MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine month periods ended 30 September 2016

14 November 2016

SERABI GOLD PLC
Management's Discussion and Analysis
for the three and nine month periods ended 30 September 2016

Introduction

This Management's Discussion and Analysis ("MD&A") dated 14 November 2016 provides a review of the performance of Serabi Gold plc ("Serabi", the "Company" or the "Group"). It includes financial information from, and should be read in conjunction with, the interim unaudited condensed financial statements of the Group for the three and nine month periods ended 30 September 2016 and also read in conjunction with the Group's annual report and audited consolidated financial statements and the Group's MD&A for the twelve month period ended 31 December 2015.

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

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

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

Overview

The Company is a United Kingdom registered and domiciled gold mining and development company based in London, England. The Group's principal assets are its gold operations 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 covering an area of over 50,000 hectares, and lies on the 50 kilometres wide NW-SE trending Tocantinzinho Trend, which is the major controlling structural feature in the Tapajos region. The vast majority of the hard rock mineral resources discovered to date in the Tapajos region lie on this trend.

The Palito Mine is fully permitted and has a mining licence covering 1,150 hectares which was issued in October 2007. Remediation work commenced in October 2012, to develop the existing underground mine and renovate the process plant, with a view to commencing gold production by the end of 2013. 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 Palito Mine produced 18,000 ounces of gold, which increased in 2015 to approximately 29,800 ounces.

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 producing a copper/gold concentrate which accounts for approximately 70 per cent to 75 per cent of the gold recovered from the Palito Mine ore. The residual tailings from the flotation process, which also recovers over 90 per cent of the copper content of the ore, are then passed to a conventional Carbon in Pulp ("CIP") plant which can recover approximately 65 per cent to 70 per cent of the residual gold.

The Sao Chico Mine is a high-grade deposit located approximately 30 kilometres by existing road from Palito. Work commenced early in 2014 on earthworks to allow the Group to expose the bedrock and construct a mine portal. The portal was established at the end of September 2014 and during the fourth quarter of 2014 the decline ramp was advanced towards the first two underground development levels. The Main Vein was intersected in January 2015, and by the end of December 2015 the ramp development provided access to three development levels and the production of ore from the first stopes was underway. Commercial production at the Sao Chico Mine was declared 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 Sao Chico Mine is hosted within a mineralised alteration zone including moderately high concentrations of pyrite, galena, and sphalerite although the gold is not directly associated with the latter two minerals. The gold mineralisation is amenable to direct cyanidation. For much of 2015, the Sao Chico Mine ore was passed directly through to cyanidation, where it was blended with the flotation tailings from the Palito Mine in the CIP recovery plant. However, following the successful commissioning in the fourth quarter of 2015 of an In-Line Leach Reactor ("ILR"), the processing flowsheet of the Sao Chico Mine ore was amended to allow the ore to pass initially to a gravity concentrator after milling, with the concentrate produced being passed through the ILR, where gold is leached, and then recovered through conventional electro winning and smelting processes to produce bars of gold doré. The ILR is a small but very intensive, closed cyanide leaching process for treating very high gold content material, typically to leach high grade gravity concentrate. The tailings from this ILR process continue to pass to the CIP recovery plant where they are blended with the flotation tailings generated from the processing of the Palito ore.

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

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 30 September 2016 an amount of US$1.33 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. The facility was available to be drawn down at any time up to 30 June 2016 and was to provide additional working capital facilities. On 6 January 2016, the Group announced that it had made an initial drawdown of US$2 million against this convertible loan facility. The group made no further drawdowns during 2016 and in August 2016 Fratelli exercised its right to convert the outstanding loan of US$2 million into shares of the Company at a subscription price of UK£0.036. On 15 August 2016, the Company issued 42,312,568 shares of the Company to Fratelli.

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

Key Financial Information

SUMMARY FINANCIAL STATISTICS FOR THE THREE AND NINE MONTHS ENDING 30 SEPTEMBER 2016				
	3 months to 30 Sept 2016 US$	**9 months to 30 Sept 2016 US$**	3 months to 30 Sept 2015(1) US$	9 months to 30 Sept 2015(1) US$
Revenue	**16,209,753**	**42,120,928**	8,365,289	27,043,682
Cost of Sales	**(10,216,119)**	**(25,828,941)**	(6,302,006)	(19,350,056)
Depreciation and amortisation charges	**(2,907,161)**	**(6,552,101)**	(871,576)	(3,603,810)
Gross profit	**3,086,473**	**9,739,886**	1,191,707	4,089,816
Profit before tax	**743,503**	**2,305,731**	114,176	191,073
Profit after tax	**465,480**	**1,471,662**	114,176	191,073
Earnings per ordinary share (basic)	**0.11c**	**0.35c**	0.02c	0.03c
Average gold price received		**US$1,256**		US1,156
			As at 30 Sept 2016	As at 31 Dec 2015
Cash and cash equivalents			**3,116,123**	2,191,759
Net assets			**60,741,839**	46,783,645

<u>**Cash Cost and All-In Sustaining Cost ("AISC")**</u>

	9 months to 30 Sept 2016	9 months to 30 Sept 2015
Gold production for cash cost and AISC purposes	**29,900**	22,720(2)
Total Cash Cost of production (per ounce)	**US$772**	US$702
Total AISC of production (per ounce)	**US$951**	US$894

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

(2) Excludes gold production of 1,984 ounces from the Sao Chico Mine which was not in commercial production during 2015.

(3) 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.

Key Operational Information

SUMMARY PRODUCTION STATISTICS FOR THE THREE QUARTERS ENDING 30 SEPTEMBER 2016 (PALITO AND SAO CHICO)						
		Quarter 1 2016	**Quarter 2 2016**	**Quarter 3 2016**	**9 months 2016**	9 months 2015
Horizontal development	Metres	**2,925**	**2,941**	**2,649**	**8,515**	6,911
Mined ore	Tonnes	**37,546**	**33,606**	**43,133**	**114,285**	101,888
	Gold grade (g/t)	**11.02**	**9.56**	**9.61**	**10.06**	10.07
Milled ore	Tonnes	**36,615**	**39,402**	**42,464**	**118,481**	96,480
	Gold grade (g/t)	**8.58**	**8.17**	**8.08**	**8.27**	8.75
Gold production (1) (2)	Ounces	**9,771**	**9,896**	**10,233**	**29,900(1)**	24,704

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

(2) Gold production totals for 2016 include treatment of 13,227 tonnes of flotation tails

Financial Highlights

- Cash Cost for the year to date of US$772 per ounce.
- All-In Sustaining Cost for the year to date of US$951 per ounce.
- Gross profit from operations of US$9.74 million for the first nine months of 2016 which represents an improvement of 138 per cent compared to the same period in 2015.
- Post tax profit of US$1.47 million compared with US$0.19 million for the same nine month period in 2015.
- Earnings per share of 0.35 cents for the first nine months of 2016.
- Cash holdings of US$3.12 million at 30 September 2016.
- Average gold price of US$1,256 received on gold sales in the first nine months of 2016.
- Negligible borrowings with secured debt facilities outstanding at 30 September of only US$1.4 million (30 June 2016: US$4.7 million)

2016 Guidance

- Forecast gold production for 2016 expected to be approximately 39,000 ounces.
- The Company maintains its cost guidance for the full year of an All-In Sustaining Cost of US$950 to US$985 per ounce reflecting the continued strength of the Brazilian Real with has appreciated by 19 per cent since March 2016.

Operational Highlights

- Record quarterly gold production of 10,233 ounces for the third quarter of 2016 (Q2 2016 - 9,896 ounces).
- Mine production totalled 43,133 tonnes, a 28 per cent increase over the preceding quarter.
    - 31,916 tonnes at a grade of 9.52 grammes per tonne ("g/t") of gold from Palito.
    - 11,217 tonnes at 9.88 g/t of gold from Sao Chico.
- 42,464 tonnes of ore processed through the plant for the combined mining operations at an average grade of 8.27 g/t including the processing of low grade stockpiles.
- 2,649 metres of horizontal mine development completed in the quarter with 1,607 metres completed at Palito and 1,042 metres at Sao Chico.
- With the third ball mill operational from the end of the second quarter, along with a second flotation line and enhancements in the carbon in pulp ("CIP"),
- These plant enhancements have increased plant capacity from 380-400 tonnes per day ("tpd") to over 500 tpd. This additional capacity of approximately 100 tpd is being used to consume the surface stockpile as much as practicably possible.
- Work has commenced on the installation of a new carbon regeneration kiln which should be completed in the early part of the fourth quarter. The kiln will regenerate 'fouled' carbon and enhance gold recoveries.
- Sao Chico has now been deepened to the 86m level, some 150 vertical metres below surface. The ramp is continuing at a slower rate to the 71m level.
- During the third quarter, underground exploration drilling continued at both sites. At Sao Chico the first 17 holes of a 6,000 metre programme were completed. The programme is testing the continuity of the central ore-zone below the current deepest workings at 86m down to level -20m.
- At the end of the third quarter, the combined surface ore stockpiles at Palito and Sao Chico totalled 11,000 tonnes at an average grade of 3.3 g/t of gold.

Outlook and Strategy

The Palito Mine is currently operating across four key mining sectors and the current mining plans for the next two years take into account only eight of the 24 veins that comprise the measured indicated and inferred resources of the Palito Mine. Underground drilling at the Palito Mine is helping to identify mineralisation at depth making the rate and location of future mine development more efficient and also identifying additional smaller parallel vein structures that could be accessed from existing mine development.

Within the Main Zone of the Palito Mine, the principal G3 vein has been developed to a depth of over 200 metres and over a strike length of approximately 1.5 kilometres. Management consider that there is strong potential for the Palito set of veins to continue through to the Currutela discovery. If this were to be the case the overall strike length would extend to approximately four kilometres. The strike width from the Chico da Santa sector to the east to the Senna sector to the west is approximately 500 metres.

Management consider that the likelihood of being able to continuously replenish and increase the resource potential in and around the Palito Mine remains very high with good potential to establish satellite mining opportunities close by. The Palito South, Currutela and Piaui discoveries are advanced prospects that provide excellent opportunities for identifying additional resources which could both enhance current production levels as well as extend the mine life.

At Sao Chico the mine development has, to date, focussed on the central ore shoot of the Main Vein. The Sao Chico Mine whilst contributing to the Group's gold production, was primarily in development during 2015 and the early part of 2016 as the Group has sought to ensure that it secures a rolling medium term production plan for up to two years into the future. It is only in the second half of 2016 that the level of stoping activity has begun to increase, and it is expected that the long term balance between development mining and stope mining rates will only be reached at the end of 2016 at which point management expect that monthly production rates will stabilise. The Group is driving development galleries east and west towards parallel vein structures that have been identified by surface drilling. Management is confident that these ore shoots will provide additional mineable ore at Sao Chico. Underground drilling is being undertaken at Sao Chico for short term operational and mine planning purposes but a second parallel campaign is being undertaken to test the deeper resource potential of the deposit.

Management continues to evaluate the Group's options for expanding its gold production. Mine-site geophysics studies undertaken during the third quarter of 2016 over the Currutela and Piuai discoveries and other areas close to the current Palito Mine have been designed to improve the drill targeting of a planned 2017 surface drilling campaign. Management feel that this drilling campaign could provide sufficient confidence to justify commencement of new mine portals and underground exploration development drives to access and fully evaluate any new discoveries that are considered to be potentially commercially viable. In time these discoveries could become established as new near-mine satellite deposits adding incremental production.

The Group has also commenced mine-site surface geophysics programmes around the Sao Chico deposit. Management consider that the mineralisation at Sao Chico is hosted in a regional shear zone and is now using geophysics to try and identify additional deposits that may lie along a four kilometre strike zone around the current Sao Chico deposit. Again, in time this exploration work may lead to the identification of additional near-mine satellite mining operations.

All exploration has been on-hold since the end of 2011 when the Group took the strategic decision to focus its immediate efforts on bringing the Palito Mine back into production. Whilst currently, the immediate focus of management is to evaluate the near-mine potential within two to three kilometres of its existing operation, on a wider regional basis the Company is developing plans to progress the evaluation of its whole tenement package. The Company has flown approximately 16,000 hectares of airborne VTEM surveys but has had limited funds and opportunity to follow up on many of the areas of interest that were highlighted by this initial screening geophysical technique. Conscious that the exploration tenements that it holds are only granted for limited terms, the Company is keen to implement, as and when adequate funding is available, a regional exploration programme to highlight those tenement areas that should be prioritised as having the highest potential. With a number of historic garimpo operations lying within the Company's tenements, management is confident that in the fullness of time it will be able to make further discoveries all of which in time could have the potential to be additional satellite operations all lying within 15 kilometres of either of its current Palito or Sao Chico operation contributing to opportunities for further resource and production growth.

Through this combination of near-mine and regional exploration and evaluation the Group expects to establish a strong pipeline of development opportunities that will allow the Group to grow its production base at 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.

At this time no surface drilling or other surface exploration activities are currently planned on any other exploration properties of the Group.

Management has and will continue to evaluate other value adding, cost effective opportunities within Brazil that it considers could increase the resource base and longer term production potential of the Group as well as having the potential to be value enhancing for its shareholders. These opportunities will always also be assessed and only considered, if they outrank existing organic growth options.

2016 Production Guidance

The Group is currently forecasting gold production for 2016 to be approximately 39,000 ounces with All-In Sustaining Cost expected to be between US$950 to US$985 per ounce. Cost guidance was last updated on 14 August 2016 to reflect the strengthening of the Brazilian Real against the US Dollar.

Palito Gold Project – Para State, Brazil

History

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

The Palito Mine is a high-grade, narrow vein, underground 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 per cent, with copper recovery around 93 per cent, providing total production over this period of approximately 100,000 ounces of gold.

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

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 per cent for gold and 93.9 per cent for copper.

(3) Addition errors arise through rounding differences.

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.

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 25 kilometres to the south west, along the Transgarimpeira Highway, from the Palito Mine. The Sao Chico exploration licence was in force until 14 March 2014 and the Group, prior to its expiry, commenced the process of converting the concession to a full mining licence. A trial mining licence has also been issued for the property valid to 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 historic garimpo mining operations but exploration over the area has been limited. Prior to the acquisition of the project by the Group, the most significant recent exploration was a 22 hole programme extending to about 3,300 metres of diamond drilling conducted by Kenai during 2011. Following this drilling programme, Kenai commissioned Exploration Alliance Limited to produce a NI 43-101 compliant technical report including a mineral resource statement.

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

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

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

Operational review for the first nine months of 2016

Total gold production for the third quarter of 2016 was 10,233 ounces making total gold production for the year to date of 29,900 ounces representing a 21 per cent improvement on the gold production level for the first nine months of 2015 which totaled 24,704 ounces (third quarter of 2015 : 9,078 ounces).

The Palito Mine has now been in full production for over two years and has achieved a steady state of mine output. The Sao Chico Mine was in development throughout 2015 with no ore production in the first quarter of 2015. Mining rates at the Sao Chico Mine in the fourth quarter of 2015 reached levels which allowed the Group to declare that commercial production had been achieved from 1 January 2016. The ore generated from the Sao Chico Mine in the first nine months of 2016 has continued to be derived principally from development operations rather than from stoping, although with a number of development headings now established, during the third quarter and for the fourth quarter of 2016, the Company is increasing the level of stoping activity and increasing the tonnage of ore that is being recovered from stope mining.

Mining operations

Performance of the combined mining operations of both the Palito and Sao Chico Mines has resulted in approximately 114,300 tonnes of ore being extracted during the first nine months of 2016 which compares with a total of 101,888 tonnes produced in the same nine month period of 2015, an improvement of 12 per cent. The significant majority of the 2015 production was from the Palito Mine and ore output in the first nine months of 2016 from the Palito Mine was approximately 900 tonnes (1.1 per cent) less than the same period in 2015. This lower production level was expected however, reflecting the limitations of the level of ore that can be processed and the availability of ore from the Sao Chico Mine to supplement the mine production from the Palito Mine. The mine production for the third quarter of 2016 from the Palito Mine of 31,916 tonnes was higher than the corresponding period of 2015 by about 2,000 tonnes representing an improvement of seven per cent.

Average mined grades achieved for the quarter across both mines continued to be around 10 g/t of gold which has been much the case for the past two years, and serves to illustrate the focus on quality which selective mining brings.

At the end of the third quarter of 2016 combined coarse ore stocks from the Palito and Sao Chico Mines were approximately 11,000 tonnes with an average grade of 3.3 g/t of gold (30 September 2015: approximately 14,800 tonnes with an average grade of 3.66 g/t of gold).

Palito Mine

Mining activities at the Palito Mine are now very much in regime with approximately 112,000 tonnes of ore mined at a grade of 10.05 g/t of gold during 2015 and a further 83,866 tonnes mined at a grade of 10.55g/t during the first nine months of 2016. 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.

During 2016, the Company has focussed on opening up new sectors in the mine as well as continuing to develop the existing sectors. Up until 2016, mining operations at Palito had focussed on the G1, G2 and G3 vein complex as well as the Palito West sector. This year, the Company has continued development of these two sectors but has also given increased priority to developing and accessing previously drilled, but undeveloped sectors in the upper levels, namely Senna and Chico da Santa. Chico da Santa lies to the east of the G1, G2 and G3 vein complex and the Senna zone is located to the west. With four sectors now being developed underground at Palito, during the first nine months of 2016 the Group has completed approximately 5,400 metres of horizontal development of which approximately 1,600 metres was completed in the third quarter of 2016.

In the G1, G2 and G3 vein complex, the main ramp has been deepened further and has now reached the -50 metre relative level ("mRL") which is now the lowest production level in the Palito Mine.

In the Palito West sector, an internal ramp from the 61mRL to the 31mRL has been completed and approximately 320 metres of ore development on the 31mRL has been completed during 2016.

The Senna zone was mined during 2008 and 2009 as a small open pit where approximately 25,000 tonnes of oxide ore with a grade of 3 g/t gold was extracted. It is now in underground development and to date has been very successful.. Mine development on the 237mRL and 225mRL is now supplemented by development on the 210mRL and 250mRL's which were accessed during the third quarter of 2016. All ore being mined from the Senna sector is currently from development activity with stoping yet to start. Based on the ore grades recovered from the open pit operation and deeper exploration drill-holes, management is hopeful of the long term potential within the Senna zone which, whilst part of the main Palito Mine complex, has the benefit of an independent access from surface.

In the Chico da Santa sector, the 114mRL has been developed on the Ipe, Jatoba and Mogno veins. Good grades have been encountered in all three veins, though the veins in the sector tend be slightly narrower than the veins being mined elsewhere in the Palito Mine.

During 2015, the Group continued mine development on G3 towards the Palito South area primarily on the 114mRL, which has been driven approximately 700 metres further south than any other underground working at Palito. This development has not been advanced significantly in 2016 as it is awaiting underground diamond drilling to test the down-dip continuity of G3 vein at depth. This area will be drilled during the first quarter of 2017.

Approximately 5,417 metres (nine months to 30 September 2015: 4,837 metres) of horizontal development has been completed during the nine month period at the Palito Mine, of which 2,936 metres was ore development, with the balance being on the development of ramps, cross cuts and stope preparation. This rate of development is consistent with the levels required to maintain a consistent and adequate level of production stoping blocks and reflects the rate at which these blocks are depleted.

Opening up new sectors of the Palito Mine has created options and flexibility, an essential part of any underground mining operation. Underground diamond drilling is being used to evaluate numerous known, but underexplored veins and together with these two new sectors, the Group hopes to open up numerous new mining faces in the upper levels. These have the advantage of being in close proximity to existing mine infrastructure and will not require any new ramp development.

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

Sao Chico Mine

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

Since this time, the Main Vein has continued to be developed and evaluated with a combination of 'on-lode' development and underground drilling. The main ramp has now reached the 86mRL and during the fourth quarter of 2016 will be advanced to the 71mRL. Development has now been undertaken on seven levels with stoping activity currently focussed on the 186mRL, 170mRL and the 156mRL

During 2016, the decision to implement sublevel open stoping as the principal mining method was taken, and this resulted in the development of sublevels with 12 metre vertical spacings floor to floor. Each sublevel is advanced three metres at a time and channel sampled. This closer sample spacing that this allows has greatly increased the understanding of the orebody and the increased level of mine development has enabled the Company to now define a clear 24 month mine plan. A total of 1,794 metres of ore development has been completed during the year to date.

The Main Vein or ore zone at Sao Chico can vary from 1.0 metres to 8 metres wide, but most commonly is a 2.5 metre alteration zone, which itself is structurally continuous. However, the gold grades within this alteration zone are quite erratic and are hosted in three steeply plunging pay-shoots. In these pay-shoots, the grades are often truly spectacular, very often being in excess of 100 g/t of gold. Outside the pay-shoots the vein is continuous but with low gold grades and as a result it is unavoidable that, as the mine development passes between the pay- shoots, lower grade ore has to be mined. Whilst the alteration zone itself is readily identifiable the high grade gold zones within this alteration zone are much less so, and as result the mining operations 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 allows the Group's mining personnel to readily identify stoping blocks and optimise mining of the high gold grade zones.

The central pay-shoot is the most established of these thre high grade shoots, and is some 100 metres long. The Group has, and will continue to focus in the near-term, on developing this part of the Main Vein, and some consistent higher grade development ore is being generated as a result. Access to the other pay-shoots along the strike will not be lost and these will be available for development later in the year.

During the second quarter of 2016, the Company commenced underground exploration drilling of the central pay-shoot targeting its down dip extension. The results from the first holes have been encouraging and to date approximately 2,500 metres of a 6,000 metre programme have been drilled, with 17 holes completed. The drilling has intersected the Main Vein in all 17 holes and is confirming the belief that the Sao Chico Main Vein, is a regional shear structure. This bodes well for the continuation and strike extension outside the immediate and current mine limits.

Plant operations

Total gold production for the first nine months of 2016 was 29,900 ounces of gold, generated from the processing of the run of mine ("ROM") ore from the Palito and Sao Chico Mines, combined with the Palito surface coarse ore and the stockpiled flotation tailings accumulated from the processing of Palito Mine production in 2014.

Gold production for the nine month period came from the processing of 118,481 tonnes of hard rock ROM ore from the Palito and Sao Chico Mines with an average grade of 8.27 g/t of gold (nine months to 30 September 2015: 96,480 tonnes at 8.75 g/t of gold). The total mined ore for the same period was 114,285 tonnes with an average grade of 10.06 g/t of gold (nine months to 30 September 2015: 101,888 tonnes at 10.07g/t of gold). The increase in mined and processed ore reflects the increased levels of ore being produced at Sao Chico compared with the same period in 2015 when ore production was only just beginning. In addition to the ROM ore, an additional 13,277 tonnes of flotation tailings with a grade of 3.09 g/t of gold (nine months to 30 September 2015: 15,020 tonnes) was processed through the cyanidation plant.

The flotation tailings that were generated in 2014 as a result of operating the process plant for the first 9 months with recovery of gold from flotation only, prior to completion of the CIP circuit which became operational in October 2014. The Group had planned to run down these existing stockpiles during 2015, but limited plant capacity meant only small proportion of these surface stocks could be treated.

The Group therefore made the decision before the end of 2015 to acquire a third ball mill and modify the plant to increase nominal daily plant throughput capacity from an average of 400 tonnes per day ("tpd") to at least 500 tpd. Further improvements undertaken within the process plant during 2016 have included the installation of additional flotation capacity and automation, along with new carbon screens within the CIP tanks to improve inter-tank flow rates. A carbon regeneration kiln is in the pricess of being installed and commissioned and will be operational during the fourth quarter of 2016. This kiln will regenerate fouled carbon reducing the need to purchase fresh carbon and is also anticipated to enhance gold recoveries.

Since operations began the Group's operations have been limited by the capacity of its process plant and the Group has not been able to run down the surface stocks as quickly as hoped. However, and perhaps more importantly, a third mill provides essential contingency in the processing operations that has never previously existed. Once the surface stocks have been consumed, and with the Group's current understanding of the mining resources at both Palito and Sao Chico, management currently consider it unlikely that in the near term future mine plans can support the increased plant capacity. As a result the operation will have milling capacity in excess of the mining rates and the third ball mill will revert to its primary purpose of providing much needed contingency in the plant. Since the plant commenced operating, the time available for essential routine planned maintenance has been scarce. The third mill means the operation can comfortably accommodate much needed maintenance time, as well as absorbing any unexpected interruptions to operations.

Milling rates for ROM ore have increased by 23 per cent from an average of 355 tpd for the nine months to 30 September 2015 to an average rate of 438 tpd for the nine month period to 30 September 2016. The introduction of the third ball mill at the end of June 2016 has had a significant effect on throughput rates. The average daily milling rate was 461 tpd for the third quarter of 2016 compared with an average rate of 417 tpd for the first six months of 2016. The increase in processing rates also reflects the improvements in the operational efficiency of the process plant which has been assisted by the introduction of the gravity circuit and ILR for treating Sao Chico ore, reducing the levels of gold that would otherwise be being treated in the CIP circuit. This improved efficiency has also allowed the rate of processing of the flotation tails to be maintained at similar levels to the corresponding period in 2015. This has meant that the effective process rates for the CIP circuit have increased from an average of 410 tpd for the nine month period to 30 September 2015 to an average rate of 489 tpd for the nine month period to 30 September 2016.

At 30 September 2016, there were approximately 24,300 tonnes of flotation tails with an average grade of 2.5 g/t of gold (30 September 2015: approximately 40,900 tonnes at 2.5 g/t of gold) waiting to be processed.

The plant expansion is expected to provide sufficient incremental capacity to process most of the stockpiled material of both coarse ore and flotation tails during the remainder of 2016.

		Quarter 1 2016	Quarter 2 2016	Quarter 3 2016	Nine months 2016	Nine months 2015
Horizontal development – Palito	Metres	**1,900**	**1,910**	**1,607**	**5,417**	4,837
Horizontal development – Sao Chico	Metres	**1,025**	**1,031**	**1,042**	**3,098**	2,074
Horizontal development – Total	Metres	**2,925**	**2,941**	**2,649**	**8,515**	6,911
Mined ore – Palito	Tonnes	**26,752**	**25,198**	**31,916**	**83,866**	84,798
	Gold grade (g/t)	**11.84**	**10.48**	**9.52**	**10.55**	10.44
Mined ore – Sao Chico	Tonnes	**10,794**	**8,408**	**11,217**	**30,419**	17,090
	Gold grade (g/t)	**9.00**	**6.81**	**9.88**	**8.72**	8.22
Mined ore – Total	Tonnes	**37,546**	**33,606**	**43,133**	**114,285**	101,888
	Gold grade (g/t)	**11.02**	**9.56**	**9.61**	**10.06**	10.07
Milled ore	Tonnes	**36,615**	**39,402**	**42,464**	**118,481**	96,480
	Gold grade (g/t)	**8.58**	**8.17**	**8.08**	**8.27**	8.75
Gold production (1)	Ounces	**9,771**	**9,896**	**10,233**	**29,900**(2)	24,704

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

(2) Gold production totals for 2016 include treatment of 13,227 tonnes of flotation tails.

Exploration and Licensing matters

The Group undertook a surface diamond drill programme in March 2015 at the Sao Chico Mine and the completed programme consisted of 42 diamond drill holes totalling 7,204 metres. A further 30 underground diamond drill holes were completed during 2015 totalling 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. It built on the results and understanding gained from the 2011 and 2013 drilling campaigns and reported numerous high grade intersections with some gold grades in excess of 100 g/t and indications that the grade and resource potential continues at depth. Further details are set out in a news release issued by the Group on 21 October 2015 which is available on the Group's website www.serabigold.com and has been filed on SEDAR. The understanding of the orebody has also been assisted by paragenetic studies on mine ore 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.

Two geophysical exploration programmes are underway, one at each mine site. The first of these programmes involves using down-the-hole electromagnetics ("DHEM") in the discovery holes drilled by the Group in 2011 at the Currutela, Piaui and Palito South prospect areas and other areas of interest close to the Palito Mine. DHEM provides data to model the likely geographical location and extent of the sulphide rich zones which have been intersected in the 2011 drill holes and the results are expected to generate better target for drilling in a follow-up campaign planned for 2017. The on-site programme has been completed and the data readings are being interpreted and collated and correlated with existing geological data.

The second programme is being undertaken at Sao Chico using surface induced polarisation ("IP") and whilst it will include areas immediately around the Sao Chico Mine will also be undertaken in some of the recently acquired tenements around Sao Chico. Management consider that these new tenements which are located to the south and the west of the original Sao Chico licence area offer excellent potential for hosting strike extensions of the current Sao Chico veins.

Both geophysical programmes are using well established techniques to identify conductive bodies and sulphide mineralisation as pathfinders to locating gold occurrences which are associated with these features.

Jardim do Ouro Exploration

With the addition of the new tenement to the west and south at South Chico the Jardim do Ouro exploration area ("JDO Project") covers a total area of over 50,000 hectares, incorporating the Palito and Sao Chico mining licence areas. The Palito mining licence was granted on 23 October 2007 covering an area of 1,150 hectares whilst the Sao Chico licence is in the process of being converted into a full mining licence. The remainder of the tenement area comprises exploration licences either granted or in application. The JDO Project is located in the Tapajós Mineral Province in the south east part of the Itaituba Municipality in the west of Pará State in central north Brazil.

The focus of the Group has been on the identification and development of satellite ore deposits located in close proximity to Palito. The Group completed two 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.

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.

It has always been the intention of the Group to use cash flow generated from its production operations to advance its exploration opportunities. As already noted the Group will conduct DHEM in close proximity to the Palito Mine and IP around the Sao Chico during the second half of 2016 with the intention of using the results from these programmes to plan drilling campaigns that can be undertaken during 2017.

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 30 September 2016 compared to the three month period ended 30 September 2015

The calendar year 2016 represents the first financial period when both of the Group's operations at the Palito Mine and the Sao Chico Mine are reported as being in commercial production. During 2015 all operating revenues and operating costs related to the Sao Chico Mine operations were capitalised and therefore revenue, operating costs and mine amortisation charges related only to the costs associated with the Palito Mine. This change in treatment for reporting the costs of the Sao Chico Mine operations has resulted in significant variation when comparing the results reported for the three and nine month periods ended 30 September 2016 compared with the reported results for the three and nine month periods ended 30 September 2015.

The Group generated US$16,209,753 in revenue for the three month period ended 30 September 2016 which ensured that the Group registered a third successive new record for the level of quarterly revenues. During the same three month period in 2015 the Group reported revenue of US$8,365,289. The increase reflects the higher volume of sales which have increased from 7,317 ounces of gold to 10,144 ounces of gold and also the improved gold price. Sales in 2016 include production from the Sao Chico Mine where commercial production was declared from 1 January 2016. The average gold price for the three months to 30 September 2016 was approximately US$ 1,333 per ounce compared with the average price for the period to 30 September 2015 which was approximately US$1,111 per ounce.

The Group has recognised a gross profit for the quarter of US$3,086,473 (three months to 30 September 2015: US$1,191,707), an operating profit of US$1,719,574 (three months to 30 September 2015: US$219,535) and a profit before taxation for the three month period ended 30 September 2016 of US$743,503 in comparison to a gain of US$114,176 for the same period during 2015.

The gross profit of US$3,086,473 for the financial quarter ended 30 September 2016 can be analysed and compared against the gross profit of US$1,191,707 for the financial quarter ended 30 September 2015 as follows:

	Three months to 30 September 2016 US$	Three months to 30 September 2015 US$	Variance US$
Revenue from Ordinary Activity			
Copper/ Gold Concentrate	**8,882,936**	6,138,591	2,744,345
Gold Bullion – Palito and Sao Chico	**7,326,817**	2,226,698	5,100,119
Total Sales	**16,209,753**	8,365,289	7,844,464
Costs of sales			
Operational costs	**(9,059,132)**	(5,327,926)	(3,731,206)
Shipping costs	**(583,828)**	(599,508)	15,680
Treatment charges	**(326,379)**	(264,143)	(62,236)
Royalties	**(246,780)**	(110,429)	(136,351)
Amortisation of Mine Property	**(2,292,006)**	(564,044)	(1,727,962)
Depreciation of Plant & Equipment	**(615,155)**	(307,532)	(307,623)

	Three months to 30 September 2016 US$	Three months to 30 September 2015 US$	Variance US$
Total Operating costs	**(13,123,280)**	(7,173,582)	(5,949,698)
Gross profit	**3,086,473**	1,191,707	1,894,766

Sales are only recognised when the risks and rewards of ownership of the goods are transferred to the buyer. During the month of September 2016, the Group entered into a new contract for the sale of its copper/gold concentrate. Under this new contract the sale is recognised when the goods depart from Brazil whilst under the Group's previous contract the sale was only recognised when the goods arrived at the purchasers premises. Normally the Group would recognise, on average, the sale of approximately 120 to 160 tons of copper/gold concentrate per month. However, as a result of this new contract the Group recognised two shipments totalling 320 tons, of copper/gold concentrate during September (one shipment which had arrived at the premises of the end purchaser as per the old contract and one shipment which had departed from the port of the Belem as per the new contract).

Revenue from the sale of copper/gold concentrate of US$8,882,936 has been recognised from the sale of 640 tonnes, containing an estimated 4,605 ounces of gold, (quarter ended 30 September 2015: US$6,138,591 from sales of 620 tonnes containing an estimate of 5,354 ounces of gold) which had been delivered to the purchaser during the quarter ended 30 September 2016. The unsold material is held as inventory. During the three months to 30 September 2016 the Group produced 451 wet tonnes of copper/gold concentrate, containing an estimated 4,645 ounces, (quarter ended 30 September 2015: 609 wet tonnes produced containing 5,956 ounces of gold.)

During the third quarter of 2016 the Group also recognised revenue from sales of 5,539 ounces of gold bullion earning revenue of US$7,326,817, (third quarter of 2015: 1,963 ounces earning US$2,226,698). During this three month period ended 30 September 2016 the Group sold 2,831 ounces of gold bullion from Palito earning US$3,850,613 and 2,708 ounces of gold bullion from Sao Chico earning US$3,476,204. During the same period in 2015 the Group only recognised revenue from sales of bullion produced from the Palito Mine. The Sao Chico operation did not attain commercial production until 1 January 2016 and the revenue of US$1,343,712 from the sale of 1,201 ounces produced from Sao Chico was capitalised

Operating costs of US$9,059,132 for the third quarter of 2016, (quarter ended 30 September 2015: US$5,327,926) relate to all mining and plant processing costs, as well as all general site costs incurred at Palito during the period. The increase in operating costs of US$3,731,206 is primarily because all operating costs incurred with producing the 1,201 ounces of bullion from Sao Chico were capitalised during the third quarter of 2015.

	Three months to 30 September 2016 US$m	Three months to 30 September 2015 US$m	Variance US$m
Labour	3.77	2.40	1.37
Mining consumables and maintenance	2.97	1.55	1.42
Plant operations	1.32	0.78	0.54
General site costs	1.00	0.59	0.41
Total operating costs	9.06	5.33	3.73

Labour costs have increased by US$1.37 million for the three month period ended 30 September 2016 in comparison to the same period in the previous year primarily because in 2015 all costs associated with the Sao Chico were capitalised but also due to an increased number of personnel employed to support the increase in activity. Additionally each Brazilian employee received a 10 per cent increase in salary in May 2016 as a result of the national collective agreement in Brazil.

Mining consumables per ton for the three month period ended 30 September 2016 are consistent with the same three month period from 2015. However as all operating costs associated with the Sao Chico operation were capitalised during the third quarter of 2015 the total costs recognised have increased by US$1.42 million. Maintenance costs have increased as all equipment held during the third quarter of 2015 is now a year older as well as new equipment having been purchased since 30 September 2015. In particular maintenance costs have increased reflecting the increased use of generators to provide reliable power for the operations in particular in light of the increased tonnage of ore being mined and processed.

Plant costs have increased for the three month period ended 30 September 2016 in comparison to the same period in the previous year as all the plant costs associated with the production of Sao Chico produced bullion were capitalised during 2015 prior to Sao Chico attaining commercial production. As a result, the total tonnage processed which has been recognised in calculating the plant costs recognised in the profit and loss account has increased by 66 per cent during the three month period ended 30 September 2016 in comparison to the same period of the previous year.

General site costs for the three month period ended 30 September 2016 are approximately 37 per cent higher than in the same three month period from 2015 because costs associated with the Sao Chico operation are no longer being capitalised as well as increased activity at the Palito Mine and processing plant.

Shipping costs of US$583,828 (2015: US$599,508) includes all domestic road and river freight in Brazil from the Palito Mine to the international port at Belem, and also international sea freight to the end purchaser as well as air transport and insurance for the bullion sold from the Palito Mine to its final destination in Sao Paulo. The Company tries to recognise shipping costs at the date they are incurred but in the first nine month period of 2015, delays in receipt of charges meant that provisions for unbilled costs relating to that period were not fully provided for.

Treatment Charges of US$326,379 (2015: US$264,143) include US$296,097 (2015: US$247,086) relating to the treatment of the copper concentrate and levied by the smelter and US$30,282 (2015: US$17,057) for the cost of weighing, sampling and assay analysis carried out by a third party on behalf of the Group.

Royalty payments of US$246,780, (2015: US$110,429) comprise statutory levies payable in Brazil. Rates are uniform across all mining operations and currently comprise a 1 per cent royalty on gold production and a 2 per cent royalty on copper production. The increase by comparison with the same quarter in 2015 reflects an overall increase in gold sold during the period, primarily because ounces sold from Sao Chico were still being capitalised during the third quarter of 2015. In addition, the Company is now reporting as an operating expense the additional royalty on the production from the Sao Chico Mine to a former owner of that property.

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

The total amortisation charge which is reducing the book value for the Palito and Sao Chico mines for the third quarter of 2016 is US$1,687,052 (three months to 30 September 2015: US$1,016,674).

The charge reported in the income statement is however adjusted to reflect the level of sales rather than the level of production with the part of the depreciation being carried in inventory and released to the Income Statement when the goods are sold. The increase of US$1,727,962 between the charge recorded in the Income Statement for the three month period ended 30 September 2016 in comparison to the same period of the previous year is primarily because Sao Chico had not achieved commercial production during 2015. As a result there was no amortisation charge in relation to Sao Chico recorded in the Income Statement. In addition, the change in the contract arrangement for the sale of copper/gold concentrate has accelerated the recognition of sales revenue and reduced inventory levels resulting, in turn, in a one-off release of an amortisation charge carried as part of the inventory valuation to the Income Statement.

Depreciation charges of US$615,155 (three months to 30 September 2015: US$307,532) are in respect of mining and processing plant and equipment and is an increase of US$307,623. The increase is primarily due to an increased mobile fleet acquired for both the Palito and Sao Chico Mine operations partly offset by reduced depreciation charges for equipment that remains operational but is reaching the end of its useful life.

The profit from operations increased by US$1,500,038 from a profit of S$219,535 for the three month period ended 30 September 2015 to a profit of US$1,719,573 for the three month period ended 30 September 2016 reflecting the improvement in gross profit from mining operations of US$1,894,766. Administration expenses have increased during this period by US$394,675 from US$871,153 for the three months ended 30 September 2015 to US$1,265,898 for the same period in 2016. This increase in administrative costs is as a result of increased costs to provide support to the increased activity provided at both the Palito and Sao Chico Mine sites.

The Company recorded a foreign exchange loss of US$28,860 in the three month period to 30 September 2016 which compares with a foreign exchange loss of US$364,869 recorded for the three months ended 30 September 2015. These foreign exchange gains and losses primarily occurred in respect of the cash holdings of the Company in currencies other than US Dollars as at the period end and do not necessarily reflect actual realised profits or losses. The Company holds funds in certain currencies in anticipation of future expenditures that are anticipated to be settled in those currencies.

Net interest and other finance related costs for the three month period to 30 September 2016 were US$947,21 compared with a gain of US$259,510 for the same period of 2015. An analysis of the composition of these charges is set out in the table below:

	Quarter Ended September 2016 US$	**Quarter Ended September 2015 US$**
Interest expense on Sprott loan	59,193	140,091
Interest on trade finance facility	66,411	105,397
Arrangement fees on finance facilities	–	132,000
Amortisation of fair value of derivatives	201,126	–
Expense on revaluation of derivatives	177,594	–
Interest expense on convertible loan stock	20,328	–
Asset finance charges	296	10,586
Finance cost on gold trading	422,302	–
	947,250	388,074
Gain on revaluation of warrants	–	(424,773)
Hedging income	–	(173,246)
Gain on revaluation of derivative	–	(49,564)
Interest income	(40)	(1)
Net finance expense	947,210	(259,510)

The interest on the Sprott loan of US$59,193 is the cost of three months of interest paid in relation to funds advanced under the credit agreement with Sprott Resource Lending Partnership with the reduction in interest reflecting the lower levels of loan principal outstanding during the period.

The interest on trade finance loans of US$66,411 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 reduction in intertest is because during the three month period ended 30 September 2016 the Group changed final customer and as a result no longer requires a trade finance loan on its concentrate sales.

The amortisation of fair value of derivatives of US$201,126 comprises two elements. US$93,750 represents the amortisation charge for the quarter of the fair value ascribed to the call option granted to Sprott. The original option was over 2,500 ounces of gold at a price of US$1,125 per ounce which expires on 30 September 2017. Sprott exercised their options over 1,250 ounces at an agreed spot price of

US$1,363.78 on 7 July 2016. As a result, the accounting treatment of the amortisation of these options was accelerated during the third quarter of 2016 which resulted in a charge for the quarter of US$93,750. The remaining US$107,376 relates to the amortisation charge for the quarter of the fair value of the equity portion of the convertible loan provided by Fratelli Investments Limited in January 2016. Neither of these derivatives were in place in 2015.

The expense on the revaluation of derivatives of US$177,594 (three months to 31 September 2015: US$nil) represents the loss arising on fair value of the convertible loan stock (US$182,369) and the gain arising from a period-end revaluation of the fair value of the call options provided to Sprott Resource Lending Partnership LLP (US$4,775), (as noted above). The gain realised in 2015 relates to the Sprott gold call options that were not exercised.

The interest expense on convertible loan stock relates to the interest on the unsecured convertible loan facility provided by Fratelli. The initial loan facility was for up to US$5 million and carried interest at a rate of 12 per cent per annum. An initial US$2 million was drawn down on 5 January 2016. Fratelli had the right to convert the loan into new Ordinary Shares of Serabi at a price of 3.6 pence per new Ordinary Share. During August 2016, Fratelli exercised their right to convert the US$2 million loan into ordinary shares of 0.5 pence each in the Company. The amount of interest incurred during the third quarter of 2016 before Fratelli exercised the right to convert the US$2million convertible loan into Ordinary Shares was US$20,328.

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

The finance cost on gold trading of US$422,302 (three months to 30 September 2015: income of US$173,246) is actual and estimated variation expected to be incurred from short term movements in the gold price between the contractual pricing arrangements with the end purchaser of the copper/gold concentrate and the price ruling when the Group draws down on the trade finance arrangement that it has in place.

During 2015 the Group had 100,000,000 warrants outstanding at an exercise price of six pence. The nature of these warrants meant that warrants had a derivative element. These warrants expired in January 2016 without being exercised. The income reported in the three months to 30 September 2015 represents the gain arising on the revaluation of the derivative element of these warrants.

Nine month period ended 30 September 2016 compared to the nine month period ended 30 September 2015

The calendar year 2016 represents the financial period when both of the Group's operations at the Palito Mine and the Sao Chico Mine are reported as first being in commercial production. During 2015 all operating revenues and operating costs related to the Sao Chico Mine operations were capitalised and therefore revenue, operating costs and mine amortisation charges related only to the costs associated with the Palito Mine. This change in treatment for reporting the costs of the Sao Chico Mine operations has resulted in significant variation when comparing the results reported for the three and nine month periods ended 30 September 2016 compared with the reported results for the three and nine month periods ended 30 September 2015.

The Group has reported a gross profit for the nine month period ended 30 September 2016 of US$9,739,886 (nine months to 30 September 2015: US$4,089,816) and a profit before taxation for the nine month period ended 30 September 2016 of US$2,305,731 in comparison to a profit of US$191,073 for the nine months ended 30 September 2015. The Group has reported total revenue of US$42,120,928 during the nine month period to 30 September 2016 (nine months to 30 September 2015: US$27,043,682).

The gross profit of US$9,739,886 can be analysed as follows:

	Nine months to 30 September 2016 US$	Nine months to 30 September 2015 US$	Variance US$
Revenue from Ordinary Activity			
Copper/Gold Concentrate	**22,442,739**	19,409,930	3,032,809
Gold Bullion – Palito & Sao Chico	**19,678,189**	7,633,752	12,044,437
Total Sales	**42,120,928**	27,043,682	15,077,246
Costs of sales			
Operational costs	**(22,382,160)**	(16,722,075)	(5,610,085)
Shipping costs	**(1,814,146)**	(1,544,012)	(270,134)
Treatment charges	**(932,080)**	(728,783)	(203,297)
Royalties	**(700,555)**	(305,186)	(395,269)
Amortisation of Mine Property	**(5,115,180)**	(2,851,319)	(2,263,861)
Depreciation of Plant & Equipment	**(1,436,921)**	(752,491)	(684,430)
Total Operating costs	**(32,381,042)**	(22,953,866)	(9,427,176)
Gross profit	**9,739,886**	4,089,816	5,650,070

Sales are only recognised when the risks and rewards of ownership of the goods are transferred to the buyer. During the month of September 2016, the Group entered into a new contract for the sale of its copper/gold concentrate. Under this new contract the sale is recognised when the ship containing the product departs from the port of Belem, Brazil. The Group's previous contract considered the sale date to be the date on which the product arrived at the premises of the end purchaser.

During the nine months to 30 September 2016 the Group produced 1,568 wet tonnes of copper/gold concentrate containing an estimated 14,174 ounces (nine months to 30 September 2015: 1,608 wet tonnes containing 16,296 ounces) whilst revenue has been recognised for 1,780 tonnes containing an estimated 13,874 ounces (nine months to 30 September 2015: 1580 wet tonnes containing 15,538 ounces) which had been delivered to the end purchaser. The unsold material is held as inventory.

The amount of gold sold as concentrate has therefore reduced by approximately 11 per cent compared with the production of gold in concentrate which has fallen by 13 per cent. This variation is entirely due to the timing of shipments and in particular the timing of recognising the sale once the risks and rewards of ownership of the goods are transferred to the buyer. The overall fall in gold production reflects lower tonnage of ore from the Palito Mine being treated following the increase in mine production at Sao Chico Mine. The sales revenue for 2016 includes an adjustment for shipments delivered prior to the period but for which final settlement details including pricing and gold content were not finalised. This adjustment was approximately US$620,000.

The Group also sold 15,628 ounces of gold bullion generating total revenue of US$19,678,189 during the first nine months of 2016 (nine months to 30 September 2015: 6,430 ounces (US$7,633,752)). Of these bullion sales 7,955 ounces is attributable to gold production derived for the Palito Mine (nine months to 30 September 2015: 6,430 ounces) an increase of 19 per cent and 7,673 ounces derived from the Sao Chico Mine (nine months to 30 September 2015: 1,201 ounces). Gold bullion production for the first nine months of 2016 was approximately 7,706 ounces greater than the same period in 2015. Whilst there are timing variations between production and shipment, in addition during the first nine months of 2015, gold inventory was still being accumulated in the various elements of the process plant as the CIP plant had only become operational at the start of October 2014 and remained in a ramp up phase during that last quarter of 2014 and the early part of 2015.

Operating costs of US$22,382,160 (nine months to 30 September 2015: US$16,772,075) relate to all mining and plant processing costs, as well as all general site costs incurred at both the Palito and Sao Chico Mines during the period.

	Nine months to 30 September 2016 US$m	Nine months to 30 September 2015 US$m	Variance US$m
Labour	9.26	8.01	1.25
Mining consumables and maintenance	7.42	4.20	3.22
Plant operations	3.27	2.85	0.42
General site costs	2.43	1.70	0.73
Total operating costs	22.38	16.76	5.63

Labour costs have increased by US$1.25 million for the nine month period ended 30 September 2016 in comparison to the same period in the previous year due to an increased number of personnel employed to support the increase in activity. Additionally, each Brazilian employee received an 8 per cent increase in salary in May 2015 and 10 per cent in May 2016 as a result of the national collective agreement in Brazil.

Mining consumables and maintenance for the nine month period ended 30 September 2016 have increased by US$3.22 million in comparison to the same nine month period from 2015. This is primarily because Sao Chico is now fully operational having reached commercial production. Maintenance costs have increased as all equipment held during the first nine months of 2015 is now one year older as well as new equipment having been purchased since 30 September 2015. In particular maintenance costs have increased reflecting the increased use of generators to provide reliable power for the operations in particular in light of the increased tonnage of ore being mined and processed.

Plant costs have increased for the nine month period ended 30 September 2016 in comparison to the same period in the previous year as all the plant costs associated with the production of Sao Chico produced bullion were capitalised during 2015 until Sao Chico attained commercial production. As a result, the total tonnage processed which has been recognised in calculating the plant costs recognised in the profit and loss account has increased by 39 per cent during the three month period ended 30 September 2016 in comparison to the same period of the previous year.

General site costs for the nine month period ended 30 September 2016 have increased by US$0.73 million in comparison to the same period in the previous year primarily due to an increase in activity at the Sao Chico Mine.

Shipping costs of US$1,814,146 (nine months to 30 September 2015: US$1,544,012) includes all domestic road and river freight in Brazil from the Palito Mine to the international port at Belem and also international sea freight to the end purchaser. The increase of 17 per cent by comparison with the same period for 2015 reflects the slightly higher volumes of material produced and in the process of being shipped. The Company tries to recognise shipping costs at the date they are incurred but in the first nine month period of 2015, delays in receipt of charges meant that provisions for unbilled costs relating to that period were not fully provided for.

Treatment Charges of US$932,080 (2015: US$728,783) include US$861,555 (2015: US$676,748) relating to the treatment of the copper concentrate and levied by the smelter, and US$70,525, (2015: US$52,035) for the cost of weighing, sampling and assay analysis carried out by a third party on behalf of the Group and the balance being charges for the refining of gold bullion. The increase by comparison to the same quarter in 2015 reflects the increased level of concentrate shipped (an increase in tonnage of 13 per cent) and the increase in bullion sold (an increase of 143 per cent).

Royalty payments of US$700,555 (nine months to 30 September 2015: US$305,186) comprise statutory levies payable in Brazil. Rates are uniform across all mining operations and currently comprise a 1 per cent royalty on gold production and a 2 per cent royalty on copper production. The increase by comparison with the same period in 2015 reflects an overall increase in gold sold during the period. In addition the Company during 2016 is now reporting as an operating expense the additional royalty on the production from the Sao Chico Mine to a former owner of that property.

Charges for the amortisation of mine property are calculated by reference to the depletion during the nine months of the total estimated mineable resource at each of the Palito and Sao Chico Mines. In each case the base carrying cost is adjusted to include a provision for future mine development costs for each of these operations. The total amortisation charge which is reducing the book value for the Palito and Sao Chico Mines for the first nine months of 2016 is US$4,231,165 (nine months to 30 September 2015: US$2,750,022).The charge reported in the Income Statement is however adjusted to reflect the level of sales rather than the level of production with the part of the depreciation being carried in inventory and released to the Income Statement when the goods are sold. Physical inventory levels, and in particular the Palito stockpiles, are lower at 30 September 2016 with 6,780 tonnes of surface stockpiled ore in comparison to 12,214 tonnes as at 30 September 2015 and inventory levels of copper/gold concentrate are lower at 30 September 2016 with stocks of copper gold concentrate being 151 wet tonnes compared with 407 wet tonnes. This results in a release of amortisation charge that was held within the total inventory valuation to the Income Statement. In addition the Group is now also amortising the accumulated value associated with the development of the Sao Chico Mine.

Depreciation charges of US$1,436,921 (nine months to 30 September 2015: US$752,491) are in respect of mining and processing plant and equipment and is an increase of US$684,430. The increase is primarily due to an increased mobile fleet acquired for both the Palito and Sao Chico Mine operations partly offset by reduced depreciation charges for equipment that remains operational but is reaching the end of its useful life.

The Group has recognised an operating profit before interest and other income of US$5,706,879, (2015: US$762,089) after incurring US$3,812,218 (2015: US$3,024,671) in administrative expenses as well as US$249,828 (2015: US$303,056) on share based payments. The deemed value assigned to these share options is amortised over the expected option life and is calculated using the Black Scholes model. The charge for the nine months to 30 September 2015 is in respect of options granted between January 2012 and 30 September 2015. The Group also reported a profit of US$26,039 from the disposal of assets (2015: US$nil).

This increase in administration expenses for the nine month period ended 30 September 2016 in comparison to the same period in 2015 of US$787,547 primarily reflects a one-off adjustment in Brazil of US$438,760 relating to the settlement of taxes relating to prior years. There was also a small general increase in administrative costs as a result of increased personnel and costs to provide support to the increased activity provided at both the Palito and Sao Chico Mine sites. Additionally, each Brazilian administrative employee received an 8 per cent increase in salary in May 2015 and 10 per cent in May 2016 as a result of the national collective agreement in Brazil.

The Company recorded a foreign exchange loss of US$101,268 in the nine month period to 30 September 2016 which compares with a foreign exchange loss of US$171,238 recorded for the nine months ended 30 September 2015. These foreign exchange losses are primarily incurred in respect of the cash holdings of the Company in currencies other than US Dollars as at the period end and do not necessarily reflect actual realised profits or losses. The Company holds funds in certain currencies in anticipation of future expenditures that are anticipated to be settled in those currencies.

Net interest and other finance related costs for the nine month period to 30 September 2016 were US$3,299,880 compared with US$399,778 for the first nine months of 2015. An analysis of the composition of these charges is set out in the table below:

	Nine Months Ended September 2016 US$	**Nine Months Ended September 2015 US$**
Interest expense on Sprott loan	248,659	474,612
Interest on trade finance facility	256,898	281,064
Expenses of revaluation of Derivatives	1,343,513	–
Finance Arrangement fee	37,500	398,500
Hedging Expensive	916,253	–
Amortisation of fair value of derivatives	355,663	–

	Nine Months Ended September 2016	Nine Months Ended September 2015
Interest on Short term loan	137,049	–
Interest expense on convertible loan stock		22,796
Asset finance charges	4,455	29,304
	3,299,989	1,206,276
Finance income		(347,191)
Gain on revaluation of warrants		(270,797)
Gain on revaluation of derivative		(187,842)
Interest income	(109)	(842)
Net finance expense	3,299,880	399,778

The interest on the Sprott loan of US$248,659 (2015: US$474,612) is the cost of nine months of interest paid in relation to funds advanced under the credit agreement with Sprott Resource Lending Partnership, with the reduction reflecting the lower levels of loan principal outstanding during the period.

The interest on trade finance loans of US$256,898 (2015: US$281,064) 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 expense on the revaluation of derivatives of US$1,343,513 represents the loss arising from a period-end revaluation of the fair value of the call options provided to Sprott Resource Lending Partnership LLP (US$347,475) and the equity element of the convertible loan stock (US$966,038). These revaluations reflect in the case of the call options the higher gold price prevailing at the period end and in the case of the convertible loan stock the higher share price at the period end. The gain realised in 2015 relates to the gold call options held by Sprott that were not exercised prior to their expiry at the end of December 2015.

The finance cost on gold trading of US$916,253 (nine months to 30 September 2015: income of US$347,191) is actual and estimated variation expected to be incurred from short term movements in the gold price between the contractual pricing arrangements with the end purchaser of the copper/gold concentrate and the price ruling when the Group draws down on the trade finance arrangement that it has in place.

The amortisation of fair value of derivatives of US$355,663 comprises two elements. US$156,250 represents the amortisation charge for the nine month period of the fair value ascribed to the call option granted to Sprott. The original option was over 2,500 ounces of gold at a price of US$1,125 per ounce which expires on 30 September 2017. Sprott exercised their options over 1,250 ounces at an agreed spot price of US$1,363.78 on 7 July 2016. As a result, the accounting treatment of the amortisation of these options was accelerated during the third quarter of 2016 giving a total charge for the nine months of US$156,250. The remaining US$199,413 relates to the amortisation charge for the nine month period of the fair value of the equity portion of the convertible loan provided by Fratelli Investments Limited in January 2016. Neither of these derivatives were in place in 2015.

The expense on the revaluation of derivatives of US$1,343,513 (nine months to 31 September 2015: US$nil) represents the loss arising on fair value of the convertible loan stock (US$996,038), and also the loss arising from a period-end revaluation of the fair value of the call options provided to Sprott Resource Lending Partnership LLP (US$347,475).

The interest expense on convertible loan stock relates to the interest on the unsecured convertible loan facility provided by Fratelli. The initial loan facility was for up to US$5 million and carried interest at a rate of 12 per cent per annum. An initial US$2 million was drawn down on 5 January 2016. Fratelli had the right to convert the loan into new Ordinary Shares of Serabi at a price of 3.6 pence per new Ordinary share. During August 2016, Fratelli exercised their right to convert the US$2 million loan into ordinary shares of 0.5 pence each in the Company. The amount of interest incurred during the 2016 before Fratelli exercised the right to convert its US$2 million convertible loan into Ordinary Shares was US$137,049.

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

During 2015 the Group had 100,000,000 warrants outstanding at an exercise price of six pence. The nature of these warrants meant that warrants had a derivative element. These warrants expired in January 2016 without being exercised. The income of US$270,797 reported in the nine months to 30 September 2015 represents the gain arising on the revaluation of the derivative element of these warrants.

Summary of quarterly results	Quarter ended 30 September 2016 US$	Quarter ended 30 June 2016 US$	Quarter ended 31 March 2016 US$	Quarter ended 31 December 2015 US$
Revenues	16,209,753	14,232,086	11,679,089	8,042,431
Operating expenses	(10,216,119)	(8,923,316)	(6,689,506)	(4,235,007)
Amortisation of mine property	(2,292,006)	(1,845,601)	(977,573)	(1,689,113)
Depreciation of plant and equipment	(615,155)	(582,612)	(239,154)	(547,846)
Gross profit	3,086,473	2,880,557	3,772,856	1,570,465
Administration expenses	(1,265,828)	(1,387,719)	(1,129,632)	(1,355,099)
Option costs	(101,072)	(25,640)	(123,116)	(101,019)
Operating profit	1,719,573	1,467,198	2,520,108	114,347
Exchange	(28,860)	(31,609)	(40,799)	99,958
Net finance (expense) / income	(947,210)	(1,374,665)	(978,005)	70,916
Profit before taxation	743,503	60,924	1,501,304	285,221
Income tax expense	(278,023)	(402,407)	(153,639)	(525,032)
Profit / (loss) after taxation	465,480	(341,483)	1,347,665	(239,811)
Profit / (loss) per ordinary share (basic)	0.071 cents	(0.052) cents	0.205 cents	(0.036) cents
Deferred exploration costs	9,731,144	9,550,074	9,324,314	8,679,246
Property, plant and equipment	44,860,837	46,927,210	42,123,789	40,150,484
Total current assets	22,798,838	26,427,165	23,092,061	17,663,339
Total assets	77,390,819	82,904,449	74,540,164	66,493,069
Total liabilities	16,169,480	25,336,298	22,015,609	19,709,424
Shareholders’ equity	60,741,839	57,568,151	52,524,555	46,783,645

Summary of quarterly results	Quarter ended 30 September 2015 US$	Quarter ended 30 June 2015 US$	Quarter ended 31 March 2015 US$	Quarter ended 31 December 2014 US$
Revenues	8,365,289	11,194,178	7,484,215	7,374,461
Operating expenses	(6,302,006)	(8,188,141)	(4,859,909)	(6,319,134)
Amortisation of mine property	(564,045)	(1,322,374)	(964,901)	(1,657,307)
Depreciation of plant and equipment	(307,531)	(292,140)	(152,819)	207,438
Gross profit / (loss)	1,191,707	1,391,523	1,506,586	(394,542)
Administration expenses	(871,153)	(1,248,013)	(905,505)	(619,941)
Option costs	(101,019)	(101,018)	(101,019)	(109,165)
Write-back of provision for contingencies	–	–	–	298,088
Write-back of provision for impairment	–	–	–	2,590,532
Operating profit	219,535	42,492	500,062	1,764,972
Exchange	(364,869)	(35,032)	228,663	25,419
Net finance income / (expense)	259,510	(121,961)	(537,327)	1,366,995
Profit / (loss) before taxation	114,176	(114,501)	191,398	3,157,386
Profit / (loss) per ordinary share (basic)	0.017 cents	(0.017) cents	0.03 cents	0.48 cents
Deferred exploration costs	9,018,777	10,857,942	9,769,327	11,799,271
Property, plant and equipment	39,181,535	48,840,812	47,508,148	54,103,898
Total current assets	20,423,920	23,414,155	22,792,315	27,159,740
Total assets	68,624,232	83,112,909	80,069,790	93,062,909
Total liabilities	22,394,854	25,102,757	23,872,348	26,144,358
Shareholders’ equity	46,229,378	58,010,152	56,197,442	66,918,551

Liquidity and Capital Resources

Non-current assets

On 30 September 2016, the Group's net assets amounted to US$60.74 million which compares to US$46.78 million as reported at 31 December 2015. This increase primarily reflects the effect of a strengthening of the Brazilian Real between 31 December 2015 when the rate was BrR$3.9042 to US$1.00, and 30 September 2016, when the rate was BrR$3.2456 to US$1.00. The Group has reported a profit after taxation of US$1.47 million and it has incurred a gain of US$9.04 million on the re-translation of the results of its Brazilian operations in the nine month period since 31 December 2015.

Non-current assets totalling US$54.59 million at 30 September 2016 (31 December 2015: US$48.83 million), are primarily comprised of property, plant and equipment, which as at 30 September 2016 totalled US$44.86 million (31 December 2015: US$40.15 million) of which US$31.64 million (31 December 2015 : US$21.47 million) is attributable to the mining properties in production, US$9.51 is attributable to the net book value of land, buildings, plant and equipment (31 December 2015: US$7.45 million), and US$3.74 million is attributable to other assets in construction (31 December 2015: US$11.23 million). Following the declaration of commercial production of the Sao Chico Mine with effect from 1 January 2016, the amount of U$9.19 million was re-categorised from the category of other assets in construction to Mining Property and this value is now being amortised over the estimated mineable resources of the Sao Chico Mine.

During the first nine months of 2016 the Group has acquired additional plant and machinery and other assets to the value of US$2.84 million in the period and capitalised expenditure of US$1.71 million for on-going capital development costs of the Palito and Sao Chico Mines. During 2015 all revenue and operating costs incurred in Sao Chico as well as long term mine development costs, principally for ramp and ventilation activities were capitalised resulting in a significantly higher level of capital development costs for the Sao Chico Mine during the first half of 2015 compared with the first nine months of 2016.

The gross value ascribed to the both the Palito and Sao Chico Mining Properties is being amortised over the expected recoverable ounces of each operation. An amortisation charge totalling US$6.60 million has been recorded for the nine month period to 30 September 2016. The net book value of Property, Plant and Equipment has been increased by US$6.19 million as a result of the retranslation of the underlying values from Brazilian Reais to US dollars.

Deferred exploration costs as at 30 September 2016 totalled US$9.73 million (31 December 2015: US$8.68 million) which relates to capitalised exploration expenditures around the Palito Mine, Sao Chico Mine and the wider Jardim do Ouro project area. During the third quarter of 2016 the Company began an underground drilling and exploration program at both Palito and Sao Chico with a total cost of US$247,479 incurred to date. The carrying value has been increased by US$1.36 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 cent per annum. During 2015 the Group repaid US$4.0 million of the US$8.0 million loan to Sprott leaving a liability at 31 December 2015 of US$4.0 million which the Group will repay during 2016. The first of nine equal monthly repayment instalments was paid on 29 April 2016 and during the subsequent six month period ending on 30 September 2016 the Group repaid US$2.67 million, leaving US$1.33 million outstanding which will be repaid during the fourth quarter of 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 was for a period expiring on 31 January 2017 and for a maximum of US$5 million. The facility could 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 first US$2 million of the 2015 Convertible Loan which was drawn down on 6 January 2016 was 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 Group didn't make any further drawdowns from the available convertible loan facility.

During August 2016, Fratelli exercised its right to convert its outstanding US$2 million convertible loan into ordinary shares of 0.5 pence each in the Company, resulting in the issue of 42,312,568 new shares.

Working Capital

The Group had a working capital position of US$10.9 million at 30 September 2016 compared to US$1.84 million at 31 December 2015, with the variation of US$9.08 million detailed in the table below:

	September 2016 US$	December 2015 US$	Variance US$
Current assets			
Inventories	**7,865,290**	6,908,790	956,500
Trade and other receivables	**9,165,344**	6,133,284	3,032,060
Prepayments	**2,652,081**	2,429,506	222,575
Cash and cash equivalents	**3,116,123**	2,191,759	924,364
Total current assets	**22,798,838**	17,663,339	5,135,499
Current liabilities			
Trade and other payables	**6,147,032**	4,212,803	1,934,229
Trade finance facility	**3,260,272**	6,652,930	(3,392,658)
Sprott credit facility	**1,425,558**	4,000,000	(2,574,442)
Shareholder loan	**-**	-	-
Lease finance liabilities	**417,001**	732,225	(315,224)
Derivative financial liabilities	**262,000**	-	262,000
Accruals	**367,646**	226,197	141,449
Total current liabilities	**11,879,509**	15,824,155	(3,944,646)
Working capital	**10,919,329**	1,839,184	9,080,145
Non-current liabilities			
Trade and other payables	**2,275,312**	1,857,914	417,398
Provisions	**2,284,002**	1,898,714	385,288
Lease finance liabilities	**210,657**	128,641	82,016
Total non-current liabilities	**4,769,971**	3,885,269	884,702

Inventories

In accordance with IFRS, revenues are only recognised at such time as the risks and rewards of ownership are transferred to the buyer. In relation to the copper/gold concentrate produced by the Group from its operation at the Palito Mine, this is considered to be the date on which the copper/gold concentrate contractually passes to the purchaser. During the third quarter of 2016, the Group entered into a new contract for the sale of its copper/gold concentrate. Under this new contract the sale date is now considered to be when the ship containing the product departs from the port of Belem, Brazil. The Groups previous contract considered the sale date to be the date on which the product arrived at the premises of the end purchaser. As a result, at the 30 September 2016, the Group held approximately 160 tonnes less of copper/gold concentrate in stock (goods in transit) as it would have done in previous periods. Unsold production is held as inventory at the lower of attributable production costs and net realisable value.

The levels of inventory held by the Group have increased by US$0.95 million compared with 31 December 2015. The inventory is calculated in Brazilian Reais and converted into US Dollars using the exchange rate at the balance sheet date. The 19 per cent strengthening of the Brazilian Real during the nine months ended 30 September 2016 would alone have contributed US$1.2 million to the increase in inventory values. Stocks of consumable items have been increased by BrR$2.97 million (US$1.19 million) reflecting the increase in the level of activity and additional plant and equipment brought into use at the end of 2015 and during 2016. Levels of goods in process and finished goods awaiting sale have decreased by approximately US$0.24 million primarily due to the new sales contract terms for the Group's copper/gold concentrate.

At 31 December 2015 the surface stockpile of coarse ore from the Palito Mine had been valued at US$0.99 million. At the 30 September 2016 this coarse ore stockpile was valued at approximately US$0.70 million. Average costs per tonne in Brazilian Reais are BrR$404 per tonne compared with BrR$382 per tonne at 31 December 2015.

During 2014 the Group established a 54,000 tonne stockpile of material that had passed through the flotation processing circuit but retained a gold grade of approximately 2.5g/t. The Group during 2015 commenced the processing of these flotation tailings through the CIP plant and continues to process this stockpiled material as capacity is available during 2016. The value ascribed to this stockpile as at 30 September 2016 is US$0.81 million which compares to the valuation at 31 December 2015 of US$1.07 million. The reduction reflects the volume of material that has been processed during the nine months to 30 September 2016 as well as exchange rate movements.

At 30 September 2016, the Group had on hand an inventory of approximately 151 wet metric tonnes with a value of approximately US$0.95 million (31 December 2015: 363 wet metric tonnes, with a value of US$1.95 million) of copper/gold concentrate of which 31 tonnes was located at the Palito Mine (31 December 2015: 63 tonnes) and 120 tonnes was on-route to the port of Belem (31 December 2015: 160 tonnes). At 31 December 2015 the Group also held 120 tonnes of copper/gold concentrate as inventory which was on-route to a refinery. However, with the change in contract sale terms the equivalent material at 30 September 2016 that is on the water has been treated as having been sold and not as inventory.

The valuation attributable to gold locked up within the processing plant, waiting to be smelted or in the process of being sold has decreased to US$0.855 million as at 30 September 2016, (31 December 2015: US$1.09 million).

Inventories of consumables (fuel, spare parts, chemicals, explosives etc.) at 30 September 2016 of US$2.55 million have increased by approximately US$1.19 million or 88 per cent by comparison with the same inventory of consumables at 31 December 2015 (US$1.36 million). The Group acquires stocks of certain materials including reagents and explosives and other consumables in quantities that are sufficient for up to three to four months consumption requirements to minimise freight and other logistics costs and improve pricing. The levels of inventory have increased reflecting a requirement to keep on hand higher levels of items related to equipment and plant maintenance. The increase also reflects the continued increase in activity at the Sao Chico Mine which entered into commercial production with effect from 1 January 2016. As all consumable stock is valued in Brazilian Reais, the valuation is also subject to exchange rate fluctuations.

<u>Debtors</u>

Trade and other receivables at 30 September 2016 of US$9.17 million has increased by US$3.06 million from US$6.13 million at 31 December 2015. As at 30 September 2016, the Group was owed US$6.63 million (31 December 2015: US$5.99 million) in respect of shipments of concentrate that had been made to the refinery but in accordance with the contractual payment terms remained outstanding at that date. This includes US$2.25 million that represented the first sale under the new contract, of which US$1.91 million was received on 12 October 2016. Under the terms of its contracts the Group receives instalments against the total value of each shipment on pre-determined dates with the final settlement only being made once the final metal content has been agreed between the Group and the refinery which may be up to 120 days after the date of arrival.

Monthly shipments of copper/gold concentrate which account for the bulk of the trade receivables vary according to the timing of collections from site and sailing dates, as well as reflecting normal production fluctuations resulting in varying tonnages and grades of material being produced and shipped. The variation in volumes shipped during each month will therefore result in fluctuations in the level of gold and copper recognised as revenue each month and the corresponding debtor balance in addition to prevailing metal prices. As at 30 September 2016 the Group was awaiting settlement for approximately 4,533 ounces of gold compared with a settlement outstanding at the end of December 2015 of approximately 5,065 ounces. The prevailing gold price at the end of September 2016 was approximately US$1,326 per ounce compared to US$1,060 per ounce at the end of December 2015 which in conjunction with the slight increase in ounces awaiting payment accounts for the increase in the receivable due to the Group.

Also included within trade and other receivables are some trade advances for freight and insurance which have increased from US$136,693 at 31 December 2015 to US$400,609 at 30 September 2016.

Cash

Between 31 December 2015 to 30 September 2016 cash balances have increased by approximately US$0.92 million. During the nine month period ended 30 September 2016 the Group converted the US$2 million convertible loan received from Fratelli Investments Limited in January 2016 but also generated US$11.57 million from cashflow from operations as well as spending US$4.78 million on capital and development expenditure.

The Group also repaid US$2.67 million of the Sprott loan, decreased its liability under the short term finance liability by US$4.65 million and settled finance lease arrangements of US$0.54 million

Liabilities

Current liabilities have decreased by US$3.95 million from US$15.82 million at 31 December 2015 to US$11.88 million at 30 September 2016.

Trade and other payables amounting to US$6.14 million at 30 September 2016 compare with an amount owed by the Group of US$4.21 million at 31 December 2015. Most of these liabilities are denominated in Brazilian Reais and it is estimated that approximately US$735,000 of this increase in the liabilities is attributable to the exchange rate movement. Of the total increase of US$1.93 million, trade creditors accounts for US$0.65 million (including exchange rate variations) as a result of increased activity at both the Palito and Sao Chico Mines, social and security taxes payable increased by US$0.73 million. There was a total increase of S$0.35 million in the provision for the "thirteenth" salary, which is a provision for the additional months' salary that Brazilian employees are allowed to receive at the end of the year.

The Group has operated a short term trade finance facility to minimise the effect on the working capital of the Group caused by the delay between production of copper/gold concentrate and payments for the material from the end purchaser. This facility is with a precious metals trading group whereby the Group could obtain an advance payment for the copper/gold concentrate once it has left the port in Belem, Brazil, secured against the debt due from the end purchaser. During the nine months ended 30 September 2016 the total funds received by the Group under this facility were US$16.4 million with US$20.9 million having been repaid out of the receipts from the sale of copper and gold following refining. As at 30 September 2016 an amount of US$2.08 million is owed by the Group (31 December 2015: US$6.65 million) and will be repaid from the sale of the copper and gold extracted from the concentrate when the refining of the unprocessed material is completed. Under the new sales contract entered into by the Group the end purchaser makes an initial payment once the copper/gold concentrate has left the port in Belem and as a result the Group no longer requires the short term trade finance facility.

The amount due under the loan facility to Sprott shows a reduction of US$2.57 million. The Group repaid US$2.67 million in capital repayments during the second quarter of 2016. The additional increase of US$0.92 million reflects the accounting for the fair value of the gold call options granted to Sprott as part of the renegotiation of the payment period of the facility. The cash element outstanding at 30 September 2016 was US$1.33 million.

The Group drew down, in January 2016, US$2 million under a total US$5 million convertible loan facility with its major shareholder Fratelli Investments Limited. During August 2016 Fratelli Investments Limited exercised its right to convert the US$2 million convertible loan into ordinary shares of 0.5 pence each in the Company. Under the terms of the Loan (as announced on 31 December 2015) Fratelli had the right to convert the Loan into new Ordinary Shares of Serabi at a price of 3.6 pence per New Ordinary Share, resulting in the issue of 42,312,568 new Ordinary Shares.

The Group acquires some mobile equipment under finance leases. At 30 September 2016 the Group had liabilities under these financial leases totalling US$0.63 million of which US$0.42 million is due for repayment within one year (31 December 2015: US$0.73 million). The remaining lease terms range from a twelve month period to a eighteen month period and bear interest at a rate between 6.7 per cent and 6.85 per cent per annum. (See below for further details on the amounts owed in more than one year).

The liability for derivatives relates to a call option granted to Sprott Resource Lending Partnership for 1,250 ounces of gold exercisable at a price of US$1,125 which expires on 30 September 2017. The initial option granted was for 2,500 ounces at a value of US$1,125 which had an initial value of US$212,500, however Sprott Resource Lending Partnership exercised 1,250 of the options at a spot price of US$1363.78 on 7 July 2017 which resulted an amount due to Sprott on realisation of US$298,475. The remaining 1,250 options outstanding had a strike price of US$210 at 30 September 2016 which has resulted in a total liability calculated at 30 September 2016 of US$262,000.

Long-term trade and other payables have increased by approximately US$0.42 from US$1.86 million at 31 December 2015 to US$2.27 million. The increase in this liability which is due for settlement in Brazilian Real reflects the 18 per cent strengthening of the Real from 31 December 2015 to 30 September 2016.

The Group makes provision for the future estimated rehabilitation costs for its mine sites at Palito and Sao Chico. The value of the rehabilitation provision carried by the Group at 31 December 2015 was US$1.87 million. The value at 30 September 2016 is US$2.280 million the increase reflecting the exchange rate movements from 31 December 2015 to 30 September 2016. The Group carried out a review of the underlying cost assumptions as at 31 December 2015.

Liabilities under lease finance arrangements have increased by US$0.08 million reflecting the new leases taken out during 2016.

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

Non-IFRS Financial Measures

The gold mining industry has sought to establish a common voluntary standard to enable investors to assess and compare the performance of companies engaged in gold mining activities. The Group has elected to provide calculations of Cash Costs and All-In Sustaining Costs and has confirmed 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.

	9 Months Ended 30 September 2016 (US$)	9 Months Ended 30 September 2015 (US$)	12 Months to 31 Dec 2015 (US$)
Cost of sales	25,828,941	19,350,056	23,585,063
Add/(subtract)			
Finished goods and WIP inventory stock adjustment	(1,469,124)	(2,203,229)	(1,780,142)
Grossing up of revenue for metal deductions	762,530	648,858	880,331

	9 Months Ended 30 September 2016 (US$)	9 Months Ended 30 September 2015 (US$)	12 Months to 31 Dec 2015 (US$)
By-product credits	(2,033,197)	(1,835,436)	(2,482,958)
Total Cash Cost of production	23,089,150	15,960,250	20,202,294
Corporate G&A (excl. exceptional items)	3,373,459	3,024,671	4,379,770
Share-based remuneration	249,828	303,056	404,075
Capitalised cost for mine development	1,718,759	1,028,461	1,637,135
All-In Sustaining Cost ("AISC") of production	28,431,197	20,316,438	26,623,274

	9 Months Ended 30 September 2016 (US$)	9 Months Ended 30 September 2015 (US$)	12 month to 31 Dec 2015 (ounces)
Gold production for Cash Cost and AISC purposes (1)	29,900	22,720	29,841

	9 Months Ended 30 September 2016 (US$)	9 Months Ended 30 September 2015 (US$)	12 Months to 31 Dec 2015 (US$)
Total Cash Cost of production (per ounce) (1)	US$772	US$702	US$677
Total All-In Sustaining Cost of production (per ounce) (1)	US$951	US$894	US$892

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

Contractual commitments

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

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

Management estimates that the cost over the next twelve months of fulfilling the current contracted commitments on these exploration properties in which the Group has an interest is approximately US$60,000 (31 December 2015: US$90,000).

		Payments due by period			
Contractual obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
	$	**$**	**$**	**$**	**$**
Short term debt	1,355,677	1,355,677	—	—	—
Capital lease obligations	541,327	410,627	130,700	—	—
Operating leases	114,439	99,451	14,988	—	—
Purchase obligations	—	—	—	—	—
Other long term obligations	—	—	—	—	—
Total contractual obligations	2,011,444	1,865,756	145,688	—	—

Transactions with related parties of the Group

The following transactions have been undertaken with related parties in the 24 months prior to 30 June 2016.

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. The facility was available to be drawn down at any time up to 30 June 2016 and was to provide additional working capital facilities. On 6 January 2016, the Group announced that it had made an initial drawdown of US$2 million against this convertible loan facility. The group made no further drawdowns prior to 30 June 2016 and in August 2015 Fratelli exercised its right to convert the outstanding loan of US$2 million into shares of the Company at a subscription price of UK£0.036. On 15 August 2016, the Company issued 42,312,568 shares of the Company to Fratelli.

Fratelli Investments Ltd owns 386,375,734 ordinary shares representing 55.30 per cent of the voting shares in issue and is considered to be the controlling party.

Financial and other instruments

The Group's financial assets at 30 September 2016 which comprise other receivables and cash are classified as loans and receivables. All of the Group's financial liabilities which comprise trade and other payables and interest bearing liabilities, are classified as liabilities measured at amortised cost.

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

Under its arrangements with Auramet the Group entered into short term hedging of a significant portion (90 per cent to 95 per cent) of the sales of gold contained in copper/gold concentrate protecting the Group against price variations between the date that it secured the 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. During the three month period ended 30 September 2016 the Group changed final customer and as a result no longer requires a trade finance loan on its concentrate sales.

In January 2016, the Group granted a call option to Sprott over 2,500 ounces of gold at a price of US$1,125 for a period expiring on 30 June 2017. Sprott exercised their options over 1,250 ounces at an agreed spot price of US$1,363.78 on 7 July 2016. The fair value at the date of the grant of these options is charged to the Income Statement over the option period. The option was revalued at the period end and any gain or loss arising on the revaluation has been taken to the Income Statement.

The 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 30 September 2016, the Group carried inventory of finished goods and work-in-progress valued at US$5.31 million (31 December 2015: US$5.55 million) including US$0.95 million of copper/gold concentrate representing 151 tonnes of material awaiting sale (31 December 2015: US$1.95 million) and US$4.36 million of other material in process (31 December 2015: US$3.60 million). All other inventory as at 30 September 2016, which is unsold, is subject to future variation in commodity prices and accordingly the results for the period and the equity position of the Group may be affected by any change in commodity prices subsequent to the end of the period.

Interest rate risk

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

The Company has entered into an agreement with Auramet Trading LLC ("Auramet"), for a trade finance facility of USS$7.5 million under which Auramet will provide advance payment for shipments of copper/gold concentrate for the period between shipments leaving Brazil and settlement from the refinery. The advance payments bear interest at three month US$ LIBOR plus 5 per cent. During the three month period ended 30 September 2016 the Group changed final customer and as a result no longer requires a trade finance loan on its concentrate sales.

Serabi Gold plc has also entered into a US$8 million credit facility (the "Sprott Facility") with the Sprott Resource Lending Partnership ("Sprott") to be used to provide additional funding for the continued development of the Palito Mine and the Sao Chico gold project, to finance an additional drilling programme at Sao Chico and for general corporate purposes. On 20 January 2016 the Sprott Facility was extended for a term expiring on 31 December 2016. It carries interest at a rate of 10 per cent per annum. As at 30 September 2016, the amount of US$1.33 million (excluding future interest) was outstanding in respect of the Sprott Facility.

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 repayment is made after 1 July 2016 the penalty shall be equal to 60 per cent 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$7.5 million with Auramet Trading LLC for the sale of its copper/gold concentrate production which is sold to a European refinery. Under the terms of this financing arrangement Auramet will advance to Serabi up to 95 per cent of the gold content of a shipment of copper/gold concentrate secured against the final sale proceeds from the refinery. The period between the date of advance and settlement varies depending on the date of arrival at the refinery but is between 100 and 120 days. Interest is charged at 5.0 per cent above three month US$ 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. During the three month period ended 30 September 2016 the Group changed final customer and as a result no longer requires a trade finance loan on its concentrate sales.

As at 30 September 2016, in addition to the Sprott Facility and the Auramet facility, the Group had obligations under fixed rate finance leases amounting to US$0.63 million (31 December 2015: US$0.86 million).

The Group's objectives when managing its capital are to maintain financial flexibility to achieve its development plans, safeguard its ability to continue to operate as a going concern through management of its costs whilst optimising its access to capital markets by endeavouring to deliver increases in value of the Group for the benefit of shareholders. In establishing its capital requirements the Group will take account of the risks inherent in its plans and proposed activities and prevailing market conditions. The Group commenced gold production operations at the Palito

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

The following table sets out the maturity profile of the financial liabilities as at 30 September 2016:

	30 September 2016 Group US$	**31 December 2015** Group US$
Due in less than one month	3,310,848	3,598,089
Due between one month and three months	4,704,889	9,001,404
Due between three months and one year	3,601,272	3,081,343
Total due within one year	11,617,009	15,680,836
Due more than one year	2,485,969	2,689,985
Total	14,102,978	18,370,821

Currency risk

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

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

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

	Group	
	30 September 2016	**31 December 2015**
	US$	**US$**
US Dollar	1,498,942	1,449,663
Canadian Dollar	6,201	11,762
Sterling	221,135	278,136
Australian Dollar	35,004	12,630
Euro	19,345	32,611
Brazilian Real	1,335,496	406,957
Total	3,116,123	2,191,759

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

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

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

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

Credit risk

The Group's exposure to credit risk is limited to its cash and cash equivalents and trade and other receivables amounting to US$12,281,467 (31 December 2015: US$8,325,045). It is the Group's policy to only deposit surplus cash with financial institutions that hold acceptable credit ratings.

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

Up until the end of August 2016, the Group has sold its copper/gold concentrate production to a single customer, a publicly quoted major copper smelter located in Europe. However, during the month of September 2016, the Group entered into a new contract for the sale of 100 per cent its copper/gold concentrate for delivery to two refineries based in Japan. Settlement terms are in accordance with industry norms. The customer has a strong reputation within the industry and has a good credit risk history. As at the balance sheet date there were no amounts owed to the Group that were overdue.

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

Subsequent events

Between the end of the financial period and the date of this Management's Discussion and Analysis there has been no item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the company, to affect significantly the continuing operations of the company, the results of these operations, or the state of affairs of the company in future financial periods.

Changes in accounting policies

The Group has not adopted any standards or interpretations in advance of the required implementation dates. There has been no significant measurement impact on the consolidated financial statements from new standards or interpretations effective in 2016.

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

Off-balance sheet arrangements

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

Critical accounting estimates

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

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

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

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

Impairment of mining assets and other property, plant and equipment

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

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

Provisions and contingent liabilities

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

Mineral resources

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

Development and deferred exploration expenditure

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

Inventory valuation

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

Commercial production

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

Restoration, rehabilitation and environmental provisions

Such provisions require a judgement on likely future obligations, based on assessment of technical, legal and economic factors. The ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including the timing of expenditure, the discount, inflation 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 14 November 2016:

Ordinary Shares	689,701,772
Stock Options	49,910,000
Other Warrants	—
Fully diluted ordinary shares outstanding	739,661,772

Fratelli Investments Limited holds 386,375,734 Ordinary Shares in the Group representing 55.30 per cent 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 revenues than	Mining operations often experience unexpected problems during the life of the mine which may result from events of nature, unexpected geological features or mechanical	***Medium***	Management is experienced with similar mining operations and has gained valuable operational experience at both Palito and Sao Chico. Management have

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

OPERATIONAL RISKS			
Risk	***Comment***	***Business Impact***	***Mitigation***
and renew governmental permits and licences in order to conduct mining operations, which can be a costly and time-consuming process.	governmental permits and licences for the operations and expansion of existing operations or for the commencement of new operations. Obtaining or renewing the necessary governmental permits is a complex and time consuming process. The duration and success of the Group's efforts to obtain and renew permits and licences are contingent upon many variables not within its control including the interpretation of applicable requirements implemented by the permitting or licencing authority. The Group may not be able to obtain or renew permits and licences that are necessary to its operations or the cost to obtain or renew permits and licences may exceed what the Group expects.		and management are responsible for ensuring that conditions are adhered to and that renewals are submitted in a timely and complete manner.
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 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.