December 2015.

Twelve month period ended 31 December 2015 compared to the twelve month period ended 31 December 2014

The Group has recognised a gross profit for the twelve month period ended 31 December 2015 of US$5,660,281 (twelve months to 31 December 2014: US$296,541 as 2014 results only reflected six months of commercial production from 1 July 2014 to 31 December 2014) and an operating profit of US$876,436 (twelve months to 31 December 2014, operating loss of: US$1,330,977).

The Group recognised a profit before taxation for the twelve month period ended 31 December 2015 of US$476,294 in comparison to a loss of US$174,401 for the twelve months ended 31 December 2014.

The gross profit of US$5,660,281 for the period ended 31 December 2015 can be analysed as follows:

	Full Year 2015 US$	Full Year 2014 US$*	Variance US$
Concentrate sold (Ounces)	20,702	9,601	11,101
Bullion Sold (Ounces)	8,284	1,236	7,048
Total Ounces	**28,986**	**10,837**	**18,149**
Revenue from Ordinary Activity			
Gold Concentrate	22,970,460	9,835,709	13,134,751
Gold Bullion	9,632,695	1,608,587	8,024,108
Copper	2,340,609	1,128,885	1,211,724
Silver	142,349	54,603	87,746
Total Sales	**35,086,113**	**12,627,784**	**22,458,329**
Costs of sales			
Operational costs	(20,053,318)	(8,181,598)	(11,871,720)
Shipping costs	(2,054,896)	(993,071)	(1,061,825)
Treatment charges	(1,074,428)	(382,161)	(692,267)
Royalties	(402,421)	(140,834)	(2,205,569)
Amortisation of Mine Property	(4,540,432)	(2,334,863)	(2,505,569)
Depreciation of Plant & Equipment	(1,300,337)	(298,716)	(1,001,621)

	Full Year 2015 US$	Full Year 2014 US$*	Variance US$
Total Operating costs	**(29,425,832)**	**(12,331,243)**	**(17,094,589)**
Gross profit	**5,660,281**	**296,541**	**5,363,740**

*Commercial production at the Palito Mine was only effective from 1 July 2014. Comparative data for 2014 therefore relates only to the six month period 1 July 2014 to 31 December 2014.

During the twelve month period ending 31 December 2015 the Group recognised total sales of US$35,086,113 (twelve month period ending 31 December 2014: US$12,627,784 as 2014 only had six months of commercial production from 1 July 2014 to 31 December 2014). The sales can be separated between sales of copper/gold concentrate of US$25,453,418 (twelve month period ending 31 December 2014: US$11,019,197 as 2014 only had six months of commercial production from 1 July 2014 to 31 December 2014) and sales of gold bullion of US$9,632,695 (twelve month period ending 31 December: US$1,608,587 as the Group only sold its first gold bullion during September 2014 and therefore only recorded approximately four months' worth of sales during 2014.).

During the twelve months to 31 December 2015 the Group produced 2,188 wet tonnes of copper/gold concentrate, (containing an estimated 20,984 ounces of gold). Revenue has been recognised for sales of 2,200 tonnes, (containing an estimated 20,702 ounces) which had been delivered to the end purchaser during the twelve months ended 31 December 2015. During the twelve months ended 31 December 2014 the Group produced 1,467 wet tonnes of copper/gold concentrate, (containing an estimated 12,751 ounces of gold). However sales was only recognised on 780 tonnes sold containing 3,474 ounces as commercial production began on 1 July 2014 and all sales and costs relating to the Palito Mine prior to this date were capitalised. The sale of 320 tonnes of concentrate sold prior to 30 June 2014 generating revenue of US$4,079,663 was considered as part of development operations and credited against the development costs relating to the Palito Mine. All unsold material is held as inventory.

The Group also recognised revenue for 8,284 ounces of gold bullion earning total revenue of US$9,632,695 during 2015, (2014: US$1,608,587 1,236 ounces as the Group only sold its first gold bullion during September 2014 and as a result only recorded approximately four months of sales during 2014). However, this does not include revenue of US$3,337,071 earned from the sale of 2,955 ounces of bullion from ore produced from the Sao Chico Mine, twelve months to 31 December 2014: US$Nil). This income has been treated as capitalised income and offset against capitalised costs of the Sao Chico Mine development as the Sao Chico Mine had not attained commercial production until 1 January 2016.

Operating costs of US$20.1 million relate to all mining and plant processing costs, (twelve month period to 31 December 2014: US$8.18 million as 2014 only reported six months of commercial production from 1 July 2014 to 31 December 2014, therefore all costs incurred before this period were capitalised as development costs), as well as all general site costs incurred at Palito during the period.

Labour costs for the twelve month period to 31 December 2015 amounted to approximately US$10.02 million (twelve month period to 31 December 2014: US$9.75 million, comprising six months prior to commercial production being declared of US$4.30 million and six months of post the declaration of commercial production of US$5.45 million), an increase of 3%. Labour costs actually increased by approximately 46% in Brazilian Reais between the two twelve month periods due to an increase in the average number of staff employed at the mine site (including third party contractors) by approximately 25% (340 staff on average during 2015 in comparison to 272 staff during 2014), due to increased activity, as well as each member of staff receiving an increase on their base salary of 8% in May 2015 as part of a national collective agreement which all workers in Brazil have a right to receive. Therefore, this reduction in labour costs is as a result of the movement in the exchange rate between the two periods. The average exchange rate for the twelve month period ended 31 December 2014 was approximately US$1.00 to BrR$2.348 in comparison to an average exchange rate of US$1.00 to BrR$3.337 during the same period in 2015.

The cost of mining consumables of US$3.78 million for the twelve month period ended 31 December 2015 is an increase of 3% in comparison to the costs incurred during the same period in the prior year. However, in

Brazilian Reais, costs have actually increased by 47% as a result of increased activity when looked at on a unit cost basis. For the twelve month period ended 31 December 2015 the cost of mining consumables per tonne mined was approximately US$39 per tonne in comparison to US$47 per tonne during the same period in the previous year, a reduction of 17%.

Maintenance costs of US$1.23 million have decreased by 14% for the twelve month period ended 31 December 2015 in comparison to the same twelve month period in the previous year, however in Brazilian Reais maintenance costs have actually increased by 23%. This is because the mining fleet has expanded in size as the Company purchased new vehicles during the year totalling US$1.09 million, as well as new support equipment for the mine and processing plant of US$2.34 million. Also, each machine which was used during 2014 is now a year older and requires more maintenance work to continue operating at an efficient level.

Plant operating costs of US$3.38 million for the twelve month period ended 31 December 2015 have increased by 82% in comparison to the same period of the previous year due to an increase in productivity. The plant production costs per tonne milled have decreased by 15% from US$35 per tonne milled during 2014 to US$30 per tonne milled during 2015. Plant operating costs for the twelve months to 31 December 2015 also include twelve months of operation of the CIP plant, elution and gold room facilities. These elements of the production process only became operational on 1 October 2014 and therefore there was only three months of comparative costs incurred during 2014.

Site costs have decreased from US$2.02 million during the twelve month period ended 31 December 2014 to US$1.6 million during the same period in 2015 a decrease of 18%, however in Brazilian Reais the costs have actually increased by 16%. This is as a result of the increased mining, production and administration staff working on the Palito site as detailed above as well as the increased support costs such as electrical distribution and fuel to power generators to support the increased activity.

Shipping costs of US$2,054,896 (2014: US$ 993,071 as 2014 only had six months of commercial production from 1 July 2014 to 31 December 2014) includes all domestic road and river freight in Brazil from the Palito Mine to the international port at Belem and also international sea freight. The shipping charges are incurred as soon as the goods they relate to depart from the port of Belem. During the twelve month period ended 31 December 2015 2,220 tonnes departed from the port of Belem, in comparison to the 1,100 tonnes which departed from Belem in the previous year, (however only 780 tonnes are included in the cost of US$993,071 as the other 320 tonnes departed from Belem prior to 30 June 2014, therefore the costs were capitalised). The cost per tonne shipped during 2015 has decreased by approximately 27% as a result of the Group renegotiating improved freight terms.

Treatment Charges of US$1,074,428 (twelve months to 31 December 2014: US$382,161 as 2014 only had six months of commercial production from 1 July 2014 to 31 December 2014) predominantly relate to the charges for the processing of copper/gold concentrate and include US$991,363 of charges levied by the refinery, (twelve months to 31 December 2014: US$345,579 as 2014 only had six months of commercial production from 1st July 2014 to 31 December 2014), and US$83,065 for the cost of weighing, sampling and assay analysis carried out by a third party on behalf of the Group, six months to 31 December 2014: US$36,582). 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. The final invoiced treatment charges are usually agreed approximately three months after the arrival of the goods. Therefore for the twelve month period ended 31 December 2015 the treatment charges for sales up until 31 October 2015 have been finalised whilst the charges for the fourth quarter represent a best estimate. The cost per tonne for the twelve month period ended 31 December 2015 was U$484 per tonne in comparison to US$490 per tonne for the same period in the previous year.

Royalty payments of US$402,421, (twelve months to 31 December 2014: US$140,834) comprise statutory levies payable in Brazil on both copper/gold concentrate sales as well as bullion sales. Rates are uniform across all mining operations and currently comprise a 1% royalty on gold production and a 2% royalty on copper production. Royalty charges on shipments of copper/gold concentrate are incurred as soon as the goods they relate to depart from the port of Belem. During the twelve month period ended 31 December 2015 the royalty charge on copper/gold concentrate was US$274,410 in comparison to US$124,771 for the six months of commercialised production in 2014. Royalties on bullion sales totalled US$115,009 for the twelve month period to 31 December 2015 in comparison to US$16,063 for the four months of bullion production in 2014.

Following the commencement of commercial production on 1 July 2014, the Group has begun to amortise the capitalised value of the Palito Mine property. The cost base for the Mine Property includes a provision for future mine development of US$4.50m (31 December 2014: US$6.39 million). This has given rise to an amortisation charge for the twelve month period of US$4,540,432 (twelve months to 31 December 2014: US$2,334,863 as 2014 only included six months of commercial production from 1 July 2014 to 31 December 2014). This charge is calculated by reference to the number of mined ounces during the period compared with the total expected recoverable ounces during the currently anticipated life of the Palito Mine.

There was also a deprecation charge of US$1,300,337 charged during 2015 on mining plant and equipment (2014: US$298,716). The Group purchased new mine and production equipment totalling US$2.34 million as well as purchasing US$1.09 million of new mobile equipment during 2015. It is the Group's policy to charge depreciation to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment beginning in the month subsequent to the month that the item of plant and equipment is purchased.

The Group has recognised an operating profit before interest and other income of US$876,436, (2014: loss of US$1,330,977) after incurring US$4,379,770 in administrative expenses, (2014: US$4,257,540) as well as a charge of US$404,075 on share based payments, (2014: US$258,598). 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 2015 is in respect of options granted between January 2012 and 31 December 2015.

During the fourth quarter of 2014 the impairment provision of US$2,590,532, which was first established in 2009, was reversed. The impairment provision was made up of a provision against Mining Property of US$2,123,814 and US$466,718 against Plant and Equipment. This was a one-off event and no similar write-back took place in 2015.

There was also a write-back of a provision for contingencies of US$298,088 during the fourth quarter of 2014 relating to a provision which was held at 31 December 2103 for potential labour settlements which the Group considered was no longer required. This was a one-off event and no similar write-back took place in 2015.

Administration expenses have increased by US$122,230 from US$4,257,540 in 2014 to US$4,379,770 for 2015, while the cost of share based payments have increased by US$145,477 from US$258,598 to US$404,075.

This increase in administration expenses for the twelve month period of US$122,230 can be accounted for as follows:

(i) A decrease of US$257,414 in corporate administration costs in Brazil reflecting the benefit of a weaker exchange rate between the Brazilian Real and the US Dollar. In local currency administration costs in Brazil have increased by 20% between the twelve month period ending 31 December 2014 and the same period in 2015, however, when converted into US Dollars the Brazilian administrative costs show a reduction of 15%.

(ii) An increase in London based Corporate costs between the two periods of US$379,644 is primarily due to three reasons:

  a. Effective interest rate charge of the legal and arrangement fees relating to the negotiation and documentation for the Sprott loan facility. These costs which were initially incurred during the third quarter of 2014 have been amortised over the life of the loan. Therefore approximately twenty percent of the total charge was incurred in 2014 and the remainder was charged in 2015. The total cost incurred in 2015 was US$394,106 in comparison to US$91,310 incurred in 2014.
  b. There was an increase in corporate wages and salaries of US$289,438 from the twelve month period ended 31 December 2014 to the same period of 2015 reflecting a provision of US$270,000 for bonus payments in respect of the 2015 calendar year.
  c. A decrease in other professional fees totalling US$212,591 reflecting, in the large part, costs incurred in connection with the share placement which took place during the first quarter of 2014 to raise gross proceeds of UK£10 million. Costs included in this decrease of US$212,591 include Nomad fees, register fees, broker fees as well as legal and professional fees.

The Group recorded a foreign exchange loss of US$71,280 in the twelve month period to 31 December 2015 which compares with a foreign exchange loss of US$33,742 recorded for the same period in 2014. These foreign exchange gains and losses primarily relate to the settlement of foreign currency liabilities from Brazil reflecting the devaluation of the Brazilian Real and the revaluation of the cash holdings of the Group 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 Group holds funds in certain currencies in anticipation of future expenditures that are anticipated to be settled in those currencies.

Net interest charges for the twelve month period to 31 December 2015 were US$328,862 compared with a net gain of US$1,190,318 for 2014. An analysis of the composition of these charges is set out in the table below:

	Twelve Months Ended December 2015 US$	**Twelve Months Ended December 2014 US$**
Interest on Sprott Loan	586,667	79,726
Interest on trade finance facility	364,656	228,510
Finance Cost on Sprott loan	526,500	120,000
Arrangement fees on finance facilities		–
Interest on Short term loan	–	101,782
Interest expense on convertible loan stock	22,797	75,763
Asset finance charges	32,388	81,501
	1,533,008	687,282
Finance income	(674,520)	(366,962)
Gain on Revaluation of warrants	(332,173)	(1,350,827)
Gain on revaluation of derivative	(196,330)	(123,670)
Interest income	(1,123)	(36,141)
Net finance expense	328,862	(1,190,318)

The interest on the Sprott loan of US$586,667 is the cost of twelve months of interest paid in relation to funds advanced under the credit agreement with Sprott Resource Lending Partnership.

The interest on trade finance loans of US$364,656 is the interest charged by Auramet Trading LLC who provide a working capital and gold trading facility secured against the debts due to the Group in respect of the sale of copper/gold concentrates.

The charge for arrangement fees comprises US$526,500 relating to the effective interest rate charge of the fair value ascribed to the call option granted to Sprott over 4,812 ounces of gold at a price of US$1,285 per ounce and the effective interest rate charge for the twelve months to 31 December 2015 of the arrangement fees relating to the US$8 million Sprott loan facility.

Asset finance charges relate to mining equipment acquired under supplier credit terms. The lease terms range from a twenty two month period to a thirty month period and bear interest at a rate between 6.7% and 6.85% per annum. Lease interest charges are reducing as the capital element of the financing is paid down in monthly instalments.

The finance income receivable of US$674,520 relates to the income due to the Group arising from short term movements in the gold price between the contractual pricing arrangements with the designated refinery and the price ruling when the Group draws down on the trade finance arrangement that it has in place.

As part of the share placing completed by the Group on 3 March 2014, the Group issued 100,000,000 warrants at an exercise price of 6 pence. At the date of issue the Group valued these warrants using a Black-Scholes model at US$ 1.68 million. Warrants are normally considered as part of equity but in this instance because the exercise price of the warrant is denominated in UK Sterling and the functional currency of the Group is US Dollars, under IAS 32 the warrants are not considered to be equity but instead a liability of the Group at the time of issue. At 31 December 2014, the value of these warrants was US$332,173. At 31 December 2015, the Group has revalued the warrants in accordance with fair value accounting principles to US$0 and the gain on this revaluation of the warrants amounting to US$332,173 has been recorded as a finance income and the derivative provision liability increased by the same value.

The gain on the revaluation of the derivative of US$196,330 relates to the gain on the period-end revaluation of the fair value of the call options provided to Sprott Resource Lending Partnership.

Summary of quarterly results	**Quarter ended 31 December 2015 US$**	**Quarter ended 30 September 2015 US$**	**Quarter ended 30 June 2015 US$**	**Quarter ended 31 March 2015 US$**
Revenues	8,042,431	8,365,289	11,194,178	7,484,215
Operating expenses	(4,235,007)	(6,302,006)	(8,188,141)	(4,859,909)
Amortisation of mine property	(1,689,113)	(564,045)	(1,322,374)	(964,901)
Depreciation of plant and equipment	(547,846)	(307,531)	(292,140)	(152,819)
Gross profit	1,570,465	1,191,707	1,391,523	1,506,586
Administration expenses	(1,355,099)	(871,153)	(1,248,013)	(905,505)
Option costs	(101,019)	(101,019)	(101,018)	(101,019)
Operating profit	114,347	219,535	42,492	500,062
Exchange	99,958	(364,869)	(35,032)	228,663
Net finance income / (expense)	70,916	259,510	(121,961)	(537,327)
Profit / (loss) before taxation	285,221	114,176	(114,501)	191,398
Income tax expense	(525,032)	–	–	–
(Loss) / profit after taxation	(239,811)	114,176	(114,501)	191,398
(Loss) / profit per ordinary share (basic)	(0.036) cents	0.017 cents	(0.017) cents	0.029 cents
Deferred exploration costs	8,679,246	9,018,777	10,857,942	9,769,327
Property, plant and equipment	40,150,484	39,181,535	48,840,812	47,508,148
Total current assets	17,663,339	20,423,920	23,414,155	22,792,315
Total assets	66,493,069	68,624,232	83,112,909	80,069,790
Total liabilities	19,709,424	22,394,854	25,102,757	23,872,348
Shareholders’ equity	46,783,645	46,229,378	58,010,152	56,197,442

Summary of quarterly results	Quarter ended 31 December 2014 US$	Quarter ended 30 September 2014 US$	Quarter ended 30 June 2014 US$	Quarter ended 31 March 2014 US$
Revenues	7,374,461	5,253,323	–	–
Operating expenses	(6,319,134)	(3,378,532)	–	–
Amortisation of mine property	(1,657,307)	(677,555)	–	–
Depreciation of plant and equipment	207,438	(239,849)	–	–
Gross (loss) / profit	(394,542)	957,387	–	–
Administration expenses	(619,941)	(1,243,580)	(1,482,040)	(911,979)
Option costs	(109,165)	(76,006)	(43,840)	(29,587)
Write-back of provision for contingencies	298,088	–	–	–
Write-back of provision for impairment	2,590,532			
Depreciation of plant and equipment	–	–	(140,322)	(125,983)
Operating profit / (loss)	1,764,972	(362,199)	(1,666,202)	(1,067,549)
Exchange	25,419	(68,037)	18,794	(9,918)
Net finance income / (expense)	1,366,995	24,806	(21,329)	(180,154)
Profit / (loss) before taxation	3,157,386	(405,430)	(1,668,737)	(1,257,621)
Profit / (loss) per ordinary share (basic)	0.48 cents	(0.06) cents	(0.25) cents	(0.24) cents
Deferred exploration costs	11,799,271	24,888,399	26,508,924	25,607,411
Property, plant and equipment	54,103,898	39,381,145	43,412,368	38,549,235
Total current assets	27,159,740	21,878,828	18,040,230	19,954,894
Total assets	93,062,909	86,148,372	87,961,522	84,111,540
Total liabilities	26,144,358	16,259,911	10,614,015	6,936,353
Shareholders' equity	66,918,551	69,888,461	77,347,507	77,175,187

Liquidity and Capital Resources

Non-current assets

On 31 December 2015, the Group's net assets amounted to US$46.78 million which compares to US$66.92 million as reported at 31 December 2014. This decrease primarily reflects the effect of a weakening of the Brazilian Real between 31 December 2014 when the rate was BrR$2.6556 to US$1.00, and 31 December 2015, when the rate was BrR$3.9042 to US$1.00. Whilst the Group has reported a small loss after taxation, it has incurred a loss of US$20.49 million on the re-translation of the results of its Brazilian operations in the twelve month period since 31 December 2014.

Non-current assets totalling US$48.83 million at 31 December 2015 (31 December 2014: US$65.90 million), are primarily comprised of property, plant and equipment, which as at 31 December 2015 totalled US$40.15 million (31 December 2014: US$54.10 million) of which US$21.47 million (31 December 2014 : US$33.58 million) is attributable to the mining properties in production and US$11.23 million (31 December 2014 : US$13.17 million) is attributable to Mining Properties in development and other assets in construction.

The Group owns land, buildings, plant and equipment with a net book value of US$7.45 million (31 December 2014: US$7.36 million). During 2015 the Group has acquired additional plant and machinery to the value of US$3.53 million in the period and capitalised expenditure of US$1.54 million for on-going capital development of the Palito Mines.

Capitalised operating and development costs in relation to activities of the Sao Chico Mine during 2015 were US$5.42 million against which revenue of US$3.34 million generated from the sale of 2,955 ounces of gold production derived from the Sao Chico Mine during the twelve month period to 31 December 2015 has been offset.

The gross value ascribed to the Palito Mining Property is now being amortised over the expected recoverable ounces, a figure derived from the Preliminary Economic Assessment issued in September 2012. An amortisation charge totalling US$4.4 million has been recorded for the twelve month period to 31 December 2015. The net book value of Property, Plant and Equipment has been reduced by US$15.68 million as a result of the retranslation of the underlying values from Brazilian Reais to US dollars.

During the twelve month period ended 31 December 2015 there was no amortisation charge in relation to the Sao Chico Mine, however following the announcement by the Group that commercial production has been achieved on January 1st 2016, going forward the capitalised costs incurred in the redevelopment of the Sao Chico Mine will be amortised on a unit of production basis.

Deferred exploration costs as at 31 December 2015 totalled US$8.68 million (31 December 2014: US$11.80 million) which relates to capitalised exploration expenditures around the Palito Mine, Sao Chico Mine and the wider Jardim do Ouro project area. The carrying value has been reduced by US$3.12 million as a result of the variation in the exchange rates since the start of the year.

Finance and debt

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

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

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

Working Capital

The Group had a working capital position of US$1.84 million at 31 December 2015 compared to US$5.63 million at 31 December 2014, the reduction of US$3.79 million being detailed in the table below:

	December 2015 US$	**December 2014 US$**	**Variance US$**
Current assets			
Inventories	6,908,790	8,070,215	(1,161,425)
Trade and other receivables	6,133,284	6,772,046	(638,762)
Prepayments	2,429,506	2,503,877	(74,371)
Cash and cash equivalents	2,191,759	9,813,602	(7,621,843)
Total current assets	**17,663,339**	**27,159,740**	**(9,496,401)**
Current liabilities			
Trade and other payables	4,212,803	4,601,337	(388,534)
Interest bearing liabilities	11,385,155	16,228,220	(4,843,065)

	December 2015 US$	December 2014 US$	Variance US$
Derivative financial liabilities	-	528,503	(528,503)
Accruals	226,197	167,377	58,820
Total current liabilities	**15,824,155**	**21,525,437**	**(5,701,282)**
Working capital	**1,839,184**	**5,634,303**	**(3,795,119)**
Non-current liabilities			
Trade and other payables	1,857,914	1,424,798	433,116
Provisions	1,898,714	2,829,468	(930,754)
Interest bearing liabilities	128,641	364,655	(236,014)
Total non-current liabilities	**3,885,269**	**4,618,921**	**(733,652)**

Inventories

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

The levels of inventory held by the Group have decreased by US$1.16 million compared with 31 December 2014. The inventory is calculated in Brazilian Reais and converted into US Dollars using the exchange rate at the balance sheet date. Whilst in Brazilian Real terms the value of inventory of goods in progress and finished goods has increased by some 26% between 31 December 2014 and 31 December 2015, this increase has been offset by the effect of the weakening of the Brazilian Real, so that in US dollar terms there has been a 14% decrease in value. The increase in product inventories results from increased levels of production and also the establishment of a stockpile of coarse ore from the Sao Chico Mine which at 31 December 2015 was valued at US$0.44 million, (31 December 2014: US$Nil).

At 31 December 2014 the surface stockpile of coarse ore from the Palito Mine had been valued at US$1.05 million. At the 31 December 2015 this coarse ore stockpile was valued at approximately US$0.99 million. The valuation of the ore is calculated by reference to the most recent months of activity and unit cost variances from one period to the next will therefore reflect the mix between production ore, development ore and development waste and also the relative rates of productivity. The mine is now considered to have settled into a steady pattern and it is expected that unit costs of stockpile inventory should remain relatively constant going forward, subject to exchange rate effects. The inventory valuation in Brazilian Reais has increased from BrR$2,801,914 to BrR$3,884,522 a 39% increase reflecting the increased operational costs that are being experienced during 2015 compared to those incurred at the outset of the mine life and reflects, in particular, higher levels of labour costs and increased costs of maintenance. Costs per unit in Brazilian Reais are BrR$382 per tonne compared with BrR$275 per tonne at 31 December 2014. The devaluation of the Brazilian Real compared with the US Dollar however means that in US Dollar terms the cost per unit has reduced from US$103 per tonne to US$98 per tonne.

During 2014 the Group had established a 54,000 tonne stockpile of material that had passed through the flotation processing circuit but retained a gold grade of approximately 2.5g/t. The Group has during 2015 commenced the processing of these flotation tailings through the CIP plant and will continue to process this stockpiled material as capacity is available during 2016. The value ascribed to this stockpile as at 31 December 2015 is US$1.07 million which compares to the valuation at 31 December 2014 of US$2.34 million. The reduction reflects the volume of material that has been processed during the twelve months to 31 December 2015 as well as exchange rate movements.

At 31 December 2015, the Group had on hand an inventory of approximately 363 wet metric tonnes (31 December 2014: 367 wet metric tonnes) of copper/gold concentrate of which 63 tonnes was located at the Palito Mine (31 December 2014: 87 tonnes), 160 tonnes was en route to the port of Belem (31 December 2014: 120 tonnes) and the remaining 120 tonnes was en route to the refinery (31 December 2014: 160 tonnes). The value of this inventory of copper/gold concentrate awaiting sale was approximately US$1.95 million (31 December 2014: US$3.59 million), representing a unit cost of US$5,369 per tonne compared with a unit cost of US$9,787 per tonne at 31 December 2014. During the second quarter of 2015, the Group revised the basis on which it calculates the value of inventories of work in progress and finished products in particular the allocation of site overhead costs to each stage of production. The overall effect was to reduce the value ascribed to each unit of inventory of copper/concentrate which comprises 38% of the Palito inventory valuations at 31 December 2015.

The valuation attributable to gold locked up within the processing plant, waiting to be smelted or in the process of being sold has increased to US$1.09 million as at 31 December 2015, (31 December 2014: US$0.17 million), whilst the Company has also ascribed a valuation to the stockpile of coarse ore extracted from the Sao Chico Mine of US$0.44 million (31 December 2014: US$Nil).

Inventories of consumables (fuel, spare parts, chemicals, explosives etc.) at 31 December 2015 of US$1.36 million have increased by approximately US$0.45 million or 49% in comparison with the same inventory of consumables at 31 December 2014 (US$0.91 million). The Group acquires stocks of certain materials including reagents and explosives and other consumables in quantities that are sufficient for up to three to four months consumption requirements to minimise freight and other logistics costs and improve pricing. The levels of inventory will also reflect the increased activity at the Sao Chico Mine which entered into commercial production with effect from 1 January 2016. As all consumable stock is valued in Brazilian Reais, the valuation is also subject to exchange rate fluctuations. As such, the level of inventory in Brazilian Reais increased by BrR$2,892,921, or 120%, from BrR$2,420,516 to BrR$5,313,437.

Debtors

Trade and other receivables at 31 December 2015 of US$6.13 million has decreased by US$0.64 million from US$6.77 million at 31 December 2014. As at 31 December 2015, the Group was owed US$5.99 million (2014: US$6.40 million) in respect of shipments of concentrate that had been made to the refinery but in accordance with the contractual payment terms remained outstanding at that date. Under the terms of the contract the Group receives instalments against the total value of each shipment on pre-determined dates with the final settlement only being made once the final metal content has been agreed between the Group and the refinery which may be up to 120 days after the date of arrival.

Monthly shipments of copper/gold concentrate which account for the bulk of the trade receivables vary according to the timing of collections from site and sailing dates, as well as reflecting normal production fluctuations resulting in varying tonnages and grades of material being produced and shipped. The variation in volumes shipped in each month will therefore result in fluctuations in the level of gold and copper recognised as revenue each month and the corresponding debtor balance in addition to prevailing metal prices. As at 31 December 2015 the Group was awaiting settlement for approximately 5,065 ounces of gold compared with a settlement outstanding at the end of December 2014 of almost 5,000 ounces.

Also included within trade and other receivables are other some trade advances for freight and insurance which have been reduced by US$235,147 from US$371,840 at 31 December 2014 to US$136,693 at 31 December 2015.

Cash

From 31 December 2014 to 31 December 2015 cash balances have reduced by approximately US$7.62 million reflecting the repayment of financing arrangements of approximately US$5.87 million and capital and development expenditure in the period of a further US$5.93 million. Of the financing arrangements that have been settled the Group has repaid US$4.0 million of the loan received from Sprott during the twelve months ended 31 December 2015, experienced a reduction in the liability due under the short term trade finance facility of US$1,111,116 and settled finance lease arrangements of US$757,596.

Liabilities

Current liabilities have decreased by US$5.7 million from US$21.52 million at 31 December 2014 to US$15.82 million at 31 December 2015.

A significant element behind the decrease in current liabilities of US$5.7 million relates to the fair value provision for a property acquisition payment that is due to a past owner of the Sao Chico property. This is currently valued at US$1.75 million (31 December 2014: US$2.26 million) and the Group expects that under the contractual terms the first instalment will become payable in in the second quarter of 2017, (originally forecast as June 2015).

With further instalment payments due thereafter. As the payment terms have been deferred all of the provision is included in non-current liabilities whereas at 31 December 2014 the valuation of the initial instalment was included as a current liability. At 31 December 2014: US$1.09 million was due within one year and the remainder of the payment valued at US$1.17 million due to be paid in instalments commencing in 2016.

Trade and other payables amounting to US$4.21 million at 31 December 2015 compare with an amount owed by the Group of US$4.60 million at 31 December 2014. Of this decrease of US$388,534, US$1.09 million results from a reclassification of the property acquisition payment from being a current liability to one falling due after more than twelve months. This has been offset by an increase in trade creditors as a result of increased activity at both the Palito and Sao Chico Mines.

Long-term Trade Creditors have increased by approximately US$433,116 from US$1.40 million at 31 December 2014 to US$1.86 million principally reflecting the reclassification of the property acquisition payment.

Interest-bearing liabilities due within one year have decreased by US$4.8 million from US$16.23 million at 31 December 2014 to US$11.38 million at 31 December 2015. The primary component of this decrease is the repayment of US$4.0 million to Sprott during the year. The Group has continued to pay down liabilities under finance lease obligations during the year. Also, the amount due under the financing facility for copper/gold concentrate sales has decreased by US$1.11 million, reflecting the timing of sales and fluctuations in the prevailing prices of gold and copper.

There is no longer a liability for derivatives as all derivatives have expired. The liability for derivatives was valued at US$528,503 at 31 December 2014 and all derivative provisions have been released to the income statement during 2015.

To minimise the effect on the working capital of the Group caused by the delay between production of copper/gold concentrate and payments for the material from the refinery, the Group has entered into a facility with a precious metals trading group whereby the Group can obtain an advance payment for the copper/gold concentrate once it has left the port in Belem, Brazil, secured against the debt due from the refinery. During the twelve months ended 31 December 2015 the total funds received by the Group under this facility were US$21.78 million with US$22.89 million having been repaid out of the receipts from the sale of copper and gold following refining. As at 31 December 2015 an amount of US$6.65 million is owed by the Group (31 December 2014: US$7.76 million) and will be repaid from the sale of the copper and gold extracted from the concentrate when the refining of the unprocessed material is completed.

The Group acquires some mobile equipment under finance leases, the most recent being during the second quarter of 2015. At 31 December 2015 the Group had liabilities under these financial leases of US$0.73 million due within one year (31 December 2014: US$0.72 million). The lease terms range from a twenty two month period to a thirty month period and bear interest at a rate between 6.7% and 6.85% per annum. (See below for further details on the amounts owed in more than one year).

Non-current liabilities have decreased by US$733,652 from US$4.62 million at 31 December 2014 to US$3.88 million at 31 December 2015. In Brazilian Real terms, non-current liabilities have increased reflecting the reclassification of the current liability portion of the property acquisition payment 31 December 2014: US$1.09 million from current liabilities to long term. However the devaluation of the Brazilian Real versus the dollar from BrR$2.6556 to US$1.00 at 31 December 2014 to BrR$3.9042 to US$1.00 at 31 December 2015 has offset the impact in US Dollar terms. .

Liabilities under lease finance arrangements have reduced by US$0.24 million as the lease agreements continue to mature.

The Group makes provision for the future estimated rehabilitation costs for its mine sites at Palito and Sao Chico. The value of the provision carried by the Group at 31 December 2014 was US$2.79 million. The value at 31 December 2015 is US$1.87 million the reduction primarily representing exchange rate movements during the period. The Group carried out a review of the underlying cost assumptions as at 31 December 2015.

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

Non-IFRS Financial Measures

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

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. Comparative data is only provided for the period since the declaration of commercial production at the Palito Mine which was effective as of 1 July 2014.

	12 Months Ended 31 December 2015 (US$)	6 month period July to December 2014 (US$)
Cost of sales	23,585,063	9,697,665
Add/(subtract)		
Finished goods and WIP inventory stock adjustment	(1,780,142)	1,738,765
Grossing up of revenue for metal deductions	880,331	424,654
Adjustment for refining, treatment, shipping and royalties on a production basis [(1)]	–	178,324
By-product credits	(2,482,958)	(1,465,252)
Total cash cost of production	20,202,294	10,574,156
Corporate G&A	4,379,770	2,391,759
Share-based remuneration	404,075	185,172
Capitalised cost for mine development	1,637,135	632,587
All-In Sustaining cost of production	26,623,274	13,783,674

(1) No adjustment has been calculated for the 12 month period ended 31 December 2015 as the timing effects between the recognition of costs on a production basis and on a sales basis are not considered material. A calculation was made for 2014 to reflect the timing effect of recognition following the start-up of commercial production.

	Total to December 2015 (ounces)	Total to December 2014 (ounces)
Gold ounces produced	32,629	13,334
Gold production from Sao Chico	(2,788)	–
Gold production for cash costs and AISC purposes	29,841	13,334

	12 Months Ended 30 December 2015 (US$)	6 month period July to December 2014 (US$)
Total Cash Cost of production (per ounce)	US$677	US$793
Total All-In Sustaining Cost of production (per ounce)	US$892	US$1,034

Contractual commitments

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

The Group holds certain exploration prospects which require the Group to make certain payments under rental or purchase arrangements allowing the Group to retain the right to access and undertake exploration on these properties. Failure to meet these obligations could result in forfeiture of any affected prospects.

Management estimates that the cost over the next twelve months of fulfilling the current contracted commitments on these exploration properties in which the Group has an interest is US$45,000 (31 December 2014: US$92,000).

		Payments due by period			
Contractual obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
	$	**$**	**$**	**$**	**$**
Short term debt	4,000,000	4,000,000	—	—	—
Capital lease obligations	860,866	732,225	128,641	—	—
Operating leases	244,911	166,633	78,278	—	—
Purchase obligations	—	—	—	—	—
Other long term obligations	—	—	—	—	—
Total contractual obligations	**5,105,777**	**4,898,858**	**206,919**	—	—

Transactions with related parties of the Group

The following transactions have been undertaken with related parties in the 24 months prior to 31 December 2015.

On 3 March 2014, the Company completed a placing of 200 million units at a price of UK£0.05 per unit raising gross proceeds of UK£10 million. The share placement was pursuant to a conditional subscription agreement entered into on 20 December 2013 between the Company and Fratelli Investments Limited ("Fratelli") to subscribe for a minimum of 125 million units and a maximum of 162.5 million units to finance initial development and underground drilling at the Sao Chico project and to provide further working capital to the business during the start-up phase of gold production at Palito. The final form of the investment by Fratelli comprised of (a) a subscription for 125 million units at the Subscription Price of 5 pence per unit; and (b) a further subscription for 27.5 million units at a subscription price of 5 pence per unit. The Group procured third party investment not deemed to be acting in concert with Fratelli for 47.5 million units.

Each unit comprises one new ordinary share and one half of a warrant. Each whole warrant entitles the holder to subscribe for one new ordinary share at a price of 6p for a period of two years from the date of issue.

As a result of their subscription, Fratelli acquired a direct interest of 51.4% in the share capital of the Group and became a controlling party.

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

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

Financial and other instruments

The Group's financial assets at 31 December 2015 which comprise other receivables and cash are classified as loans and receivables. All of the Group's financial liabilities which comprise trade and other payables and interest bearing liabilities, are classified as liabilities measured at amortised cost.

The Group, through its arrangements with Auramet Trading LLC and with Sprott Resource Lending, entered into the following derivative transactions.

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

The Group granted a call option to Sprott over 4,812 ounces of gold at a price of US$1,285 for a period expiring on 31 December 2015. The fair value at the date of the grant of these options is charged to the income statement over the option period. The option expired on 31 December 2015 without any part of the option having been exercised.

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 2015, the Group carried inventory of finished goods and work-in-progress valued at US$5.55 million (31 December 2014: US$7.16 million) including US$1.95 million of copper/gold concentrate representing 363 tonnes of material awaiting sale (31 December 2014: US$3.59 million) and US$3.60 million of other material in process (31 December 2014: US$3.57 million). Of the copper/gold concentrate, the Group had, at the end of the quarter ended 30 September 2015, entered into arrangements fixing prices for approximately 95% of the gold content within 160 tonnes of this material. However all other inventory as at 31 December 2015, 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 2015 and 2014 the Group and the Company have taken out fixed rate finance leases for the acquisition of some equipment and have utilised floating rate short term trade finance in respect of sales of copper/gold concentrate production.

The Company has entered into an agreement with Auramet Trading LLC ("Auramet"), for a trade finance facility of USS$7.5 million under which Auramet will provide advance payment for shipments of copper/gold concentrate for the period between shipments leaving Brazil and settlement from the refinery. The advance payments bear interest at 3 month US$ LIBOR plus 5%.

Serabi Gold plc has also entered into a US$8 million credit facility (the "Sprott Facility") with the Sprott Resource Lending Partnership ("Sprott") to be used to provide additional funding for the continued development of the Palito Mine and the Sao Chico gold project, to finance an additional drilling programme at Sao Chico and for general corporate purposes. At 31 December 2015 the Sprott Facility was due to repaid by 31 March 2016. On 20 January 2016 the Sprott Facility was extended for a term expiring on 31 December 2016. It carries interest at a rate of 10% per annum. As at 31 December 2015, the amount of US$4 million (excluding future interest) was outstanding in respect of the Sprott Facility.

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

Liquidity risk

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

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

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

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

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

As at 31 December 2015, in addition to the Sprott Facility and the Auramet facility, the Group had obligations under fixed rate finance leases amounting to US$0.86 million (31 December 2014: US$1.08 million).

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

The following table sets out the maturity profile of the financial liabilities as at 31 December 2015:

	31 December 2015	**31 December 2014**
	Group	Group
	US$	US$
Due in less than one month	3,598,089	4,934,049
Due between one month and three months	9,001,404	5,376,028
Due between three months and one year	3,081,343	11,047,983
Total due within one year	15,680,836	21,358,060
Due more than one year	2,689,985	1,789,453
Total	18,370,821	23,147,513

Currency risk

Although the parent company of the Group is incorporated in the United Kingdom, its financial statements and those of the Group are presented in US Dollars as funding of activities of its subsidiaries is generally made in US Dollars, all sales for the Group are denominated in US Dollars and future remittances of dividends, loans or repayment of capital from the subsidiaries are expected to be received in US Dollars.

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

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

	Group	
	31 December 2015 US$	31 December 2014 US$
US Dollar	1,449,663	8,586,208
Canadian Dollar	11,762	106,031
Sterling	278,136	361,406
Australian Dollar	12,630	29,479
Euro	32,611	250,737
Brazilian Real	406,957	479,741
Total	2,191,759	9,813,602

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

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

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

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

Credit risk

The Group's exposure to credit risk is limited to its cash and cash equivalents and trade and other receivables amounting to US$8,325,045 (31 December 2014: US$16,585,648). It is the Group's policy to only deposit surplus cash with financial institutions that hold acceptable credit ratings.

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

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

The Group has made sales to other parties during the year. All of these transactions were completed during the year and therefore there is no credit risk associated with these sales.

Subsequent events

On 31 December 2015, the Group announced that it had entered into an agreement with Fratelli Investments Ltd ("Fratelli"), its major shareholder whereby Fratelli had agreed to provide a unsecured short term working capital convertible loan facility of US$5 million ("the Facility") to provide additional working capital facilities. On 6 January 2016, the Group announced that it had made an initial draw down of US$2 million against the Facility.

On 1 February 2016, the Group announced that it had agreed an extended repayment period for the remainder of the loan with Sprott Resource Lending Partnership ("Sprott"), the outstanding balance of which amounted to US$4 million as at 31 December 2015. The balance of the loan had been due to be repaid to Sprott by 31 March

2016. The Group has now agreed with Sprott that the balance of the loan shall be repaid in nine equal monthly instalments commencing 30 April 2016 and ending 31 December 2016. In the event that the Group elects to make any early repayment a penalty fee can be applied which depending on the time of repayment could be a maximum of 5% of the outstanding loan balance at that time. The interest rate applied to the loan remains at 10% per annum. The Group has granted to Sprott a call option over 2,500 ounces of gold at a strike price of US$1,125 per ounce. Sprott has the right to exercise its call option, subject to a minimum of 500 ounces, at any time up to 30 June 2017. The call option if exercised will be settled in cash.

The Group has announced that effective from 1 January 2016 the Sao Chico Mine had entered into commercial production.

Changes in accounting policies

The Group has not adopted any standards or interpretations in advance of the required implementation dates. There has been no significant measurement impact on the consolidated financial statements from new standards or interpretations effective in 2015.

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

Off-balance sheet arrangements

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

Critical accounting estimates

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

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

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

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

Impairment of mining assets and other property, plant and equipment

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

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

Provisions and contingent liabilities

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

Mineral resources

Quantification of mineral resources requires a judgement on the reasonable prospects for eventual economic extraction. These judgements are based on assessments made in accordance with the provisions of Canadian National Instrument 43-101. These factors are a source of uncertainty and changes could result in an increase or decrease in mineral resources and changes to the categorisation or mineral resources between Ore Reserves, Measured and Indicated Resources and Inferred Resources. This would in turn affect certain amounts in the financial statements such as depreciation and closure provisions, which are calculated on projected life of mine figures, and carrying values of mining property and plant which are tested for impairment by reference to future cash flows based on projected life of mine figures.

Development and deferred exploration expenditure

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

Inventory valuation

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

Commercial production

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

Restoration, rehabilitation and environmental provisions

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

Disclosure controls and procedures

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

- material information relating to the Group is made known to the Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the interim and annual filings are being prepared; and
- information required to be disclosed by the Group in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarised and reported within the time periods specified in securities legislation.

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

Internal controls over financial reporting

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

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

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

Changes in internal controls over financial reporting

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

Disclosure of outstanding share data

The Company had the following Ordinary Shares, Stock Options and Warrants outstanding at 29 March 2016:

Ordinary Shares	656,389,204
Stock Options	36,385,785
Other Warrants	-
Fully diluted ordinary shares outstanding	692,774,989

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

Qualified persons statement

The technical information contained within this Management Discussion and Analysis has been reviewed and approved by Michael Hodgson, CEO of the Group. Mr Hodgson is an Economic Geologist by training with over 25 years' experience in the mining industry. He holds a BSc (Hons) Geology, University of London, a MSc Mining Geology, University of Leicester and is a Fellow of the Institute of Materials, Minerals and Mining and a Chartered Engineer of the Engineering Council of UK, recognising him as both a Qualified Person for the purposes of Canadian National Instrument 43-101 and by the AIM Guidance Note on Mining and Oil & Gas Companies dated June 2009.

Cautionary statement on forward-looking information

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

Risks and uncertainties

In addition to the other information set forth in this report, the reader should carefully consider the risk factors below which could materially affect the Group's business, financial condition and/or future results. These risks are not the only risks facing the Group and readers should also refer to the Group's Annual Information Form filed on SEDAR at www.sedar.com and the Group's website at www.serabigold.com which contains additional discussion of risks and in particular risks for investors in the Group's securities. Additionally risks and uncertainties not currently known to the Group or that management currently deems to be immaterial, may also materially affect the Group's business, financial condition and/or future results.

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

OPERATIONAL RISKS			
Risk	***Comment***	***Business Impact***	***Mitigation***
Future exploration may not result in increased mineral resources	Mineral exploration involves significant risks over a substantial period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. Even if the Group discovers a valuable deposit of minerals, it may be several years before production is possible and during that time it may become economically unfeasible to produce those minerals.	***Medium***	Management undertakes exploration only following careful evaluation of opportunities and designs programmes that seek to ensure that expenditure is carefully controlled and can be ceased at any time that management considers that the exploration prospect is unlikely to be commercially viable and does not warrant further evaluation.
No guarantee that the Group's Applications for exploration licences and mining licences will be granted. ***Existing exploration licences may not be renewed***	There is no guarantee that any application for additional exploration licences will be granted by the Departamento Nacional do Produção Mineral ("DNPM"). The DNPM can refuse any application. Persons may object to the granting of any exploration licence and the DNPM may take those objections into consideration when making any decision on whether or not to grant a licence. The exploration licence for the Sao Chico	***High***	Management maintains on-going dialogue with the DNPM and other relevant government bodies regarding its operations to ensure that such bodies are well informed and also to help ensure that the Group is informed at an early stage of any issues of concern that such bodies may have. The Group employs staff and consultants

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

OPERATIONAL RISKS			
Risk	***Comment***	***Business Impact***	***Mitigation***
***revenues than estimated due to unexpected problems*.**	unexpected geological features or mechanical issues that can result in substantial disruption to operations. Such disruption could increase operating costs, delay revenue growth and have implications for the working capital requirements of the business.		Palito and Sao Chico. Management have during 2015 increased the number of mining areas that can be active at any time at Palito and established increased process capacity levels which it does not intend to be fully utilised at all times. In this way it anticipates that short term operational issues should not be unduly disruptive and that any shortfall can be caught up quickly once the issue is resolved.
Environmental legislation	All phases of the Group's operations are subject to environmental regulation in Brazil. There is no assurance that existing or future environmental regulation will not materially adversely affect the Group's business, financial condition and results of operations.	***Low***	Environmental regulations are constantly changing and governed by both local and global concerns and initiatives. Management seeks to ensure that it adopts sound and compliant environmental principles. The operations of the Group are relatively small and management does not consider the scale of the operations to have a material environmental impact on its surroundings.
Exposure to mining hazards.	The Group is exposed to a number of risks and hazards typically associated with mining operations including environmental hazards; mining and industrial accidents; metallurgical and other processing problems; unusual and unexpected rock formations; flooding and periodic interruptions due to inclement or hazardous weather conditions or other acts of nature; mechanical equipment and facility performance problems; and unavailability of materials, equipment and personnel. These risks may result in: damage to, or destruction of, the Group’s properties or production facilities; personal injury or death; environmental damage; delays in mining; increased production costs; asset write downs; monetary losses; and legal liability.	***Medium***	The Group’s operational teams regularly monitor mining risks, and report to the CEO who in consultation with the Board is responsible, on behalf of the Board, for ensuring appropriate measures are in place for anticipating, and responding to, such matters.
If mineral resource estimates are not accurate, production may be less than estimated which would adversely affect the Group’s financial condition and the results of operations.	Mineral resource estimates are imprecise and depend on geological analysis based partly on statistical inferences drawn from drilling, and assumptions about operating costs and metal prices, all of which may prove unreliable. The Group cannot be certain that the resource estimates are accurate and cannot guarantee that it will recover the indicated quantities of metals. Future production could differ dramatically from such estimates if mineralisation or formations at the properties were different from those predicted by drilling, sampling and similar examinations.	***Medium***	The Groups mineral resource estimates are prepared by either in-house staff or third party consultants who have considerable experience and as appropriate are certified in accordance with recognised international standards.

OPERATIONAL RISKS			
Risk	***Comment***	***Business Impact***	***Mitigation***
The Group is required to obtain and renew governmental permits and licences in order to conduct mining operations, which can be a costly and time-consuming process.	In the ordinary course of business, the Group will be required to obtain and renew governmental permits and licences for the operations and expansion of existing operations or for the commencement of new operations. Obtaining or renewing the necessary governmental permits is a complex and time consuming process. The duration and success of the Group's efforts to obtain and renew permits and licences are contingent upon many variables not within its control including the interpretation of applicable requirements implemented by the permitting or licencing authority. The Group may not be able to obtain or renew permits and licences that are necessary to its operations or the cost to obtain or renew permits and licences may exceed what the Group expects.	***Low***	The Group maintains good relationships with the appropriate licencing authorities and management are responsible for ensuring that conditions are adhered to and that renewals are submitted in a timely and complete manner.
The mining industry is intensely competitive in all of its phases and the Group competes with many companies possessing greater financial and technical resources than itself.	Competition in the precious metals mining industry is primarily for mineral rich properties that can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and the capital for the purpose of funding such properties. Such competition may result in the Group being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties.	***Low***	The Group anticipates that it will be in a position to generate positive cash flow and have re-paid debt by the end of 2016 increasing its relative strength to attract and retain employees and to acquire and develop new properties and projects.

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

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