



ANNUAL INFORMATION FORM

For the year ended December 31, 2013

March 28, 2014

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GENERAL MATTERS

Unless otherwise noted or the context otherwise indicates, “Serabi”, the “Company”, “we”, “us” and “our” refers to Serabi Gold plc and its direct and indirect subsidiaries and predecessors or other entities controlled by them.

Certain terms used in this annual information form, including “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” have the meanings set forth under the heading “Glossary of Mining Terms” commencing at page 72.

STATISTICAL REFERENCES

Currency Presentation and Exchange Rate Information

This annual information form contains references to the Canadian dollar, the US dollar, the British pound and the Brazilian Real. All dollar amounts referenced, unless otherwise indicated, are expressed in US dollars. Canadian dollars are referred to as C\$, US dollars are referred to as “US\$”, the British Pound Sterling is referred to as “£” or “UK£” and the Brazilian Real is referred to as “R\$”. As at March 27, 2014, the noon rate as reported by the Bank of Canada was US\$1.00 = CDN\$1.1057 or CDN\$1.00 = US\$0.9044, £1.00 = CDN\$1.8367 or CDN\$ = £0.5445 and R\$1.00 = CDN\$0.4877 or CDN\$1.00 = R\$2.0504.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

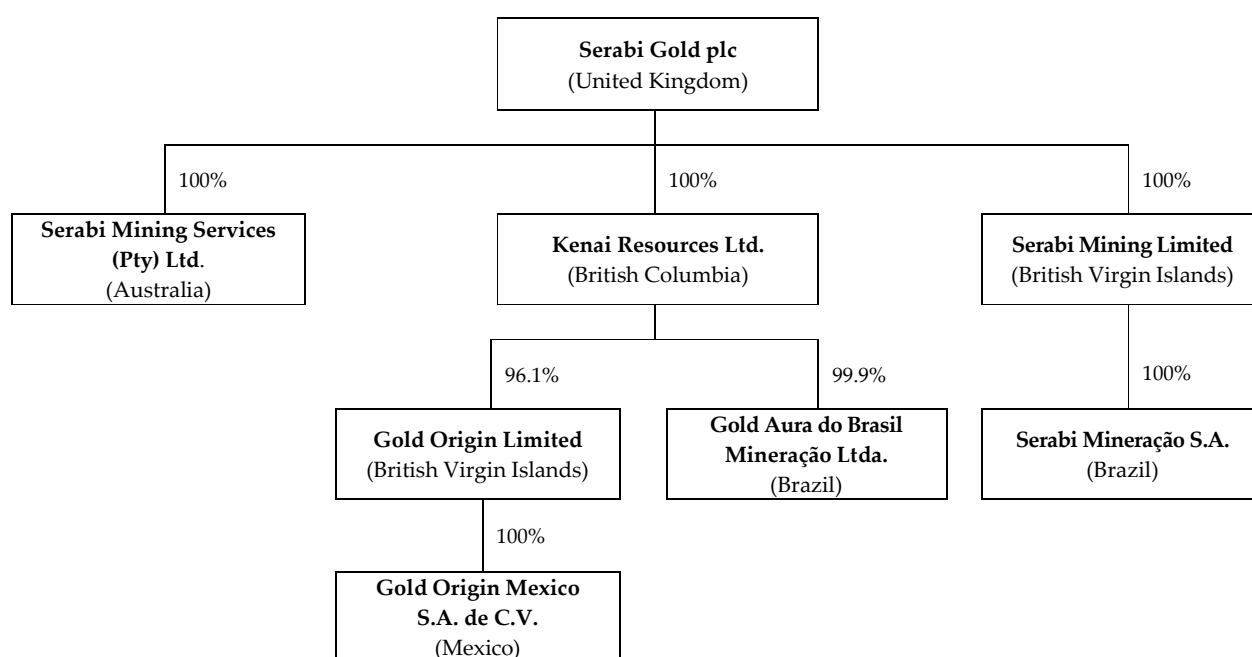
CORPORATE STRUCTURE

Incorporation

Serabi Gold plc (“Serabi” or the “Company”) was incorporated and registered in England and Wales under the Companies Act 1985 (“CA1985”) as a private company limited by shares on May 18, 2004 with the name of Serabi Mining Limited and with the registered number 5131528. On March 17, 2005, the Company was converted to a public company under the provisions of CA1985. On 14 October 2011 the Company changed its name to Serabi Gold plc. The registered office of the Company is located at 66 Lincoln’s Inn Fields, London WC2A 3LH and the Company’s principal contact office is 30-32 Ludgate Hill, London EC4M 7DR. The Company’s telephone number is +44 (0)20 7246 6830 and its website address is www.serabimining.com.

Corporate Structure

The diagram below sets out the organizational structure of the Company and its material subsidiaries:



- (1) To comply with Brazilian law, Serabi Gold plc holds 1 quota, or 0.00% of the issued and outstanding equity in Serabi Mineração S.A and Serabigold plc holds 1 quota, or 0.00% of the issued and outstanding equity in Gold Aura do Brasil Mineração Ltda.

GENERAL DEVELOPMENTS OF THE BUSINESS

The Company is a gold development and exploration company focused on the exploration and development of gold projects in Brazil. The Company's shares are traded 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 major focus of the Company's activity has been on the Jardim do Ouro project (the "Jardim do Ouro Project"), which includes the Palito mine (the "Palito Mine"), and the Sao Chico gold project ("Sao Chico"). Within the Project the Company holds a mining licence covering 1,150 hectares and holds or has under application exploration licences totalling some 40,196 hectares around this mining licence.

The Palito Mine is a high grade, narrow vein underground mine which was operated by the Company from late 2004 until the end of 2008, when the underground mining operations were placed on care and maintenance. During this time the mine produced in excess of 110,000 ounces (gold equivalent). In June 2012, the Company issued a Canadian Securities Administrators National Instrument 43-101 ("NI 43-101") compliant preliminary economic assessment of the viability of re-establishing underground mining operations at the Palito Mine ("the PEA"). The results of the PEA encouraged the Board to seek to raise the necessary finance to put in place a small scale, high grade operation using selective mining techniques following the scope and conclusions of the PEA. During 2013 the Company undertook the necessary mine development and has remediated and rebuilt the existing process plant and some of the other site infrastructure at Palito. By 31 December 2013, the Company had established a run of mine ore stockpile of some 25,000 tonnes at a grade in excess of 8.00 g/t and on 13 December 2014 started the commissioning of the process plant comprising primary crushing, milling, flotation and gravity concentration circuits. During the first quarter of 2014, the operation and in particular the process plant has been in a ramp-up phase with the intention that the process plant should achieve target longer term production rates of 7,500 tonnes per month at the start of the second quarter of 2014.

On 18 July 2013, the Company completed the acquisition of Kenai Resources Ltd ("Kenai") by way of a Plan of Arrangement. This brought under the Company's ownership, Sao Chico which is represented by a 1,400 hectare exploration licence located to the south west, approximately 25 kilometres from the Palito Mine. This exploration licence sits within the overall Jardim do Ouro Project area. Sao Chico hosts a NI 43-101 compliant combined Measured and Indicated Mineral Resource of 25,275 ounces of gold at 29.77 g/t and an Inferred Mineral Resource of 71,385 ounces gold at 26.03 g/t. The Company anticipates that Sao Chico will be a satellite gold resource to supplement Palito Mine gold production with high grade material, taking advantage of the excess plant capacity available to quickly expand Serabi's future gold production.

Development History of the Palito Mine

Following the decision at the end of 2008 to place the underground mining operations of the Palito Mine on care and maintenance the Directors undertook a strategic review of the project. They determined that the original expectation that the Palito mine could support production levels in excess of 50,000 ounces per annum were not achievable, and concluded that the required improvements in project economics given the prevailing gold prices at that time and the relatively high fixed cost associated with the Palito Mine being the sole commercial mining operation in the region, could only be addressed by pursuing a strategy of mine site and district exploration which could lead to resource growth. If successful such resource growth could ultimately deliver a mineral reserve capable of sustaining production levels in excess of 70,000 to 75,000 ounces per annum.

The exploration strategy therefore focussed on identifying two or more Palito style and size deposits or equivalent in close proximity to the Palito Mine and its existing camp and processing infrastructure.

A helicopter borne VTEM ("electro-magnetic") survey undertaken in January 2008 over a survey area of 6,000 hectares around the Palito mine and over exploration tenements held by the Group, identified 66 anomalous areas which the Company prioritised into 18 areas justifying further evaluation. In February 2010 Serabi commissioned FUGRO of Brazil to undertake a 70 line kilometre ground based IP (induced polarisation) survey which covered 12 of the 18 anomalies. As a result of this work and correlating the results with other exploration data and knowledge of the area including historical Garimpeiro activity, the Company had at the beginning of 2011 already established nine drill targets within three kilometres of the Palito Mine, each of which it believed, based on its exploration results to date, had the potential to yield a Palito style and size deposit. An initial discovery drill programme over these targets commenced during December 2010 and was completed early in the fourth quarter of 2011. Of the nine targets drilled gold mineralisation was encountered in seven of the targets and of these the Company considers the Palito South,

Piaui and Currutela targets to warrant further drilling to enhance these discoveries and bring them to a resource status.

During 2011, the Board considered various options for the on-going development and financing of the Company and in light of continued market uncertainty and a strong gold price felt that, having established a base of longer term resource growth, an opportunity existed to restart mining operations at Palito and use, at least in part, the cash flow from a small scale selective mining operation to fund the further evaluation and development of the recent discoveries. In January 2012 the Company announced that it was undertaking a PEA into the viability of re-establishing underground mining operations at the Palito Mine the results of which were released in June 2012. The PEA was based on the existing resources and considered a selective mining methodology focused on maximising grade with gold production levels around 24,000 ounces per annum. On 17 January 2013 a placement of new shares raising gross proceeds of GB£16.2 million was completed to finance the development of the project in line with the plans and scope outlined in the PEA.

Work began in October 2012 to remediate and develop the existing underground mine and renovate the process plant with a view to commencing gold production before the end of the fourth quarter of 2013. The Company announced in December 2013 that initial commissioning had commenced on 13 December 2013 and during the first quarter of 2014 the operation continued in a planned ramp-up phase. The Company is targeting long-term plant throughput rates of 7,500 tonnes per month and expects to be achieving these levels for the start of the second quarter of 2014.

Recent Financing Transactions

On March 30, 2011, the Company completed an initial public offering in Canada pursuant to which 9,000,000 units ("2011 Units") were issued at an offering price of \$0.55 per 2011 Unit, for total gross proceeds of \$4,950,000. Each 2011 Unit consisted of one Ordinary Share and one half of one Ordinary Share purchase warrant. Each whole Ordinary Share purchase warrant (a "2011 Warrant") entitles the holder thereof to acquire one Ordinary Share at an exercise price of \$0.75 until December 2, 2012. The prospectus for the initial public offering also qualified the distribution of 10,070,00 Ordinary Shares and 5,035,000 2011 Warrants that were issued in the deemed exercise of 10,070,000 special warrants that were issued by the Company on December 2, 2010 at a price of \$0.55 per special warrants for total gross proceeds of \$5,538,500. The Ordinary Shares and 2011 Warrants commenced trading on the Toronto Stock Exchange (the "TSX") on March 30, 2011 under the trading symbols "SBI" and SBI.WT", respectively.

On January 27, 2012, the Company completed a private placing pursuant to which 27,300,000 units ("2012 Units") were issued at an offering price of UK£0.10 per 2012 Unit, for gross proceeds of UK£2,730,000. Each 2012 Unit consisted of one Ordinary Share and one sixth of one Ordinary Share purchase warrant. Each whole Ordinary Share purchase warrant (a "2012 Warrant") entitles the holder thereof to acquire one Ordinary Share at an exercise price of UK£0.15 until January 26, 2014. The proceeds of this private placement funded the PEA and provided additional working capital to the Company.

On January 17, 2013, the Company completed the placement of 270 million new ordinary shares to raise in aggregate GB£16.2 million to finance the development of the Palito Mine project as outlined in the PEA. The placement of new shares was underwritten by Fratelli Investments Limited ("Fratelli"), one of the Company's major shareholders who received 8,135,000 Ordinary Share purchase warrants as an underwriting fee. Each Ordinary Share purchase warrant (a "2013 Warrant") entitles the holder thereof to acquire one Ordinary Share at an exercise price of UK£0.10 until January 17, 2015.

On March 3 2014, the Company completed a private placing pursuant to which 200,000,000 units ("2014 Units") were issued at an offering price of UK£0.05 per 2014 Unit, for gross proceeds of UK£10,000,000. Each 2014 Unit consisted of one Ordinary Share and one half of one Ordinary Share purchase warrant. Each whole Ordinary Share purchase warrant (a "2014 Warrant") entitles the holder thereof to acquire one Ordinary Share at an exercise price of UK£0.06 until March, 2016. The proceeds of this private placement are to be applied to the further evaluation and development of Sao Chico, for working capital during the start-up phase of Palito and for general working capital for the Company.

BUSINESS OF THE COMPANY

General

Serabi is an AIM and TSX traded gold mining and exploration company focused on the exploration and development of gold projects in Brazil. The Company's principal project is the Jardim do Ouro Project. The Jardim do Ouro Project includes the Palito Mine, Sao Chico and several areas of exploration interest in close proximity to the Palito Mine. The Palito Mine was operated by the Company for several years before the underground operation was placed on care and maintenance in December 2008 and a subsequent small scale surface mining operation was halted in June 2010. The Company also has other exploration areas in the vicinity of the Jardim do Ouro Project, being the Sucuba exploration project area (the "Sucuba Project"), and the Pison exploration project area (the "Pison Project"). All these projects are located in an area known as the Tapajos region of the State of Para in Brazil. The Jardim do Ouro Project covers 41,346 hectares, and lies on the NW-SE trending Tocantinzinho Trend, which is the major controlling structural feature in the Tapajos region. Lying along this same trend, some 30 km to the south east of the Palito Mine, is the Sao Jorge gold deposit owned by Brazilian Resources Inc and 70 km to the northwest lies the Tocantinzinho gold project owned by Eldorado Gold Corporation (measured and indicated mineral resources of 2.4 million ounces and inferred mineral resources of 0.1 million ounces).

The Tapajos region, which encompasses an area of about 100,000 km² (350 km by 300 km) in south west Para State, Brazil, is located approximately 1,300 km southwest from the state capital Belem. It is reported to be the world's third largest alluvial gold field and the Company believes that the region is a major, under-explored mineral province. Artisanal miners ("garimpeiros") are understood to have extracted up to 30 million ounces of gold mostly from alluvial and surface weathered bedrock deposits since the 1970's. With the exception of the Palito Mine, there has been no hard rock mining operation established in the region and consequently all historical production has been from alluvial operations and exploitation of the near surface oxide resources by local garimpeiros.

Jardim do Ouro Project

The Jardim do Ouro Project, the site of previous garimpeiro mining operations, was acquired by the Company in 2001, covers a total area of 41,346 hectares, and is comprised of one mining licence granted on October 23, 2007 covering an area of 1,150 hectares, four exploration licences and five applications for exploration licences covering an aggregate of 40,196 hectares.

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

As of March 2008, the Company had a NI 43-101 compliant measured and indicated mineral resources of 224,272 ounces (gold equivalent) and inferred mineral resources of 443,965 ounces (gold equivalent) after which time some 22,528 ounces (gold equivalent) were produced from a combination of underground and near surface oxides of which the latter did not form part of the resource calculation.

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

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

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

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

Since placing the operation on care and maintenance the Company has sought to keep as much as possible of the infrastructure at the Palito Mine intact including the process plant comprising flotation and carbon-in-pulp ("CIP") gold recovery circuits which had historically been treating up to 600 t/day (200,000 t/year) of ore, a camp that had housed over 200 employees and maintenance and workshop facilities. The site is supplied with mains power sourced from a 25 mW hydroelectric generating station located approximately 100 km north east of the town of Novo Progresso on the Curuá (Irirí) River.

Following the suspension of mining operations the Company focused on mine-site exploration, primarily airborne and ground geophysics and geochemistry, followed by a 12,000m discovery and follow-up diamond drilling that was completed at the end of 2011. The exploration objective was to identify two or more Palito style and size deposits in close proximity to the Palito Mine and processing infrastructure. The Company had established nine drill targets within three kilometres of the Palito Mine, and following the successful discovery drilling programme, intends in the future to undertake further resource drilling at the three discoveries that were made which it refers to as Piauí, Palito South and Currutela. The Palito South and Currutela discoveries lie along strike from the south-east limit of the existing Palito resource and management considers that there is strong potential for a continuous mineralised structure to exist extending from the current Palito resource through Palito South and on towards the Currutela zone.

The nine drill targets that the Company evaluated during 2011 were the cumulative result of a series of exploration activities that commenced in January 2008 when the Company commissioned a 6,000 hectare helicopter borne electromagnetic geophysical ("VTEM") survey over and around the Palito Mine. The Company had identified that gold mineralization at the Palito Mine was associated with the occurrence of massive sulphides (pyrite and chalcopyrite) and that some 20% of the gold resource at the Palito Mine was contained in this style of mineralization. Electromagnetics at the Palito Mine identifies the conductivity variance between the massive sulphides relative to the host granites. The size and extent of the survey area was determined by estimating a reasonable trucking distance on the basis that any discovery would be mined and the ore transported to a central processing facility. The Company used the electromagnetic signature of the known gold deposit at the Palito Mine as a point of reference to help identify 66 anomalous areas, which the Company prioritized into 18 areas justifying further evaluation. A ground IP survey was conducted in the first half of 2010 covering 13 of these anomalies to ascertain the extent of each anomaly by seeking to identify gold mineralization associated with quartz veins which at the Palito Mine accounted for the remaining 80% of the gold resource. Correlation of the geophysical data with geochemical information and mapping of garimpeiro activity resulted in the nine drill targets.

Management are sufficiently encouraged by these results to consider that Piauí, Currutela and Palito South will between them, and in time, form a cornerstone of the resource growth that they set out to achieve at the start of 2010. In January 2012, the Company commissioned NCL to undertake the PEA, the results of which were announced by the Company on June 13, 2012 and the complete report issued on June 29, 2012. The directors considered that the PEA results supported a small scale, high grade operation using selective mining techniques. On January 17, 2013 a placement of new shares raising gross proceeds of UK£16.2 million was completed and announced to finance the development of the project in line with the plans and scope outlined in the PEA. Work had already commenced in October 2012 to remediate and develop the existing underground mine and renovate the process plant with a view to commencing gold production before the end of the fourth quarter of 2013. Management is hopeful that, if successful,

the cash flow from the initial underground mining operation can be used, at least in part, to fund the future evaluation and development of the Sao Chico, Piaui, Currutela and Palito South prospects.

Sao Chico came under the control of the Company following the acquisition of Kenai Resources Ltd in July 2013. At that time the Sao Chico had an established NI 43-101 compliant combined Measured and Indicated Mineral Resource of 25,275 ounces of gold at 29.77 g/t and an Inferred Mineral Resource of 71,385 ounces gold at 26.03 g/t. The Company anticipates that Sao Chico will be a satellite gold resource to supplement Palito Mine gold production with high grade material, taking advantage of the excess plant capacity available to quickly expand Serabi's future gold production. During 2013 Serabi 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 results from the ground geophysics have established other potential areas of interest within the Sao Chico exploration licence but the Company will undertake other confirmatory exploration work, including geochemistry over the identified anomalies before embarking on any further drilling activity. 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.

The Company acquired Sao Chico as the Board felt that it was a more developed prospect than the Company's other discoveries and therefore would enable the Company to fast track its plans to develop a satellite mining opportunity capable of providing additional ore feed to the Palito gold processing plant and increasing gold production. The drill programme conducted during 2013 was considered by management to be very successful and to date management consider that the original 150 metre strike length of the current mineral resource has been more than doubled and are optimistic that, as additional exploration drilling further to the East and West also intersected zones of high grade mineralisation, this strike length could, with further infill drilling, become substantially larger.

The exploration results continue to show, in the opinion of management, the excellent potential of Sao Chico. The drilling results received to date also confirm the possibility of the high grade ore zones extending at depth. The exploration work has significantly enhanced the Company's understanding of the deposit and provides vital information to support the submissions that are being made to the authorities for the conversion of the trial mining licence to a full mining licence.

Measured and Indicated Resource Estimate – Sao Chico Project as at 30 May 2012

		Tonnage	Gold (g/tAu)	Contained Gold Ounces
Measured Resources *				
	Main Vein	5,064	32.16	5,269
Indicated Resources				
	Main Vein	21,423	29.14	20,006
TOTAL Measured & Indicated**		26,487	29.77	25,575

Inferred Resource Estimate – Sao Chico Project as at 30 May 2012

		Tonnage	Gold (g/tAu)	Contained Gold Ounces
Inferred Resources				
	Main Vein	69,440	27.83	61,940
	Highway Vein	8,490	12.21	3,323
	Parallel Vein	7,647	24.98	6,123
TOTAL Inferred		85,577	26.03	71,385

* Mineral resource has been depleted for Underground Development (Main Vein)

** Mineral resources are not Mineral Reserves and do not have demonstrated economic viability.

- 1) No cut-off grades have been applied to the block model in deriving the Mineral resource reported above given insufficient drilling data.
- 2) 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.
- 3) Mineral Resources for the Sao Chico Gold Project have been classified according to the "CIM Standards on Mineral Resources and Reserves: Definitions and Guidelines (Update 2011) by Bradley Ackroyd (BSc(Geo) MAIG an independent Qualified Person as defined by National Instrument 43-101.

Pison Project

The Pison Project is an isolated site located approximately 300km to the northwest of the Palito Mine with access being primarily by light aircraft. The original tenement holding secured by the Company showed gold mineralization occurring in a stockwork system consisting of quartz-mica-sulphide veinlets with occasional veins reaching up to one to two metres in width in acid volcanic rocks. Garimpeiros previously worked the area to a limited degree and reached the practical extraction limit using traditional methods. Exploration prior to Serabi's involvement has been very limited with Rio Tinto having drilled only a few diamond holes with the best results including 32m at 5.32g/t gold within strongly altered rhyolites. Serabi expanded its land position and at the end of 2007 held over 120,000 hectares around the original tenement area. During 2008, the Company conducted and completed a stream sediment sampling programme over the entire tenement holding and as a result has prioritized certain areas and reduced its land holding to some 44,712 hectares either granted or in application. The programme identified significant gold anomalous areas of which the best catchment anomaly covered an area of 15 km by 5 km and produced one sample of 4.02 g/t gold from the -80 mesh fraction and multiple results of gold in stream sediments of over 0.5 g/t. While the Company is encouraged by these results, it is of the view that to fully explore the potential of the Pison Project will require the involvement of a joint venture partner able to dedicate financial and personnel resources to a significant exploration programme.

Sucuba Project

The Sucuba project is located some 10 kilometres to the northwest of Palito and the Company has submitted applications for two tenements totalling 10,815 hectares. The Company has conducted exploration work in the past on this area where the main gold anomaly is centred on a small garimpeiro pit. Initial geochemistry highlighted anomalous gold values over an east-west area of 800 metres by 150 metres and a limited historic drill programme returned a number of gold values associated with structural controls including 0.50metres at 20.42g/t Au. The area would appear to potentially host a polymetallic deposit with high lead, silver and zinc values having been returned.

Employees

The following table sets forth the average number of persons employed by the Company during the year ended December 31, 2013, the location of employees and general area of responsibility within the Company.

	Brazil	Other	Totals
Management and administration	10	3	13
Exploration	6	0	6
Mine development and operations	97	0	97
Totals	113	3	116

Carrying on Business in Brazil

Brazil is the largest country in Latin America by area (47% of Latin America) and the fifth largest country in the world. The country has experienced continuous, positive and sustainable economic growth, low inflation rates, and improvements in social well-being in a democratic political environment. Brazil is a constitutional democracy with a strong national policy encouraging foreign investment. No special taxes or registration requirements are imposed on foreign-owned companies and foreign investment capital is treated equal to domestic capital.

According to the Fraser Institute Annual Survey of Mining Companies, Brazil is ranked as one of the world's leading countries for investment based on a combination of its mineral potential and mining legislation. The country offers

extensive infrastructure, a large pool of skilled technical and professional personnel, and an established legal system. Mineral resources are defined and mining rights guaranteed under Brazil's Federal Constitution, Federal Mining Code and various rules and regulations.

Brazil is a civil law jurisdiction. The laws governing business activities are found in federal legislation, which includes the *Brazilian Mining Code* and the *Foreign Investment Rules and Regulations*. State and municipal legislation also apply with respect to taxation, environmental and administrative matters. Brazilian business law is similar to corresponding law in other major civil law jurisdictions and provides a legal framework for foreign investment. Foreign investment in Brazil is governed by the *Foreign Capital Law* which requires that foreign investments in Brazil be registered with the Central Bank to ensure foreign remittance of profits and/or interest on equity, repatriation of foreign capital invested in Brazil and reinvestment. In addition, capital remittances must be registered within 30 days with the on-line Brazilian Central Bank electronic system RDE-IED15 (*Registro Declaratório Eletrônico de Investimentos Estrangeiros Diretos*).

Brazilian Mining Laws

The Brazilian federal government owns and has jurisdiction to control, regulate and grant rights to explore Brazil's mineral resources. The constitutional regime governing mineral deposits and the regulations respecting exploration establish a special legal framework for the Brazilian mining industry. Under the Brazilian Constitution, mineral deposits represent a property interest separate from the surface rights and belong to the Federative Republic of Brazil. The prospecting and mining of mineral resources in Brazil may be carried out by Brazilians or by companies duly incorporated in Brazil, which hold an exploration authorization or a mining concession, as the case may be, duly granted by the DNPM, a department of the Brazilian federal government responsible for controlling and applying the Brazilian Mining Code, and requires an agreement with the landowner. Accordingly, the subsoil and soil are subject to distinct legal treatment and the holder of an exploration authorization or a mining concession has the right to conduct mineral exploration activities or mining activities even where there is a dispute with the landowner.

Before conducting mineral exploration or exploitation activities in Brazil, it is necessary to first obtain an exploration authorization, followed by a mining concession from the Brazilian government. To this end, an exploration authorization request or a mining concession request must be filed at the DNPM, which will evaluate if the request fulfills the necessary legal and technical requirements. These mineral rights normally cover an area of up to 10,000 hectares, but may be smaller in certain areas depending upon the region where the property is located (the DNPM defines the maximum area that each exploration authorization may cover in each region of Brazil).

An application for prospecting must be supported by a location map, exploration plan and motivation report and must comply with certain other requirements. Provided the area of interest is not already covered by a pre-existing application, an exploration authorization or a mining concession, and that all requirements are met, the DNPM normally grants the authorization on a priority of application basis. Applications are sequentially numbered and dated upon filing with the DNPM.

An exploration authorization (*Alvará de Autorização de Pesquisa*) regulates the stage of mineral exploration works. Normally, an exploration authorization is granted for a period of three years, can be renewed for a further period (under special conditions) and may be transferred. Exploration must begin within 60 days of the issuance of the permit and must not be suspended for more than three consecutive months or 120 non-consecutive days. Otherwise, the DNPM has the discretion to terminate the authorization. The holder of an exploration authorization is required to pay an annual fee to the DNPM. Under its original term, the fee to be paid to DNPM in connection with an exploration authorization is currently R\$2.36 per hectare for the first three years of the licence, and this fee increases to \$3.58 per hectare following this initial three year period, (the extension of the exploration mining authorization's original term must be requested by the holder at least 60 days prior to its expiration). By the end of the term of the exploration mining authorization, a report must be filed and accepted by the DNPM (the "DNPM Report") either proving the technical and economical feasibility of exploiting a mineral deposit, which results in the granting of a mining concession, or demonstrating the absence of a mineable deposit, which results in the termination of the authorization. Upon submission of the DNPM Report, the DNPM has the right to inspect the area to confirm the accuracy of the report and shall approve the report when the existence of an ore deposit has been confirmed. The holder of an exploration license is allowed to receive a provisional license to sell metals covered by such a license until the granting of a mining concession.

The mining concession (*Concessão de Lavra*) is applicable to and regulates the stage of mining exploitation works. Following approval of the DNPM Report, the holder of the exploration authorization has the exclusive right to request the mining concession, which must be exercised or negotiated within a period of one year, extendible for a

further year at the DNPM's sole discretion. The mining concession itself is granted for an indeterminate period of time. The grant of a mining concession is subject to the fulfillment of certain conditions, namely having explored the area, an approved DNPM Report and an undertaking that the area will be adapted to the technical and economic conditions necessary to carry out the mining operations and related works according to what was established under the economic exploitation plan (*Plano de Aproveitamento Econômico*) (the "PAE") related to the concession. The PAE must be submitted by the holder together with its application requesting the mining concession. The holder of a mining concession pays to the DNPM a royalty on gold of 1% of sales proceeds less sales tax, transportation and insurance costs.

An application for a mining concession must be supported by information regarding the PAE, including a description of the mining plan, the processing plants, proof of the availability of funds or existence of financial arrangements for carrying out the economic development plan and operation of the mine. Applications for mining concessions must also include an independently prepared environmental plan that deals with water treatment, soil erosion, air quality control, revegetation and reforestation (where necessary) and reclamation. The mining concession, once granted, contains terms and conditions of the concession which will include terms and conditions relating to environmental matters.

After the mining concession is published in the official gazette, the applicant has 90 days to request possession of its respective mineral lode or deposit and six months to start the preparatory work as contemplated in the PAE. Once mining has commenced, it cannot be interrupted for a period longer than six consecutive months, except for proven reasons of *force majeure*, otherwise the concession may be revoked. The applicant must file with the DNPM (before March 15 of each year) a detailed statistical mining report. To explore the mine, it is also necessary to obtain environmental permits.

Throughout this process, the surface rights relating to the mining concession remain in the hands of landowners, typically farmers, ranchers or companies. The surface rights must be individually negotiated to allow the holder of a mineral exploration authorization or a mining concession to access the land and conduct the exploration and mining works. Surface owners must be compensated for disturbance of their farming and other activities. The surface rights owners are obliged by law to provide access to the mineral license holder to conduct exploration. If the parties cannot reach an agreement by mutual negotiations, such disputes are resolved by the courts based upon tradition for the region and type of mining.

Site visits by governmental authorities to properties where mining concessions are granted occur on a regular basis and annual progress or status reports must be submitted by the mining company that holds the mining concession. Those visits or reports may require a mining company to adopt changes to the PAE based on the recommendations made by governmental authorities. Failure to comply with the recommendations may result in fines, damages, restitution and imprisonment for officers of the mining company. A mining company's annual operating permit may not be renewed if the mining company has not complied with the recommendations.

Mining concessions can be transferred between parties qualified to hold them. The Brazilian Constitution sets forth, however, that a transfer of a mining concession requires authorization from the competent government authority. Once a mining concession is granted, a mining company is required to obtain an operating permit for each mine that is operated. The operating permit is renewed annually subject to compliance with environmental matters. No significant fees or other payments are required to be paid in connection with the issuance of an exploration authorization, an application for concession or a mining concession.

Environmental

Exploration activities and mining in Brazil are subject to environmental licensing. This consists of an administrative procedure, where the relevant environmental authority evaluates the project and authorizes the company to conduct exploration or exploitation works. There are three types of environmental licenses in Brazil: (i) *Preliminary Licenses* (also called provisory licenses), which certify the viability of the project (including approval of the site and conception) and establish the basic requirements and conditions that must be fulfilled in subsequent phases; (ii) *Installation Licenses*, which authorize commencement of construction (installation of the enterprise or activity) according to the specifications set out in the approved plans and programs and define the environmental control measures, etc.; and (iii) *Operating Licenses*, which are conceded when the project is ready and able to function following an assessment of compliance with the terms of the preceding licenses. The licensing of projects that could potentially or effectively cause degradation are subject to submission to and approval by the environmental authorities of the environmental impact study.

Tax

There are three jurisdictions and tax collection levels in Brazil (as defined by Brazilian tax legislation): the Federal, State and Municipal levels. The main taxes levied are: Corporate Income Tax (*Imposto de Renda Pessoa Jurídica*) (the “IRPJ”) with companies generally subject to income tax at a rate of 25%; a project considered to be of priority interest is entitled to a reduction of 75% in the effective income tax rate; and Social Contribution on the Net Profit (*Contribuição Social sobre o Lucro Líquido*) (“CSLL”) at a current rate of 9% (however, there is a 1% bonus for tax regularity if the company fulfils certain conditions). There are several government incentives for start-up projects in Brazil such as subsidized loan financing and tax exemptions or reductions, which vary according to the characteristics and location of each project. International investors have equal access to these incentives, when compared with local investors.

MINERAL PROPERTIES

The Company's current material mineral project is the Jardim do Ouro Project an area which encompasses the Palito Mine and the Sao Chico gold project.

Some of the information in this section is summarized or extracted from

- 1) the technical report dated June 28, 2012 by Rodrigo Mello, Geologist FAusIMM and Carlos Guzman, Mining Engineer, Registered Member of the Chilean Mining Commission, of NCL Ingenieria y Construccion Ltda ("NCL") and entitled "Technical Report NI 43-10, Preliminary Economic Assessment for the Jardim Do Ouro Project, Para State, Brazil" (the "Jardim do Ouro Technical Report"). Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Jardim do Ouro Technical Report, which is available on SEDAR at www.sedar.com and from the Company's website at www.serabigold.com and
- 2) the technical report dated October 15, 2012 by Mr A.J. Tunningley: MGeol (Hons), MAusIMM(CP), MSEG and Mr B. Ackroyd BSc(Geo), MAIG of Exploration Alliance Ltd ("EAL") and entitled Mineral Resource Estimate on the Sao Chico gold Project, Brazil – NI43-101 Technical Report ("the Sao Chico Technical Report"). Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Sao Chico Technical Report, which is available from the Company's website at www.serabigold.com.

Subsequent to the preparation of the Jardim do Ouro Technical Report the Company has commenced development activities required to place the Palito Mine into production and where appropriate the text below, including the details and results of this development activity, reflects this and therefore certain information herein will supersede or may be supplementary to, the Jardim do Ouro Technical Report.

Subsequent to the preparation of the Sao Chico Technical Report the Company has undertaken further exploration work at Sao Chico and where appropriate the text below, including the details and results of this exploration activity, reflects this and therefore certain information herein will supersede or may be supplementary to, the Sao Chico Technical Report.

The updated information regarding the Jardim do Ouro Project (including Sao Chico) has been reviewed and approved by Michael Hodgson, a Director of the Company. Mr Hodgson is an Economic Geologist by training with over 25 years' experience in the mining industry. He holds a BSc (Hons) Geology, University of London, a MSc Mining Geology, University of Leicester and is a Fellow of the Institute of Materials, Minerals and Mining and a Chartered Engineer of the Engineering Council of UK, recognizing him as both a Qualified Person for the purposes of Canadian National Instrument 43-101 and by the AIM Guidance Note on Mining and Oil & Gas Companies dated June 2009.

Project Description and Location

Location

The Jardim do Ouro 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, near the eastern municipal boundary with the Novo Progresso Municipality.

The two most important features of the project are currently the Palito Mine and the Sao Chico gold project. The Palito Mine lies some 4.5 km south of the village of Jardim do Ouro and approximately 15 km via road. This village lies on the Transgarimpeira Road some 30 km west-southwest of the town of Moraes de Almeida, located on the junction of the Transgarimpeira and the BR 163 or Cuiabá – Santarém Federal Highway. Moraes de Almeida is approximately 300 km south south-east by road of the municipal capital and similarly named city of Itaituba. The Sao Chico gold project is located some 25 kilometres to the south-west of Palito further along the Transgarimpeira Road.

Location of the Tapajos Mineral Province



Project Ownership

The Jardim do Ouro Project is formed by 14,217 ha of tenements granted in the Tapajós Province, including 1,150 ha of mining leases. In addition, there are 25,979 ha in mineral exploration license applications or extensions resulting in a total area for this property of 41,346 ha.

To retain the exploration properties, Serabi will need to make an annual payment to the DNPM, which is presently calculated as R\$2.36 per hectare for a granted exploration license, and R\$3.58 per hectare for an exploration license extension. To maintain the mining license, Serabi must comply with the conditions set out by the DNPM in respect to annual reporting and environmental compliances, but no taxes are owed, except those incurred on production.

DNPM legislation allows for the extension of up to three years for exploration properties beyond the period of validity, through a process of report presentation and application for an extension.

Those exploration tenements presently granted as exploration extension licenses, cannot be renewed and must either be relinquished or can be upgraded to a mining concession through submission of an application including a mineral resource statement, economic assessment and mining plan and schedule.

Mining concessions are valid until exhaustion of the resources or cessation of mining. The mining license is valid for an indefinite period. There are no annual fees associated with the maintenance of that license but the holder is subject to paying royalties to the state. The acronym for this royalty is CFEM. The CFEM rates for gold, silver and copper, the primary products of the Palito Mine, are currently 1.0%, 0.2% and 2.0% respectively.

Under applicable mining laws, the holder of a mining license is required to hold an Operating License granted in this case by Secretaria de Estado de Meio Ambiente (SEMA) for the State of Pará. This period of validity for such a license is at the discretion of the issuing body. Serabi's current license, (# 6704/2012), was issued for a period of two years and expired on April 27, 2013. Serabi has made the necessary application for the license renewal, and while the Company awaits final approval from SEMA, the current license is automatically extended.

Exploration property boundaries are located by means of geographic coordinates for each vertex, which are published in the DNPM gazette and on the DNPM website. The mining concession is marked by embedded cement filled pylons, at each vertex of the concession, marked in accordance with the published vertices in the DNPM.

Besides the Jardim do Ouro Project, Serabi is interested in two other separate project areas, in the same Tapajós Province, which are not covered in the Jardim do Ouro Technical Report; the Pison Project, in the state of Amazonas, represented by 44,712 ha comprising two exploration permit and three applications and the Sucuba Project, in the state of Para, for which it has submitted two application for exploration permits covering an area of 10,815 ha.

Surface Rights

Serabi initially acquired the surface rights to the immediate Palito Mine area through a purchase agreement with the existing garimpeiros entered into in 2002 and since that time has acquired from other garimpeiros and/or farmers additional parcels of land with the intention of securing the surface rights. It has also entered into agreement with other parties for access rights in return for making monthly rental payments.

In total, these surface rights cover a total area of 981 ha out of the total Jardim do Ouro tenement holding of 41,346 ha. Of these surface rights 865 ha, lie within the mining license.

Exploration licenses and Mining license

Serabi has four exploration licenses granted within the Jardim do Ouro area covering a total of 14,217 ha and has a further five exploration licenses in application covering an area of 25,979 ha. These are in addition to its mining licence which covers an area of 1,150 ha. One of the four exploration licences granted is for the Sao Chico project and covers an area of 1,416 ha. This licence expired on 14 March 2014 and the Company has commenced the process of converting this exploration licence into a mining concession. A Final Exploration Report ("FER") was submitted within the stipulated time period prior to the expiry of the licence as the first step in the process of the mining licence application and approval process.

The annual commitments and expiry dates of these licenses are as follows:

<u>License Number</u>	<u>Licence type</u>	<u>Hectares</u>	<u>Annual Commitment R\$</u>	<u>Potential Commitment R\$</u>	<u>Date of expiry</u>
850.175/03	Mining concession	1,150			
650.007/98	Exploration license	1,416			Expired 14/03/2014 – mining concession in application
850.192/02	Exploration license	673	2,275		04/07/2014
850.904/12	Exploration license	7,920	19,892		20/01/2017
850.903/12	Exploration license ¹⁾	4,207	9,382		20/01/2017
850.291/04	Application for exploration licence ⁽¹⁾⁽²⁾	7,020		15,654	
850.495/05	Application for exploration licence ⁽¹⁾⁽²⁾	6,369		14,203	
850.496/05	Application for exploration licence ⁽¹⁾⁽²⁾	9,999		22,299	
850.066/10	Application for exploration licence ⁽¹⁾⁽²⁾	1,210		2,699	
851.800/13	Application for exploration licence ⁽¹⁾⁽²⁾	1,381		3,080	

(1) The Company is waiting for the publication of the grant of the exploration licences.

(2) Until the DNPM grants exploration licenses they remain subject to amendment by the DNPM.

Environmental Liabilities

The Jardim do Ouro Project contains significant ground disturbance within the Palito Mining lease (850.175/2003), as part of the Palito mining and processing activities. Serabi has complied and is in compliance in all material respects with all environmental regulatory requirements related to the exploration and mining activities pursuant to Brazilian environmental laws, and has taken all necessary actions in order to keep the environmental licenses and permits in force, valid and in good standing. Garimpiero and some limited open pit mining activities have also been undertaken by previous holders of the Sao Chico project licence (650.007/98). Since the date that it took control of the Sao Chico project in July 2013, Serabi has complied and is in compliance in all material respects with all environmental regulatory requirements related to the exploration activities it has undertaken pursuant to Brazilian environmental laws, and has taken all necessary actions in order to keep the environmental licenses and permits in force, valid and in good standing.

Within the Jardim do Ouro Project, outside of the Palito Mine lease and the Sao Chico exploration lease, ground disturbance has been primarily by garimpeiro activities, restricted mainly to creeks, including shallow water filled pits and small open pits from which saprolitic materials have been hydraulically extracted and processed by gravity separation.

Serabi presented a closure plan to the Brazilian mining authority, as part of its plan of economic usage of the mine, as required for the mining license application. In this plan, a value close to R\$2.5 million was estimated to cover closure costs, spread over a period of three years, following mine exhaustion.

Accessibility, Climate, Local Resources, Infrastructure and Physiology

Access

Access to the Jardim do Ouro Project from Itaituba can be achieved by part paved road, crossing the Tapajós River at Itaituba via ferry and disembarking at the village of Mirituba, located on the southern bank of the river, opposite Itaituba. The road continues 30 km south of Mirituba along the BR230 or Transamazonica Road, where the BR230 terminates at the BR163. The route continues along the BR163, which is in the process of being sealed along its entire length, for a further 270 km and 43 bridges south to Moraes de Almeida and then for a further 30 km WSW along the Transgarimpeira via Jardim do Ouro, located on the Jamanxim River. In Jardim do Ouro, a second ferry is required to traverse the river to the western bank. A further 2 km west of the village the Palito Mine access road turns south for a further 12 km before arriving at the Palito Mine site, located in the Jardim do Ouro Project Area.

Alternatively, road access can be gained from Santarém to the NE or from Cuiabá to the south in Mato Grosso state via the BR163, taking the Transgarimpeira Road at Moraes de Almeida to Jardim do Ouro and on to Palito. Road access to the Palito Mine site can be slightly restricted during the tropical wet season from December to May each year.

Access can also be gained by air from Itaituba or alternate airstrips (Santarem or Novo Progresso) using light aircraft. Palito and Jardim do Ouro have 800m airstrips of compacted earth which are approximately one hour flying time from Itaituba or 1.5 hours flying time from Santarem.

Itaituba is a well established centre with port facilities capable of handling barge transport of heavy equipment and airport facilities for large freight aircraft. The Palito Mine receives much of its supplies and historically dispatched its copper-gold concentrate product via barges accessed from Itaituba and trucked to site and vice versa.

Electric grid power has been brought to the mine site via a spur line from Novo Progresso. Backup power is supplied by onsite diesel fired generators.

Physiography, climate and vegetation

The Jardim do Ouro Project lies in a region termed the Tapajós valley, specifically in the region termed the Rio Novo Basin, located in the central eastern portion of the Brazilian IBGE SB.21.ZA map sheet, on the left margin of the Rio Novo, proximal to the confluence of the Rio Novo and Jamanxim rivers. These rivers in turn drain north into the Tapajós River near Itaituba and then north east into the Amazon River downstream at Santarém.

The Palito Mine lies at an elevation of 260m RL at the approximate coordinates:

Geographic: 55°47' 31.3" W, 6°18' 54.1" S

UTM: SAD 69, Zone 21S; 633617mE, 9301813 mN

Local physiography consists of a rugged topography forming hills and steep sided valleys in the immediate Palito area, and more subdued undulating hills and valleys in the surrounding project area. There are numerous creeks (“Igarapés”) draining the incised topography of the Palito area, all of which drain into the Rio Novo and Jamanxim Rivers located within a few kilometres of the site.

The majority of the immediate Jardim do Ouro Project environment is covered by tropical forest typical of the Amazon region, however north and west of the Palito Mine, the forest has been felled to create pastures for the grazing of livestock along the Transgarimpeira Road.

Many of the drainages radiating away from the Palito Mine site were worked intensely during the 1980’s by the garimpeiros resulting in manmade swamps, permanent wetlands and old forest destruction.

The Sao Chico Project comprises a single “Authority to Prospect” exploration permit (AP12836) which covers an area of 1416 hectares, centred on latitude 6.41°S and longitude 55.94°W. It is located on the Transgarimpeira Road some 25 kilometres to the south west of Palito.

The local climate has two well defined seasons, the rainy season from December to May and the dry season the remainder of the year. Regional rainfall averages around 1400 mm per year although this now fluctuates greatly due to the deforestation effect of local farming.

The temperature does not vary significantly ranging between 24°C and 33°C, with an average of around 26°C. Relative humidity ranges from 70% to 80% depending on the season.

Local Resources

Within the boundaries of the Palito Mine lease there are no permanent inhabitants, however within the greater contiguous tenement holdings in the Jardim do Ouro Project there are a number of cleared grazing properties with permanent dwellings and inhabitants. The nearest community with social services is Itaituba, which has a population of 96,282 (IBGE census of 2007), banking, postal service, health services, communications, education centres, and regular air service to other major cities, including Belém, Manaus and Cuiabá.

Labour employed by the project is preferentially sourced from the local towns and villages, within the state of Pará. Other more job specific professionals unavailable in Pará are sourced preferentially from within Brazil.

Grid electricity is sourced from the neighbouring municipality of Novo Progresso 135 km away, and brought to site via a spur line.

Within the boundaries of the Sao Chico exploration licence and close to the area of past garimpeiro activity which is the main area of interest for the Company is a small settlement representing the Sao Chico village. This community provides the limited unskilled labour that the project has required to date. Electricity for the project is provided by a diesel generator.

Water at both project areas is in abundance locally and is sourced from small reservoirs and dams constructed on site for industrial purposes and from water wells for potable water requirements.

Fuel and other major supplies are currently brought in via road from Itaituba and/or Cuiabá via the BR163.

History

The Palito deposit and the Sao Chico project are located in the eastern portion of the Tapajós Mineral Province where the presence of gold has been reported as early as 1747 from the Colonial Portuguese era. Gold production in the Tapajós commenced in the mid 20th century via garimpeiros reaching a peak in the 1970’s and 1980’s with estimated production of between 15 to 30 tonnes per year, from over 500,000 garimpeiros. Production has since declined. However there remain in the order of 2,000 to 5,000 garimpeiros producing in the order of five tonnes of gold per year from the region. Total historical production from the Tapajós is estimated at between 15 to 30 million ounces as reported by the CPRM. However, accurate reports do not exist.

Gold mining in the Jardim do Ouro Project area was initiated by garimpeiros during the 1970’s who typically worked alluvial and colluvial gold sources up stream until they came upon the residual source. Generally, the garimpeiros worked the residual mineralized saprolite profile containing free primary and secondary gold. In circumstances where extremely high grade was encountered in fresh rock, the garimpeiros sunk shafts and mined the vein

underground by gallery development. The mining method employed traditionally was by hand and hydraulic mining in the saprolite, using basic gravity separation and occasionally mercury amalgamation. In the high grade vein material extracted from fresh rock or deeper open casts, the material was crushed and then gravity separated and/or mercury amalgamated.

Modern exploration was initiated in 1994 by Rio Tinto Desenvolvimento Minerais Ltda “(RTDM)”, which conducted surface geochemical sampling, auger drilling, ground and airborne geophysics, and diamond drilling in the Palito Mine area.

The founders of Serabi commenced operating in Brazil in 1999, with the objective of acquiring, evaluating and mining hard rock gold deposits previously unknown or technically too difficult for the Garimpeiros to exploit.

Having evaluated several opportunities, the group acquired the Palito Mine in 2001, forming the basis for Serabi. In 2002, Serabi purchased RTDM’s historical Tapajós exploration database and negotiated access to RTDM’s exploration drill core library, following RTDM’s decision to withdraw from the Tapajós Province.

In May 2005, Serabi filed for public listing on the AIM London Stock exchange where it successfully raised £6.9 million net of expenses.

Palito Mine Recent History

Following the acquisition of the Palito Mine in 2001, Serabi commenced re-treatment of high-grade gold tailings from the abandoned garimpeiro workings via a small scale milling and CIP plant in late 2002. This plant produced around 3000 ounces of gold bullion in 2003 and provided valuable lessons for operating in the region. Underground mining commenced in late 2003, exploiting fresh sulphide bearing ore.

In 2004, gold bullion production ceased during a plant upgrade to process the sulphide ore won from the underground operation. The upgrade to the circuit included the installation of a crushing plant and a flotation circuit. In August 2004, bullion sales resumed and in November 2004, the first copper/gold/silver concentrate was shipped to Europe for processing.

In 2005, the Palito Mine operation reached a throughput rate of 150 tpd and produced 17,261 oz gold equivalent.

In 2006, the Palito Mine’s production throughput was increased to 340 tpd and changes in the mining methodology began to take effect as the more selective shrinkage stoping method was replaced by bulk longhole stoping. This resulted in a production of 39,197 oz gold equivalent for the year.

In 2007, a further increase in throughput rate to 550 tpd was undertaken to counter the decrease in grade of the run-of-mine feed caused by excessive dilution of the narrow vein ore zones from long-hole stoping. The production for that year was of 33,963 oz gold equivalent. During 2007, the mining methodology was reconfigured to minimise the dilution with long-hole stoping heights. Resulting methods were adapted and a new selective mining fleet placed on order for delivery in 2008.

In 2008, the delayed arrival of the new selective mining fleet, severely impacted on development and production rates, and as a result the Palito Mine performed well below plan during the year. By midyear it was clear to the Company that to re-establish the Palito Mine to planned production levels, it would be necessary to place the mine into a dedicated phase of development for a period of some 12 months. However, the implications of such a plan on cash flow along with a significant working capital requirement, at a time when the capital markets were in severe decline, made it difficult for the Company to secure the necessary funding to implement such a plan. In the absence of any viable alternative plan, the decision was taken to suspend underground mining by the end of 2008. Gold production for 2008 was 19,676 oz gold equivalent.

Also in 2008, exploration activity focused mainly upon mine site step out drilling and the flying of a 6,000 ha VTEM survey. The hosting of gold mineralization in a sulphide host matrix means that the mineralization is well suited to geophysical exploration methods. The survey rewarded the Company with 18 high priority targets within a 7 km radius of Palito Mine, which if successfully proven up, would be expected to be incorporated into the current operating infrastructure.

The main priority of 2009 for Serabi was to stay in business; the global financial crisis and virtual cessation of access to capital markets made life very difficult for companies with limited revenue. All exploration activity was placed on hold. Following the suspension of the underground operation, a change of mine plan was submitted to the DNPM

and the Company commenced limited gold production from some oxide ore mining, which had been successfully piloted the previous year. This small scale surface oxide ore mining was restricted largely to the top 20 metres from surface, where the mineralization has been weathered. Beyond a depth of 20 metres the oxide mineralization changes into a transition zone, before finally encountering the harder sulphide ore at depth. The oxide ore is very amenable to processing with Serabi's existing CIP plant from which it is possible to produce gold in the form of bullion bars. However, in both the transition and sulphide zones the gold is associated with copper (in the oxide ore the copper has been leached away) and this material can only be treated through flotation, which produces a concentrate.

The reduction in labour costs following the suspension of underground mine production, meant the gold production from oxide mining activity began to generate meaningful though limited revenue which helped meet site costs. It should be noted that the oxide ore mined was from material outside the declared mineral resource. No official resource estimation has ever been undertaken upon this material.

In 2009 the Company continued mining and processing oxide ore as long as realistically possible to generate cash flow to cover or partly cover the mining and process costs at Palito Mine and, in so doing, maintaining legal operations at site. During 2009, the Company produced approximately 5,000 gold ounces from oxide mining activities.

At the end of 2009 the Company completed an equity financing, raising US\$4.5 million. These funds allowed the Company to recommence exploration activity.

In June 2010, Eldorado Gold Corporation subscribed for 12,000,000 Ordinary Shares and in so doing acquired an interest in the company at that time of 26.8% and in March 2011 the Company completed an Initial Public Offering of its shares on the Toronto Stock Exchange raising gross proceeds of a further C\$10,488,500 in the process. This working capital allowed the Company to advance its exploration of the Jardim do Ouro region and in particular the near-mine opportunities. The exploration activity during 2011 included ground and airborne geophysical programmes and surface geochemistry but the primary activity was a discovery diamond drilling programme totalling 8,200 metres over nine target areas all located within three kilometres of the existing Palito Mine and a further 4,400 metres of follow up diamond drilling programme over the most prospective of these target areas. Of the nine targets drilled, seven encountered gold mineralisation and of these the Company selected two areas, Piaui and Currutela that it considered the most prospective, for the 4,400 metre follow up drilling programme.

At this time, the Company considers that the potential of both Piaui and Currutela prospects is very good. Based on drilling and geophysical work completed to date, Piaui, which the Company originally considered to have a strike length of 300 metres could now extend to approximately 1,400 metres parallel to and following the same north-west to south-east trend of Palito. An initial shallow infill and step out drilling programme over 23 drill holes has been completed over two areas with strike lengths of 600 metres and 350 metres within the overall 1,400 metre potential strike length of the prospect. This drilling continued to intersect broad zones of intense chlorite/silica/sulphide alteration zones in excess of 40 metres.

The Currutela prospect lies some two kilometres to the south-east of the Palito Mine and along strike. Drilling intersected mineralisation, which is very similar to that found at the Palito deposit and in common with Palito, appears to comprise a number of stacked veins in the same orientation as that seen at Palito. A total of twelve discovery holes were drilled into the Currutela target on very broad drill spacing over a strike length of around 400 metres and a strike width of one kilometre. The Company undertook an exploratory drill hole some 900 metres to the north-west of Currutela following the potential strike extension between Palito and Currutela. This single drill hole in this Espeto prospect area intersected gold mineralisation and the bulk mineralised zone returned 17.06 metres @ 1.17g/t Au from 84.25 metres down-hole depth, including 0.88 metres @ 5.25 g/t Au and 0.61 metres @ 10.90 g/t Au. This hole was intended to test the predicted continuity of the Palito host structure along a south-east trending strike towards the Currutela prospect. Again multiple zones of hydrothermally altered granite similar to Palito and Currutela were encountered. Espeto lies to the south east of the Palito mine and some 750 metres from the south eastern limit of Palito's current 224,000 ounce Measured and Indicated (gold equivalent) and 444,000 Inferred (gold equivalent) resource. The implication is that there is a potential strike extension of some 2 kilometres between the existing Palito resource and the most southerly limit of Currutela.

In the fourth quarter of 2011, the Company drilled 20 shallow holes totalling 1,632 metres in the zone between Espeto and Palito to the north (the Palito South area). There had been limited drilling undertaken by the Company during 2008 with the intention of extending the southerly limit of the existing Palito resource. This 2011 programme

continued to in-fill the area towards Espeto. High-grade intersections were recovered from a number of the holes including **0.72m @ 8.91g/t Au, 0.90m @ 21.6 g/t Au, 1.40m @ 43.2 g/t Au, 0.81m @ 8.79g/t Au and 0.93m @ 34.75 g/t Au.**

Management were sufficiently encouraged by these results to consider that Piaui, Curutela and Palito South could between them, and in time, form a cornerstone of the resource growth that they set out to achieve at the start of 2010. With this in mind the Board commissioned a preliminary economic assessment into the viability of re-establishing underground mining operations at the Palito Mine ("the PEA"). The results of the PEA were released and the Jardim do Ouro Technical Report issued in June 2012. The PEA considered only the existing Measured and Indicated resources and the Inferred resources that were estimated by NCL in March 2008. Extraction would be undertaken using selective underground open stoping techniques and a throughput rate of 250 tonnes per day was used. Using existing metallurgical test-work and historical production data to support an overall gold recovery rate of 90.7% and using a gold price of US\$1,400 per ounce, NCL estimated that the project would generate a post-tax IRR of 68% and a post-tax Net Present Value, at a 10% discount rate, of US\$38.2 million. It was estimated by NCL that the initial capital cost of the project would be approximately US\$17.8 million and their project analysis included a further US\$26.4 million of sustaining capital over the life of the project. NCL calculated that over the 9 year project life total production would be 193,760 ounces of gold (201,300 ounces gold equivalent) at an average cash cost (at US\$1,400 per ounce gold price) of US\$739 per ounce (US\$149 per tonne). Having carefully considered the work done and the assumptions made by NCL, the directors considered that the PEA results supported a small scale, high grade operation using selective mining techniques. On January 17, 2013 a placement of new shares raised gross proceeds of UK£16.2 million to finance the development of the project in line with the plans and scope outlined in the PEA.

Work began in October 2012 to remediate and develop the existing underground mine and renovate the process plant with a view to commencing gold production before the end of the fourth quarter of 2013. Initial commissioning of the gold process plant commenced on 13 December 2013 and during the first quarter of 2014 the operation continued in a planned ramp-up phase. A stockpile of uncrushed mined ore of approximately 25,000 tonnes at an average grade in excess of 8.00 g/t had been accumulated by December 31, 2013. The Company is targeting long-term plant throughput rates of 7,500 tonnes per month and expects to be achieving these levels for the start of the second quarter of 2014. Management is hopeful that, if successful, the cash flow from the initial underground mining operation can be used, at least in part, to fund the future evaluation and development of the Piaui, Currutela and Palito South prospects.

The following tables summarize total historical production and gold production since the March 2008 cut-off date of mineral resource estimate.

Historical production at Palito Mine to June 2010

Quarter	Tonnes Milled	Head Grade		Plant Total		
		Au (g/t)	Cu (%)	Recovery	Production	
				Au (%)	Au (oz)	Cu (t)
2005 – Q1	8,222	9.33	0.3	84.2	2,077	22.4
2005 – Q2	14,006	8.63	0.33	88.2	3,427	38.2
2005 – Q3	14,315	12.06	0.68	90.2	5,005	81.0
2005 – Q4	21,415	7.65	0.42	91.8	4,837	74.7
2006 – Q1	25,514	9.31	0.47	91.9	7,017	98.0
2006 – Q2	29,851	9.73	0.43	91.3	8,527	107.1
2006 – Q3	29,462	9.2	0.51	91.4	7,974	139.2
2006 – Q4	32,760	9.37	0.73	91.0	8,980	224.6
2007 – Q1	42,705	6.52	0.31	89.8	8,044	125.6
2007 – Q2	45,245	5.95	0.3	91.1	7,888	127.0
2007 – Q3	45,054	5.36	0.23	90.0	7,021	96.2
2007 – Q4	40,481	5.06	0.29	89.9	5,989	110.4
2008 – Q1	34,040	4.52	0.31	89.0	4,217	85.8
2008 – Q2	36,745	5.1	0.26	89.0	4,963	78.9
2008 – Q3	37,704	4.69	0.26	87.4	4,658	81.1

2008 – Q4	29,174	3.92	0.27	89.4	3,165	66.8
2009 – Q1	17,863	4.03	-	90.5	2,134	-
2009 – Q2	19,151	3.24	-	89.3	1,748	-
2009 – Q3	17,470	2.23	-	89.9	1,018	-
2009 – Q4	15,073	1.26	-	78.7	548	-
2010 – Q1	13,291	1.73	-	85.3	786	-
2010 – Q2	4,803	1.82	-	89.8	265	-

Production since March 2008

Limited mining occurred after the March 2008 cut-off date for the mineral resource statement, and is set forth in the table below.

2008	tonnes	Grade Au g/t	Au oz
Oxide ore gold production <u>not included</u> in March 2008 Mineral Resource	21,397	3.58	1,475
Sulphide ore gold production <u>included</u> in the March 2008 Mineral Resource	65,781	4.70	8,799
Sulphide ore gold production <u>not included</u> in the March 2008 Mineral Resource	16,445	5.64	2,512
Total Q2-Q4 2008	103,623	4.62	12,786
2009			
Oxide ore gold production <u>not included</u> in March 2008 Mineral Resource	69,557	2.76	5,448
2010			
Oxide ore gold production <u>not included</u> in March 2008 Mineral Resource	18,094	1.75	1,051
TOTAL MINED + TREATED SINCE Q2 2008	191,274	3.67	19,285

It can be concluded from this production data that only 8,799 oz of gold came from sources within the March 2008 mineral resource, with the remaining 10,486 oz coming from unreported ore sources outside the declared March 2008 geological resource. As a consequence, the mineral resource has not been materially affected by subsequent production up to June 2010.

Sao Chico Recent History

Prior to Kenai's involvement, Gold Aura do Brasil Mineracao Ltda ("GOAB") are the only known company to have conducted exploration on the Sao Chico property. Prior to GOAB, the area was held under PLG claims and worked intermittently by artisanal miners since at least the 1970s.

Approximately 15 years ago, a garimpeiro and the then 100% owner of Sao Chico, Waldimiro Martins ("WM"), constructed a vertical shaft to approximately 8 metres below surface, however we encountered sulphide mineralization and could not recover sufficient gold to warrant further mining. In 2006 this shaft was deepened 18 meters below surface to access a 58 metre long exploration drive. The shaft is located at 613945 mE, 9290357 mN (UTM WGS84, Zone 21).

Historic production figures are not available and the previous work is believed to be of a small scale. Other small scale artisanal miners have intermittently attempted to work on the project area but are no longer active. There is some re-working of tailings by villagers within AP12836.

Regional aeromagnetic surveys were recently performed by a third party and this data is of use in regional exploration.

GOAB completed first pass exploration work in the general licence area, including channel sampling of the drive located on the Main Vein. A total of 30 channel samples were collected and returned maximum assay results of 348 ppm gold, 41 ppm silver, 0.23% copper, 5.7% lead and 3.2% zinc. Eighteen of the 30 samples assayed over 1 ppm gold and averaged approximately 15 ppm gold. Observations of stockpiled material from the shaft indicate that these samples were taken from sulphide bearing quartz vein material and pyrite altered host rock. Repeatability of gold assays from GOAB's underground sampling is not consistent and indicates a nugget effect in the hypogene mineralization.

The encouraging results of GOAB's sampling demonstrates the bonanza grades at the Sao Chico project. But subsequent work by an independent party in the course of the preparation of a NI 43-101 compliant technical report issued in May 2012 was unable to verify the exploration results of GOAB due to insufficient information regarding sample location, description, methodology and preparation and assay techniques. These results should therefore be considered historic and cannot be relied upon.

Geological Setting and Mineralization

The Tapajós Gold Province is located in the western portion of Pará State, central northern Brazil and covers a total of some 100,000 km². The Tapajós is in the southern-central portion of the Amazon Craton, generally termed the Brazilian Shield, as opposed to the northern portion of the Craton referred to as the Guyanian Shield and extends into the littoral countries of the northern South American continent.

The Brazilian Shield is nucleated on the Archaean granite-greenstone terrain of the Carajás-Imataca Province in eastern Pará State, and progressively becomes younger and shallower towards the west, grading from granite dominated into granite-volcaniclastic terrain of Paleoproterozoic age in eastern Amazonas State. In the Jardim do Ouro region lithologies are dominated by granitoids of Paleoproterozoic age.

Regional Geology

The Tapajós Province represents a tectonically controlled geological evolution attributed to the Orosirian Proterozoic period, comprising four plutonic events, over a 140 Ma period.

In the Tapajós Province two main units form the basement, the Paleoproterozoic Cuiú-Cuiú metamorphic suite (2.0 - 2.4 Ga) and the Jacareacanga metamorphic suite (>2.1 Ga). The Jacareacanga is considered to be the older suite; however the relationship is not yet well defined.

The Jacareacanga suite is comprised of a sedimentary-volcanic sequence, deformed and metamorphosed to a regional greenschist facies, with units of sericitic and chloritic schists and rare banded iron formations.

The Cuiú-Cuiú suite, which is the basement for the Palito area, is comprised of orthogneisses of dioritic to granodioritic composition, locally mylonitized, deformed tonalitic granitoids and enclaves or rafts of amphibolites.

Both the Cuiú-Cuiú and Jacareacanga suites are intruded by monzogranites of the Paráuari suite (2000 - 1900 Ma), tonalites, diorites and granodiorites of the Tropas suite (1907 Ma - 1898 Ma) and granites and granodiorites of the Creporizão suite (1893 - 1853 Ma). These three intrusive suites are considered to have calc-alkaline affiliations and may be considered remnants of a magmatic back arc system interpreted for the region.

Coeval felsic and intermediate rocks; rhyolites, dacites and andesites of the Bom Jardim and Salustiano Formations (1900 - 1853 Ma) and volcaniclastics of the Aruri Formation (1893 -1853 Ma) cut through all older units.

The alkaline, anorogenic, Maloquinha Granite suite (1882 - 1870 Ma) intrudes throughout the Tapajós and is associated with the strong extensional episode, pre-dating the deposition of the Uatumã Volcanics (Irirí Group, Aruri Formation and Salustiano Formation). The Maloquinha Granites are considered to be the deeper intrusive phase of the Uatumã Volcanics and the source of the gold mineralization in the Tapajós.

Younger sedimentary rocks cover the Maloquinha/Uatumã suite of rocks along a NW-SE trending feature in the central and western parts of the Tapajós Province.

Regional structural analysis of the Tapajós Province has identified various compressive deformation regimes including ductile, brittle-ductile and brittle. The deformation is interpreted to have occurred as two separate events, the first compressive event, with peak deformation around 1.96 Ma, resulting in the development of ductile and

brittle-ductile deformation regimes. The second event occurring at 1.88 Ma resulted in brittle deformation. These events resulted in major north-south, north west-south east and east-west lineament sets.

The geometry of the lineament and structures are compatible with a combination of Riedel fracturing and strike slip fault systems, where the principle vector of compression is oriented in an east-west and ENE-WSW direction

Gold mineralization is not restricted to a particular suite, with deposits located in all suites including; Cuiú-Cuiú Suite (Cuiú-Cuiú), Paráuari Suite (Tocantinzinho, São Jorge and Palito), Tropas Suite (Ouro Roxo), Salustiano and Bom Jardim Formation (V-series deposits, Bom Jardim), Maloquinha Suite (Mamoal). Gold mineralization associated with quartz and hydrothermal alteration assemblages is reported in all the fracture orientations of the Reidel system, and are dominated by fractures oblique to the principle strike-slip shear orientation.

Local Geology- Palito Mine

The lithology in the area is dominated by alkaline granitoids. In the immediate Palito Mine area three dominant types of these rocks occur.

To the east, the Rio Novo Granite, a medium to fine grained, inequigranular quartz-plagioclase granite or syenogranite. The Rio Novo Granite is then sharply contacted against the Palito Granite on its western margin, a quartz-plagioclase granite or syenogranite of fine, inequigranular texture, differing visually from the Rio Novo in phenocryst size and density. Proximal and sub-parallel to the contact between these two granites is the Palito Central Fault Zone (PCFZ), a 70° (magnetic) trending zone of -50° NW dipping, slight offset dextral faults.

To the west, the Palito granite has a chilled contact with a biotite-hornblende-quartz-plagioclase granite, hornblende syenogranite or aegerine-riebeckite granodiorite locally termed the Fofuquinha Granodiorite.

Intruded into these alkaline granitoids are feldspar porphyrite dykes and sills of dacitic composition, which occur more prolifically proximal to the PCFZ.

Gabbroic bodies termed the Rio Novo Gabbro are evident in the local area, but are restricted to within the Fofuquinha Unit.

The mineralized structures themselves are generally represented as dark grey-green intensely sericite-silica-pyrite-chalcopyrite +/- chlorite, carbonate, pyrrhotite, sphalerite altered granite hosts, that in many circumstances are no longer recognisable as granitoid protolith. This intense hydrothermal alteration forms the lower grade mineralization selvage and the host to the higher grade quartz-sulphide and massive sulphide zones. Alteration zones range in width from decimetre to metre wide zones. Distal from the structures and intense hydrothermalised zone, the granite hosts are intensely potassically altered, grading in to the regional scale background potassic alteration within 1 to 5m of the mineralized structure.

A description of the lithotypes encountered in the Palito Mine system is given below.

Rio Novo Granite

The Rio Novo Granite occurs in the eastern part of the mine and further to the east encasing the Palito Granite. It contains xenoliths of granodiorite (Fofuquinha Granite), which indicates it is a later phase of the Fofuquinha granite intrusive, which is confirmed by the satellite image interpretation. This unit cuts the older Paráuari intrusive suites and is overlain by volcanics of the Iriri Group.

The Rio Novo granite is porphyritic in texture, of medium grain size, varying slightly to a coarser or finer texture, and varying from a pink to a pink-orange to red or red-greenish colouration depending on the level of hydrothermal alteration. Granophyric textures are also common along with lesser developed miarolitic cavities, silicified broken and brecciated zones which are more intensely hydrothermally and propylitically altered, which gives the rock a grey to greenish coloration. This occurs specifically along the contact with the Palito Granite, in proximity to the contact with the Palito granite, the Rio Novo granite displays a strong red colouration due to potassic metasomatism.

Zones intensely broken by brittle faulting are also common in these rocks, normally with breccia associations and veins of carbonate and fluorite.

The macroscopic and petrographic characteristics of these rocks are not indicative of affinities with alkaline granites of the Maloquinha Suite, resembling more a late stage of the Paráuari Suite, but this is yet to be resolved with further geochemistry.

Palito Granite

The Palito Granite hosts the larger proportion of mineralized structures within the Palito Mine system. In surface exposure it is of limited extent, with exposures restricted to old Garimpo workings. Derived soil horizons are a red - brown colour areno-argillaceous type.

The Palito Granite is pervasively potassic altered and presents an intense red colour. The granite is medium grained, inequigranular, with subtle, finer grained local variations in contact zones with the surrounding granites, due to the cooling effect along the edges of the intrusion. Occasionally the granite presents miarolitic cavities, crystalline quartz and poorly developed granophyric textures. In near surface exposures the granite appears strongly hydrothermalised and shows characteristics of differential weathering, reflecting features relating to phased emplacement or magmatic flow.

Fofoquinha Granodiorite

This granodiorite occurs to the north and the northwest of the Palito Mine system and appears as a later stage intrusion into the Rio Novo Granite. Outcrop is scarce and as such the granite/granodiorite has been poorly sampled.

The Fofoquinha is of medium to coarse grain size (0.5 to 1.0 mm and rarely 10 mm), is inequigranular to slightly porphyritic in texture and can present up to 15 - 35% of mafic minerals, mainly amphibole and iron oxides, especially magnetite. Its colour varies from grey to green grey and the coarse plagioclase crystals show intense zonations. A possible compositional variation from tonalite to monzodiorite has been observed macroscopically.

In some samples the granodiorite is enriched in magnetite which disappears when the rock shows evidence of the effect of potassic metasomatism, probably related to the intrusion of the Rio Novo or Palito granites.

Based on all the above aspects and macroscopic characteristics, it is possible to classify these granitoids as members of the Paráuari Suite.

Rio Novo Gabbro

The Rio Novo Gabbro occurs as rounded intrusions varying from 100 m to 500 m in diameter. The best known occurrence defined to date lies approximately 0.5 km directly west of the Palito Mine system and is clearly defined by airborne magnetics. A second possible gabbro occurrence lies approximately 1.2 km north of the Palito Mine and west of the Tatu prospect. In the field it is easily identified from the occurrence of dark red clay soils.

The gabbro is affected by brittle faulting and hydrothermal alteration which also affected the surrounding granites. Local zones of brecciation and xenoliths of the Fofoquinha granodiorite within the gabbro, demonstrate emplacement post dating the granodiorite.

The gabbro probably is a unit of the regionally occurring Ingarana Gabbro. This rock type is described in Projeto PROMIN – Tapajós CPRM (2002) as a stock forming irregularly along NW-SE trending lineaments, intruding into the Paráuari Granite Suite and overlain by the Iriri Group of volcanics. The gabbro is denominated the Rio Novo olivine gabbro by the CPRM.

Regionally the Ingarana Gabbro hosts mineralized (gold and sulphide) vein systems, as seen in the Bom Jardim garimpo and along the course of the Igarapé Bom Jardim.

Sub-volcanic Dikes

Sub-volcanic rock types were recognized in the drill core as dikes cutting all lithotypes in the area. The dikes locally reach 30m width, but in general rarely exceed 1m width.

These sub-volcanic rocks are grey-pink or light brown, porphyritic, with a very fine to aphanitic matrix and granitic composition. Miarolitic cavities are common, with small concentrations of mafic minerals and sulphides.

These sub-volcanics are clearly hydrothermally altered, including potassic metasomatism, propylitization, sericitization and sulphidisation.

Feldspar porphyries of dacitic and rhyodacitic composition form sub volcanic dikes, cutting through all the lithotypes encountered in the Palito Mine area. They are of light and dark grey to pink colour with white phenocrysts of plagioclase and quartz and occasional biotite within a finer matrix of the same minerals.

These dikes are common in the PCFZ region and occur to a lesser extent away from it. They vary in width from less than a metre to up to 30m. They exhibit all the alteration suites affecting their host granites including potassic metasomatism, propylitization, sericitization and sulphidisation.

Local Geology- Sao Chico Gold Project

Outcrop at Sao Chico is poor due to widespread laterite development and alluvium. The average depth to fresh rock is approximately 10 to 20 meters. The cover comprises a red, lateritic top soil between one and three meters deep, with a lower boundary marked by a stone line or pesolith of quartz fragments and ferruginous pebbles. Saprolitic bedrock underlies the laterite and ranges in depth from 10 to 20 meters below surface, with a gradational transition into fresh host rock. Quartz float at surface overlies quartz vein zones, and float trains were used as a prospecting tool by artisanal miners in the region.

Sao Chico is underlain by Early to Middle Proterozoic granite and granodiorite of the Parauri Suite, which is also the host to mineralization at the Palito and Tocantinzinho deposits. Host rocks at Sao Chico are composed of granodiorite and granite, typically medium-grained, leucocratic, feldspar phyric and belonging to a larger, poorly exposed intrusive complex.

Mineralization is hosted in west-northwest trending, steeply south dipping fault zones with a shear component. These mineralised faults have been offset by north to north-northeast trending normal faults with a dextral lateral displacement.

Deposit Types

Gold deposits within the Tapajós Province can be broadly classified into three main types:

- Mesozonal deposits;
- Epizonal intrusion centred or intrusion related; and
- Alluvial, colluvial and supergene enriched saprolitic deposits.

Primary gold deposit types occur as the first two categories of deposit type; (1) mesozonal and (2) epizonal intrusion related. Tapajós deposits are structurally controlled deposits but host rock control is important in locally providing a necessary factor in the metal precipitation process.

Primary deposit types are generally sited in fractured and sheared host environments such as;

- quartz and quartz sulphide stock work and associated alteration hosted disseminated sulphide;
- quartz vein,
- quartz-sulphide veins +/- selvage alteration hosted disseminated sulphide;
- massive sulphide veins +/- selvage alteration hosted disseminated sulphide; and
- disseminated sulphide within alteration.

Historically in the Tapajós, the third category of deposit types has produced most of the gold won in the region, with a significant contribution from the supergene enriched laterite and saprolite deposits. A large percentage of the gold contained within this category is residual in nature, but physically concentrated along stone lines or weathering fronts, liberated from auriferous veins (quartz, quartz-sulphide or sulphide) nearby and secondarily enriched by redox chemical processes as opposed to being physically transported away from the source.

The exploration potential for the Tapajós Province is considered highly prospective for further discovery of primary deposits. A majority of the primary deposits known in the Tapajós are related to the quartz vein and quartz-sulphide veins. The extensive acid to intermediate volcanics intruded by coeval granitic intrusives provide the conditions for formation of mesothermal and epizonal and/or "epithermal" deposits.

The mesothermal granite-hosted systems are associated with a range of deposit types; porphyry, orogenic lode gold (and intrusion related gold systems. These granite hosted systems all share many characteristics, with distinction among the genetic models becoming difficult to strictly apply in the region.

Within the regional context of the Jardim do Ouro Project, significant granite hosted deposits have recently been discovered that share geological features with the Palito Mine deposit and the Jardim do Ouro Project.

The Tocantinzinho gold deposit owned by Eldorado Gold Corporation (measured and indicated mineral resources of 2.4 million ounces and inferred mineral resources of 0.1 million ounces), which lies approximately 70 km to the NW of the Palito Mine, is a mineralized intrusive granite. The deposit is some 900 m strike length and 200 m wide. The granite has intruded into the TZ structure (a NW-SE trending regional supracrustal structure) which also hosts the Palito Mine deposit. The vein arrays within the Tocantinzinho deposit are of similar architecture to that of the veins within the Palito Mine. Gold is associated with quartz veins and sulfides (pyrite and chalcopyrite). Hydrothermal alteration of the monzogranites and a series of later stage microgranite and dacitic/rhyolitic dykes are all very similar attributes between the two deposits.

The Sao Jorge gold deposit owned by Brazil Resource Inc. (indicated mineral resources of 666,000 ounces and inferred mineral resources of 918,000 ounces) is a series of vertically dipping quartz-sulfide vein sets, located approximately 45 km SE of the Palito Mine deposit and is another gold mineralized system hosted in hydrothermally altered monzogranites, contained in structurally controlled fracture vein systems, striking some 700 m in a NW-SE direction, some 60m wide. This deposit again lies within the TZ structure, (as do Palito and Tocantinzinho).

The TZ structure also hosts a number of significant prospects in addition to these other defined deposits. Magellan's Cuiú-Cuiú, some 150 km NW of the Palito Mine is a significant mineralized system, which has been subject to significant drilling activity.

In the nearer district to Jardim do Ouro, but located in parallel TZ structures are a number of significant artisanal operations. Mamoa is a large area of garimpo activity approximately 20 km NNW of the Palito Mine. The area is historically a large producer of saprolite hosted gold, and recent gold prices have reinvigorated the activity in the area.

To the south west (15km) of the Palito Mine lies Sao Chico and 20 km to the south west of the Palito Mine, Aurora Gold Corp. has published a non-43-101 compliant 130,000 oz gold deposit at the Sao Domingos project. This deposit is a series of narrow high grade veins dipping moderately to the SW and striking NW-SE. The nature of the mineralization is considered the same as Jardim do Ouro Project.

Weight of evidence suggests that Palito is not an isolated deposit, but part of a series of deposits in a significantly gold endowed district (both locally and regionally). It is therefore considered that potential for further discovery of significant primary gold deposits in the Jardim do Ouro Project is favourable. The nature of the deposits in the district also provides potential for deposit styles other than high grade quartz-sulfide vein type encountered at Palito. Potential for larger intrusive-related deposits such as Tocantinzinho and Sao Jorge within the Jardim do Ouro Project is considered a real possibility.

Deposit Geology and Mineralization

The mineralization control of the mineralization type found on the Jardim do Ouro Project is related to the schematic mega-system of strike-slip faulting and Riedel fracture systems of the Tapajós as described by the CPRM (2008) publication "Província Mineral do Tapajós: Geologia, Metalogenia e Mapa preliminar para Ouro em SIG" (Figure 9-1). The Palito Mine veins appear to relate to intersection of "Y" and "P" and/or "R" (sinistral strike-slip) faulting on 305° and 315° and/or 295° orientations respectively within "R" 070° trending structural corridors.

Palito Mine

Mineralization is best developed in the veins along the "Y" 305° and "P" 315° orientations, however wider zones are encountered where the "Y" and/or "P" orientation intersects with "R" 295° veins, which are mineralized to a lesser extent. It is also characteristic that the greatest densities of "Y", "P" and "R" vein intersections occur within 070° structural corridors.

Mineralization within the Palito Mine is hosted within all three granitoids encountered in the immediate environment and is intimately associated with vertical to sub-vertical quartz-chalcopyrite-pyrite veins and pyrite disseminations filling the brittle-ductile fault sets. It is postulated that the mineralizing fluids intruded into the existing structural architecture and deposited in dilational jogs within the fractured granites.

In the Jardim do Ouro Project mineralization, where encountered, occurs as a similar style of veins to the Palito Mine; however the host rock varies depending on locality. Mineralization has been encountered within the Rio Novo Gabbro, and within and along contacts with the sub-volcanic dikes in addition to the three host granites at the Palito Mine.

Bonanza gold grades are associated with massive chalcopryrite-pyrite blowouts within the quartz veins, typically on the intersection of “Y” or “P” and “R” veins. The principal vein system at the Palito Mine has a strike length in excess of 900m along broadly N306°, however this varies from N300° to N325° locally. Individual veins average widths of approximately one metre, varying between 20 cm and up to 4 m.

Secondary gold deposits are also encountered immediately above the mineralized veins, within the regolith profile. These deposits generally manifest themselves within the residual saprolite and laterite portions of the profile. These deposits are developed through the weathering process and often upgrade the primary gold grades within the narrow weathered vein through a supergene enrichment process, which also enlarges the footprint of the sulphide vein mineralization.

The secondary deposits contain free primary gold within the oxidised sulphides in the vein material and free gold associated with the secondary iron oxides (goethite, hematite) along fractures and joint planes within the saprolite adjacent to the veins and in pisolites and lateritic cements at the paleo-surface above the vein.

The secondary deposits are generally not high tonnage deposits, as the residual saprolite profile is only around 5-8m depth, underlying up to 5m of barren transported cover. However they can be up to 10 times broader than the source mineralized vein, due to weathering dispersion of the gold.

These saprolite deposits were favourably targeted by the garimpeiros as they contained enriched gold grades, manifesting as free gold, easily extracted by a gravity process.

The paragenesis of the gold mineralization occurs within pyrite and chalcopryrite associated with sphalerite, argentite and tellurobismuthinite /tetradimite and is typical of deposit types classified as “Au+Ag+Te in syenites, diorites and monzonites with fluorite”.

The principal sulphide composition occurring in the granites is pyrite (30-40%), chalcopryrite (20-25%), arsenopyrite (2-5%) and pyrrhotite (2-10%) with minor occurrences of covellite (2-3%), chalcocite (2-3%), sphalerite and bismuthinite (traces). Electrum occurs as rare inclusions in chalcopryrite and along fractures in the pyrite. Native bismuth and telluro-bismuthinite / tetradimite also occur as inclusions in the pyrite and chalcopryrite. In the granodiorite the dominant sulphide is pyrrhotite (30-40%) with lesser pyrite and chalcopryrite compared to the granites.

The sulphides occur as segregates in the quartz veins, as disseminated within the grey hydrothermal alteration selvage or as massive sulphide veins of decimetre to metre widths. The veins are 30-35% quartz, with the sulphide making up volume, however this may vary from <10% to 90% on occasion.

The quartz veins feature occasional druses of cubiform pyrite which contain only lower gold grades.

Chalcopryrite formed after pyrite, as the chalcopryrite has enveloped pyrite and unfilled and cemented fractured grains of pyrite. Gold is always associated with chalcopryrite in these instances.

Gold occurs as fine grains of 10 to 15 microns confined to the chalcopryrite and arsenopyrite. In many cases the gold grade is highest in zones of hydraulic brecciation, where the alteration zone, sulphides and vein quartz show multiple stages of reactivation.

The nature of the sulphide mineralization at the Palito Mine deposit varies along strike and plunge extents. The deposit is a quartz-sulphide and massive sulphide vein deposit hosted within a granites and granodiorites of the Parauari Suite of intrusives. The nature of the sulphides changes across the deposit from being dominantly pyrite and chalcopryrite in the granites to being dominantly pyrrhotite and pyrite with lesser chalcopryrite in the granodiorite. Within the granodiorites, the pyrrhotite-pyrite sulphides tend to be lower gold grade, due to the lesser occurrence of chalcopryrite, which hosts the gold. This is likely a result of the increased mafic content in the granodiorites affecting the paragenesis of the sulphide deposition.

The hydrothermal alteration of the host rocks is strongly alkaline and has resulted in potassification and ferruginization, which has accentuated the original alkaline character of the host rocks and also resulted in intense silicification.

Hydrothermal alteration associated with mineralization is intense sericitization and chloritization, where intense potassic alteration has resulted in a rock where the original lithotype is no longer compositionally or texturally identifiable. The alteration zone appears as a dark grey rock formed of relict quartz crystals of 0.5mm -1mm in a groundmass of feldspar pseudomorphs of sericite, clay minerals and rare grains of epidote and carbonate.

Quartz is the only major mineral preserved, along with rare zircon and apatite from the protolith. Feldspars are totally pseudomorphed by sericite as well as lesser muscovite and biotite. Chlorite occurs as infill of shears and veinlets and as rare aggregated crystal masses and occasionally intercalated with biotite with inclusions of zircon and apatite and prehnite.

Grey hydrothermal alteration is confined to the selvage of the ruptile fractures and rarely extends more than 0.5m into the host granite. The alteration is generally always present to some degree along the mineralized structures; however the quartz-sulphide and sulphide veins are not always present. On occasion the structure may appear as a sericite, chlorite, and ankerite vein only several centimetres wide before opening up into a traditional hydrothermal selvage.

Distal to this selvage of hydrothermal replacement, there is a zone of intense potassic alteration extending from 1 to 10m outwards to the background country rock potassic metasomatism. Within the granodiorites this potassic alteration is more restricted.

Sao Chico Gold Project

Mineralization at Sao Chico comprises sub-parallel, west-northwest striking, steeply south dipping quartz-sulphide veins. An outer, texture retentive K-feldspar alteration is observed proximal to veins, and is overprinted by a narrow, strong, texture destructive chlorite-sericite-pyrite selvage. In parts a late silica alteration overprints K-feldspar and chlorite-sericite assemblages. Alteration zones have weathered to kaolin with boxworks after sulphide close to surface and can be observed in artisanal miners waste dumps and as float across the property. The base of oxidation is shallow, interpreted to be less than 15 meters deep.

Veins are observed in three locations within AP12836, at the Sao Chico, Paola Arara and Pedro prospects. Sao Chico is the main area of interest, where veins are observed over a surface area of >1 km by 300 meters. Individual veins range in width from <20 cm to >3 meters. Average vein width is approximately 0.8 meters.

Two main vein zones have been identified to date at Sao Chico, the Main Vein and the Highway Vein. Both are interpreted to be spatially related to the same west-northwest trending fault, and are located at the low angle intersections of this main fault with second order structures. Other veins, mainly to the west along strike from the Main Vein and identified from trenching and artisanal workings, remain undrilled.

The Main Vein comprises a quartz-sulphide lens formed at the low angle intersection of two faults, which are observed in a drive excavated by artisanal miners. The quartz-sulphide lens strikes east-west over 100 metres, dips steeply south over 140 meters and is between 1 and 2 meters wide. The lens is open for 80 metres along strike to the east and down dip to the west. The Parallel Vein is a new discovery located 60 metres south of the Main Vein, has been defined over a strike length of approximately 80 metres to a depth of 75 metres, averages 90 cm wide (true width) and is open along strike and down dip.

The faults which intersect to form the Main Vein also host quartz veins and continue along strike to the west for at least 250 metres. The quartz veins display a similar alteration assemblage to the Main Vein albeit with a lesser amount of sulphide and narrower width than the Main Vein.

Mineralization comprises quartz-sulphide veins and breccias which display narrow chlorite-sericite-pyrite-galena selvages within a wider K-feldspar alteration halo. Although the mineralised zone may be 1 to 2 metres wide, individual veins are commonly less than 30 cm wide with multiple cross cutting veins within the mineralised interval. Individual veins are composed of white to grey, fine-grained, crystalline, massive to banded quartz with chlorite stylolites.

Sulphide mineralization is spatially related to chlorite-sericite alteration in the quartz vein selvage and is very rarely observed hosted in quartz veins. The sulphide assemblage is dominated by pyrite with locally strong galena-sphalerite. Chalcopyrite is observed in one drill intercept at the Main Vein. Sulphides are typically medium-grained, euhedral and disseminated to blebby.

A sub-parallel vein has been discovered approximately 40 metres south of the Main Vein named the Parallel Vein. The Parallel Vein dips steeply to the south and has been defined over a strike length of 80 metres to a depth of 75 metres and is 1 to 1.5 metres wide.

Mineralization in the Parallel Vein structure is similar to the Main Vein, in that high grade gold is hosted in a shear structure exploited by quartz veins and breccias with silica-sulphide selvages. Chlorite-sericite alteration is minor in this zone.

Mineralization at the Main Vein and Parallel Vein remains open at depth and has not been constrained to the east. To the west the veins are known to continue but high grades have not been intercepted in drilling to date. There are surface workings in the form of linear open pits 350 meters along strike from known mineralization at the Main Vein. Previous trenching has displayed high grades in this area but have not been thoroughly drill tested.

The Highway Vein is located 400 meters east along strike from the Main Vein. A number of artisanal workings in the form of shallow (<15 m deep) shafts and small open pits are clustered in the area of the Highway Vein (Figure 8) with weathered, altered wall rock and quartz vein fragments in waste piles adjacent to the workings.

One sub-vertical, west-northwest trending vein zone has been identified between 1.6 and 2.9 metres wide to a depth of 75 metres below surface. The vein is open along strike in both directions and down dip. Mineralization comprises brecciated, chlorite, silica, pyrite and galena cemented granodiorite. Chlorite-sericite alteration is spatially associated with the quartz-sulphide breccia.

Exploration

Exploration in the Jardim do Ouro Project area commenced with RTDM from 1994 to 1997. Early work focused on testing the depth potential of the near surface garimpeiros in the primary sulphide zones. Six diamond drill holes were completed and the area surrounding the Palito Mine screened with surface geochemistry on surface soil, rock chip and rock grab samples. Preliminary geological mapping covered areas of readily accessible exposures and a broad spaced (300m line spacing) regional aeromagnetic survey was flown.

Palito Mine and Surrounding Area

Serabi commenced exploration in 2002 with surface exploration, mapping, rock chip sampling and the initial stages of diamond drilling and shallow auger drilling. This exploration has been ongoing since 2003 and undertaken and managed by Serabi's own exploration department. Within the Jardim do Ouro Project area with the exception of airborne surveys undertaken by the Company the main exploration programmes have been undertaken with a five kilometre radius of the Palito Mine. At various times since 2003 Serabi has augmented exploration with various programs of third party contractor drilling, geophysics including both airborne, terrestrial and down hole electrical and/or magnetic surveys which are detailed in the following sections. In addition various complementary studies on structure, lineament analysis, satellite imagery and petrology.

Tabled below is a summary of the exploration completed to date, except drilling which is covered in a later section.

Exploration Summary

Year	Company/Contractor	Activity
1994	RTDM	1031 spot soil samples
2003	Serabi	147m of post hole auger drilling (TRRN series holes)
2003	Fugro	Terrestrial geophysics including ground magnetics and dipole-dipole IP
2004	Serabi	11,116.78m of shallow auger drilling (TRJD series holes)
2004	Fugro	Terrestrial geophysics including Fixed Loop electromagnetics and IP
2005	Serabi	1,368.47m in underground face sampling and gallery channel sampling
2005	Serabi	18 rock chips
2006	Serabi	1,713m in underground channel sampling
2006	Serabi	3,009.83m in post hole auger drilling
2006	Serabi	69 spot soil samples (35m auger drilling), 43 rock chips
2007	Serabi	590.75m in surface trenching
2007	Serabi	1,513 spot soil samples (756m auger), 7 rock chips
2007	Serabi	Ground magnetic survey
2007	Fugro	Fixed loop EM and down hole EM surveys
2008	Serabi	4,325.79m in underground channel and gallery sampling

Year	Company/Contractor	Activity
2008	Serabi	836 spot soil samples
2008	Serabi	1,244.6m of deep auger drilling for 1206 samples
2008	Geotech/Microsurvey	6,650 line km of heliborne VTEM, magnetic and laser topography
2008	Senografia	Acquisition of SPOT 5 satellite imagery of Jardim do Ouro, Modelo and Pison Project areas
2009	Serabi	413m of surface trenching
2009	Serabi	977.18m of hard rock channel sampling
2009	Serabi	835.3m of auger sampling comprising 729 samples
2009	Serabi	Data compilation and integrated dataset modeling
2010	Fugro	45 line kms of dipole-dipole IP surveying
2010	Serabi	405m of surface trenching
2010	Serabi	168m hard rock channel sampling
2011	Geotech	1,221.28 line kms of heliborne VTEM, magnetic and laser topography covering 8,000 hectares
2011	Geomag S.A. (Fugro Group)	53.25 line km of ground based IP surveying on 200 m spaced traverses
2011	David McInnes (Montana GIS)	VTEM Modelling – profile interpretation and 3D modelling and depth slices
2011	David McInnes (Montana GIS)	IP Modelling – pseudo sections, model stacks, 3D modelling and depth slices
2011	David McInnes (Montana GIS)	Aeromagnetic processing and imaging- splicing and merging of aeromagnetic data, and production of images
2011	Serabi	Trenching/Costeaning – 771.5 metres completed with sampling every 1 metres
2011	Serabi	Augur Drilling comprising 515 metres of traverses at 5 metre spacings
2011	Serabi	Geological mapping – updating and revision of mapping detail surrounding Palito based on drilling and outcrop
2011	Serabi	Sampling of prospective garimpo tailings areas in the Palito valley
2011	Dr. Doug Mason Mason Geoscience	Petrology and Mineralogy – thin section preparation , description and interpretation of 20 drill core samples from the Piaui, Currutela and Copper Hill prospects
2011	Dr. Brett Davies Olinda Gold	Structural geological assessment of the Palito deposit and the Jardim do Ouro project

Geophysics

The Jardim do Ouro Project is partially covered by a broad 300m line-spaced airborne magnetic and radiometric survey commissioned by RTDM as part of their Sao Jorge survey in mid 1996.

Serabi commissioned several phases of geophysical surveys during the years preceding this report and a number of reviews.

In 2002, Fugro Ground Geophysics was commissioned to undertake a ground magnetic and dipole-dipole induced polarization survey over the immediate Palito Mine area. This survey was undertaken in December 2002 and reported in early 2003. It defined numerous anomalies in the area and defined well the Palito Main Zone mineralization and numerous other anomalies which were subsequently tested by diamond drilling in following years.

In November 2003, Fugro Ground Geophysics was commissioned to undertake a TEM fixed loop electromagnetic survey over two areas over the adjacent mineralized zones and also augment the ground magnetic coverage. This survey was undertaken in late 2003 and early 2004.

In 2006, Fugro Ground Geophysics was commissioned to undertake further TEM fixed loop electromagnetic surveys over the Chico da Santa Prospect area adjacent to Palito Mine and the southern strike extension of the Palito mineralization at the Palito deposit. Due to equipment failure this survey was conducted over the final months of 2006 with a hiatus over the December to February 2007 period resuming in March and completed in April 2007.

In late 2006, GeoDecon were commissioned to review the 2002 Fugro Ground Geophysics surveys utilizing Serabi's improved geological understanding of the mineralization and structures. This report was received in February 2007.

In 2007, as part of the extended TEM electromagnetic survey, Fugro Ground Geophysics also conducted down hole electromagnetic surveys on 14 drill holes within the Palito Main Zone, Chico da Santa, Ruari's Ridge and Palito West prospects.

In April 2007, a terrestrial ground magnetic survey was undertaken in house by Serabi in the Tatu prospect area of the Jardim do Ouro Project, some 2 km NE of the Palito Mine, targeting the magnetic/quartz vein hosted mineralization apparent in that prospect.

In September of 2007, Geotech/Microsurvey were commissioned to undertake a helicopter borne, Vertical Time Domain Electromagnetic Survey over an area of 6,500 hectares within the Jardim do Ouro Project covering the area from the Rio Novo prospect 5 km SE of Palito Mine to 1.5 km NW of the Palito Mine. This survey also included specification for magnetic and laser topography. This survey was conducted at 100 metre line spacing on a NE/SW line direction, perpendicular to the known mineralization trends.

In July 2008, VTEM data processing was completed and reported by David McInnes of Montana GIS, along with the reprocessing of the 2002 Fugro IP data. Significantly, the IP re-processing indicated that the main mineralized vein sets at the Palito Mine could be well constrained in the inversion modeling.

In May 2009, a complete dataset integration (incorporating all geophysical, geological, geochemical and structural datasets) was completed by Serabi. Target generation and appraisal was completed resulting in 18 integrated targets being promoted.

In March 2010, Fugro-LASA-GeoMag geophysics contractors were commissioned to undertake a 45 line km induced polarization survey over three grid areas incorporating 13 of the 18 integrated targets. This data was subsequently processed and modeled by David McInnes in May 2010. This modeling defined nine priority drill targets.

In January 2011, Geotech undertook a further 8,000 hectare helicopter borne, Vertical Time Domain Electromagnetic Survey over contiguous areas to the east and west of the initial 6,500 hectare survey area undertaken in late 2007. A total of 1,221.28 line kilometres were completed using 100 metre line spacing, perpendicular to the main geological trend. Once again the survey included magnetic and laser topography. The results were interpreted by Serabi's Geophysical consultant, David McInnes of Montana GIS.

During August 2011, Fugro-LASA-Geomag geophysical contractors were commissioned to undertake 55 line kms of induced polarisation survey over 2 main areas, firstly infill survey lines to infill between the Piaui and Currutela discoveries and secondly an area to the east of the Rio Novo river. Serabi's geophysical consultant, David McInnes of Montana GIS, once again undertook all interpretation and generated pseudo sections, model stacks, and 3D modelling of the results.

Mr McInnes also collated all aeromagnetic data and successfully modelled the Jardim do Ouro area in 3D.

Geochemistry

The Jardim do Ouro Project has been partially covered by a range of geochemical sampling techniques and methodologies since reporting on the project area commenced.

RTDM in the period 1994-1997 undertook various ad-hoc sampling programs, including limited stream sediment sampling and rock chip sampling from both in-situ exposures where possible and float. RTDM also conducted a number of broad regional soil traverses in the region as baseline geochemical orientations.

Since Serabi commenced exploration in 2002, it has completed systematic soil geochemistry coverage over the immediate Palito Mine environment and a number of regional soil grids using Serabi exploration crews and either manual or small motorised auger drills.

The soil geochemistry coverage has been completed on a systematic 100m X 50m grid using soil auger holes to either 2.5m or 5m depths, with sampling intervals every 2.5m. Initially the soil geochemistry was analysed at the Palito laboratory facilities using a methyl isobutyl ketone ("MIBK") or di-isobutyl ketone ("DIBK") digest and atomic

absorption spectrometry finish to a detection limit of 100 ppb. Geochemical results showed the mineralized areas in the Palito Mine area were defined by a >400 ppb Au in soil result.

Subsequent assessment and evaluation of the soil results in 2007, suggested that re-analysis using a 10 ppb detection limit could prove useful in defining more subtle footprints of yet undiscovered mineralization. As a result, a program to resubmit all available soil sample historical sample pulps was completed at SGS Geosol laboratories. As a result, re-assessment of the soil geochemistry in the Palito Mine and Jardim do Ouro Project area did not significantly change the values for definition of the known mineralization, however a great level of confidence was gained from the results and better definition of the mineralization was achieved.

Since 2007, all soil geochemical sampling conducted away from the immediate Palito Mine area has been analysed using external laboratories and a 10 ppb lower detection limit.

In 2008, a small program of deeper reconnaissance auger drilling was contracted to Explorer Services of Belem, and managed by Serabi's exploration department. This program was designed to confine the saprolite mineralization at the Bill's Pipe prospect NW of the Palito Mine.

Also in 2008, a regional stream sediment geochemistry sampling program was contracted to Explorer Services to complete coverage of the entirety of the Jardim do Ouro Project. This program involved Serabi defining the sample points and Explorer Services collecting a 200 gm < 200 mesh sample and a 3 kg < 2 mm sample which were subsequently submitted to SGS Geosol of Belo Horizonte for analysis using a 10 ppb detection limit.

This program defined a number of anomalous areas outside the immediate Palito Mine area, defined by a greater than detection (>10 ppb) analysis. To date these anomalous areas have not been followed up.

During January – February 2011 Serabi excavated 771m of surface trenches over the Piaui target area, sampling on 1metre spacings. This was followed up with the Piaui diamond drilling programme during March 2011.

Remote Sensing

In 2008, Seniografia was contracted to provide Serabi with a series of Spot 5 Satellite images of the Jardim do Ouro Project, along with the Modelo and Pison Project areas.

Also in 2008, as part of the Geotech/Microsurvey geophysical program, Serabi acquired laser altimetry of the survey area surrounding the Palito Mine and immediate environment.

Serabi have also used in addition publically available Landsat and SRTM terrain images for spatial and lineament analyses.

Structural Geology

Dr Brett Davis of Olinda Gold was commissioned to undertake a review of aeromagnetic data, Serabi documents and public domain information for Serabi's Jardim do Ouro project in the Tapajós Mineral Province in Brazil in October 2011.

A summary extract from this report is provided below;

- The project area is strongly dissected by several sets of faults. The prevalent faults strike NW-SE and NE-SW subparallel to two pervasively developed deformation fabrics, which may pertain to regionally developed cleavages. The pervasively developed fabrics are interpreted as forming coeval with similarly oriented faults, with NE-SW faults being broadly parallel to NE-SW fabrics and NW-SE structures being broadly parallel to NW-SE fabrics.
- The NE-SW fault set is interpreted as forming synchronous with a set of E-W striking faults. The E-W faults typically have shorter strike lengths and commonly terminate against NE-SW faults. E-W faults are interpreted as strain accommodation features that link the NE-SW faults.
- The boundaries of several ovoid plutons have been interpreted, including inferred unroofed extent of the intrusions. Zones of contact metamorphism are spatially associated with all intrusions. The ovoid shape of the plutons is interpreted to be a product of emplacement at levels suitable for ductile fabric formation (~7km?) and the long axes of the plutons conform to the orientation of NW-SE faults, which represent long-lived basement structures. All fault and fabric populations cross-cut the plutons.

- The NE-SW and E-W fault sets are interpreted as forming synchronous with granite emplacement. These faults have curved geometries around the ends of the plutons and also cut the intrusions. Although the NW-SE fault set is relatively more prevalent at a regional-scale, the event that produced NE-SW structures is considered to be the main episode of deformation and pluton emplacement in the Jardim do Ouro Project area, and likely responsible for gold-bearing hydrothermal systems.
- The Riedel model has been proposed by previous workers to explain the geometries of mineralised structures. Olinda Gold does not consider this model to be appropriate and the correlation of some structural orientations with ideal Riedel orientations is likely coincidental. More work is required to establish kinematic histories and relative ages of structures before such models are invoked.
- An area of potential exploration interest has been identified at the southern end of one of the ovoid plutons. The area is interpreted as a zone of low mean stress that may have been produced during deformation synchronous with gold deposition. In addition, the area hosts a number of fault intersections for structures considered important for hosting the passage and deposition of gold-bearing fluids.

Sao Chico Gold Project

Exploration work by GOAB has concentrated on the area of artisanal workings at Sao Chico during 2010 and 2011. This has included surface trenching, channel sampling of the drive at the Main Vein and diamond drilling.

Mapping at Sao Chico in 2011 located over 200 artisanal workings, in the form of shallow open pits and narrow shafts. Shafts are collapsed. The location of such workings have been a useful tool in identifying vein structures in an area where outcrop is extremely limited.

First pass reconnaissance work has also been conducted on the Paulo Arara and Pedro prospects north of Sao Chico.

Trenching

GOAB mechanically excavated 22 trenches for a total of 567 metres in the area of artisanal workings within GUIA 02/2010 between July-August 2010 (sixteen trenches) and February-March 2011 (six trenches). GOAB logged the trenches and sampled visually mineralised intervals. The results were used by GOAB to guide trial mining of oxidised quartz vein zones.

Sampling results of the first sixteen trenches were reported in the 2010 Technical Report (Tunningley and Atkinson, 2010). EAL have mapped the location of each trench using handheld GPS with an accuracy of +/- 4 metres. GOAB were not able to supply data with regards to lithology, sample location or assay results and the trenches have collapsed, making resampling and relogging impossible.

Underground Channel Sampling

EAL completed seventeen channel samples and mapping in the drive at Sao Chico. Channel samples were taken from the back (roof) of the drive at a spacing of 2 to 5 metres. Samples were collected by marking the line of the channel and using a hand held electric circular saw to cut a channel 5 cm wide and 2 cm deep. Two to six samples were collected per channel, with sample location dictated by lithological contacts. The drive was constructed by artisanal miners targeting bonanza grade, therefore EAL sampled both wall rock and vein material where possible in order to avoid any bias towards elevated gold grades. Results of the channel sampling are considered representative.

Results indicate that elevated gold grades between 10.79 and 254.50 g/t gold are consistently repeated over a strike length of 50 metres over intervals of up to 1.5 metres wide. High grade gold is spatially associated with the shallow angle intersection of two vein sets. At this intersection mineralization comprises brecciated quartz veins and strong chlorite-sericite alteration with semi-massive pyrite-galena-sphalerite in the breccia matrix. The breccia is crosscut by sheeted quartz veinlets and quartz lenses exploiting en-echelon tension gashes. The main mineralised zone is open to the east and a fault splay is open to the west.

Diamond Drilling

Twenty two diamond drill holes were completed at Sao Chico in 2011. Details and results are discussed in this document under the heading Drilling

Geochemical Sampling and Reconnaissance

Thirteen rockchip samples were collected by EAL in January 2011 during reconnaissance work over AP12836. This work followed up earlier observations that there were artisanal miners working at the Paulo Arara and Pedro prospects north of Sao Chico. Samples were collected from outcrop exposed by artisanal miners in shallow pits using a rock hammer, with a target sample weight of 2-3 kg. Samples were placed in a numbered cotton sample bag, described and given a coordinate with handheld GPS. Samples are considered representative with no factors that may have introduced bias.

Of these 13 samples, two assayed less than 0.2 g/t gold, nine assayed between 0.2 and 1.0 g/t gold and two assayed between 1.0 and 1.7 g/t gold. Elevated gold is related to one metre wide quartz veins hosted in saprolitic granodiorite. Outside of artisanal workings there is no outcrop and the vein structures are interpreted to be open along strike. Further exploration work is warranted.

Electromagnetic Survey

A ground-based electromagnetic (EM) survey was commissioned through a contractor by GOAB in 2010 in the area of GUIA 02/2010, with a line spacing of 50 metres and readings every 12.5 metres along each line for a total of approximately 2.7 line kilometres.

Results of the survey clearly define a zone of high chargeability immediately south of the area of historic workings and the area trenched by GOAB. A linear zone of low chargeability is interpreted to represent a fault zone which is host to mineralization and strikes east-southeast. A subparallel linear zone of low chargeability is located approximately 70 metres north of the area of historic workings and remains largely untested.

The results of the EM survey demonstrate that EM is an effective exploration tool at Sao Chico, especially considering the relative lack of outcrop across the property.

Exploration Strategy

Serabi has been exploring the Jardim do Ouro Project since 2003 and during this time has gained a robust understanding of the geology, geochemistry and geophysical signatures and controls of the mineralization within the Palito Mine and the Jardim do Ouro Project area.

Serabi believes it has developed a successful formula for the discovery of new deposits in the Jardim do Ouro area, following a tested methodology.

Exploration uses the following process

- Ground selection – NW-SE structural corridor, with NE-SW breaks
- Remote sensing and remote geophysics, VTEM, magnetic
- Ground geophysics (IP, EM) and shallow geochemical sampling and/or drilling (auger/RAB)
- Diamond drilling based on integrated models and ranking.

Specifically, Serabi believes that exploration should focus on structural corridors parallel to, or extensions of the Palito trend (310°) and specifically where the Palito Central Fault (070°) analogies exist.

Topographic highs or the flanks are considered more prospective due to silicification of the country rock making them more resistive to weathering.

IP is a viable method to delineate drill targets on a prospect scale.

The structural setting of the Palito deposit is not unique as lineament analysis defines several other look-alike settings in the immediate area.

The fluid source for the vein mineralization may be close; hence it is worth considering other mineralization models, such as fertile intrusions (gabbros or discrete granite intrusions).

Exploration Program

The Company still retains a longer term objective to explore and build Serabi's mineral resource base. However, with the success of the 2011 discovery drilling campaign which has provided strong indications of the resource growth that the Company has targeted and the continued strength of the gold price, the Board has determined that the Company will, in the short term, focus on generating cash flow from the existing resources and use this, at least in part, to finance the future resource growth. The Company does not therefore expect to engage in significant exploration activity until the Company is in the position to generate sufficient funding internally from the production operations at the Palito Mine although if funding permits it may undertake limited work to enhance its understanding of the Piaui, Currutela and Palito South areas prior to embarking on future resource drilling campaigns.

On a wider regional basis with the exception of work that is planned for the area comprising the Sao Chico gold project it will also, but only if and when funding permits, undertake some preliminary surface exploration activity on other parts of the Jardim do Ouro tenement area and in particular those areas where it has very limited exploration data to date, to determine if these are areas that it should continue to hold.

Drilling

Palito Mine

Totals for metres drilled at Jardim do Ouro Project including exploration and resource work are shown below.

Drilling Summary

Sample Type	Total Metres	No. of Assays	Metres Sampled	No. of Holes
2011 Core-Surface	12,606	4,363	4,047.97	72
Core-Surface	85,744	23,183	20,133.63	510
Core-Underground	16,487	5,965	5,062.65	336
Reverse Circulation	4,410	4,036	4,260.2	74
RAB	4,239	1,810	4,198.5	320
Auger	16,353	7,497	16,262.11	4,472
Channel Samples	15,294	15,111	11,795.97	5,724
Total	155,133	61,965	65,761.03	11,508

Diamond Drilling

RTDM completed six diamond drill holes in late 1996 in the initial phase of drilling targeting the mineralization associated with the Palito Main Zone and proximal prospects. This drilling totalled 1610.06m in holes FJO-01 to FJO-06. It successfully intersected the mineralization within the Palito Mine system. However the narrow nature of the mineralization and the lack of a large tonnage low grade potential of the system predetermined that RTDM would not continue to develop the project. Serabi has incorporated this drilling into the database and subsequently re-logged and re-sampled the core for confirmatory analysis.

The resource estimation covers diamond drilling up until the cut off period of March 31, 2008. Subsequent exploration surface diamond drilling has been completed in the Palito South and in the Palito West areas. Underground diamond drilling continued within the mine until suspension of mining activities in December 2008.

Surface diamond drill holes completed up to the end of 2008 not included in the resource estimate are the holes PDD0419 to PDD0454, totalling 8,158m. Significant results from this surface diamond drilling not included in the resource estimation are tabled below.

Significant intercepts on surface core drillholes executed after the March 2008 resource estimate

Hole	From (m)	To (m)	Interval	Au g/t	Cu %
PDD0421	15.45	16.00	0.55	8.36	0.22
	186.00	189.87	3.87	18.85	0.31
	277.35	278.53	1.18	1.92	0.83
PDD0423	228.43	229.50	1.07	3.22	0.00
PDD0428	101.28	101.89	0.61	1.64	0.10
PDD0432	270.96	274.90	3.94	3.02	0.02
	279.14	282.94	3.80	7.44	0.23
PDD0436	83.08	83.85	0.77	2.1	0.05
	292.10	293.15	1.05	5.61	0.37
PDD0437	31.64	32.82	1.18	3.75	0.42
	90.07	91.02	0.95	6.23	0.01
PDD0444	55.15	56.12	0.97	3.43	0.04
	58.90	59.83	0.93	34.75	0.24
PDD0447	227.70	228.33	0.63	0.36	0.22
PDD0448	175.23	176.33	1.10	0.99	0.12
	180.08	181.00	0.92	1.06	0.01
PDD0450	54.25	56.80	2.55	2.43	0.55
including	55.65	56.80	1.15	3.56	1.1
PDD0452	75.64	76.55	0.91	5.01	0.04
PDD0424	91.49	92.54	1.05	1.45	0.03
	228.44	229.51	1.07	9.33	0.50
PDD0426	80.41	81.25	0.84	2.39	0.04
	194.85	196.49	1.64	1.91	0.19
PDD0431	65.72	66.30	0.58	22.2	0.05
	114.83	115.39	0.56	15.8	0.06
	140.27	142.00	1.73	6.75	0.09
	275.31	276.48	1.17	2.52	0.06
PDD0445	22.35	23.20	0.85	52.15	0.88
	57.70	58.63	0.93	1.33	0.08
PDD0346Ex	177.17	178.20	1.03	1.52	0.32
PDD0449	15.62	16.28	0.66	9.51	1.74
	93.06	95.20	2.14	9.04	0.16
PDD0451	7.00	8.80	1.80	6.01	0.07
	20.81	22.30	1.49	25.61	0.41
	98.74	99.28	0.54	2.02	0.31
PDD0453	85.84	86.66	0.82	17.1	0.15
PDD0454	79.50	80.45	0.95	11.46	0.11

- (1) Assay intercepts are calculated based on a minimum grade 1g/t Au using a 0.5 gm Au lower cut and a maximum internal waste interval of 1.2m.

Underground diamond drilling not included in the 2008 mineral resource estimate includes drill holes PUD297-PUD334, totalling 2,133m. Significant results from underground diamond drilling not included in the resource estimation are tabled below.

Significant intercepts on underground core drillholes executed after the March 2008 resource estimate

Hole	From (m)	To (m)	Interval	Au g/t	Cu %
PUD0298	31.32	31.84	0.52	1.77	0.08
PUD0298	34.37	35.75	1.38	13.46	0.21
PUD0300	54.89	55.62	0.73	0.99	0.55
PUD0302	8.61	10.14	1.53	2.70	0.02
PUD0303	27.28	36.54	9.26	2.68	0.2
PUD0303	43.88	45.78	1.90	2.93	0.27
PUD0304	39.00	39.51	0.51	2.56	0.17
PUD0304	52.53	53.62	1.09	1.03	0.02
PUD0298	31.32	31.84	0.52	1.77	0.08
PUD0298	34.37	35.75	1.38	13.46	0.21
PUD0300	54.89	55.62	0.73	0.99	0.55
PUD0302	8.61	10.14	1.53	2.70	0.02
PUD0303	27.28	36.54	9.26	2.68	0.2
PUD0303	43.88	45.78	1.90	2.93	0.27
PUD0304	39.00	39.51	0.51	2.56	0.17
PUD0312	15.29	16.30	1.01	5.01	0.09
PUD0312	29.15	30.06	0.91	1.33	0.01
PUD0313	1.38	3.58	2.20	0.96	0.22
PUD0313	6.05	9.66	3.61	21.31	1.75
PUD0313	13.77	15.44	1.67	18.87	0.02
PUD0313	28.84	29.57	0.73	3.11	0.11
PUD0313	45.42	46.15	0.73	1.60	0.26
PUD0313	48.22	50.07	1.85	22.53	0.67
PUD0313	55.05	55.61	0.56	10.65	1.71
PUD0314	0.42	1.47	1.05	2.88	0.05
PUD0314	3.86	6.70	2.84	2.32	0.10
PUD0314	10.58	11.45	0.87	1.15	0.05
PUD0314	38.55	39.48	0.93	20.39	0.25
PUD0315	7.18	14.10	6.92	0.92	0.11
PUD0315	15.65	24.19	8.54	0.70	0.11
PUD0316	11.54	19.48	7.94	8.43	0.36
PUD0317	17.87	23.43	5.56	13.05	0.59
PUD0317	25.41	26.41	1.00	6.63	1.59
PUD0317	28.73	31.05	2.32	0.52	0.14
PUD0317	43.42	49.29	5.87	0.38	0.74
PUD0317	50.26	56.03	5.77	1.77	0.33
PUD0317	70.77	72.70	1.93	3.80	0.14
PUD0318	6.92	11.72	4.80	12.41	1.31
PUD0318	14.11	18.70	4.59	0.62	0.35
PUD0318	47.03	57.82	10.79	52.29	1.74
PUD0318	67.63	76.56	8.93	2.36	0.13
PUD0319	4.08	4.64	0.56	2.80	0.01
PUD0319	5.91	6.58	0.67	2.79	0.04
PUD0319	12.97	18.93	5.96	26.20	0.18
PUD0319	26.27	26.79	0.52	2.09	0.04
PUD0319	30.98	31.48	0.50	14.36	0.02

Hole	From (m)	To (m)	Interval	Au g/t	Cu %
PUD0319	42.70	44.48	1.78	4.33	0.02
PUD0319	50.71	58.09	7.38	3.93	1.23
PUD0319	60.23	64.88	4.65	3.25	0.10
PUD0320	21.58	23.48	1.90	5.77	0.07
PUD0322	15.29	17.25	1.96	0.66	0.04
PUD0324	16.60	18.64	2.04	1.16	0.03
PUD0324	22.18	26.68	4.50	0.94	0.03
PUD0325	11.40	20.73	9.33	2.02	0.07
PUD0325	21.37	26.59	5.22	0.87	0.07
PUD0331	16.68	17.29	0.61	12.89	0.06
PUD0333	12.56	13.46	0.90	3.84	0.02

- (1) Assay intercepts are calculated based on a minimum grade 1g/t Au using a 0.5gm Au lower cut and a maximum internal waste interval of 1.2m

Commencing in December 2010 and completed during November 2011, the Company undertook two further drilling campaigns of 8,214 metres (“the 2011 Phase 1” campaign) and 4,400 metres (“the 2011 Phase 2” campaign). All of the 2011 Phase 1 drilling and 2,600 metres of the 2011 Phase 2 drilling was carried out on satellite targets located in close proximity to (within three kilometres) but not contiguous with, the existing Palito resources.

The first phase was directed at targeting IP chargeability models with either coincident resistivity or conductivity anomalies with additional supporting geochemical, EM or structural interpretation support. The objective of the phase 1 drilling was to intersect the causative body or source of the IP anomalies. The second phase was aimed at infilling those successful targets derived from phase 1 drilling and also to further define existing intersections at Palito South. This drilling was not undertaken on a sufficiently close spacing to allow any geological interpretation to be made with sufficient confidence for any mineralisation identified to be classified as any form of resource.

The remaining 1,632 metres of the 2011 Phase 2 drilling campaign comprised 20 shallow (less than 100 metres) drill holes into the Palito South area extending the area covered by the drilling that had been undertaken in 2008 and which did not form part of the 2008 mineral resource estimate.

Significant results were returned from a number of prospects including Piaui, Currutela, Espeto and Palito South and these are summarised below:

Significant intercepts executed during 2011 for the Piaui Discovery

Hole	From (m)	To (m)	Interval	Au g/t	Cu %
PDD0497	51.50	52.00	0.50	0.94	1.17
	66.69	67.22	0.53	1.14	1.38
PDD0498	40.98	41.70	0.72	3.63	4.17
	49.66	50.57	0.91	3.05	3.22
PDD0499	110.57	115.78	5.21	3.25	3.73
including	110.57	111.56	0.99	4.13	4.84
including	114.54	115.78	1.24	8.81	10.03
	130.88	131.93	1.04	0.63	0.77
PDD0500	50.96	51.75	0.79	0.74	0.84
PDD0501	44.94	45.75	0.81	1.35	1.41
	69.04	69.54	0.50	0.80	0.90
PDD0504	45.14	45.90	0.76	2.17	2.65
	70.94	71.44	0.50	2.16	2.54
PDD0505	36.61	37.39	0.78	0.85	0.80
	57.85	60.79	2.94	0.58	0.65

Hole	From (m)	To (m)	Interval	Au g/t	Cu %
	62.61	64.30	1.69	0.50	0.56
PDD0506	12.05	13.10	1.05	0.60	0.68
	40.57	41.44	0.87	2.48	3.09
	56.81	60.21	3.40	5.88	6.49
<i>including</i>	57.81	58.75	0.94	16.69	17.90
	62.40	62.90	0.50	0.54	0.68
PDD0507	19.83	20.56	0.74	0.81	- ⁽²⁾
PDD0508	8.77	9.45	0.68	0.96	1.20
	12.60	13.82	1.22	0.62	0.63
	15.50	20.30	4.80	2.01	2.72
<i>including</i>	16.69	17.58	0.89	8.59	9.48
	50.21	51.09	0.88	0.53	0.58
	63.33	64.43	1.10	2.57	2.72
PDD0509	14.40	14.92	0.52	1.07	- ⁽²⁾
	20.50	23.20	2.58	0.92	- ⁽²⁾
	38.19	38.94	0.75	0.77	0.86
PDD0510	8.10	10.29	2.28	1.18	- ⁽²⁾
PDD0511	23.64	24.30	0.66	1.34	- ⁽²⁾
	39.57	40.20	0.63	0.51	0.72
	64.18	66.18	2.00	7.00	8.91
<i>including</i>	65.10	66.18	1.08	10.22	12.25
	72.12	73.20	1.08	0.31	0.28
	73.20	74.13	0.93	2.12	3.12
PDD0512	52.85	54.00	1.15	0.27	0.28
PDD0514	0.00	0.80	0.80	17.38	- ⁽²⁾
PDD0515	36.16	36.91	0.75	0.93	1.12
	43.11	43.71	0.60	1.66	1.83
PDD0457Ext	161.50	162.47	0.97	1.26	1.35
	182.73	183.58	0.85	0.53	0.50

Note: (1) Reported intercepts are calculated based on a minimum weighted average grade of 0.5g/t Au using a 0.5g/t Au weighted average lower cut and a maximum internal waste interval of 1.2m based on ALS reported analyses. All assays completed by ALS used a 30gm Fire Assay charge with an AAS analysis. Where initial Au results exceed 10g/t, analysis is done with a gravimetric charge. All assays completed by Serabi's on-site laboratory used a 30gm DIBK aqua regia digest with an AAS analysis. Serabi's on-site laboratory is not certificated for analysis.

(2) This sample was recovered from weathered near surface (saprolite) material. Saprolite samples are not submitted for independent analysis.

Significant intercepts executed during 2011 for the Currutela and Espeto discoveries

Hole	From (m)	To (m)	Interval	Au g/t
PDD0464	65.41	66.86	1.45	0.40
	184.66	185.42	0.76	5.30
	226.35	227.21	0.86	0.74
PDD0465	208.54	210.68	2.14	12.92
<i>including</i>	208.54	209.54	1.00	25.60
PDD0466	182.99	183.58	0.59	1.35
PDD0470	84.25	85.01	0.76	1.14
	89.50	93.82	4.32	1.58
<i>including</i>	90.98	91.86	0.88	5.25
	97.78	101.31	3.53	2.89
<i>including</i>	100.70	101.31	0.61	10.90

Significant intercepts executed during 2011 for the Palito South discovery

Hole	From (m)	To (m)	Interval	Palito Au g/t	Palito Cu %	ALS Au g/t	ALS Cu %
PDD0519	4.80	5.65	0.85	0.54	0.00	-(2)	-(2)
	96.39	97.11	0.72	9.26	0.40	8.91 ⁽³⁾	0.76
PDD0521	0.80	1.43	0.63	0.88	0.00	-(2)	-(2)
	11.90	12.87	0.97	0.90	0.00	-(2)	-(2)
PDD0522	100.25	100.75	0.50	0.75	0.00	0.87	0.00
	104.86	105.76	0.90	20.60	3.56	21.60	4.63
PDD0523	8.90	9.90	1.00	0.71	0.00	-(2)	-(2)
	71.21	72.57	1.36	48.07	2.64	43.24	2.92
<i>Including</i>	72.00	72.57	0.57	103.94	6.04	90.90	6.51
PDD0525	0.00	0.60	0.60	0.84	0.00	-(2)	-(2)
	37.94	38.57	0.63	0.98	0.03	1.515	0.01
	72.45	73.45	1.00	1.18	0	1.02	0.00
	76.26	77.26	1.00	2.29	0.01	2.18	0.01
PDD0526	66.15	68.01	1.86	4.3	0.09	5.22	0.15
<i>including</i>	66.15	66.96	0.81	6.89	0.13	8.79	0.26

Note: (1) Reported intercepts are calculated based on a minimum weighted average grade of 0.5g/t Au using a 0.5g/t Au weighted average lower cut and a maximum internal waste interval of 1.2m based on ALS reported analyses. All assays completed by ALS used a 30gm Fire Assay charge with an AAS analysis. Where initial Au results exceed 10g/t, analysis is done with a gravimetric charge. All assays completed by Serabi's on-site laboratory used a 30gm DIBK aqua regia digest with an AAS analysis. Serabi's on-site laboratory is not certificated for analysis.

(2) This sample was recovered from weathered near surface (saprolite) material. Saprolite samples are not submitted for independent analysis.

(3) fire assay with AAS finish returned an analysis of >10g/t, however final analysis determination via gravimetric finish reported a grade <10g/t.

Reverse Circulation Drilling

Reverse Circulation ("RC") drilling has been undertaken by Serabi on two occasions. In 2006, Wilemita Ltda, was commissioned to undertake a drilling program on the Bill's Pipe, Chico da Santa and Ruari's Ridge prospects.

In 2007, GeoLogica Sondagens were contracted to undertake a program of RC drilling on the Chico da Santa prospect.

In both circumstances the use of RC was attempted to expedite the drilling programs and provide a rapid turn-around for diamond drill planning and to assess the potential of the shallower, saprolite and oxide mineralization in the near mine environment.

Due to the shallow, limited extent of the saprolite and weathered profile in the region, RC proved to be less effective than anticipated, due mainly to the depth of the regolith profile encountered and because of the hard abrasive nature of the granites, production was not significantly faster than that of diamond drilling.

In the period May to early July 2009, a small program of 393.6m of RC drilling was conducted to explore for shallow oxide mineralization over existing identified lodes. The program was executed by Serabi's crawler underground drill rig which completed a series of shallow drill holes prefixed with PRC in and around the Palito West and G3 south lodes. The rig was operated by Serabi personnel.

The results of the PRC drilling are not included in the resource estimation as they were completed post the March 31, 2008 cut-off for the estimation.

RAB Drilling

RAB or Rotary Air Blast drilling was undertaken by Serabi in 2009 to test a series of soil geochemistry anomalies in the immediate Palito Mine area. This RAB drilling program was contracted to GeoLogica Sondagens of Belo Horizonte.

The use of RAB drilling was again undertaken to expedite the assessment of soil geochemistry anomalies, which was previously conducted by Serabi's exploration team using auger drilling. Ground conditions and logistical issues proved to be limiting and the RAB drilling was less effective and slower than anticipated.

It should be noted that RAB drilling was used purely as an exploration tool and no RAB results are included in the resource estimation.

Sao Chico Gold Project

Kenai completed 22 diamond drill holes at Sao Chico totalling 3235 metres . Drill holes were planned to target known mineralisation at the Main Vein and Highway Vein, and to explore along strike and down dip extensions of these zones as well as the potential for buried, sub-parallel vein structures.

The results of the drill program indicate that vein hosted mineralisation at Sao Chico strikes west-northwest over a total strike length of 540 metres and remains open at depth and along strike. Relevant results are interpreted as those intervals which assayed greater than 0.5 g/t gold and are presented in Table 3. No sampling or recovery factors are believed to materially impact on the accuracy and reliability of results.

Two main zones have been identified from the drill program as the Main Vein and the Highway Vein, with a sub-parallel vein (the Parallel Vein) discovered approximately 60 metres south of the Main Vein. High grade mineralisation is related to chlorite-sericite altered granodiorite overprinted by pyrite-galena-sphalerite and silica alteration with quartz veining in subvertical fault zones.

At the Main Vein the high grade mineralisation forms a lenticular body dipping steeply south, striking west-northwest over <100m, <140m deep and varies from 1.0 to 3.9 metres apparent width. Mineralisation is open down dip and plunging to the west. To the east, mineralisation is open for at least 80 meters along strike. As well as high grade gold, anomalous silver, lead and zinc is observed and is associated with brecciated quartz veins.

At the Highway Vein brecciated granite supported by chlorite-sericite-quartz cement with blebby pyrite-galena was intercepted over an apparent width of 1.6 to 2.9 metres. The mineralised zone was drilled to 75 metres below surface and remains open along strike and down dip. The mineralised zone dips steeply to the south. The strike is interpreted as roughly west-northwest, with further drilling required to determine an accurate orientation as there is no outcrop in the area. High grade gold with anomalous lead and zinc is observed associated with breccias.

Significant intercepts from the 2011 drill programme – intervals shown over apparent width

Hole	From (m)	To (m)	Interval	Au (ppm)	Silver (ppm)	Lead (ppm)	Zinc (ppm)	Copper (ppm)
MAIN VEIN								
11-SC-002	27.87	29.60	1.73	0.59	1	339	443	68
	38.25	40.11	1.86	17.70	5	1316	1398	105
11-SC-003	16.00	18.03	2.03	0.51	0	27	39	32
	94.30	95.35	1.05	1.03	2	564	377	139
11-SC-004	49.10	50.30	1.2	7730	53	5777	4296	345
	51.15	53.50	2.35	0.68	3	5604	3895	334
	79.95	81.45	1.5	0.47	2	829	1123	158
11-SC-005	40.75	42.04	1.29	>10	5	2765	1861	108
	142.13	143.71	1.58	>10	86	over range	over range	2355
	147.56	149.45	1.89	0.94	3	2554	4498	313
11-SC-006	65.15	66.40	1.25	1.07	2	1295	1438	52
	113.85	115.54	1.69	1.58	3	1243	1973	97
	121.55	123.55	2	13.40	7	6280	5954	247
	126.02	127.10	1.08	4.17	19	8712	7355	385
	132.78	134.93	2.15	73.09	over range	over range	5617	577
11-SC-007	158.50	160.5	2	60.10	56	over range	8447	190
11-SC-009	51.00	53.00	2	2.36	5	3253	2726	186
	106.65	110.60	3.95	0.93	3	939	800	65
11-SC-011	68.5	69.95	1.45	0.71	1	175	57	162
11-SC-019	75.08	76.95	1.87	0.78				
	81.62	83.13	1.51	1.06				

Hole	From (m)	To (m)	Interval	Au (ppm)	Silver (ppm)	Lead (ppm)	Zinc (ppm)	Copper (ppm)
	105.75	107.69	1.94	0.91				
11-SC-021	83.94	85.25	1.31	38.70				
	199.75	203.5	3.75	5.39				
11-SC-022	201.72	203.52	1.79	0.54				
	100.85	101.85	1	0.85				
	191.94	193.9	1.96	1.06				
HIGHWAY VEIN								
11-SC-012	40.00	41.60	1.6	10.80	3	1286	890	46
11-SC-013	118.85	121.77	2.92	7.94	10	over range	4732	130
	123.2	124.6	1.4	0.98	2	2010	2871	170

In late May 2013, Serabi commenced a second drilling campaign which was completed in October 2013 for a total of 6,070 metres over 38 drill holes. The programme initially targeted the geological resource defined from the 2011 drilling upon the high grade Main Vein. Twenty one (21) infill and step out holes totalling 4,950m were completed. This exploration programme has been supplemented by a ground geophysics Induced Polarisation ("IP") survey which commenced early in August 2013 and was completed in September 2013. Results from a further 5 shallow holes totalling approximately 500 metres that targeted the Highway Vein were also very encouraging and reinforced managements view of the potential for increased resource potential at Sao Chico.

Results from the 21 holes drilled into the Main Vein have returned a series of high grade gold intersections including ten intercepts in excess of 100 g/t of gold. The drilling intercepted a continuous zone of alteration and quartz sulphide veins beneath and along strike from the previous resource drilling campaign. Drilling at the Highway Vein resulted in four holes out of the five producing near surface intersections (less than 85 meters down the hole) in excess of 25g/t.

To date management consider that the original 150 metre strike length of the current mineral resource has been more than doubled and are optimistic that, as additional exploration drilling further to the East and West also intersected zones of high grade mineralisation, this strike length could, with further infill drilling, become substantially larger.

Significant Intercepts from the drilling conducted over the Main Vein area are tabled below

Hole	East (UTM)	North (UTM)	RL	Depth (m)	Dip/Az m	From (mdh)	To (mdh)	Width (m)	Au ppm	Pb ppm	Zn ppm
13-SC-023	613644	9290466	264	160.3	-55/010	58.75	59.40	0.65	0.52	30	70
						74.30	75.25	0.95	3.90	1122	2105
13-SC-025	613683	9290460	251	160.4	-55/010	2.00	4.00	2.00	4.06	2222	95
						44.25	47.25	3.00	2.33	1195	8040
						105.15	108.40	3.25	58.31	583	481
13-SC-027	613724	9290453	254	170.6	-55/010	29.30	32.30	3.00	2.33	2941	4523
						34.30	35.30	1.00	2.24	576	416
						126.15	129.15	3.00	2.46	119	127
13-SC-030	613703	9290547	249	286.5	-55/200	151.00	153.00	2.00	85.39	ADL	5440
						249.70	250.70	1.00	0.57	737	2111

Hole	East (UTM)	North (UTM)	RL	Depth (m)	Dip/Az m	From (mdh)	To (mdh)	Width (m)	Au ppm	Pb ppm	Zn ppm
13-SC-026	614193	9290356	261	158.75	-55/000	140.95	142.20	1.25	4.10	321	384
13-SC-041	613855	9290285	281	245.7	-60/15	163.70	165.70	2.00	114.7 4	ADL	ADL
					includin g	163.70	164.70	1.00	200.4 4	ADL	ADL
						198.70	199.70	1.00	0.96	34	70
						201.70	203.70	2.00	3.69	4,848	3,063
					includin g	202.70	203.70	1.00	6.585	2,649	3,661
13-SC-043	614022	9290275	274	155.2	-60/20	96.00	97.00	1.00	5.15	1,328	785
13-SC-044	614100	9290240	276	201.7	-60/20	56.80	57.80	1.00	0.55	150	174
13-SC-045	614010	9290212	286	252	-60/20	200.55	201.55	1.00	0.59	528	31
						209.55	210.55	1.00	0.53	30	49
13-SC-046	613990	9290300	270	114.85	-60/20	86.10	86.90	0.80	0.52	1,591	466
						92.50	93.30	0.80	2.89	993	144
13-SC-047	613960	9290210	292	283.35	-60/15	167.50	168.15	0.65	4.93	1,235	649
									175.1 9	37,497	35,303
					includin g	235.75	237.55	1.80	452.1 1	ADL	ADL
13-SC-048	613900	9290270	285	249.05	-65/15	183.70	184.20	0.50	1.81	4145	ADL
						192.00	194.00	2.00	1.79	5,769	9,393
									103.6 3	ADL	2,588
13-SC-049	613920	9290220	294	294	-58/15	112.30 226.90	113.00 227.90	0.70 1.00	0.33	3,594	3,503

Significant Intercepts from the drilling conducted over the Highweigh Vein area are tabled below

Hole	East (UTM)	North (UTM)	RL (m)	Depth (mdh)	Dip/Azm	From (m)	To (m)	Int (m)	Au (ppm)	Pb (ppm)	Zn (ppm)
13-SC-051	614301	9290280	264	76.55	-55/180	53.4	53.9	0.5	30.81	1062	943
13-SC-052	614301	9290294	261	105.35	-60/180	68.25	68.75	0.5	25.15	2115	157
13-SC-054	614343	9290284	265	98.10	-60/180	37.3	38.05	0.75	2.33	2073	1269
						54.35	55.15	0.8	8.68	3203	3704
						62.9	63.4	0.5	1.42	49	81
						69.9	70.55	0.65	5.36	1280	1509
						73.45	74.4	0.95	8.92	1166	2226
						76.4	77.4	1	189.6	ADL	8609
						94.1	94.6	0.5	5.15	334	502
13-SC-056	614394	9290279	269	91.45	-55/180	36.35	38	1.65	36.07	1717	1652
						81.95	82.55	0.6	0.51	62	86

Note: All assays were prepared and analysed by SGS Geosol laboratory in Belo Horizonte using a 30gm Fire Assay with an AAS analysis. Assay intercepts are calculated based on a minimum weighted average grade of 0.5g/t Au using a 0.5g/t Au weighted average lower cut. High Grade intercepts are calculated based on a minimum weighted average grade of 3.0/t Au using a 3.0g/t Au weighted average lower cut. ADL refers to "Above Detection Limit".

Topographic Surveys

Surface Surveys

Surface surveys are carried out by the Serabi survey department using total station and theodolite optical equipment. Surveys include opening lines for soil and drill traverses, marking topographic reference stations, pre-location of programmed drill collars, relocation of collars and alignment of drill azimuths after drill pad or earthwork preparation, pick up of earthworks, roads and other infrastructure.

Underground Surveys

Underground surveys are carried out by the Serabi survey department using total station and theodolite optical equipment. Underground survey encompasses marking up of planned developments and pick-ups of actual developments, surveying of stopes, drives, raises, winzes and ramps, location and alignment of drill holes and collars.

All active headings are surveyed at 3 day intervals. Gradient lines are extended to the active faces on developments.

Waste development is controlled by survey through the setting of direction lines and gradient using back and fore sights and a bearing.

Survey pickups are processed with the Topograph software package and exported to an Autocad package where they are appended to the archives.

Drill Collar & Down Hole Surveys – Palito Mine

All drill collar positions are surveyed in using a theodolite and maintained in the Serabi database.

Drill holes are surveyed down the hole using a Reflex E-Z shot tool, which records the dip and azimuth at selected intervals down the hole, (nominally 30m intervals). These surveys are then recorded by the geology department and maintained along with all relevant surveys in the Serabi database.

Drill Collar & Down Hole Surveys – Sao Chico gold project

Drill collars were located in the field prior to drilling with hand held GPS with an accuracy of +/- 4 meters. All holes were surveyed down hole using an EZ Shot tool.

Topography

In addition to the locally surveyed collars and topography surrounding the Palito Mine infrastructure, Geotech/Microsurvey completed a laser altimetry survey in conjunction with the airborne geophysical survey over the Jardim do Ouro Project in January 2008.

This survey was completed on 100m spaced 30° angled traverses, collecting altimetry readings, of the altitude of the helicopter in relation to the ground every 0.1 seconds. These altimeter readings were then levelled, through synchronization with helicopter flight altimeter and used to create a digital elevation map of the area surveyed.

Sample Preparation, Analysis and Security

Drill Core Sampling - Palito

Drill sampling is undertaken at the geological core logging facilities at the Palito Mine site. Every drill core is cut and sampled. Sampling protocol is such that sample intervals are a minimum of 0.5m and a maximum of 1.2m, although there are a small amount of exceptions to this within the database.

Sample selection is based on geological intervals, if the interval exceeds 1.2m it is divided equally, but not less than 50 cm, into sample intervals covering the zone of interest. Should a zone of interest sampled be less than 50 cm, then the sample interval is extended to exceed the zone of interest, incorporating the country/gangue rock. All exploration drill core is half core sampled, with the samples placed in a plastic bag, clearly marked with the appropriate sample number and sealed. They are then placed into larger 50 litre bags, which are in turn sealed, marked and dispatched to the laboratory.

Part of the core samples, 22% of the total core samples, were analysed at the Palito laboratory. The majority are underground core drillholes, whose necessary turn-over period is shorter than regular surface core holes. The remainder, 88% of the samples (20311 samples within a total of 26137 samples) were sent to either the ALS Chemex, with preparation at Goiás and assaying at Brisbane, in Australia, or to the SGS Geosol laboratory, with preparation at Itaituba and assaying at Belo Horizonte, Brazil. Both laboratories used standard 30g fire assay fusion and aqua regia analysis for gold and copper. Both laboratories are reputed and certified commercial laboratories. Once Palito established an onsite analytical laboratory in 2005, all samples were primarily quarter cored, with quarter core samples sent to the Palito laboratory for analysis via MIBK, which was then changed to DIBK in mid 2006, for gold and aqua regia for copper analysis.

To improve turnaround times, cost saving on analysis, and provide agility to drill hole programming, only half core samples of those intervals returning anomalous gold or copper grade from the Palito Mine site laboratory were dispatched to SGS Geosol for fire assay and copper analysis.

In 2007, this process of quarter and half core analysis was abandoned, due to the establishment of a core preparation facility in Itaituba by SGS Geosol, which improved turnaround time on analysis and also due to the limited capacity of the Palito laboratory to process exploration drill samples due to the increase in mine production and mill samples assuming a higher priority to those of exploration at the site laboratory.

In October 2007, under advice received from NCL, Serabi began sample preparation of half core samples at the onsite laboratory and dispatch of prepared samples to SGS Geosol for analysis. This process continued until February 2008, when again the increased production of drill samples exceeded the preparation facilities of the laboratory and all samples were again dispatched to SGS Geosol via Itaituba for analysis.

In May 2008, Alex Stewart Analytical assumed management of the Palito Mine site laboratory facilities completing a re-design and updating of the laboratory facilities, aimed at enabling certified assays to be undertaken on site without the requirement to send samples offsite for regular analysis. In August 2008, Alex Stewart passed management of the laboratory back to Serabi, having completed the redesign and reappointing of laboratory facilities.

In respect of the discovery drilling campaign that was started in December 2010 and concluded in November 2011, Serabi has utilised the analytical services of Eco Tech Laboratory and ALS Minerals and their laboratories located in British Colombia, Canada (ALS Minerals acquired Eco Tech Laboratory during 2011). Sample preparation was performed by Serabi using its laboratory facilities located at the Palito Mine.

All underground BQ size drill core is whole core sampled, and has undergone the same evolution of sample analysis as the exploration core. All underground drill core is held for a period of 3-6 months post drilling and then disposed as landfill.

Reverse Circulation Drill Sampling- Palito

RC sampling was conducted generally on a metre by metre basis for the entire hole with the exception of the RC program completed in 2009 when 1.2m intervals were used.

All samples were passed through a Jones Riffle Splitter quartering the entire sample and repeating until a <2kg sample weight was achieved. The samples were placed in a plastic bag, clearly marked with the appropriate sample number and sealed. They were then placed into larger 50 litre bags, which were sealed, marked and dispatched to the laboratory. When the drill sample was too moist or wet to pass through the riffle splitter, the sample was dried either by sun drying or by oven warming until sufficiently dry to pass through the splitter.

The samples were prepared and assayed by SGS Laboratories by 30g charge fire assay for gold and aqua regia for copper or via a combination of preparation and analysis at Palito laboratory via aqua regia for gold and copper with pulps submitted to SGS for 30g fire assay gold and aqua regia analysis.

Channel Sampling - Palito

Channel sampling was routinely completed as grade control for the mining operation. These samples are both faces and back samples collected along the development drives and mining fronts.

The samples are collected using a similar protocol to the diamond drill sampling protocol with a minimum length of 50cm and a maximum length of 1.2m.

Generally 2-5kg of chips for the channel sample is collected. The samples are then delivered to the Palito laboratory where they are prepared and analysed for gold and copper by aqua regia.

RAB & Auger Drilling & Soil Sampling- Palito

Serabi has completed over 4,200m of RAB drilling and 16,300m of soil auger drilling (both manual and motorised) in both post hole and spot auger soil sampling. RAB and auger were not used in the resource estimation.

Sample Preparation, Analysis and Security – Sao Chico

Rockchip samples were placed in sample bags marked with a unique sample number and tied in the field. Rockchip samples were then placed in larger rice sacks prior to dispatch, with each sack holding ten consecutive samples.

Drill core samples were taken from half cut drill core, placed in sample bags with a unique sample number and tied. Samples were placed in larger rice sacks, with each sack holding ten consecutive samples.

Analytical Methods and Quality Assurance

Quality assurance during the assaying process is established at the laboratory with well defined protocols for two different types of analytical methods as described below, depending on the types of samples.

Drill Core Methods- Palito

Up until the end of 2010, Serabi utilized the analytical services of SGS Geosol for all its drill core samples that comprise the mineral resource. The laboratory is located at Belo Horizonte, but with sample preparation having been performed at their facility at Itaituba. In respect of the discovery drilling campaign that was started in December 2010 and concluded in November 2011, Serabi has utilised the analytical services of Eco Tech Laboratory and ALS Minerals and their laboratories located in British Columbia, Canada (ALS Minerals acquired Eco Tech Laboratory during 2011). Sample preparation was performed by Serabi using its laboratory facilities located at the Palito Mine.

Method Of Sample Preparation For Assaying- Palito

When samples arrive at either at Serabi's Palito Mine laboratory facility or the SGS Geosol sample preparation facility, they are dried at 110° C. When dry, the entire sample, usually about 2-3 kilograms, is crushed to minus 2 mm size and a 1 kilogram sample split is taken from the crushed product by means of a Jones splitter. This split sample is then ground to a -150 mesh pulp, and a 125 grams-size homogenized fraction removed: 50 grams of which are used for the analysis and 75 grams of which are stored in a marked envelope for future reference.

Prior to sample preparation, samples which have been marked specifically because visible gold had been observed during the rough logging of the full core are handled slightly differently from the normal samples. The entire sample is crushed and ground to -150 mesh. The sample is then passed through a 150 mesh screen. The undersize, the bulk of the sample, is weighed and treated exactly as a normal sample, with 125 grams extracted, 50 grams of which go for fire assay and 75 grams are stored for future use. The oversize is then collected, weighed, pulverized, and treated as a separate sample. Both analyses are reported separately but the laboratory calculates a weighted average of the two results in its final report. This reported single value is ascribed to the sample interval.

Method Of Gold Analysis By Fire Assay/AA Finish- Palito

- (a) 50 grams of the pulverized sample is weighed into a crucible which contains a combination of fluxes such as lead oxide, sodium carbonate, borax, silica flour, baking flour or potassium nitrate. After the sample and fluxes have been mixed thoroughly, a silver inquart and a thin layer of borax is added on top.
- (b) The sample is placed into a fire assay furnace at 2000° F for one hour. At this stage, lead oxide is reduced to elemental lead and slowly sinks down to the bottom of the fusion pot or crucible collecting the gold and silver along its way to the bottom of the melt.
- (c) After one hour of fusion, the crucible is removed from the furnace and its contents poured into a conical cast iron mould. Elemental lead, which contains the precious metals, sinks to the bottom of the mould and any unwanted materials, the glassy slag, floats to the top. When cooled, the cone is removed from the mould and by hammering the glass is eliminated and a "lead button" formed.
- (d) The lead button is then put onto a preheated cupel made of bone ash and reintroduced into a furnace for a second stage of separation at 1650° F. The lead button becomes liquefied and reacts with and is absorbed by the cupel. The gold and silver which have higher melting points remain on top of the cupel.

- (e) After 45 minutes of cupellation, the spent cupel is then taken out of the furnace and cooled. The doré bead which contains the precious metals is then transferred into a test tube and dissolved in hot Aqua Regia solution heated by a hot water bath.
- (f) The amount of gold in solution is determined with an Atomic Absorption spectrometer (AA). The gold value, in parts-per-billion, or grams-per-tonne, is calculated by comparison with a set of known gold standards.

Channel Samples Assaying- Palito

The channel samples are assayed at the Palito laboratory where they are prepared and analyzed for gold and copper by aqua regia (DIBK).

With the objective of checking the results of the Palito laboratory, a group of channel sub-samples was chosen by NCL and sent to the SGS laboratory, in Belo Horizonte. The criteria adopted was to select the samples contained in the ore body models, in the vicinity of in situ resources, thus excluding the samples located in waste zones and those near the mined out areas. For the proposed list of samples, 99 sub-samples were taken from coarse rejects and 1075 sub-samples were collected from pulp rejects. The tests were to assess the quality of sample preparation and the analytical accuracy and precision of the Palito laboratory through direct comparison with a commercial facility.

The conclusions of such study are that the Palito laboratory Au results presented poor repeatability and a moderate bias when compared with SGS results. However, most of the problems are related to results below 0.7 g/t Au. This seems to be related to a detection limit of the Palito laboratory being higher than expected. If we consider values above this threshold, the repeatability improves significantly, reaching the generally accepted limits of variance (90% of the samples with HARD<20%). Most of the bias also is eliminated using this procedure. For resource estimation, it was decided to adjust the grades of the Palito laboratory, reducing any grade below 0.7 g/t to 0.01 g/t. Although conservative, this procedure has little impact on the average grade of the ore (2% reduction in the grade of the dataset analyzed) and is effective in the improvement of the quality of the information. This procedure also showed improved quality of the coarse rejects results.

For copper analysis, the Palito laboratory yielded results so different to SGS' results that it was recommended not to use the copper results of the Palito laboratory until the procedures used for this metal are reviewed and new tests ensure a better repeatability of results, compared with a commercial laboratory.

These recommendations were accepted by Serabi and adopted: the gold values obtained from the Palito laboratory and below 0.7 g/t were adjusted to 0.01 g/t, and the copper values from the same laboratory were deleted from the database used for the present resource evaluation.

Drill Core Methods- Sao Chico

Drill core samples were prepared at ACME, Itaituba, Pará, Brazil and shipped to ACME, Santiago, Chile for 50 gram gold fire assay. Samples were then shipped to ACME Vancouver, Canada, for aqua regia ICP-MS analysis. These laboratories are independent of Kenai and are ISO: 9001 certified. Samples were prepared using ACME preparation code R200-1000, which comprises the whole sample being crushed to 80% passing 10 mesh (2 mm), riffle split to produce a 250 gram sub-sample, and pulverised to 85% passing 200 mesh (75 microns).

Rockchip and Channel samples – Sao Chico

Rockchip and underground channel samples were prepared and assayed at SGS Geosol laboratory in Vespasiano, Belo Horizonte. Whole samples were dried and crushed to 75 % passing 2 mm. A 250 gram sub-sample was pulverised to 85 % passing 200 mesh (75 microns) using bowl and puck equipment. Samples were submitted for 50 gram gold fire assay with AAS finish (SGS Geosol code FAA505) and a 34 element ICP-OES analysis following an aqua regia digest (SGS Geosol Code (ICP12B). The SGS Geosol laboratory is ISO9001 certified and independent of Kenai.

Data Verification

Quality Control Measures and Results - Palito

A wide range of standards has been purchased from Rocklabs, for inclusion into all batches dispatched for analysis at both SGS Geosol and Palito laboratories. Blanks are inserted at the start of each batch of samples submitted for analysis and a standard and blank are then alternated every 10 samples, giving approximately 10% of samples

submitted as quality control/quality assurance. Historically standards were inserted for each 20/30 samples submitted to the laboratories, but this regime was changed in mid 2007 for tighter control.

Blanks are sourced from a granite outcrop on site and are submitted routinely with each batch.

In addition to standards submitted by Serabi to the laboratories, the laboratories report on their own internal standards and blanks. Laboratory reports also contain duplicates, repeats and laboratory check results.

SGS Standards Performance

The SGS laboratory results for standards are generally within an acceptable difference with the certified grade. Results of the vast majority are within two standard deviations from the expected mean, if considering the population of results from the round robin test realized by Rocklabs.

Quality Control Measures and Results – Sao Chico

Throughout the drill program, drill core samples were submitted in batches of twenty, with each batch containing 16 drill core samples, one blank sample, one certified reference material (CRM) sample, one crush duplicate and one pulp duplicate.

Blank samples were taken from a granite outcrop from which ten samples were collected prior to the drill program. These samples were assayed at SGS Geosol and routinely assayed below detection limit (<0.005 ppm gold). The failure limit for blank samples was set at 0.05 ppm gold. No blank failures were recorded during the program.

As a result of the non-reported CRM results and poor performance of CRM SJ53, 56 pulp samples were repeated at the Palito laboratory to test for accuracy of the gold values reported. The pulp samples included a mix of high and low grade samples (Figure 40). The results of this reassay show the assays to be repeatable and within 10 % of the ACME assay result with the exception of two high grade samples. This is likely due to gold scattering in the pulp and metallurgical screen tests have been performed on drill core samples as a result (see Section 12 Mineral Processing and Metallurgical Testwork). A slight negative bias in the Palito assays may also be the cause and further monitoring is required as the program progresses. A nugget effect is therefore considered negligible at this stage. Overall these reassay results show the results of the high grade samples to be accurate.

Mineral Processing and Metallurgical Testing

Palito Mine

The ore from the Palito Mine was subject to several metallurgical testwork programs from 2004 to 2007, and a full scale metallurgical plant has been operating continuously at the Palito Mine since Q3 2004 for almost five years. With approximately 575,000 tonnes of ore processed, and approximately 110,000 gold equivalent ounces produced, there is plenty of empirical data on the metallurgical behaviour of the ore.

Metallurgical Tests

Metallurgical tests have been conducted upon comminution, flotation, cyanide leaching, dense media separation and gravity separation. Most of the testwork results had been carried out at AMMTEC Australia and Knelson Research and Technology Centre, Canada.

Sao Chico Gold Project

In May 2007, two sulphide bearing samples from Sao Chico were submitted to HRL Testing Pty Ltd (HRL). In summary, the samples were subject to cyanide bottle roll leach and gravity separation testwork, resulting in gold recoveries of 90.62 % and 99.03 % using cyanide leach, and recoveries of 75.91 % and 72.14 % using gravity separation. The location of samples used in this testwork is not known therefore these results should not be relied upon.

In April 2012, SGS Mineral Services reported on three samples submitted for Fire Assay, four-acid digest ICP analysis, whole rock analysis, bulk density tests, Bond ball mill work index (BWi) testing, screened metallics, gravity separation, whole rock and gravity tailing cyanidation tests and flotation of gravity tailing tests (Macdonald and Dymov, 2012). The three samples submitted (N-1, N-2 and N-3) were composite samples collected by EAL from the Main Vein drive and are therefore considered representative of the types and styles of mineralization observed on the property and the deposit as a whole.

In summary, results of the SGS Mineral Services testwork characterise the mineralization as having an average bulk density of 2.71 g/cm³, with a BWi of 15.5 (metric) which is considered as being of intermediate grindability. Head grades of 114 g/t gold (N-1), 11.8 g/t gold (N-2) and 40.9 g/t gold (N-3) are reported.

Metallurgical testing indicates that the gold mineralization is highly amenable to cyanidation, with recoveries between 98.8 and 99.3 %. High gold recoveries were obtained using flotation and gold recovery by gravity separation and flotation (~99.5 %). Cyanidation of gravity separation tailings yielded high recoveries (~99.2%).

SGS Mineral Services recommend gravity separation followed by CIP cyanidation as the preferred processing flowpath, with further investigation into retention time and grind size requirements required. No processing factors or deleterious elements that could have a significant effect on potential economic extraction were identified within the scope of the SGS Minerals Services test program, although cyanide consumptions of 0.71 to 1.85 kg NaCN per tonne of leach feed were reported as being relatively high.

Mineral Resource Estimates

Palito Mine

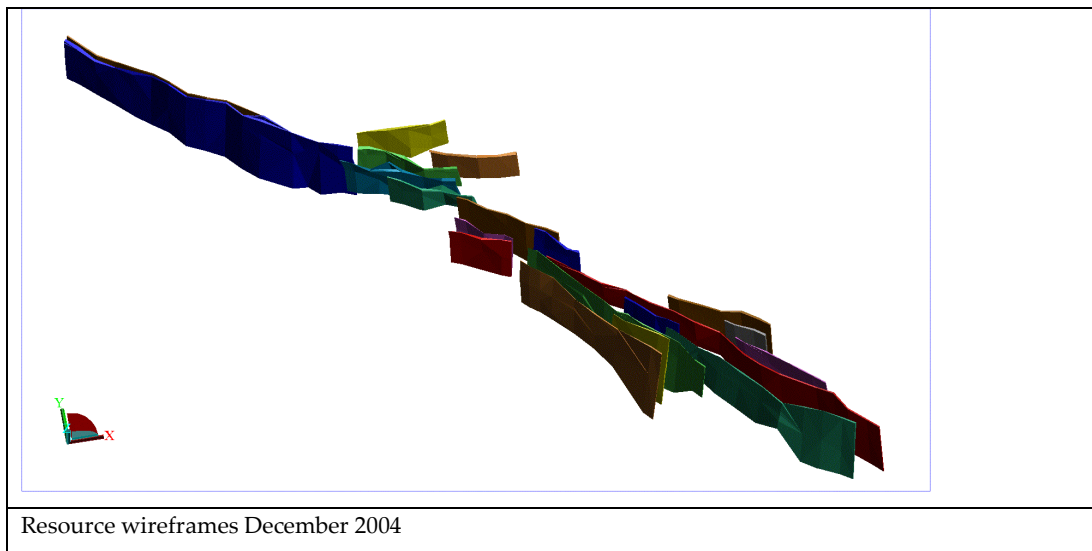
General Considerations

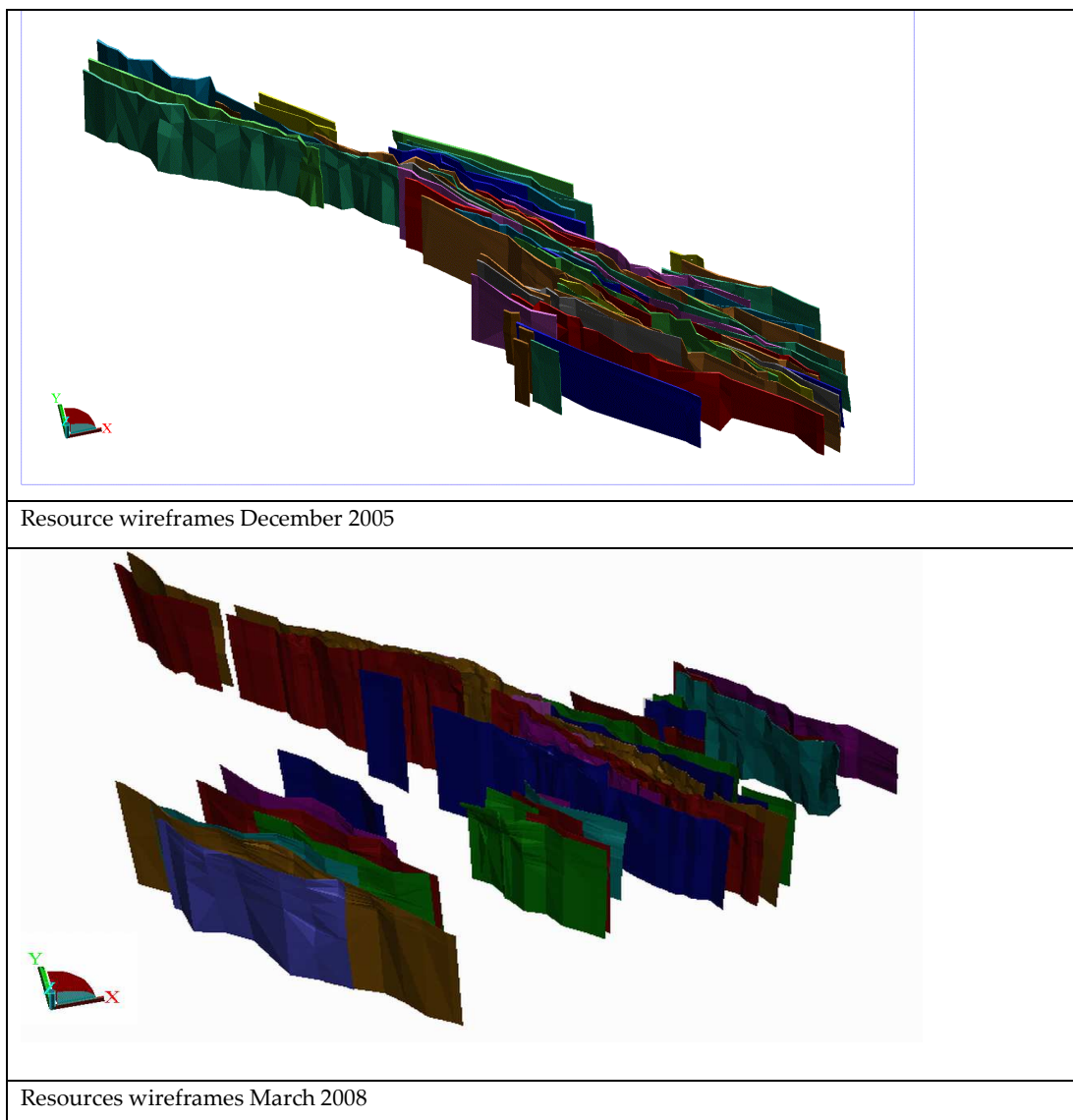
In March, 2008, NCL prepared a resource estimate for the Palito deposit, using 3D modeling and geostatistics. This model has not been updated. Although additional drilling was available and limited mining has occurred, these are considered to be of low impact, therefore this 2008 estimate can be considered as representative of the current mineral resources of the Jardim do Ouro Project.

In this section, the resource evaluation performed in March, 2008 is reported. Only a single ore type was considered in this evaluation, the fresh rock ore formed by hydrothermally altered granite, termed “veins”, amenable to the CIL process. Four different deposits were evaluated separately, Palito Main Zone (“PMZ”), Chico da Santa, Palito West and Ruari Ridge.

Mineral resources reported herein were estimated and classified according to the Australian JORC Code, which are equivalent to those of the Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”).

Evolution of the orebody modelling for the Palito deposit





Software and Database

The modelling and geostatistical analysis of these deposits were made using three different software packages: Gemcom (modeling, kriging and block model construction), Excel (exploratory data analysis, model validation) and GSLIB (variography and exploratory data analysis).

The data was provided to NCL by Serabi in MS-Access (channel and drillhole data) and DXF format (topography, excavation and mined out areas).

The basic stats of the database received for resource evaluation are below.

Drilling database basic statistics

Sample Type	Nr of samples	Metres drilled	Nr of Holes
Channel	9,947	8,776	4,167
Diamond Drilling	26,303	94,536	787
RAB	593	626	6
Reverse Circulation	3,839	3,935	48
Auger	795	1,707	49
Total	41,477	109,580	5,057

Specific Gravity

Serabi provided a database with 1,048 measurements of specific gravity, mainly composed of hydrothermally altered granite, which is the typical ore from the mine. Only fresh rock samples were evaluated. The method used is the accepted method for these measurements, considering the observed lack of porosity and voids of the ore and waste granite. After extracting one spurious value the simple average of 2.675 g/cm³ was calculated.

Data Capture

Given the difficulty in creating a solid enclosing all the representative samples, vertical sections were used for constructing the solids, however this resulted in samples further away from the section position not being correctly captured. For this reason, the samples representative of these solids were selected individually. Each interval selected was assigned a Lithological code. In several places, sub economical intervals were selected based on the geology, in order to maintain the continuity of the vein.

Exploratory Data Analysis

Using these lithological codes, NCL summarized statistics for gold and copper on the raw data samples for each lithological unit as shown below.

Exploratory Data analysis for samples within the veins

Au	Palito Main Zone	Chico da Santa	Palito West	Ruari Ridge
Nr of Samples	4,138	151	126	210
Minimum (g/t Au)	0	0.01	0.01	0.01
Maximum (g/t Au)	718.00	66.69	181.00	68.11
Average (g/t Au)	11.93	5.39	10.02	3.08
Standard Deviation	39.20	11.11	26.33	8.73
Coefficient of Variation	3.29	2.06	2.63	2.84
Cu	Palito Main Zone	Chico da Santa	Palito West	Ruari Ridge
Nr of Samples	4,140	152	127	210
Minimum (% Cu)	0	0	0	0
Maximum (% Cu)	21.10	4.70	4.50	2.80
Average (% Cu)	0.16	0.30	0.19	0.12
Standard Deviation	0.85	0.74	0.51	0.34
Coefficient of Variation	5.25	2.48	2.76	2.93

Compositing

After statistical analysis of the length of the original samples, 0.7 m was chosen as the length for compositing the samples in order to have all values at a similar support. Composites with length less than 0.15m (20 % of the chosen composite length) were discarded, representing less than 2% of loss of the samples, in terms of length sampled.

Exploratory Data analysis for composites

Au	Palito Main Zone	Chico da Santa	Palito West	Ruari Ridge	Total
Nr of Samples	6,591	220	156	291	7,258
Minimum (g/t Au)	0.00	0.00	0.00	0.00	0.01
Maximum (g/t Au)	700.00	66.69	181.00	68.11	68.11
Average (g/t Au)	12.05	4.73	8.55	3.40	3.40
Standard Deviation	35.60	9.19	23.75	8.67	8.66
Coefficient of Variation	2.96	1.94	2.78	2.55	2.54
Cu	Palito Main Zone	Chico da Santa	Palito West	Ruari Ridge	Total
Nr of Samples	2,350	195	137	208	292
Minimum (% Cu)	0.00	0.00	0.00	0.00	1

Maximum (% Cu)	21.10	4.70	4.50	2.80	2.80
Average (% Cu)	0.39	0.26	0.20	0.11	0.08
Standard Deviation	1.27	0.61	0.51	0.30	0.26
Coefficient of Variation	3.26	2.37	2.50	2.65	3.19

3D Geological Models

Four types of solids were used in the construction of the block model:

1. Orebodies: strictly speaking, interpretation of zones representing the material with reasonable prospects of being mineralized
2. 3D excavations: surveyed tunnels and mined out zones
3. 2D excavations: mined out zones where no survey was available. The 2D lines were put in 3D and extruded, to form a solid whose intersection with the orebodies mark the mined out zones in these
4. Topographic surface based on survey data.

To draw the solids containing the mineralization, the geology and the grade were used, as observed in the drillholes and excavations. The thickest interval was used, comparing the thickness indicated by either the granite hydrothermally altered (acronym: ZAH) or the gold mineralization, as defined by gold grades above 0.7 g/t. The other factor taken into account in the selection of the intervals was the minimum true thickness of 0.7 m.

The interpretation and modeling of the four main orebodies was a result of teamwork between Serabi and NCL geologists. The other solids or strings used, regarding, excavations and mined out outlines were made available by Serabi in Gemcom format.

Block Model Parameters

The block size used was 5 x 5 x 3 m. It is recognized that a larger block would allow less conditional bias. However, a block of this size would be inadequate for mine planning. For global estimates, it is expected that no significant problem would occur using a block size in the order of one tenth of the drill density, but for grade control, it is recommended that a larger block should be used.

Variography

Three different types of software were used to carry out the variogram analysis to determine grade continuity.

Following the variogram analysis, it was decided the ordinary Kriging algorithm would be the appropriate estimation method. The Kriging parameters used are tabulated below:

	Pass 1	Pass 2	Pass 3
X	20	60	75
Y	10	40	50
Z	10	40	50
Search type	octant	octant	octant
Min Nr octants	4	4	1
Max per octant	8	8	8
Min N Comp.	6	6	2
Max N Comp	64	64	64
Nr of discretizations	2x2x2	2x2x2	2x2x2

Block Model Construction

In addition to the modeled veins, the excavations were also modelled (drifts and stopes). The sequence of block model construction in the Gemcom software is the following:

1. Modelling and kriging of the mineralized veins
2. Add the modelled excavations (3D representations)
3. Add the extruded 2D excavations. This step was necessary in some veins in cases where the excavation had not been surveyed.
4. Extract the blocks above the topographic surface.
5. Classification of the resources by categories

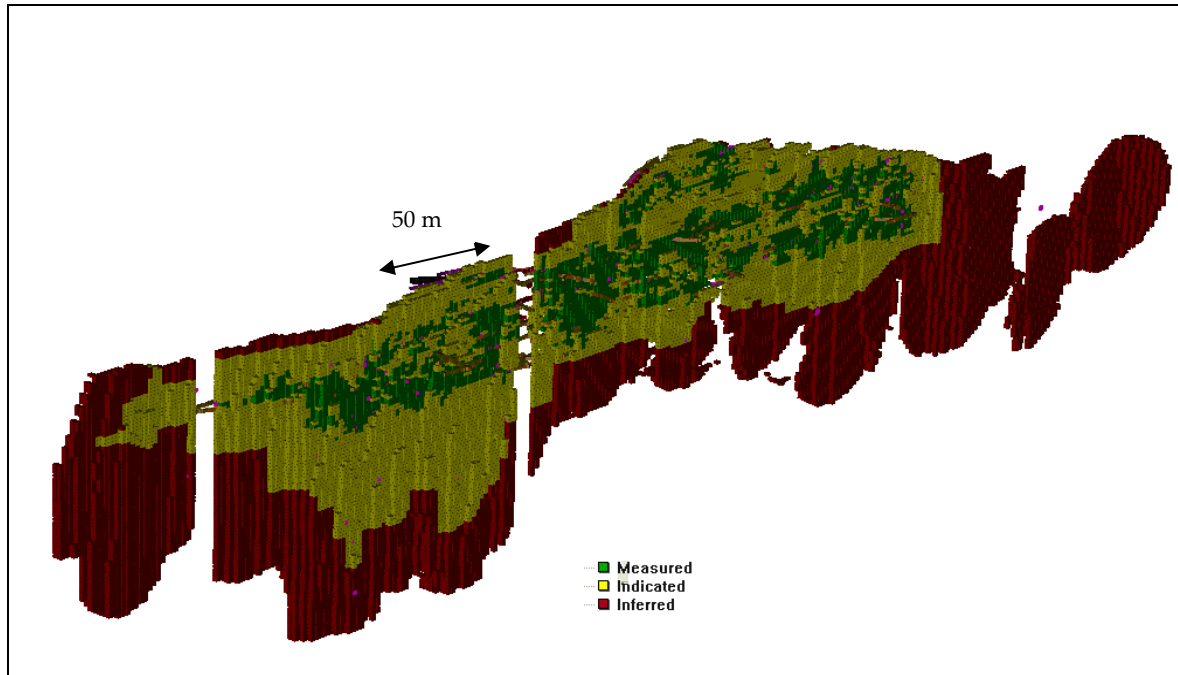
A GEMCOM percent format was used, where the blocks contain a parameter representing the percentage of the block within a certain vein. Each vein was interpolated using samples with the same Rock Code.

Mineral Resource Classification

The classification methodology was based on discussions between NCL and the Serabi exploration team. The criteria established were as follows:

- **Measured Resources:** Measured resources are the portions of the orebody that are well sampled by channel samples (spacing 3-5 m) and close to mined areas. For practical purposes, an outline was designed around mined drifts and stopes up to a maximum of 20m, which is a distance the team considers that a well defined vein can be extrapolated with confidence. Any indicated block contained in that outline is transformed to measured.
- **Indicated resources:** As defined in the 2nd Pass of the Kriging parameters, blocks which have at least two mineralized intercepts in the defined neighbourhood. The adopted neighbourhood is an ellipsoid measuring 60 m down the plunge and 40 m in the two other directions, which is seen as an adequate given the continuity of the mineralization. The vein code of these intercepts must be same as the block being classified, and the intercepts must be from different octants (required four octants minimum). NCL interpreted the results and where necessary, changed the category of portions of the block model at the geologist's judgment. The idea was to allow a more critical review of the block model, increasing or decreasing the confidence in zones where other geological factors surmount the amount of drilling in order to estimate confidence. Isolated blocks of indicated category were reclassified as inferred, and isolated blocks within major indicated blocks were turned to indicated category.
- **Inferred resource:** As defined in the third pass, the search range has a limited enlargement (75m down the plunge and 50m in the other two directions), but for this category, a single drillhole is enough for the definition of inferred resources.

3D View of the G3 vein, with block model, classified. View to NW



Resources were considered only if the grade of the block is above 1.0 g/t Au. This marginal cut off was defined using only mine and processing cost (US\$34/ton), gold price of US\$1200/oz and metallurgical recovery of 93%.

Part of the veins, in zones with lower grade, would not be considered mineral resources, since the possibility of being economical is minimal

Model Validation

To verify the results of the estimates, a set of checks were made on the model for each area:

- Visual validation of grades and classification. Comparison with the previous sections and tabulations was extensively used.
- Comparison between the moving window average grade of composites and kriged values. Since the orebodies are flat aligned with the Y axis, inspection along the northing and elevation are enough to check adherence of block grades to sample grades.
- Comparison between the kriging results and the declustered mean

In all tests the models were considered consistent and robust.

Results

The following table summarizes the mineral resources as at March 31, 2008 and estimated for 1.0 g/t Au cut-off for each area.

Mineral Resources Estimate as at March 31, 2008

	Tonnage	Gold (g/tAu)	Copper (% Cu)	Contained Gold Ounces	Equivalent Ounces
Measured Resources					
Palito Main Zone (PMZ)	97,448	9.51	0.26	29,793	32,045
Pali West (PW)	—	—	—	—	—
Chico da Santa (CS)	—	—	—	—	—
Ruari Ridge (RR)	—	—	—	—	—
<i>Total Measured Resources</i>	<i>97,448</i>	<i>9.51</i>	<i>0.26</i>	<i>29,793</i>	<i>32,045</i>
Indicated Resources					
Palito Main Zone (PMZ)	593,175	7.15	0.23	136,417	148,546
Pali West (PW)	46,844	13.16	0.26	19,825	20,902
Chico da Santa (CS)	78,987	5.91	0.23	15,011	16,681

	Tonnage	Gold (g/tAu)	Copper (%) Cu)	Contained Gold Ounces	Equivalent Ounces
Ruari Ridge (RR)	34,740	4.85	0.22	5,420	6,100
<i>Total Indicated Resources</i>	<i>753,745</i>	<i>7.29</i>	<i>0.23</i>	<i>176,673</i>	<i>192,228</i>
<i>TOTAL Measured & Indicated</i>	<i>851,193</i>	<i>7.54</i>	<i>0.23</i>	<i>206,466</i>	<i>224,272</i>

Inferred Resources					
Palito Main Zone (PMZ)	821,405	6.04	0.18	159,614	172,927
Pali West (PW)	200,256	8.22	0.23	52,934	57,140
Chico da Santa (CS)	434,664	6.01	0.23	84,036	93,100
Ruari Ridge (RR)	631,417	4.74	0.43	96,232	120,789
<i>Total Inferred Resources</i>	<i>2,087,741</i>	<i>5.85</i>	<i>0.27</i>	<i>392,817</i>	<i>443,956</i>

- (1) Mineral resources are reported at a cut-off grade of 1.0 g/t.
- (2) Numbers may not add up due to rounding.
- (3) Equivalent gold is calculated using an average long-term gold price of US \$700 per ounce, a long-term copper price of US \$2.75 per pound, average metallurgical recovery of 90.3% for gold and 93.9% for copper.

Conclusions

A mineral resource estimate for the areas Palito Main Zone, Chico da Santa, Palito West and Ruari Ridge has been completed with 25 different mineralized structures. Each vein has been interpreted and 3D wireframes built. The samples contained within these wireframes were selected and the ordinary kriging algorithm used to interpolate block model grades. The models for the different areas were validated by the NCL and Serabi staff, who concluded that the models are consistent with the available geological data.

Sao Chico Gold Project

Andes Mining Services have estimated a mineral resource for the Sao Chico Gold Project utilising drilling data as of 13th May 2012. All grade estimation was completed via a two-dimensional (2D) metal accumulation model. Grades from the 2D modelling have been transposed to a three-dimensional (3D) block model which has been used to generate tonnes and grade.

This estimation approach was considered appropriate based on a review of a number of factors, including the quantity and spacing of available data, the interpreted controls on mineralization, as well as the style of mineralization under consideration. Two-dimensional accumulation modelling is a typical estimation method utilized for extremely narrow high-grade gold deposits which lack sample support and typically display erratic grade distributions.

The estimation was constrained entirely within the saprolite and fresh rock domains. Saprolite development is generally limited across the Sao Chico Project area (typically <20 metres in depth), with all 22 diamond drill holes noted to intersect the mineralized vein(s) wholly within fresh rock across the project area.

The Sao Chico Gold Project measured, indicated and inferred mineral resource estimate is based on 22 diamond holes (3,235 metres) drilled at a spacing of approximately 80 by 80 metres. Within the centre of the resource, drill spacing has been reduced to 40 by 40 metres in an effort to increase the resource category confidence, and provide suitable vectors from possible variography studies. In addition, a total of 55 metres of lateral underground development has been completed on the Main Vein, with underground sampling confirming the high grade continuity of mineralization across the Sao Chico Gold Project. Individual drilling included within each domain is listed below.

Domain - Drilling Statistics Summary

Domain	Diamond Drilling
Main Vein	10 DDH Intercepts (1,597.15 m total)
Highway Vein	2 DDH Intercepts (211.14 m total)
Parallel Vein	1 DDH Intercepts (411.25 total)

Data was supplied to Andes Mining Services in the form of a number of excel spreadsheets. The drillholes were imported into Surpac and a topographic surface was generated based on the drillhole collar information available (DGPS survey pick-up). Topographic variations reflected in the drilling were validated on the site visit to the project area.

Geological Modelling

Andes Mining Services utilised DGPS survey data for the collar location of all 22 diamond drill holes across the Sao Chico Project area to create an approximate topographic surface which was utilized as an upper boundary surface for the Sao Chico wireframes.

All diamond drill holes clearly show a sharp boundary between saprolite and fresh rock material, and a digital terrain model (DTM) surface was created in Surpac to reflect this upper bounding surface. There is a significant density difference between saprolite and fresh rock material; therefore tonnages would be overestimated without this separation.

Mineralization was considered to be extremely narrow in nature at Sao Chico (average vein width of approximately 0.8 metres), following a review of downhole drilling intercepts across the project area. The generation of wireframes was driven by grade and width intercepts, which generally display a very good vertical and lateral continuity across sections. Intercept widths were tightly restricted as noted from an inspection of diamond drill core from a site visit to Sao Chico on 12th May 2012.

No cut-off grades have been assigned to the assay data given a lack of significant drilling intercepts on the mineralized domains with which to generate a meaningful statistical analysis.

Andes Mining Services have interpreted three separate mineralized vein domains (termed the Main, Highway and Parallel Veins) utilizing a 0.5 g/t gold cut-off grade (approximate) to guide the interpretation. A total of five east-west trending vertical sections have been created by snapping to drill holes for the Main Vein, with a further two sections generated for the Highway and Parallel Veins (one section for each vein).

Wireframes have been extended / projected 20 metres beyond the last mineralized section for each wireframe. Where only one section has been generated for the wireframe (as is the case for the Highway and Parallel Veins), then the string file was projected 20 metres in either direction to generate a wireframe of substance.

Bulk Density Measurements

No bulk density test work was completed as part of the 22 hole diamond drilling program recently completed but a report completed by SGS Lakefield (SGS) was made available to Andes Mining Services in which, SGS have reported the in-situ sample density determination test results based on the analysis of 3 samples (N-1, N-2 and N-3).

All three samples were taken from fresh rock and considered to be material from within the resource estimate wireframe. Collectively they give an average density value of 2.71 g/cm³. Despite the limited density work completed, this value was considered reasonable for fresh rock material across the Sao Chico Gold Project. This density value was assigned to all blocks that fall within individual wireframes which lies beneath the saprolite / fresh rock transitional DTM boundary.

Given the lack of bulk density data within the saprolite zone (none collected), a typically representative value of 1.80 g/cm³ was applied to all saprolite material which lies within wireframes.

Sample Selection and Sample Compositing

Samples were selected for the mineral resource estimate from within the wireframes generated from geological and grade based domains. Samples intervals were assigned a zonecode which reflected the mineralized domain from which those intervals were derived.

Selected samples were visually compared back to the interpretations to ensure that the flagging was correct and appropriate.

Selected sample intervals were composited downhole for the full length of the intercept. The "zonecode" field within the database was used to control compositing, with a single intercept composite created at the centre of each coded interval.

Following the completion of compositing, a calculation was made of the true horizontal width for each intercept point, with this data imported back into the composite file which then gave a composite grade for a true vein width across each intercept. This composite file was used as the basis for 2D grade and width accumulation calculations and subsequent modelling.

Basic Statistics

The statistical analysis was undertaken based on the composites generated above, and separated into the various mineralized domains. Data was reviewed only for gold, with summary statistics presented in Table 11.

Given the limited sample data across the wireframes, meaningful statistics were limited in nature. Statistics were completed on the Main Vein, however with only 10 composite data points; it was difficult to generate any meaningful trends / top-cuts. Given further drilling and more intercepts on the main mineralized structure (Main Vein), Andes Mining Services would expect a need to apply top cuts to the gold assay data for future resource estimations.

Variography

Variography was attempted but lack of data resulted in poor variograms.

Block Model Development

Using the horizontal width calculated composite intervals, a metal accumulation was completed for gold, which is simply a multiplication of the composite interval grade by the horizontal width. The final composite file (with a metal accumulation value and horizontal width calculation) is now ready for estimation into a two-dimensional Block Model.

A total of three, two-dimensional block models were created to encompass the three mineralized domains (Main, Highway and Parallel Veins). An ordinary kriged, single pass estimation was then completed for the 2D Block Model(s) which involved ordinary kriging of both the metal accumulation and horizontal width attributes to generate a 2D estimate for the gold values and horizontal width across the three domains. A generic set of variogram parameters were applied, which encompassed the mineralized domains and provided a suitable estimate of grade throughout the wireframes. The final block grade was then calculated by dividing the estimated gold accumulation value by the estimated horizontal width calculation.

The 2D grade estimation was then imported into a 3D Block Model by 'stamping' values from the 2D polygons into the 3D model.

A three-dimensional block model was defined for the Sao Chico Gold Project utilizing Surpac software. A parent block size of 10mE x 2mN x 10mRL has been used, with standard sub-blocking eight times smaller than the parent block to give a sub-block size of 0.25mE x 1.25mN x 1.25mRL.

The attributes coded into the 3D Block Model include gold grade, horizontal width, density, zonecode (for individual wireframes) as well as a number of kriging attributes and sample variance data.

A visual review of the wireframe solids and the block model (Figures 45 and 46) indicates robust flagging of the block model. Bulk density has been coded to the block model based on the information reported by SGS Lakefield and detailed in Section 13.3 above. A default background density value of 2.5 g/cm³ has been applied to all material which lies outside of the resource shapes.

Grade Estimation

Grade estimation for the Sao Chico Gold Project was completed via a two-dimensional (2D) grade and width accumulation model which has been ordinary kriged (OK) into a 2D Block Model. Estimated grades from the 2D block model have then been transposed / 'stamped' into a three-dimensional (3D) block model, which has then been used to report tonnes and grade for the Sao Chico Gold Project.

The selection of samples used in the interpolation was made by an ellipsoidal search without octants. As selection criteria, samples used for the interpolation was limited on minimum 3 samples, with no constraints placed on the number of samples selected per drill hole.

The search ellipse was configured to match the main mineralization direction, which is sub-vertical and directed east-west. This direction was based on the geological understanding at the time of this estimate.

All boundaries used for estimation are hard boundaries. All domains were estimated using a single first pass strategy. The search strategy used in the model is as follows:

A single first pass search used a maximum isotropic range of 150m in all directions.

The orientation of the search axes was sub-vertical and oriented E-W to match the overall orientation of mineralization observed in the field. This however is inconsequential given the isotropic nature of the search ellipse used for the estimate.

The minimum number of composites used was three when estimating the Main Vein; however this was reduced to two composites for both the Highway and Parallel Veins given the limited nature of significant downhole intercepts for both of these domains.

All estimates were into parent cells, and these estimates were discretized down to 1.25 metres (X) x 0.25 metres (Y) x 1.25 metres (Z).

Model Validation

In order to check that the estimation has worked correctly, the model has been validated through a visual comparison through the generation of validation plots. An example of the visual validation is shown below with a cross section of the block model compared against the drillhole results.

In addition, the model has been validated by reviewing model plots compared to composited data. The checks performed were:

Ensuring that the domain codes were honoured during estimation;

Ensuring that the composites were honoured during estimation;

Ensuring that individual composites did not have undue weight when only a few composites were used for an estimate.

Ensuring that the kriged horizontal width calculation honours the wireframe throughout the block model during the estimation.

Mineral Resource Reporting

The grade estimates for the Sao Chico Gold Deposit has been classified as a measured, indicated and inferred mineral resource in accordance with NI 43-101 guidelines based on the confidence levels of the key criteria that were considered during the mineral resource estimation.

A measured, indicated and inferred mineral resource estimate has been generated via a two-dimensional (2D) grade and width accumulation model, which has been ordinary kriged. Grades from the 2D model have been transposed into a three-dimensional (3D) block model which has been used to generate tonnes and grade across the Sao Chico Gold Project.

A measured resource category was assigned to blocks which fall within a 10m radius of the underground development and extended to surface (includes saprolite domain). An indicated resource category has been assigned to those blocks which show excellent grade continuity across sections, lie within a 40m radius of blocks which have reached measured status.

The statement has been classified by Qualified Person Bradley Ackroyd (MAIG (CP)) in accordance with the Guidelines of National Instrument 43-101 and accompanying documents 43-101.F1 and 43-101.CP. It has an effective date of 30th May 2012.

Mineral Resources that are not mineral reserves do not have demonstrated economic viability. AMS and Kenai Resources are not aware of any factors (environmental, permitting, legal, title, taxation, socio-economic, marketing, political, or other relevant factors) that have materially affected the mineral resource estimate.

However, the Sao Chico Gold Deposit has seen extensive surface mining in the past which may impact on the saprolite resource numbers reported below. In addition, there has been approximately 55m of underground development completed on the Main Vein (approximately 20m depth from surface) which has been depleted from the current resource model to accurately reflect the existing resource estimate.

A summary of the estimated mineral resources for the Sao Chico Gold Deposit is provided below. An independent mineral resource has been estimated for the Sao Chico Gold Project comprising a combined measured and indicated mineral resource of 26,487 tonnes at 29.77 g/t Au for a total of 25,275 ounces of gold.

An additional inferred mineral resource of 85,577 tonnes at 26.03 g/t Au for a total of 71,385 ounces of gold has been estimated.

Measured and Indicated Resource Estimate – Sao Chico Project as at 30 May 2012

		Tonnage	Gold (g/tAu)	Contained Gold Ounces
Measured Resources *				
	Main Vein	5,064	32.16	5,269
Indicated Resources				
	Main Vein	21,423	29.14	20,006
TOTAL Measured & Indicated**		26,487	29.77	25,575

Inferred Resource Estimate – Sao Chico Project as at 30 May 2012

		Tonnage	Gold (g/tAu)	Contained Gold Ounces
Inferred Resources				
	Main Vein	69,440	27.83	61,940
	Highway Vein	8,490	12.21	3,323
	Parallel Vein	7,647	24.98	6,123
TOTAL Inferred		85,577	26.03	71,385

*Mineral resource has been depleted for Underground Development (Main Vein)

** Mineral resources are not Mineral Reserves and do not have demonstrated economic viability.

- 1) No cut-off grades have been applied to the block model in deriving the Mineral resource reported above given insufficient drilling data.
- 2) 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.
- 3) Mineral Resources for the Sao Chico Gold Project have been classified according to the "CIM Standards on Mineral Resources and Reserves: Definitions and Guidelines (Update 2011) by Bradley Ackroyd (BSc(Geo) MAIG an independent Qualified Person as defined by National Instrument 43-101.

Mineral Reserve Estimates

No mineral reserves are reported presently for the Jardim do Ouro Project. A previous JORC compliant mineral reserves statement was prepared by NCL in March 2008. However, in recognition that the mine has been under care and maintenance since Q4 of 2008, NCL has not quoted a mineral reserve in the Jardim do Ouro Technical Report.

Mining Methods

Summary

The mining study undertaken for the purposes of the Jardim do Ouro Technical Report was based on NCL's March, 2008, mineral resource estimate for Palito Mine which includes Measured, Indicated and Inferred category mineral resources.

In general, the Jardim do Ouro Technical Report assumed Measured and Indicated mineral resources would be depleted as early as possible in the mining schedule with Inferred resources to be depleted later in the Project life. The result of this is that the early years of the schedule contain predominantly Indicated resources while the final years were predominantly Inferred resources. A mining rate of 250tpd (or 90,000 t/annum) of ore to be delivered to the plant has been assumed whilst metal prices of US\$1,400 per ounce for gold and US\$ 3.0 per pound for copper were used for estimating the mineral inventory.

The Company in its actual mining plans has and will continue to optimise NCL's plans in the light of changing gold prices and increased availability of data as mining activities progress. The Company continues to plan on a long term mining rate of around 250 tonnes per day.

Mining of the narrow, near-vertical gold veins at Palito is being undertaken using a selective underground mining method. A shrinkage open stoping method is employed to mine the Palito high-grade mineralized veins underground. As the mineral resources are hosted in near vertical two dimensional tabular veins, the blocks considered for mining have been designed by increasing the vein width to a minimum mining width of 1.2m

assuming that any additional material has zero grade. The ore-bodies are broadly divided into 30 x 30m panels, leaving six metre sill and rib pillars between blocks. This ensures a high degree of accuracy in drilling and blasting of the narrow high grade vein structures, resulting in low dilution and mineral losses.

Whilst all operations are conducted using owner-operated underground mining equipment the selective open stoping is being undertaken by a contractor providing a specialised labour force with relevant skills and track record in narrow vein mining.

The mining operations include trackless underground ramps and accesses, with lode development on each of the scheduled veins at 36m vertical spacing. Sub-horizontal development is mined by single boom electrohydraulic jumbos. Mining blocks are developed above and below the block. Footwall drives and draw-points are excavated to allow extraction of the stope mineralized material. Mucking is by LHD scooptrams, and loaded into 20 tonne trucks at the ramp loading bays by larger front end loaders..

The total mineral inventory estimated by NCL prior to the commencement of any new development mining was 740,000 tonnes averaging 8.98g/t gold and 0.24% copper.

Underground Mining- Palito Mine

The most common mining methods employed in mechanized (steep dipping) narrow vein deposits are either open stoping with pillars or cut and fill (normally employed where the mineralization is high grade or the ground is unstable).

The preferred methodology that has been adopted for Palito following discussions between NCL and Serabi is shrinkage open stoping.

Geotechnical input for this study corresponds to previous experience at Palito from initial and successful period of operation during 2005 and 2006, when open stoping was applied with local and global stability achieved.

The main reasons for the adopting this mining method are:

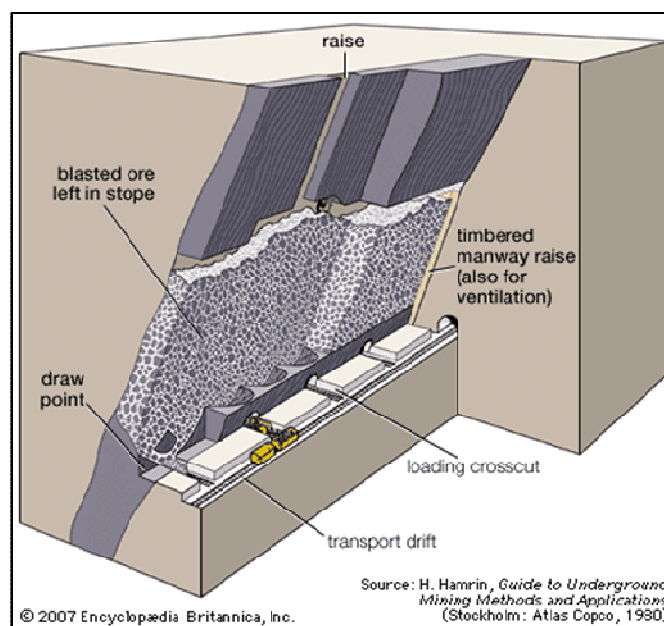
- The mineralized veins are subvertical and average 0.7m in width. Mineralization is high grade and maximum extraction is desirable.
- Veins are narrow and typically undulate on dip and strike necessitating very accurate drilling and blasting to minimize dilution and loss of mineralization.
- There is a substantial amount of waste development associated with mechanized mining of narrow vein deposits. This waste is most suitable for back-filling the stopes and in so doing reduces the cost of transporting it to surface and stockpiling it.
- Geotechnical knowledge is currently limited to previous experience.
- Experience at other mines with similar deposits.

Description of the shrinkage open stoping method to be used at Palito:

- The mineralized horizon is accessed from surface from the existing decline haulage, which will be extended using 4 x 4 m section to the new sectors at 12% from the horizontal.
- Each stope is generally planned to be 30m long by 30m high and by the width of the vein, considering a minimum width of 1.2m, assuming that any additional material has zero grade (dilution).
- At 36m intervals (vertically), a horizontal (3m x3m) crosscut is driven from the ramp to intersect the mineralized body.
- The vein is exposed along its strike length by a 3m gallery 'on-lode'.
- Economic sectors of the mineralized zone are prepared for stoping by mining a 3m footwall drive with drawpoints to extract the broken stope material.
- Cross-cut access to one end of proposed stope.
- Undercut or complete bottom slice of the stope. Minimum width of 1.2m, assuming that any additional material has zero grade (dilution).

- Cross-cuts from footwall drive to bottom of proposed stope
- One main raise at the middle of the stope up to the main level above, to provide access and ventilation to the stope
- Two timbered end raises, from the end cross-cuts up, together with the advance of the slices.
- Mining proceeds from the bottom upwards, in horizontal slices, with the majority broken material being left in place for miners to work from.
- Because blasted rock takes up a greater volume than in situ rock (due to swell factor), some of the blasted ore (approximately 40%) must be removed to provide working space for the next slice.
- Once the top of the stope is reached all the mineralized material is removed from the stope.

Shrinkage Stopping Layout



Dilution – Palito Mine

The mining blocks have been designed using a minimum mining width of 1.2m with the assumption that any additional material will have zero grade. The additional material represents an overall 20% dilution

Mining Inventory – Palito Mine

In order to determine the mining inventory at Palito the Measured, Indicated and Inferred mineral resources were divided into mineable units. Mining units that were determined to produce a positive value when mined, were included into the mining inventory.

The criteria used in determining the size of mining units is generally grade variability and mining method.

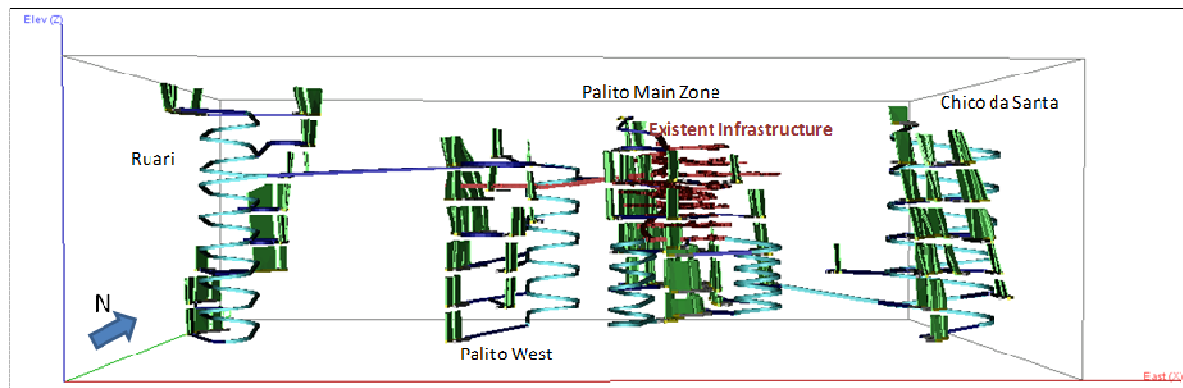
The mining units used for this study were one mining level high (30m) and 30 m along strike. The width of each mining unit is determined individually by adding dilution to the resource width with a minimum width of 1.2 m, assuming that any additional material has zero grade. The volume, contained tonnage and grades (Au and Cu) for each mining unit was then calculated.

Mining units with a grade greater than the cut-off grade were selected for initial consideration, estimated as 3.0g/t Au.

In order to be worth mining, mining units also needed to support the cost of the drives directly associated with the mining of them. For the purpose of the Jardim do Ouro Technical Report this cost was estimated at US\$ 4000 per metre.

The selected mining units were tested against these criteria and those still returning a positive value were included into the mining inventory.

General Layout of the different sectors and the planned underground infrastructure.



Mine Production Schedule – Palito Mine

An underground mine production schedule to provide an ore feed to the plant of 250 tpd was developed, showing mineralized tonnes and grades by year for the life of the mine. The distribution of mineralization contained in each of mining units was used to develop the schedule, thus assuring that criteria such as adequate mineralization exposure, mining accessibility, and consistent material movement were met.

Careful grade control is required during the mining operation to minimize losses due to the inclination of the mineralized body. Grade control efforts require taking advantage of all the experience of selective mining to assure the mineralization classes are properly selected and processed.

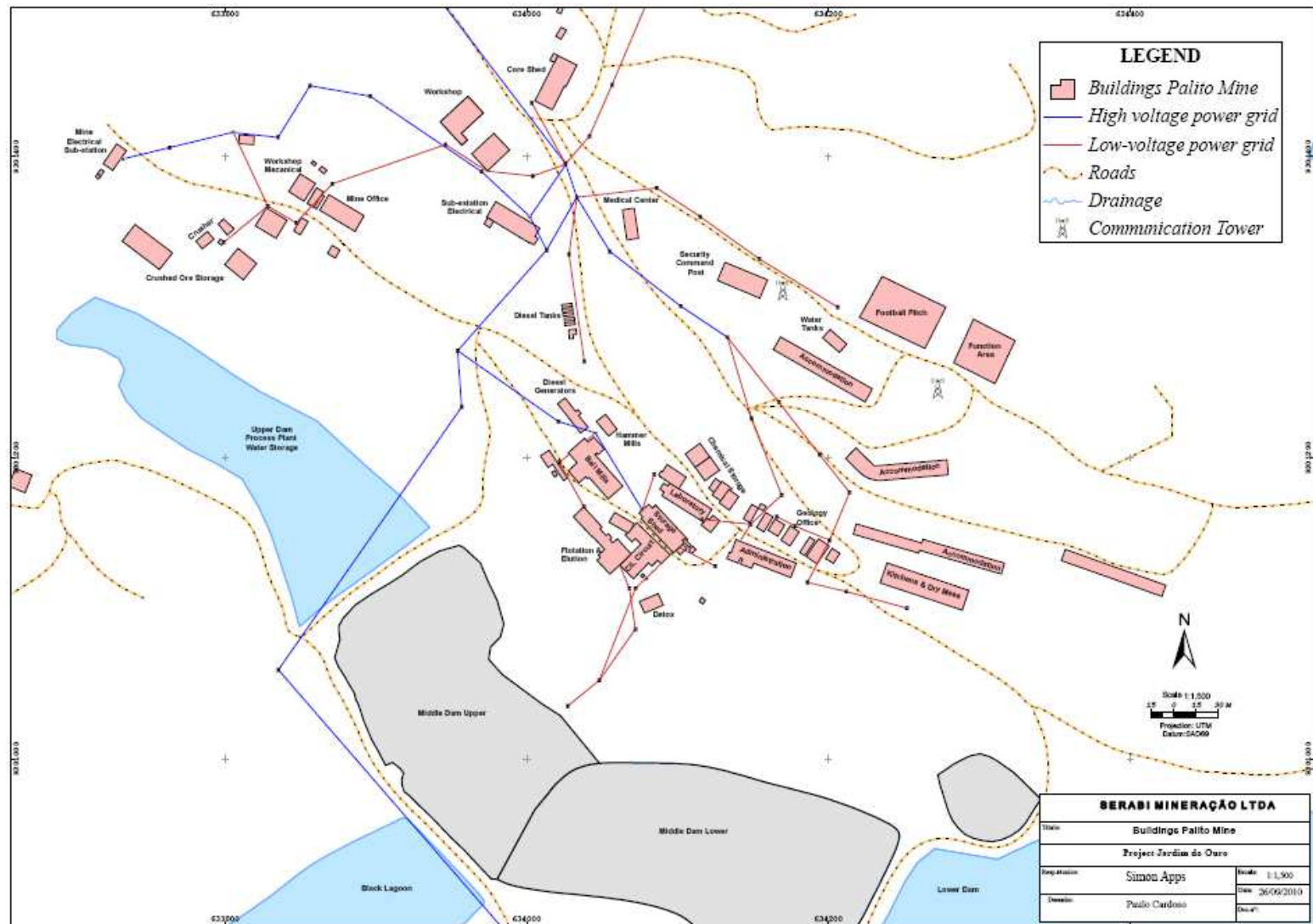
The most accessible areas are those considered early in the schedule and those with a higher proportion of Measured and Indicated resources, leaving the purely Inferred zones for final years of production. The current mine schedule begins in Palito Main Zone with a cross cut to give access to Palito West. In later years the Company will extend the mine to access the Chico da Santa sector and finally Ruari's Ridge.

Infrastructure

The infrastructure includes:

- Underground Mine at the Palito Main Zone
- Ore Processing Facilities
- Tailings Storage Facilities
- Power Supply
- Water Supply
- Mine Camp (accommodation, offices, workshops and warehouses)
- Access Roads and Air Strip

The following figure shows a general layout of the site infrastructure



General Site layout - Infrastructure

Palito Underground Mine

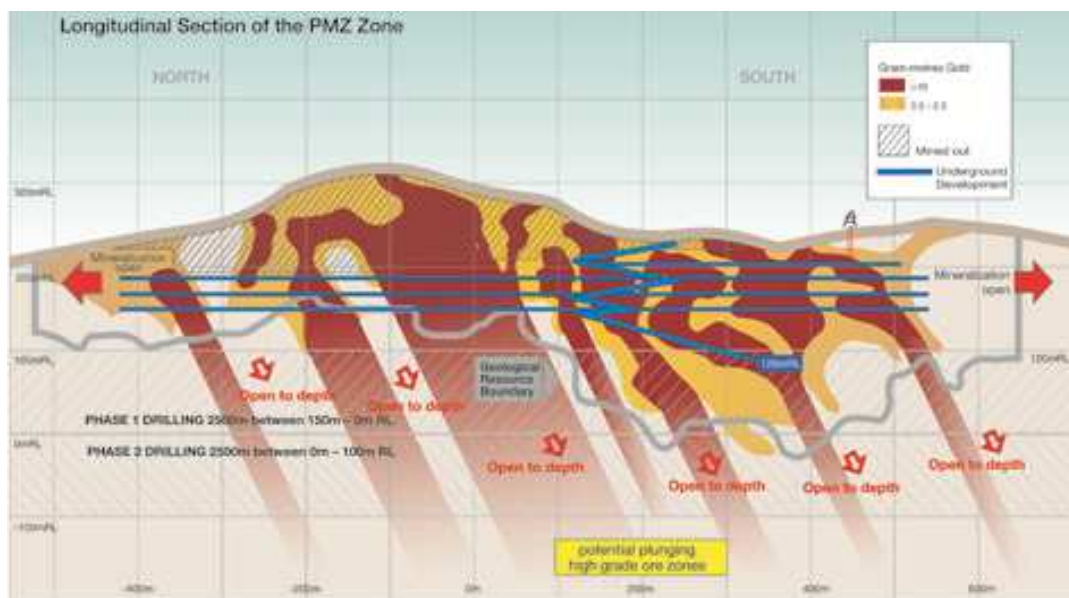
Underground mining at the Palito Mine began in 2004 with production at a rate of 150 tpd, increasing gradually to approximately 600 tpd in year 2008. Total underground mine production during this period was approximately 460,000 tonnes.

Following a successful period of selective mining using a shrinkage stoping method, in an effort to increase production, a more mechanised bulk mining method (long hole open stoping method) was introduced. However, levels of dilution were higher than expected, giving rise to lower than planned head grades. Efforts were made in 2007 to manage dilution and plans established to put in place a more selective mining method albeit still mechanised. New equipment was ordered but was some 6-12 months late in being delivered and commissioned. Essential mine development was consequently delayed, hence when the equipment arrived in mid-2008, the Company found it impossible to recapture this lost development fast enough and with the markets in rapid decline and little access to additional working capital, the underground mining operation was suspended at the end of 2008 and the mine placed on care and maintenance.

The underground portion of the Palito Mine consists of an access ramp located at the footwall of the mineralized structures, providing access to the veins on 12m vertical intervals. The ramp portal is located at elevation 235 masl, and the total ramp development is of the order of 1,000m of ramp and the deepest level, prior to suspension of underground mining activities at the end of 2008, being 114m. The mine had been allowed to flood and the water level reached the 178m level. De-watering of the mine commenced in October 2012 and was essentially complete as by the end of January 2013, allowing access to all parts of the mine.

The Jardim do Ouro Technical Report estimated a period of up to twelve months to undertake all of the necessary work including rehabilitation of the underground mine, installation of mine services and renovation / replacement of the process plant prior to being able to start up gold production. The estimated cost of the re-habilitation of the underground portion of the Palito Mine was US\$7.6 million including the acquisition of new mining equipment.

Palito Mine Long Section



Ore Processing Facilities

The Palito Mine project has a fully implemented process plant that operated continuously producing copper-gold concentrate and bullion for almost five years, from September 2004 until mid-2009. During this period of time, the plant was fed with 575,000 tonnes of ore, of which 85% came from underground portion of the Palito Mine at the Palito Main Zone area. The rest came from low scale near surface open pit mining.

The plant when previously operated had a capacity to process over 600 tpd of sulphide ore although as detailed in the Jardim do Ouro Technical Report the plant was in some need of refurbishment and NCL in conjunction with Ingeniería y Construcción AJG Ltda, Chilean consultants in processing, developed a preliminary study for the replacement/refurbishment for the re-opening of Palito plant to operate at a rate of 250 tpd. It should however be noted that as the Jardim do Ouro Technical Report only anticipates a process rate limited to 250 tpd, there is potential for substantial surplus capacity in the plant.

The original process flow-sheet consisted of a crushing circuit, a milling circuit, and a flotation circuit followed by concentrate filtration and storage facilities. The flotation tailings are fed to a cyanide agitation leaching CIP plant, followed by elution and gold refinement circuits, to produce bullion. The Company has also introduced a gravity concentrator circuit which it anticipates will be the initial gold recovery sector following milling, with tailings from this sector being fed to the flotation section.

At the current time the Company has completed the remediation work on the flotation section and is producing both gold in the form of a gravity concentrate and a copper/gold flotation concentrate. Work on the remediation of the CIP plant started in the first quarter of 2014 and is planned for completion by July 2014. Tailings are currently being stored and the Company plans to reprocess these tailings through the CIP plant when this is completed to maximise the gold recovery from material currently being treated. The process plant is currently in a commissioning and ramp-up phase and it is planned that the plant will start to be run at its long term planned rates of throughput of approximately 7,500 tonnes per month from the start of the 2nd quarter of 2014.

Once the CIP circuit is completed tailings from this sector will flow to detoxification tanks for neutralisation of cyanide, and pumped to a tailings storage dam situated 1.5km from the process plant.

At the end of 2008, a circuit to process oxidized ore from the near surface open pit mining was implemented. This circuit consists of feeding the ore directly to two dedicated Hammer mills that discharge to the main ball mills, from where the ore bypasses the flotation circuit, to go directly to the CIP, elution and gold refinement circuits to produce bullion.

The first phase of the Palito plant was built in 2004 using mainly second hand equipment, and was gradually expanded to reach its current configuration.

Tailings Disposal Facilities

The final section of the process facility consists of two detoxification tanks for neutralisation of cyanide, from where the tailings are pumped to and deposited in a tailings storage facility situated 1.5km from the process plant.

The current tailings storage facility sits on top of a prospective geophysical anomaly, and the site has not been subject of condemnation drilling. As part of the PEA study NCL retained the services of WALM Engenharia e Tecnologia Ambiental Ltda, Brazilian consultants, to develop a preliminary study for tailings disposal options. The result of the study recommends an alternative which considers two phases: i) initial phase considering the current alternative with tailings storage ponds and ii) final phase re-establishing original tailings location at the named upper, middle and/or lower dam sites.

Site assessments were made for the initial phase and it was concluded that that best site alternative for the new tailings storage pond is the area in between existing ponds 12/13 and 9/10/11. An attempt was made to achieve a balance between cut and fill volumes with the existing topographic conditions in view. Excess excavated material will result, which can be used for repairing erosion on existing pond slopes, as well as build a small dyke to divert storm water flows which, otherwise, could enter the new pond and adversely affect its ability to store tailings.

A waterproof lining is proposed to be applied to the entire inner surface of the pond to isolate non-stabilized tailings from the surrounding environment, as required under the current regulations. Proposed lining consists of a compacted, well-graded clayey soil layer 0.50m in thickness, and an overlying 2mm thick HDPE geomembrane. A HDPE geomembrane of such thickness was selected because it is less likely to be perforated by external agents and because no drainage systems will be in place to collect leak flows.

A 500 g/m² nonwoven geotextile would be placed in between the HDPE geomembrane and the underlying soil to serve as a mechanical protection for the HDPE. The geomembrane-geotextile system would be anchored to the crest of the cut/fill slopes, by excavating anchor trenches, which would be backfilled with compacted soil, thereby holding in place the edges of the geomembrane and geotextile.

Power Supply

Power is fed to the project through a 34.5 kV power line constructed by the local electric company CELPA in 2006. The line is 30 km long, connecting with the village of Moraes de Almeida. Originally the line was fed by a diesel power plant located in the village of Novo Progresso, and in 2009 it was connected to the hydro generated northern Brazil power grid, which takes power from the Curua Hydro plant, approximately 100km NE of Novo Progresso..

A demand requirement in the order of 1.2mW is estimated to be sufficient to meet the requirements of a 250 tpd throughput rate, this being some 0.4mW less than when the mine was in production during 2003-2010. The project also has a back-up power plant capable of delivering 1.0mW of power if required.

Water Supply

The project has a water supply system consisting of a dam that contains water from the following sources:

- Mine water that is pumped from the underground working ends
- Recycled process water, after neutralization and decantation.
- Rain water

The total water consumption during the period of normal operation of the mine was in the range between 40 m3/h and 50 m3/h, including the process plant and the mine.

Water is an abundant resource in the area, and the current water supply system is not a limiting factor for a future re-start of the Palito operation or even possible expansions of the processing facilities or the mine throughput.

Fresh drinkable water for use in the camp is supplied by conventional water wells. The total fresh water consumption when the mine was operating at full capacity was approximately 60m3/day.

Camp

Serabi has established a full mining camp at the Palito Mine. The camp consists of accommodation for the personnel, offices, warehouses, maintenance facilities, and a wide variety of services that make the camp self sufficient in many aspects.

The accommodation facilities consist of four units that can host up to 250 people. Serabi Mineracao also provides a daily bus service for employees and contractors living in Jardim do Ouro.

There are mine offices that are basic but in sound condition. Workshops and warehouses are adequately sized and are in good order.

Fuel is stored on site in storage tanks with an approximate capacity of 90,000 litres of diesel. All the fuel storage tanks are located in a contained fuel storage area. There is an explosives storage facility located away from the main offices that is currently in care and maintenance.

There is a well equipped laboratory on site.

The site is self sufficient for most of the required services. The mine has access to radio telephones (two lines), high speed broadband satellite internet within a secure domain, two telephone land lines and radio communications. Serabi has the facilities to provide catering services for all the personnel.

Serabi has built and operates a clinic and hospital at the Palito Mine.

Serabi contracts security services from a specialist contractor. There is a guard house at the entrance to the mine.

Access Roads and Air Strip

The mine is accessed by unsealed road from the nearest town and delays can be expected during the wet season. An airstrip, suitable for light planes, was implemented in 2006, and is currently fully operative. Serabi Mineracao owns bulldozers, front end loaders and trucks which are used for site construction, road building and road maintenance.

Environmental Studies, Permitting and Social or Community Impact

Environmental Liabilities

The Jardim do Ouro Project contains significant ground disturbance within the Palito Mining lease (850.175/2003), as part of the Palito mining and processing activities. Serabi is in compliance in all material respects with all

environmental regulatory requirements related to the exploration and mining activities pursuant to Brazilian environmental laws, and has taken all necessary actions in order to keep the environmental licences and permits in force, valid and in good standing

Within the Jardim do Ouro Project, outside of the Palito Mine lease ground disturbance has been primarily by garimpo activities, restricted mainly to creeks, including shallow water filled pits and small open pits from which saprolitic materials have been hydraulically extracted and processed by gravity separation. Serabi has conducted a small program of diamond drilling outside of the mining lease in exploration lease 850.174/2005, consisting of drill pad placement and access road construction. To date this has not been remediated, as ongoing exploration in the area requires the disturbed areas to remain active.

Serabi presented a closure plan to the Brazilian mining authority as part of the plan of economic usage of the mine, required for the mining license application. In this plan, a value close to R\$2.5 million was estimated to cover closure costs, spread over a period of three years, after the mine exhaustion.

Operating Permit

The Palito Mine has valid operating permits that allow both exploration and operating activities to take place. The key permits are the Mining Licence (850.175/2003) which was issued on October 27, 2007 and has no time limit and the Operating License – Protocol #6704/2013 issued by Secretaria de Estado de Qualidade Ambiental (SEMA), on April 27, 2012, (valid until April 27, 2013) and renewable annually. Serabi has made the necessary application for the license renewal, and has not received any indications that the licence will not be renewed by SEMA or that any conditions associated with the issue of the licence will be in keeping with the current licence conditions and not unduly onerous. While the Company awaits final approval from SEMA, the current license is automatically extended.

The license allows the extraction and processing of gold and associated minerals in the mine license area of 1,712ha up to a maximum rate of 700 tonnes per day.

Other valid permits include:

1. Cadastro Ambiental Rural (proof of land ownership and use for industrial purposes) – Protocol # 12787/2011 – issued by SEMA, (CAR/PA No. 62755)
2. Outorga (license to extract water for use in the mining process and for processing and commercialising gold, gold concentrate and copper) valid until 21/12/2014 and issued by SEMA - #701/2011
3. Outorga (license to extract water for industrial use) valid until 12/03/2013 and issued by SEMA - #193/2010, request for renewal has been filed and is currently being processed
4. Outorga (license to extract water for domestic use) valid until 07/04/2014 and issued by SEMA - #590/2011
5. Outorga (license to extract water for use in the plant) valid until 05/06/2017 and issued by SEMA - #953/2013
6. License to Procure, Store, Use Explosives at site - # 1871, issued by Ministry of Defence valid until 01/11/2015
7. Licence to use chemical products - #201011710-1, issued by The Federal Police, valid until 18/08/2014
8. CTF Ibama – Federal Technical Register (Valid until 10/04/2014)

Economic Analysis

The Jardim do Ouro Technical Report included an economic analysis of the proposed gold production operations at the Palito Mine.

Highlights of the economic analysis are as follows:

- After-tax Internal Rate of Return (“IRR”) of 68% at a realised gold price of US\$1,400 per ounce;
- Project payback within two years of first gold production;
- Net after-tax cash flow generated over project life of US\$72.2 million at a realized gold price of US\$1,400 per ounce;
- After-tax Net Present Value (“NPV”) of US\$38.2 million; based on a 10% discount rate and a realised gold price of US\$1,400 per ounce;

- Average Life of Mine (“LOM”) cash operating costs of US\$739 per ounce (gold equivalent) including royalties and refining costs;
- Average annual free cash flow (after tax and sustaining capital expenditure) of US\$11.0 million;
- Average gold grade of 8.98 g/t gold producing a total gold equivalent production of 201,300 ounces;
- Average annual production of 24,400 gold equivalent ounces over the initial 8 year period with ranges between 19,000 to 30,000 ounces gold equivalent per annum;
- Initial capital expenditures of US\$17.8 million prior to production start-up;
- Sustaining capital expenditures of US\$26.4 million to be funded from project cash-flow;
- Measured and Indicated mineral resource inventory of 69,000 gold equivalent ounces, supported by a further Inferred resources of 153,000 gold equivalent ounces from a total geological resource of 224,000 measured and indicated gold equivalent ounces and 444,000 inferred gold equivalent ounces, to be produced by underground open stoping using a cut-off grade of 3g/t gold;
- Total Life of Mine of 9 years;

The economic analysis was undertaken using the following base case parameters further details of which are set out on the Jardim do Ouro Technical Report

	Unit	Amount
Gold Price	US\$/oz	\$1,400
Cut-off grade	g/t of gold	3.00
Run of Mine (ROM) Material to process	Tonnes	740,000
Gold Production start up	Year	Q1 2014
Mining Method		Open Stopping
Throughput	Tonnes per annum	90,000
Gold recovery	%	90.7%
Copper recovery	%	90.0%
Total gold production (after refining)	Ounces (AuEq)	201,300
Mine Life	Years	9
Initial Capital Expenditures	US\$M	\$17.8
Sustaining capital expenditures	US\$M	\$26.4
Mine closure costs	US\$M	\$2.0
Cash Operating Costs (inc. Royalty + TC/RCs)	US\$/oz	US\$738.5
Total Cash Costs (inc. Sustaining capex)	US\$/oz	US\$958
Exchange Rate	R\$: US\$	2.00
Royalties (CFEM&MSE)	%	1.25%
Effective Tax Rate	%	24.1%

Financial Analysis

The cash flow model that was generated by NCL was based on the mine production and processing schedule, associated gold grades, metallurgical recoveries and capital and operating costs summarised in the table above. The economic analysis assumes delivery of a copper concentrate to an appropriate refinery located outside of Brazil which accounts for approximately 78% by volume of the estimated gold production with the balance being delivered in the form of gold doré to gold traders and refiners located in Brazil. NCL has assumed that overall treatment and refining and insurance charges will account for 9.5% of the value of the concentrate delivered to the refinery whilst a 3% fee has been assumed for the costs of refining gold doré.

The base case economic analysis assumed a gold price of US\$1,400 per ounces and a copper price of US\$3.00 per pound.

The average gross gold revenue per year was US\$32.9 million for the first 8 years of production with copper credits representing additional average annual revenues of US\$1.3 million over the same period. The average annual free cash flow after accounting for taxes and sustaining capital expenditure is estimated to be about US\$11.0 million.

The following table summarises the sensitivity of the Project's Net Present Value ("NPV") to variations in gold price, and capital and operating costs.

Project net present value sensitivities

	Metal Prices		Operating Expenditure		Capital Expenditure		NPV (post tax) (10%)	NPV (post tax) (5%)	IRR (post tax)
	US\$/oz (gold)	US\$/lb (copper)	US\$ / tonne ROM	US\$ / oz (AuEq)	Initial US\$ (m)	Sustaining US\$ (m)	US\$ (m)	US\$ (m)	
	1,600	3.50	149.4	756.8	17.8	26.4	56.8	75.6	94%
	1,400	3.00	149.4	738.5	17.8	26.4	38.2	52.0	68%
	1,200	2.50	149.4	720.3	17.8	26.4	19.6	28.4	42%
	Sensitivity to Opex								
+20%	1,600	3.50	179.3	866.6	17.8	26.4	45.4	61.3	79%
+20%	1,400	3.00	179.3	848.3	17.8	26.4	26.9	37.7	52%
+20%	1,200	2.50	179.3	830.3	17.8	26.4	8.0	13.6	24%
-20%	1,600	3.50	119.5	647.1	17.8	26.4	68.1	90.0	109%
-20%	1,400	3.00	119.5	628.7	17.8	26.4	49.5	66.4	84%
-20%	1,200	2.50	119.5	610.4	17.8	26.4	31.0	42.8	58%
	Sensitivity to Capex								
+20%	1,600	3.50	149.4	756.8	21.3	31.7	51.1	69.1	74%
+20%	1,400	3.00	149.4	738.5	21.3	31.7	32.5	45.5	52%
+20%	1,200	2.50	149.4	720.3	21.3	31.7	13.9	21.8	29%
-20%	1,600	3.50	149.4	756.8	14.2	21.1	62.5	82.2	123%

-20%	1,400	3.00	149.4	738.5	14.2	21.1	43.9	58.6	92%
-20%	1,200	2.50	149.4	720.3	14.2	21.1	25.3	35.0	59%

Sao Chico Gold Project

The Company started development of the Sao Chico Gold Project during the 1st quarter of 2014 undertaking earthworks to establish a 'box-cut' where the fresh stable bedrock will be exposed and a mine portal can be established. It is planned that once the portal is established that the Company will continue to develop the ramp to a depth of some 60 meters. At the 30 metre and 60 metre levels it will establish two on-lode development drives for about 500 meters (1,000 metres in total) along the Main Vein. This work will allow the Company to better evaluate the continuity and payability of the mineralisation. The Company will also undertake underground drilling from within these development drives to identify parallel structures and will supplement this with additional surface drilling. The Company plans to complete this next evaluation stage by the end of 2014 at which time it expects to generate an updated mineral resource, from which a robust mine plan can be made. It is planned that any ore derived from development mining during 2014 will be transported to the Palito plant for processing but until the results from this next stage of evaluation are completed no firm decision will be taken on the timing of the start-up of commercial mining operations at Sao Chico. Whilst the Company will be purchasing some dedicated mining equipment for this initial development and installing some mine services and infrastructure in the process, any long term commercial production plan will require amongst other things additional capital expenditure on mining fleet and surface infrastructure and services.

Whilst no detailed mine plans have been developed at this time it is anticipated that based on the knowledge that the Company currently has of the deposit that it will deploy an identical mining methodology to that at Palito namely shrinkage open stoping. As at Palito, the mine will be operated using owner managed fleet with the same contractor providing a specialised labour force with relevant skills and track record in narrow vein mining to supplement the Company's own employees.

Until the next stage of development is complete the Company will not be in a position to establish definitive mine plans, extraction rates or process volumes or ore grades.

It is however the intention that run of mine ore will be transported along an existing highway in standard 20 tonne trucks to the Palito Mine site and will be processed through the gold recovery facilities at Palito. The proposed process route will comprise crushing, milling and a gravity concentration circuit with the gravity tailings being fed to a cyanide agitation leaching CIP plant, followed by elution and gold refinement circuits, to produce bullion. The Company anticipates the installation of a second ball mill at Palito in order to keep the ore feeds separate as the Sao Chico ore does not require the additional flotation process that the Palito ore is subjected to. The primary crushing will however be conducted on a batched basis with crushed ore stockpiles of Palito and Sao Chico ore being physically separated.

No independent economic evaluation for Sao Chico has been undertaken to date.

RISK FACTORS

The Company, and the Ordinary Shares of the Company, should be considered a highly speculative investment and investors should carefully consider all of the information disclosed in this annual information form prior to making an investment in the Company. In addition to the other information presented in this annual information form, the following risk factors should be given special consideration when evaluating an investment in any of the Company's securities. These risks are not the only risks facing the Company. Additionally risks and uncertainties not currently known to the Company or that management currently deems to be immaterial, may also materially affect the Company's business, financial condition and/or future results.

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

Mineral exploration involves significant risks over a substantial period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. Even if the Company discovers a valuable deposit of minerals, it may be several years before production is possible and during that time it may become economically unfeasible to produce those minerals. There is no assurance that current or future exploration programs will result in any new economically viable mining operations or yield new resources to replace and expand current resources.

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

There is no guarantee that any application for additional exploration licences may be granted by the Departamento Nacional do Produção Mineral ("DNPM"). The DNPM may 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 government of Brazil sought to introduce a new Mining Code as a matter of some urgency during 2013. Whilst no new legislation was introduced the matter remains under debate and it should be expected that a new Mining Code will be implemented in the future. The implications of the proposed legislation in respect of existing exploration licences and also the process for conversion of these to mining licences was unclear but any new legislation could result in all current applications being cancelled and requiring applicants to make new applications under the terms of and in compliance with the new Mining Code.

The exploration licence for the Sao Chico property expired March 2014. The Company 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 that a mining licence would not be granted. However, under the proposed new Mining Code the application process may be amended and it is understood that the DNPM will be disbanded and a new body created taking over the responsibility for and having the authority to issue mining licences in the future.

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. Generally, the licences are granted for a term of three years and further renewal of an exploration licence is at the discretion of the DNPM and on such conditions as the DNPM may in its discretion impose. Renewal conditions may include increased expenditures and work commitments or compulsory relinquishment of areas of the licences comprising the Company's properties. The failure of the DNPM to renew the Company's exploration licences or the imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Company.

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

The Company has had negative cash-flow and is currently in the process of development of the Palito Gold Mine with a view to generating cash-flow during 2014.

For the financial year ended 31 December 2013 the Company had negative cash flow from operations whilst it was undertaking the development and rehabilitation of the Palito Mine and its associated gold processing plant and other supporting infrastructure. Processing of ore commenced at the start of 2014 and the plant remains in a ramp-up and commissioning phase. The Company has not yet declared that commercial production has been reached. Once

commercial gold production operations are underway management anticipates that the Company will have sufficient cash flow to be able to meet all its obligations as and when they fall due and to, at least in part, finance the exploration and development activities that it would like to undertake on its other exploration projects. There are, however, risks associated with the commencement of any new mining and processing operation whereby unforeseen technical and logistical events result in additional time being required for commissioning or additional costs needing to be incurred, giving rise to the possibility that additional working capital may be required to fund these delays or additional capital requirements. Should additional working capital be required the Directors consider that further sources of finance could be secured within the required timescale but there can be no guarantee that such additional funds will be available. Failure to raise additional capital, if needed, could have a material adverse effect on the Company's business, financial condition and results of operations.

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

Whilst the Company anticipates generating its own cash-flow from 2014 onwards from the Palito Mine and to use this cash flow to finance further exploration and development activities on the Company's other properties, any cash flow that the Company 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 Company's other properties or even a loss of a property interest. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders. Failure to raise capital when needed could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company faces numerous exploration, development and operating risks.

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

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

The Company is considered to be a development stage company and although it generated revenue from mining operations in the past those operations were discontinued. The Company has completed most of its planned work for the redevelopment and rehabilitation of the Palito Gold Mine although this operation is still in the ramp-up and commissioning phase. Whilst the Company commissioned a Preliminary Economic Assessment which supported the viability of placing the Palito Gold Mine into production, there can be no assurance that the Company will be able to successfully re-commence commercial production, generate any revenues or be able to operate profitably.

Whilst management will seek to take all practical precautions necessary and follow the plans and recommendations set out in the Preliminary Economic Assessment there can be no assurance that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may vary from those projected in the Preliminary Economic Assessment and may also increase in subsequent years as needed consultants, personnel and equipment associated with advancing exploration, development and commercial production of its properties are added. The amounts and timing of expenditures will depend on the progress of ongoing development, the results of consultants' analysis and recommendations, the rate at which operating losses may be incurred, the execution of any joint venture agreements with strategic partners, the Company's acquisition of additional properties and other factors, some of which are beyond the Company's control.

A preliminary economic assessment is not required to be compiled to the same level of detail as a pre-feasibility study or a feasibility study. In addition a preliminary economic assessment is permitted to incorporate the mining of inferred mineral resources in calculating the economic results of the project. Inferred mineral resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorised as mineral reserves and there is no certainty that the preliminary economic assessment will be realised. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

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

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

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

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

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

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

Excluding the Palito Gold Mine and the Sao Chico gold project, the Company's other mineral properties are in relatively early exploration stages and are without known bodies of mineral reserves or mineral resource. A mineral resource has been established at the Palito Gold Mine and at the Sao Chico gold project. The Company has no declared mineral reserves. Development of other properties will only follow upon obtaining satisfactory exploration results and the completion of feasibility or other economic studies.

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

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

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

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

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

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

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

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

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

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

Changes in environmental laws, new information on existing environmental conditions or other events may increase future compliance expenditures or otherwise have a negative effect on the Company's financial condition and results of operations. In addition to existing requirements, it is expected that other environmental regulations will likely be implemented in the future with the objective of further protecting human health and the environment. Some of the issues expected to be under future review by environmental agencies include reducing or stabilising air emissions, mine reclamation and restoration, and water quality. Other changes in environmental legislation could have a negative effect on production levels, product demand, product quality and methods of production and distribution. The complexity and breadth of these issues make it difficult for the Company to predict their impact. The Company anticipates capital expenditures and operating expenses will increase as a result of compliance with the introduction of new and more stringent environmental regulations. Failure to comply with environmental legislation may result in the issuance of clean up orders, imposition of penalties, liability for related damages and the loss of operating permits. While the Company believes it is now in material compliance with existing environmental legislation, it cannot give assurances that it will at all future times be in compliance with all federal and state environmental

regulations or that steps to bring the Company into compliance would not have a negative effect on its financial condition and results of operations.

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

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

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

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

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

There are currently 2 known claims pending settlement, both of which have been in the court process for over 12 months. The average monthly salary of the claimants was below R\$5,000 while the claims range between R\$1,200 and R\$12,000. The total of current claims is R\$13,200. It is not currently expected that there could be a material adverse impact on the financial condition of the Company if some or all of the foregoing labour claims are successful or are not settled on the basis anticipated by the Company.

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

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

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

These risks and uncertainties vary from time to time and include, but are not limited to: terrorism; hostage taking; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licences, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the

awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

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

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

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

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

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

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

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, additional key financial, administrative and mining personnel as well as additional operations staff will be required.

Although the Company believes it will be successful in attracting, training and retaining qualified personnel, there can be no assurance of such success. If the Company is not successful in attracting, training and retaining qualified personnel, the efficiency of operations may be affected.

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

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

On 18 July 2013, the Company completed the acquisition of Kenai Resources Ltd which also gives the Company control over the Sao Chico gold project located close to the Company's Palito Mine.

Whilst Sao Chico has a small NI 43-101 compliant Measured and Indicated Resource and Inferred Resource and management are expecting that upon the receipt of a mining licence they will commence development mining activity and mine production operations to augment gold production levels for the Company, there is 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.

It may be difficult for investors to enforce judgments against directors, officers and experts resident outside of Canada.

The Company and its subsidiaries are incorporated, continued or otherwise organized under the laws of foreign jurisdictions and some or all of the directors and officers of the Company and some or all of the experts named in this annual information form reside outside of Canada. In addition, some or all of the assets of those persons and the Company and its subsidiaries are located outside of Canada. Although the Company and all non-resident directors and certain non-resident officers of the Company have appointed Dentons Canada LLP, 77 King Street West, Suite 400, Toronto-Dominion Centre, Toronto, Ontario, M5K 0A1 as their agent for services of process in Canada, it may not be possible for investors to collect from the Company or such directors and officers or enforce judgments obtained in courts in Canada predicated on the civil liability provisions of securities legislation against the Company, its directors and officers and certain of the experts named in this annual information form. Moreover, it may not be possible for investors to effect service of process within Canada upon the experts referred to above.

DIVIDEND POLICY

The Company does not have a dividend policy in place and has never declared or paid dividends on the Ordinary Shares. Any future dividend payment will be made at the discretion of the board of directors and will depend on their assessment of earnings, capital requirements, the operating and financial condition of the Company and any other factor that they deem necessary to consider at that time.

DESCRIPTION OF SHARE CAPITAL

Authorized Shares and Attributes of Ordinary Shares and Deferred Shares

The Company has an issued capital comprised of 656,389,204 Ordinary Shares of 0.5 pence each, 140,139,065 Deferred Shares of 9.5 pence each and 456,389,204 deferred shares of 4.5 pence each. Each Ordinary Share entitles the holder to one vote and all the Ordinary Shares rank equally as to dividends, voting powers and participation in assets upon the dissolution or winding up of the Company. The 140,139,065 Deferred Shares arose following a subdivision of the Company's shares which was approved on January 28, 2009 by special resolutions of the shareholders of the Company. The Deferred Shares carry no voting or dividend rights or any right to participate in the profits or assets of the Company and all the Deferred Shares may be purchased by the Company, in accordance with the Companies Act 2006, at any time for no consideration. In the event of a return of capital, after the holders of the Ordinary Shares have received in aggregate the amount paid up thereon plus £100 per ordinary share, there shall be distributed amongst the holders of Deferred Shares an amount equal to the nominal value of the Deferred Shares and thereafter any further surplus shall be distributed among the holders of Ordinary Shares.

On December 21, 2010, the issued and the authorized unissued Ordinary Shares of the Company were consolidated on the basis of one ordinary share with a par value of 5 pence for every 10 Ordinary Shares on issue or authorized to be issued.

The 456,389,204 Deferred Shares arose following a subdivision of the Company's shares which was approved on March 3, 2014 by special resolutions of the shareholders of the Company. On March 3, 2014 the issued Ordinary Shares of the Company were subdivided into one new Ordinary Share of 0.5 pence and a Deferred share of 9.5 pence. The Deferred Shares carry no voting or dividend rights or any right to participate in the profits or assets of the Company and all the Deferred Shares may be purchased by the Company, in accordance with the Companies Act 2006, at any time for no consideration. In the event of a return of capital, after the holders of the Ordinary Shares have received in aggregate the amount paid up thereon plus £100 per ordinary share, there shall be distributed amongst the holders of Deferred Shares an amount equal to the nominal value of the Deferred Shares and thereafter any further surplus shall be distributed among the holders of Ordinary Shares.

Pursuant to a resolution approved at a general meeting of the Company's shareholders held on March, 3 2014, Serabi's shareholders waived any pre-emption rights and gave authority to the board of directors of the Company to allot shares, grant rights or convert any security into shares up to an aggregate of £2,000,000 of new Ordinary Shares. This authority expires on the conclusion of the next annual general meeting of shareholders. The Company utilised £1,500,000 of this authority in connection with the private placement of 200,000,000 new Ordinary Shares and the issue of 100,000,000 warrants on March 3, 2014. Under the Articles of Association, the board of directors may call an extraordinary general meeting and request approval from the shareholders to issue further Ordinary Shares which may or may not be subject to pre-emption rights.

Warrants

During the year there were 4,549,998 2012 Warrants outstanding with each warrant exercisable for one Ordinary share at an exercise price of UK£0.15 until January 23, 2014. The 2012 warrants were governed by a warrant instrument entered into by the Company on 24 January 2012 and the warrants were personal to the holders and could not be transferred. All these Warrants have now expired.

There are 8,135,035 2013 Warrants outstanding with each warrant exercisable for one Ordinary share at an exercise price of UK£0.10 until January 16, 2015. The 2013 warrants are governed by a warrant instrument entered into by the Company on 17 January 2013 and the warrants are personal to the holders and may not be transferred.

On March 3, 2014 the Company issued 100,000,000 2014 Warrants with each Warrant exercisable for one Ordinary share at an exercisable price of UK£0.06 until March 2, 2016. The 2014 Warrants are governed by a Warrant

instrument entered into by the Company on March 3, 2014 and the Warrants are personal to the holders and may not be transferred.

TRADING PRICE AND VOLUME

The outstanding Ordinary Shares are admitted for trading on AIM under the trading symbol “SRB”. The Ordinary Shares were listed and posted for trading on the TSX on March 30, 2011 under the trading symbols “SBI”. The following tables set forth the market price ranges and the aggregate volume of trading of the Ordinary Shares on AIM and TSX for the periods indicated.

AIM Statistics for Ordinary Shares			
Period	High (£)	Low (£)	Volume
2013			
December	6.50	4.75	7,844,370
November	5.50	4.75	5,608,542
October	6.68	5.00	12,883,805
September	6.50	5.06	11,282,787
August	6.28	5.00	18,955,829
July	6.25	4.77	3,575,882
June	6.66	5.50	1,081,938
May	7.27	6.25	1,084,936
April	8.82	6.50	1,615,263
March	9.70	7.40	1,931,275
February	11.18	8.50	2,908,236
January	12.00	4.75	10,357,487

TSX Statistics for Ordinary Shares

Period	High (C\$)	Low (C\$)	Volume
2013			
December	0.10	0.08	1,758,628
November	0.09	0.08	591,677
October	0.10	0.08	475,675
September	0.09	0.08	1,543,789
August	0.09	0.06	2,654,519
July	0.11	0.06	1,291,650
June	0.10	0.08	181,400
May	0.11	0.08	153,000
April	0.11	0.08	134,500
March	0.17	0.08	11,600
February	0.18	0.12	329,800
January	0.20	0.08	500,400``

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Designation of class	Number of securities held in escrow or that are subject to a contractual restrictions on transfer	Percentage of class
Ordinary Shares	337,195,647	51.4%

Pursuant to

a) a conditional subscription agreement dated December 20, 2013 between the Company and Fratelli Investments Limited ("Fratelli") whereby Fratelli agreed to subscribe for 125,000,000 units and to subscribe for up to a further 37,500,000 units by matching any subscriptions from third party investors and,

b) A Relationship and Lock-in Agreement entered into on January 28, 2014 between the Company, Fratelli and Beaumont Cornish Limited,

Fratelli has given an undertaking effective from the closing of the conditional subscription, which was completed on March 3, 2014, not to dispose of any shares held in its name subject to certain standard exceptions until March 4, 2015.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the name, municipality of residence, position held with the Company, principal occupation and number of shares beneficially owned by each person who is a director and/or an executive officer of the Company. Messrs. Harvey, Hodgson and Jones are due to retire by rotation at the next annual general meeting of shareholders of the Company, subject to earlier resignation or removal. Mr. Daniel Kunz having been appointed during the period since the last annual general meeting will be required to offer himself for re-election by shareholders at the next annual general meeting. If not re-elected he will be required to vacate office immediately following the conclusion of the annual general meeting. Fratelli investments Limited has during the financial year ended 31 December 2013 held the right to nominate one director to the board of directors of the Company for so long as it owns at least 15% of the issued Ordinary Shares, the right to nominate two directors to the Board of Directors (including any existing appointee) and for as long as it holds more than 50% of the shares of the company shall be permitted to appoint one further director to the Board of Directors. This right was re-affirmed in the Lock-in and Relationship Agreement dated January 28, 2014.

Name and Municipality of Residence	Date of Appointment	Position with the Company	Principal Occupation⁽¹⁾	Ordinary Shares held
MICHAEL J HODGSON Cornwall, UK	February 1, 2007	Chief Executive Officer and Director	Chief Executive Officer of the Company	441,320
CLIVE M LINE ACA Surrey, UK	March 14, 2005	Chief Financial Officer, Secretary and Director	Chief Financial Officer and Director of the Company	766,653
ULISSES MELO Minas Gerais, BRAZIL	-	Country Manager, Brazil	General Manager, Brazil – Legal and Financial	-
T. SEAN HARVEY ⁽²⁾⁽³⁾⁽⁴⁾ Ontario, CANADA	March 30, 2011	Director	Businessman	1,200,000
DOUGLAS JONES ⁽²⁾⁽³⁾⁽⁴⁾ Perth, WESTERN AUSTRALIA	March 30, 2011	Director	Managing Director, Chalice Gold Mines Limited	100,000
MELVYN WILLIAMS ⁽²⁾⁽³⁾⁽⁴⁾ Cheshire, UK	March 30, 2011	Director	Retired – formerly Chief Financial Officer, Brigus Gold Corp.	295,000
EDUARDO ROSSELOT, Santiago, CHILE	October 2, 2012	Director	Mining Engineer	-
NICOLAS BANADOS ⁽⁵⁾ SANTIAGO, CHILE	May 13, 2013	Director	Investment Manager	22,443,947
DANIEL KUNZ IDAHO, USA	July 29, 2013	Director	Mining Engineer	5,564,726

(1) Please see biographies below for details of principal occupation for five preceding years.

(2) Independent director.

(3) Member of the audit committee.

(4) Member of the remuneration committee.

(5) Mr. Bañados has a direct interest in 144,282 Existing Ordinary Shares. Mr Bañados is the beneficial owner of 50 per cent. of the share capital of Asesorias e Inversiones Asturias Limitada which beneficially owns: (1) directly 159,665 Existing Ordinary Shares; and (2) 25 per cent. of the units in Fondo de Inversion Privado

Santa Monica, a private financial investment fund, which is interested in 22,140,000 Existing Ordinary Shares.

The following are brief biographies of the executive officers and directors of the Company.

**Mike Hodgson,
Chief Executive**

Mike has worked in the mining industry for over 25 years and has extensive international experience. Most recently he worked as chief operating officer and vice president technical services for Canadian-based Orvana Minerals Corporation. Prior to that, he provided consulting services to a number of mining companies in Europe and South America. Previous appointments include manager of technical services and operations for TVX Gold Inc., mining technical consultant at ACA Howe International Ltd and similar roles at Rio Tinto plc and Zambia Consolidated Copper Mines Ltd. He has, during his career, acquired extensive experience in narrow vein underground mining operations.

Originally qualified in mining geology, Mike is a Fellow of the Institute of Materials, Minerals and Mining, a Chartered Engineer of the Engineering Council of UK and a “Qualified Person” in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects.

**Clive Line,
Finance Director and Company Secretary**

Clive is a Chartered Accountant and has been involved in mining and natural resources companies since 1987, overseeing financial and legal issues for exploration and development projects in Africa, Europe and the former Soviet Union. Having worked with Price Waterhouse in both the UK and Australia, he joined Cluff Resources plc in 1987, where he was finance director prior to joining the privately owned Quest Petroleum Group in a similar position in 1993. Following the successful sale of this group he became involved with both Eurasia Mining plc and Northern Petroleum plc, both of which were admitted to AIM in 1996. Between 1999 and 2005 he worked as a divisional finance director within the Interpublic Group, one of the world’s largest marketing services groups.

He has an Honours degree in Accounting and Finance and is a member of the Institute of Chartered Accountants of England and Wales.

**Ulisses Melo,
General Manager**

Ulisses, who was previously the Chief Financial Officer of Serabi Mineração Limitada in Brazil, took over the role of General Manager in April 2009. He has overall responsibility for the day-to-day affairs of the Company. Prior to joining Serabi he spent five years working with the international accounting firm Arthur Andersen and a further ten years working with Samarco Mineração, Companhia de Fomento Mineral and Rio Capim Caulim S/A as controller and finance director.

Ulisses is a graduate in Economics and Business Administration from the University of PUC Minas Gerais and holds a MBA from the University of Fundação Dom Cabral.

**T Sean Harvey,
Non-Executive Chairman**

Sean spent 10 years working in investment and merchant banking, primarily focused on the basic industry (mining) sector and for the last 13 years has held senior executive and board positions with various mining companies. Sean was President and CEO of Orvana Minerals Corp. from 2005 to 2006. Previously, he was President and CEO of TVX Gold at the time of its sale to Kinross Gold in 2003 and, subsequent to that, was President and CEO of Atlantico Gold, a private company involved in the development of the Amapari Project in Brazil that was sold to Wheaton River Minerals Ltd. (presently Goldcorp Inc.). Sean also currently sits on the board of directors of several other mining companies.

Sean has an Honours B.A. in economics and geography and an M.A. in economics, both from Carleton University. He also has an L.L.B from the University of Western Ontario and an M.B.A. from the University of Toronto. He is a member of the Law Society of Upper Canada.

Douglas Jones,
Non-Executive

Doug is a geologist with 35 years' experience in international mineral exploration, having worked extensively in Australia, Africa, the Americas and Europe. His career has covered exploration for gold in a wide range of geological settings, volcanic and sediment-hosted zinc-copper-lead and IOCG style copper-gold deposits. As Vice President, Exploration for Golden Star Resources Limited from 2003 to 2007, he had oversight of that company's exploration activities in Brazil and has reviewed opportunities in the Tapajos region of Brazil. He is currently the Technical Director of Chalice Gold Mines Limited a gold exploration company listed on the Australian Stock Exchange and the Toronto Stock Exchange and is also a non-executive director of ASX-listed Lontown Resources Limited and TSX and AIM-listed Minera IRL Limited.

Doug has a BSc in Geology from the University of New England and received his Doctorate from the same university in 1987.

Melvyn Williams,
Non-Executive

Mel Williams was, until June 2011, the Chief Financial Officer (CFO) and Senior Vice President of Finance and Corporate Development of Brigus Gold. Mr. Williams has over 30 years of financial experience, much of that time spent within the mining industry. From November 2003 through January 2004, Mr. Williams served as Chief Financial Officer of Atlantico Gold, a private Brazilian mining company which held the Amapari gold project, and was sold to Wheaton River Minerals Ltd. in January 2004. From 2000 to November 2003, he served as Chief Financial Officer of TVX Gold Inc., a gold mining company with five operating mines and an advanced development project in Greece. His background also includes services with Star Mining Corporation, LAC North America, Riominas LSDA and Rossing Uranium, (both of which are Rio Tinto subsidiaries).

He is a Chartered Certified Accountant and received an MBA from Cranfield in the United Kingdom. Mel is also a director of Western Troy Capital Resources.

Eduardo Rosselot,
Non-Executive

Eduardo is a mining engineer with over 25 years' experience in the mining industry, having worked extensively in the Americas and Europe. Currently he works as an independent consultant for various mining companies and mining funds mainly in South America, and is a partner of the privately owned mining company HMC Gold SCM, with development projects in Chile. Eduardo is also a director of Haldeman Mining Company, a Chilean private copper and gold producer. Prior to that he worked as VP business development and special projects for Orvana Minerals Corp. Previous appointments include senior positions with European Goldfields Ltd. and TVX Gold Inc. Prior to that he was a partner of the South American based mining consultancy firm NCL Ingeniería y Construcción Ltd.

Eduardo has a Mining Engineer degree from Universidad de Chile, and is a member of the Institute of Materials, Minerals and Mining, a Chartered Engineer of the Engineering Council of UK and a "Qualified Person" in accordance with the Canadian National Instrument 43-101 - Standards of Disclosure for Mineral Projects.

Nicolas Bañados,
Non-Executive

Nicolas is an attorney-in-fact of Fratelli Investments. He graduated from the Catholic University of Chile in 2000 and from 2001 until 2003 he was an investment analyst of the Research Department at Consorcio Vida Life Insurance Company. In 2003 Nicolas joined Fratelli Investments, and its non-discretionary fund manager, Megeve Investments, as Portfolio Manager. Between 2005 and 2007 he completed an MBA at The Wharton School, University of Pennsylvania, United States. Following completion of his MBA, Nicolas re-joined Fratelli Investments and Megeve Investments, as Vice President and was subsequently appointed as Managing Director of Private Equity.

Daniel Kunz,
Non-Executive

Daniel has more than 30 years of experience in the mining industry and has held various executive level positions in a number of mining companies, including Turquoise Hill Resources Ltd where he served as President, Chief

Operating Officer and Director from 1997 to 2003 and led the team that discovered Oyu Tolgoi, one of the world's largest copper-gold deposits.

In 2003 Daniel founded a geothermal renewable energy company by acquiring the Raft River geothermal test site in his home state of Idaho. Mr Kunz led the subsequent IPO of US Geothermal Inc on the Toronto Stock Exchange and New York Stock Exchange in 2004 and then led U.S. Geothermal Inc in its development and construction of three new geothermal power plant projects, retiring as chief executive and a member of the board of directors in April 2013. In June 2013 he was appointed Executive Chairman of Zinco do Brasil Inc. a mine development company focused on bringing into production an advanced stage zinc project in Brazil. Daniel holds a Masters of Business Administration and a Bachelor of Science in Engineering.

Corporate Cease Trade Orders

To the Company's knowledge, no director or executive officer of the Company is, or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company, including the Company, that: (i) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, in any case that was in effect for more than 30 consecutive days (an "order") that was issued while the director, proposed director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an order that was issued after the director, proposed director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

To the Company's knowledge, no director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company: (i) is, or has been within the 10 years before the date hereof, a director or executive officer of any company, including the Company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

To the Company's knowledge, no director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

AUDIT COMMITTEE

In accordance with applicable Canadian securities legislation and, in particular, National Instrument 52-110 – *Audit Committees* (“NI 52-110”), information with respect to the Company’s audit committee is contained below. The full text of the Audit Committee Charter, as passed unanimously by the board of directors, is attached to this annual information form as Appendix A.

Composition of the Audit Committee

The audit committee is comprised of Messrs. Williams (Chair), Harvey and Jones. Each member of the audit committee is considered to be independent within the meaning of NI 52-110. All members of the audit committee are financially literate in that they have the ability to read and understand a set of financial statements that are of the same breadth and level of complexity of accounting issues as can be reasonably expected to be raised by the Company’s financial statements.

Relevant Education and Experience

Mr Williams is a Chartered Certified Accountant and holds an MBA from Cranfield School of Management. Mr Williams has over 30 years of financial experience much of which has been spent in the mining industry. Until June 2011 he served as the Chief Financial Officer and Senior Vice President of Finance and Corporate Development of Brigus Gold and he has also served as Chief Financial Officer of TVX Gold Inc.

Mr Harvey has qualifications in economics and law and had a 10 year career in investment and merchant banking primarily focused in the mining area taking up executive positions within the mining industry. He has served as the Chief Executive Officer for TVX Gold Inc and Orvana Minerals, was the Chairman of Andina Minerals Inc. and served on its audit committee and currently serves on the audit committee of Perseus Mining Limited.

Mr Jones is currently the Technical Director of Chalice Gold Mines an ASX and TSX listed company with gold exploration interests in East Africa. Mr Jones has been involved in various capacities in exploration activities for over 34 years and has managed the budgeting and cost control and reporting activities of exploration programmes and companies across various jurisdictions and for several multi -national corporations and is a non-executive director of Minera IRL Limited, a TSX and AIM listed company

Pre-Approval Policies and Procedures for Non-Audit Services

The audit committee is responsible for pre-approving all non-audit services to be provided by the external auditor to the Company other than *de minimis* non-audit services referred to in section 2.4 of NI 52-110. In particular, the chair of the audit committee is authorized to approve any non-audit services. Furthermore, the audit committee is required to evaluate the independence and objectivity of the external auditors. The audit committee also has the authority to engage independent legal counsel and other advisors as it determines necessary to carry out its duties and responsibilities.

External Auditor Service Fees

	Financial Years Ended December 31,	
<i>Expressed in US Dollars</i>	<u>2013</u>	<u>2012</u>
Audit Fees ⁽¹⁾	\$118,951	\$88,423
Audit-Related Fees ⁽²⁾	-	-
Tax Fees ⁽³⁾	\$19,594	\$6,094
All Other Fees ⁽⁴⁾	\$45,213	\$12,496
Total Fees	\$183,758	\$107,013

⁽¹⁾ The aggregate audit fees billed.

⁽²⁾ The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audits or reviewing the Company’s financial statements and are not included under “Audit Fees”.

⁽³⁾ The aggregate fees billed for services related to tax compliance, tax advice and tax planning. The services performed for the fees paid under this category may briefly be described as tax return preparation fees.

- (4) The aggregate fees billed for services other than those reported above. The services performed for the fees paid under this category may briefly be described as flow-through accounting services.

EXPERTS

The auditors, BDO LLP, London, United Kingdom, report that they are independent of the Company in accordance with the rules of professional conduct of the Institute of Chartered Accountants of England and Wales. Partners and associates of BDO LLP do not have any registered or beneficial interest, direct or indirect, in any securities or other property of the Company or of any associates or affiliates of the Company, nor do they expect to receive or acquire any such interests.

Certain information in this annual information form relating to the Company's mineral projects is summarized or extracted from (i) The Jardim do Ouro Technical Report which was prepared by Rodrigo Mello and Carlos Guzmán of NCL Engenharia y Construcción Ltda; (ii) The São Chico Technical Report which was prepared by Mr. AJ Tunningley and Mr. B Ackroyd of Exploration Alliance Limited. To the best knowledge of the Company, none of the foregoing persons, has any registered or beneficial interest, direct or indirect in any securities or other property of the Company or of any associates or affiliates of the Company, nor do they expect to receive or acquire any such interests.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no pending legal proceedings to which the Company is or is likely to be a party or of which its subsidiary or properties are or are likely to be subject that exceed 10% of the current net assets of the Company. The following claims are the only significant claims of which the Company is aware.

Under Brazilian labour legislation former employees have two years in which to file any claim with the labour courts in respect of alleged unpaid compensation irrespective of whether the employee was dismissed or terminated their employment of their own accord. There are currently 2 known claims pending settlement. The average monthly salary of the claimants was below R\$5,000 while the claims range between R\$1,200 and R\$12,000. The total of current claims is R\$13,200. It is not currently expected that there could be a material adverse impact on the financial condition of the Company if some or all of the foregoing labour claims are successful or are not settled on the basis anticipated by the Company.

The Company is also aware of two claims from parties from whom the Company has secured land access rights. In the first of these the claimant is seeking payment of a royalty in respect of gold reserves identified by the Company on a parcel of land that is subject to a land access rights agreement. The Company has not established any reserves or resources in this area and any royalty due under the contract is only payable once reserves of greater than 100,000 ounces have been reported. The Company will vigorously defend the claim. The second claimant has submitted an action in respect unpaid rent due under a land access rights agreement. The Company has recommenced payment of the rental amounts due but is of the understanding that the claimant has in fact sold the ownership of the property to a third party and the Company has lodged a counter claim to re-claim past payments.

Serabi Mineracao SA ("SMSA") has been requested by the Tax Authorities for the State of Pará, to provide supporting documentation in respect of certain tax reclaims made by SMSA dating back for six years. The Company considers that it will be able to supply all necessary documentary evidence in respect of the claims made and that all claims have been made were made in accordance with prevailing legislation. The total sum of the tax claims that are subject to this review is BrR\$1.6 million.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or executive officers of the Company, and no person or company that is the direct or indirect beneficial owner of, or who exercises direction and control over, more than 10% of the Company's issued and outstanding Ordinary Shares or any of their respective associates or affiliate of the foregoing persons, has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or the current financial year that has materially affected or is reasonably expected to materially affect the Company other than (i) the placement of 270,000,000 ordinary shares for gross proceeds of UK£16.2 million completed on January 17, 2013 pursuant to which Fratelli Investments Limited ("Fratelli"), a prior holder of 19.3% of the issued and outstanding ordinary shares, acquired 167,079,647 additional ordinary shares. As a result of the placement, Fratelli owned

184,695,647 ordinary shares of the Company representing 51.1% of the issued and outstanding ordinary shares. (ii) the placement of 200,000,000 units (each unit comprising one ordinary share and one half of a share purchase warrant whereby each whole warrant entitles the holder to subscribe for one ordinary share at a subscription price of UK£0.06 for two years from the date of the closing of the placing) for gross proceeds of UK£10.0 million completed on March 3, 2014 pursuant to which Fratelli acquired 152,500,000 ordinary shares and 76,250,000 warrants. As a result of the subscription Fratelli owns 337,195,647 ordinary shares of the Company representing 51.4% of the issued and outstanding ordinary shares.

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent in Canada for the Ordinary Shares of the Company is Computershare Investor Services Inc, Toronto, Ontario. Computershare Investor Services PLC, Bristol, United Kingdom is the Company's registrar and transfer agent for its Ordinary Shares in the United Kingdom. Computershare Trust Company of Canada, Toronto, Ontario is the warrant agent in Canada for the Warrants.

MATERIAL CONTRACTS

The following are the material contracts entered into by the Company during or subsequent to the most recently completed financial year or previously and still in effect, other than contracts entered into in the ordinary course of business:

Warrants

(i) A warrant instrument entered into by the Company on 3 March 2014, whereby 100,000,000 Warrants were issued with each Warrant exercisable for one Ordinary Share at an exercise price of £0.06 until 2 March 2016 (these Warrants being personal to the holders and not to be transferred).

(ii) A warrant instrument entered into by the Company on 17 January 2013, whereby 8,135,035 Warrants were issued with each Warrant exercisable for one Ordinary Share at an exercise price of £0.10 until 16 January 2015 (these Warrants being personal to the holders and not to be transferred).

Option Agreement

An option agreement dated 24 January 2012 between the Company and Fratelli Investments pursuant to which the Company agreed that, while Fratelli Investments holds 15 per cent. or more of the issued share capital of the Company, Fratelli Investments has the option to subscribe for such number of Ordinary Shares as would enable Fratelli Investments to maintain its percentage interest in the share capital of the Company in the event that the Company issues Ordinary Shares for cash (or cash equivalent). Fratelli Investments shall, whilst it holds 15 per cent. or more of the issued share capital of the Company, have the right but not the obligation to nominate a director to the board of directors of the Company.

Short Term Loan Agreement 2012

The interim secured short term Loan Agreement dated 1 October 2012 for a maximum of US\$6 million for a period of six months provided by Fratelli Investments to the Company to provide additional working capital to the Company and enable it to commence initial works at its Palito gold mine. With interest chargeable at the rate of 12 per cent. per annum and with a 3 per cent. arrangement fee. The amount that had been drawn-down under the Loan Agreement was repaid on 22 January 2013. Following repayment the Loan Agreement has been withdrawn and all security released.

Short Term Loan Agreement 2013

The interim secured short term 2013 Loan Agreement dated 20 December 2013 for a maximum of US\$7.5 million for a period expiring on 30 April 2014 or, if earlier, 7 days following the receipt by the Company of the Subscription Price in respect of the Subscription Shares, provided by Fratelli Investments to the Company to provide additional working capital to the Company, allow the completion of works at its Palito gold mine and to commence the initial development and further evaluation of the Sao Chico gold project with interest chargeable at the rate of 12 per cent. per annum and with a 3 per cent. arrangement fee.

Conditional Subscription Agreement 2012

The conditional Subscription Agreement dated 1 October 2012 between the Company and Fratelli Investments, whereby Fratelli Investments agreed to subscribe for and underwrite a placement of new Ordinary Shares to raise £16.2 million to finance the development and start-up of underground mining operations at the Company's Palito gold mine.

Conditional Subscription Agreement 2013

The conditional subscription agreement dated 20 December 2013 between the Company and Fratelli Investments, whereby Fratelli Investments agreed to subscribe for 125,000,000 Units at the Subscription Price ("Minimum Subscription") and additional Units, equal in number to the aggregate subscription, if any, for Units from third party investors, up to a maximum of 37,500,000 Units, at the Subscription Price and whereby the Company agrees to use the Subscription proceeds to repay any money advanced to the Company under the Loan Agreement, provide additional working capital to the Company, allow the completion of works at its Palito gold mine and to commence the initial development and further evaluation of the Sao Chico gold project.

New Lock-in and Relationship Agreement

A Lock-in and Relationship Agreement dated 27 January 2014 pursuant to which the Company and Fratelli Investments have agreed certain arrangements in order to regulate their relationship and avoid potential conflicts of interests. Pursuant to the Lock-in and Relationship Agreement, the Company and Fratelli Investments have agreed conditional on Admission, *inter alia*, that:

- (a) The lock-in period will be for 12 months from Admission, save in limited circumstances, with thereafter a 12 month orderly market agreement with Beaumont Cornish.
- (b) If Fratelli Investments owns more than 30 per cent. of the Enlarged Ordinary Share Capital, Fratelli Investments will use its reasonable endeavours to procure that:
 - (i) The Group is capable of carrying on its business independently of Fratelli Investments;
 - (ii) The articles of association or any other constitutional documents are not amended to restrict the Company's ability to carry out its business independently of Fratelli Investments;
 - (iii) Transactions between any member of the Group and any member of Fratelli Investments are made at arm's length on a normal commercial basis and approved by Directors independent of Fratelli Investments;
 - (iv) Any disputes between Fratelli Investments and any member of the Group shall be dealt with by a committee of the independent Directors;
 - (v) The selection, approval and removal of senior management and executive Directors shall continue to be subject to the approval of a majority of the non-executive Directors of the Company;
 - (vi) Not take any action as a result of which there would be fewer than three Directors independent of Fratelli Investments;
 - (vii) Not to solicit any director or key personnel of the Group;
 - (viii) To vote their shares to ensure that the Company shall operate and make decisions for the benefit of shareholders of the Company as a whole and not solely for the benefit of Fratelli Investments.
- (c) If Fratelli Investments owns more than 75 per cent. of the Enlarged Ordinary Share Capital, Fratelli Investments will use its reasonable endeavours to procure that:
 - (i) Any related property transaction in respect of which the AIM Rules for Companies class tests exceed 25 per cent. is to be subject to independent shareholder approval at a general meeting of the Company; and
 - (ii) They will not seek to de-list the Company from AIM without, where practicable in accordance with the Act, using reasonable endeavours to procure that a tender offer is made to purchase the shares of public minority shareholders.
- (d) Fratelli Investments are free to pursue minority investments in gold projects in Brazil.

- (e) The number of Directors that Fratelli Investments will be entitled to nominate to the Board will be:
 - (i) One non-executive Director if Fratelli Investments holds 15 per cent. or more of the Enlarged Ordinary Share Capital and has appointed Eduardo Rosselot to the Board; and
 - (ii) One additional non-executive Director if Fratelli Investments holds between 20 per cent. and 50 per cent. of the Enlarged Ordinary Share Capital and has appointed Nicolas Bañados to the Board; and
 - (ii) Notwithstanding its rights in accordance with the Articles and Companies Act 2006, one additional non-executive Director to the Board (three in total) if Fratelli Investments holds more than 50 per cent. of the Enlarged Ordinary Share Capital.

Beaumont Cornish Instruction Letter 2012

An agreement dated 1 October 2012 together with the letter of addendum dated 16 October 2012 between Beaumont Cornish and the Company pursuant to which Beaumont Cornish agreed to act as the Company's financial adviser in respect of a waiver of Rule 9 of the City Code and a conditional subscription for up to 270,000,000 ordinary shares in the Company at 6 pence per share (the "**2013 Subscription**"). The Company agreed to pay Beaumont Cornish an initial advisory fee of £10,000, plus a monthly work fee of £12,500 commencing immediately from the announcements of the 2013 Subscription, subject to a maximum of £25,000. In addition the Company agrees to pay Beaumont Cornish a further fee of £20,000 immediately on publication of the 2013 Subscription circular and a completion fee of £20,000 immediately on the approval by the Company's shareholders of the arrangements described in the 2013 Subscription circular. The agreement contains certain undertakings and indemnities from the Company in respect of, *inter alia*, compliance with all applicable laws and regulations.

Beaumont Cornish Instruction Letter 2013

An agreement dated 20 December 2013 between Beaumont Cornish and the Company pursuant to which Beaumont Cornish agreed to act as the Company's financial adviser in respect of the Proposals. The Company agreed to pay Beaumont Cornish an initial advisory fee of £10,000, plus a monthly work fee of £12,500 commencing from 9 December 2013, subject to a maximum of £25,000. In addition the Company agrees to pay Beaumont Cornish a further fee of £12,500 immediately on publication of the Document and a completion fee of £12,500 immediately on the approval by the Company's shareholders of the arrangements described in the Document. The agreement contains certain undertakings and indemnities from the Company in respect of, *inter alia*, compliance with all applicable laws and regulations.

Agency / Broker Agreements

- (i) An engagement letter between ASSET Chile and the Company dated 8 October 2012 whereby ASSET Chile agreed to assist the Company with sourcing subscribers for ordinary shares in the Company. In consideration, the Company is to pay a success fee equivalent to 4 per cent. of the proceeds raised on those subscriptions ("**Compensation Amount**") introduced either directly or indirectly by ASSET Chile. On request of the subscribers, this success fee may be made payable in the form of ordinary shares in the Company for up to 25 per cent. of the Compensation Amount. The engagement is to terminate on 7 October 2013 or earlier on written notice from either party. In case of early termination by ASSET Chile, no success fee or termination fee of any kind is payable.
- (ii) A broker agreement between Fox Davies Capital Limited ("**Fox Davies**") and the Company dated 16 November 2012, whereby Fox Davies agreed to assist the Company with sourcing subscribers for ordinary shares in the Company. In consideration, the Company agreed to pay a success fee equivalent to 5.5 per cent. of the proceeds raised on those subscriptions by UK-based subscribers secured by Fox Davies ("**Fox Davies Subscriptions**") together with warrants over 2 per cent. of Fox Davies Subscriptions. In the event that Fox Davies did not secure subscribers for a majority of the ordinary shares in the Company, the Company could determine not to proceed with using the services of Fox Davies to source subscribers and instead elect to pursue an alternative transaction, and the Company would pay a fixed sum of £75,000 to Fox Davies.

Kenai Acquisition

The Company, pursuant to a plan of arrangement (the "**Arrangement**"), acquired the entire share capital of Kenai on 18 July 2013. Under the Arrangement a total of 95,120,675 new ordinary shares in the Company were issued to the shareholders of Kenai including 5,100,000 ordinary shares in the Company in exchange for 6,000,000 Kenai shares that had been issued to Gold Anomaly Limited ("**GOA**") in satisfaction of obligations under a share purchase agreement between GOA and Kenai relating to the acquisition by Kenai of the shares of Gold Aura do Brasil

Mineracao Ltda, the owner of the Sao Chico gold project. These new ordinary shares in the Company were admitted to trading on AIM on 24 July 2013. These new ordinary shares rank *pari passu* in all respects with the ordinary shares in the Company existing at the time of the acquisition of Kenai.

The reports noted above and the material contracts are available on SEDAR at www.sedar.com.

ADDITIONAL INFORMATION

Additional financial information relating to the Company is available in its financial statements and management's discussion and analysis for the financial year ended December 31, 2013. All of these documents, as well as additional information relating to the Corporation, are available on SEDAR at www.sedar.com.

GLOSSARY OF MINING TERMS

The following is a glossary of technical terms that appear in this annual information form:

“**Ag**” means silver.

“**Au**” means gold.

“**assay**” in economic geology, means to analyze the proportions of metal in a rock or overburden sample; to test an ore or mineral for composition, purity, weight or other properties of commercial interest.

“**CIM**” means the Canadian Institute of Mining, Metallurgy and Petroleum.

“**CIP**” or “Carbon in Pulp” means a process used in gold extraction by addition of cyanide.

“**chalcopyrite**” is a sulphide of copper and iron.

“**cut-off grade**” the lowest grade of mineralized material that qualifies as ore in a given deposit; rock of the lowest assay included in an ore estimate.

“**deposit**” is a mineralized body which has been physically delineated by sufficient drilling, trenching, and/or underground work, and found to contain a sufficient average grade of metal or metals to warrant further exploration and/or development expenditures; such a deposit does not qualify as a commercially mineable ore body or as containing ore reserves, until final legal, technical, and economic factors have been resolved.

“**DNPM**” means the Departamento Nacional de Produção.

“**electromagnetics**” is a geophysical technique tool measuring the magnetic field generated by subjecting the sub-surface to electrical currents.

“**garimpeiro**” is a local artisanal miner.

“**geochemical**” refers to geological information using measurements derived from chemical analysis.

“**geophysical**” refers to geological information using measurements derived from the use of magnetic and electrical readings.

“**geophysical techniques**” include the exploration of an area by exploiting differences in physical properties of different rock types. Geophysical methods include seismic, magnetic, gravity, induced polarization and other techniques; geophysical surveys can be undertaken from the ground or from the air.

“**gold equivalent**” refers to quantities of materials other than gold stated in units of gold by reference to relative product values at prevailing market prices.

“**gossan**” is an iron-bearing weathered product that overlies a sulphide deposit.

“**grade**” is the concentration of mineral within the host rock typically quoted as grams per tonne (g/t), parts per million (ppm) or parts per billion (ppb).

“**g/t**” means grams per tonne.

“**hectare**” or a “**ha**” is a unit of measurement equal to 10,000 square metres.

“**IBAMA**” is the Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis.

“**indicated mineral resource**” is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

“**inferred mineral resource**” is that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

"IP" refers to induced polarization, a geophysical technique whereby an electric current is induced into the sub-surface and the conductivity of the sub-surface is recorded.

"measured mineral resource" is that part of a mineral resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

"mineralization" the concentration of metals and their chemical compounds within a body of rock.

"mineralized" refers to rock which contains minerals e.g. iron, copper, gold.

"mineral reserve" is the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined.

"mineral resource" is a concentration or occurrence of diamonds, natural solid inorganic material or natural fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.

"mt" means million tonnes.

"NCL" means NCL Brasil Ltda.

"NI 43-101" means Canadian Securities Administrators' National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

"ore" means a metal or mineral or a combination of these of sufficient value as to quality and quantity to enable it to be mined at a profit.

"oxides" are near surface bed-rock which has been weathered and oxidised by long-term exposure to the effects of water and air.

"ppm" means parts per million.

"RC" refers to reverse circulation drilling.

"RAB" refers to rotary air blast drilling.

"saprolite" is a weathered or decomposed clay-rich rock.

"sulphide" refers to minerals consisting of a chemical combination of sulphur with a metal.

"tailings" are the residual waste material that it is produced by the processing of mineralized rock.

"tpd" means tonnes per day.

"Vein" is a generic term to describe an occurrence of mineralized rock within an area of non mineralized rock.

"VTEM" refers to versa time domain electromagnetic, a particular variant of time-domain electromagnetic geophysical survey to prospect for conductive bodies below surface.

SCHEDULE "A"
SERABI GOLD PLC
AUDIT COMMITTEE MANDATE

General

The board of directors (the "**Board**") of Serabi Gold plc. (the "**Company**") has delegated the responsibilities, authorities and duties described below to the audit committee (the "**Committee**"). For the purpose of this mandate the term "**Company**" shall include the Company and its subsidiaries.

The Committee shall be directly responsible for overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company. The Committee shall be directly responsible for the appointment, compensation, and oversight of the work of any external auditor engaged by the Company for the purpose of preparing or issuing an audit report or related work (including resolution of disagreements between management of the Company and the external auditor regarding financial reporting). In so doing, the Committee will comply with all applicable Canadian securities laws, rules and guidelines, any applicable stock exchange requirements or guidelines and any other applicable regulatory rules.

Members

1. The Committee will be comprised of a minimum of three directors. Each Committee member shall satisfy the independence, financial literacy and experience requirements of applicable Canadian securities laws, rules and guidelines, any applicable stock exchange requirements or guidelines and any other applicable regulatory rules. In particular, each member shall be "independent" and "financially literate" within the meaning of National Instrument 52-110 *Audit Committees* ("**NI 52-110**") (except as otherwise set forth in the limited exemptions contained therein). Determinations as to whether a particular director satisfies the requirements for membership on the Committee shall be made by the Board.
2. Members of the Committee shall be appointed annually by the Board at the first meeting of the Board after the annual general meeting of shareholders. Each member shall serve until such member's successor is appointed, unless that member resigns or is removed by the Board or otherwise ceases to be a director of the Company. The Board shall fill any vacancy if the membership of the Committee is less than three directors.
3. The Chair of the Committee will be designated by the Board, on the recommendation of the Corporate Governance and Nominating Committee, or, if it does not do so, the members of the Committee may elect a Chair by vote of a majority of the full Committee membership. The Chair of the Committee shall be responsible for overseeing the performance by the Committee of its duties, for assessing the effectiveness of the Committee and individual Committee members and for reporting periodically to the Board.

Meetings

4. The Committee will meet at least quarterly and at such times and at such locations as the Chair of the Committee shall determine, provided that meetings shall be scheduled so as to permit the timely review of the Company's quarterly and annual financial statements and related management discussion and analysis, if applicable. Notice of every meeting shall be given to the external auditor, who shall, at the expense of the Company, be entitled to attend and to be heard thereat. The external auditor or any member of the Committee may also request a meeting of the Committee. The Committee shall have an in-camera session without non-independent directors and management as a regular feature of each regularly scheduled meeting. The external auditor and management employees of the Company shall, when required by the Committee, attend any meeting of the Committee. Any director of the Company may request the Chair of the Committee to call a meeting of the Committee and may attend at such meeting or inform the Committee of a specific matter of concern to such director, and may participate in such meeting to the extent permitted by the Chair of the Committee.
5. Meetings of the Committee shall be validly constituted if a majority of the members of the Committee is present in person or by telephone conference. A resolution in writing signed by all the members of the Committee entitled to vote on that resolution at a meeting of the Committee is as valid as if it had been passed at a meeting of the Committee.
6. The Committee shall submit the minutes of all meetings to the Board, and when requested to, shall discuss the matters discussed at each Committee meeting with the Board.

Committee Charter and Performance

7. The Committee shall have a written charter that sets out its mandate and responsibilities and the Committee shall review and assess the adequacy of such charter and the effectiveness of the Committee at least annually or otherwise, as it deems appropriate, and propose recommended changes to the Corporate Governance and Nominating Committee who will do the same and recommend changes to the Board for its approval. Unless and until replaced or amended, this mandate constitutes that charter.

Committee Authority and Responsibilities:

8. *General*

The overall duties of the Committee shall be to:

- (a) assist the Board in the discharge of its duties relating to the Company's accounting policies and practices, reporting practices and internal controls;
- (b) establish and maintain a direct line of communication with the Company's external auditor and assess their performance;
- (c) oversee the work of the external auditor engaged to prepare or issue an auditor's report or to prepare other audit, review or attest services for the Company, including resolution of disagreements between management and the external auditor regarding financial reporting;
- (d) ensure that management has designed, implemented and is maintaining an effective system of internal controls and disclosure controls and procedures;
- (e) monitor the credibility and objectivity of the Company's financial reports;
- (f) report regularly to the Board on the fulfillment of the Committee's duties, including any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the external auditor or the internal audit function;
- (g) assist, with the assistance of the Company's legal counsel, the Board in the discharge of its duties relating to the Company's compliance with legal and regulatory requirements; and
- (h) assist the Board in the discharge of its duties relating to risk assessment and risk management.

9. *External Auditor*

The external auditor will report directly to the Committee and the Committee should have a clear understanding with the external auditor that such auditor must maintain an open and transparent relationship with the Committee and that ultimate accountability of the auditor is to the shareholders of the Company. The duties of the Committee as they relate to the external auditor shall be to:

- (a) review management's recommendations for the appointment of the external auditor, and in particular their qualifications, objectivity and independence, and recommend to the Board a firm of external auditors to be engaged and the compensation of such external auditor;
- (b) review the performance of the external auditor, including the fee, scope and timing of the audit, and make recommendations to the Board regarding the appointment or termination of the external auditor;
- (c) review, where there is to be a change of external auditor, all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102 – *Continuous Disclosure Obligations* or any successor legislation ("**NI 51-102**"), and the planned steps for an orderly transition;
- (d) review all reportable events, including disagreements, unresolved issues and consultations, as defined in NI 51-102, on a routine basis, whether or not there is to be a change of external auditor;
- (e) ensure the rotation of partners on the audit engagement team of the external auditor in accordance with applicable law, standards or rules;

- (f) review and pre-approve non-audit services to be provided to the Company by the external auditor, other than *de minimus* non-audit services referred to in Section 2.4 of NI 52-110. In connection therewith, the Chair of the Committee is authorized to pre-approve any non-audit services, provided that such pre-approval is presented to the Committee at its first scheduled meeting following such pre-approval;
- (g) review and approve the engagement letters of the external auditor, both for audit and permissible non-audit services, including the fees to be paid for such services;
- (h) review the nature of and fees for any non-audit services performed for the Company by the external auditor and consider whether the nature and extent of such services could detract from the external auditor's independence in carrying out the audit function; and
- (i) meet with the external auditor, as the Committee may deem appropriate, to consider any matter which the Committee or external auditor believes should be brought to the attention of the Board or shareholders of the Company.

10. ***Audits and Financial Reporting***

The duties of the Committee as they relate to audits and financial reporting shall be to:

- (a) review the audit plan with the external auditor and management;
- (b) review with the external auditor and management all critical accounting policies and practices of the Company (including any proposed changes in accounting policies), the presentation of the impact of significant risks and uncertainties, all material alternative accounting treatments that the external auditor has discussed with management, other material written communications between the external auditor and management (such as any management letter or schedule of unadjusted differences), and key estimates and judgments of management that may in any such case be material to financial reporting;
- (c) review the contents of the audit report;
- (d) question the external auditor and management regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;
- (e) review the scope and quality of the audit work performed;
- (f) review the adequacy of the Company's financial and auditing personnel;
- (g) review the co-operation received by the external auditor from the Company's personnel during the audit, any problems encountered by the external auditor and any restrictions on the external auditor's work;
- (h) review the appointments of the Chief Financial Officer, persons performing any internal audit function and any key financial executives involved in the financial reporting process;
- (i) review with management and the external auditor the Company's interim unaudited financial statements and the annual audited financial statements in conjunction with the report of the external auditor thereon, and obtain an explanation from management of all significant variances between comparative reporting periods before recommending approval by the Board and the release thereof to the public; and
- (j) review the terms of reference for an internal auditor or internal audit function.

11. ***Internal Controls***

The duties of the Committee as they relate to internal control over financial reporting shall be to:

- (a) review the evaluation of internal controls by the persons performing the internal audit function and the external auditor, together with management's response to the recommendations, including subsequent follow-up of any identified weaknesses. Particular emphasis will be given to the adequacy of internal controls to prevent or detect any payments, transactions or procedures that might be deemed illegal or otherwise improper; and

- (b) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

12. ***Accounting and Disclosure Policies***

The duties of the Committee as they relate to accounting and disclosure policies and practices shall be to:

- (a) review the effect of regulatory and accounting initiatives and changes to accounting principles, which would have a significant impact on the Company's financial reporting as reported to the Committee by management and the external auditor;
- (b) review the appropriateness of the accounting policies used in the preparation of the Company's financial statements and consider recommendations for any material change to such policies;
- (c) review the status of material contingent liabilities as reported to the Committee by management;
- (d) review the status of corporate tax returns and potentially significant tax problems as reported to the Committee by management;
- (e) review any errors or omissions in the current or prior years' financial statements;
- (f) review and recommend approval by the Board before their release all public disclosure documents containing audited or unaudited financial results, including all press releases containing financial results, offering documents, annual reports, annual information forms and management's discussion and analysis containing such results; and
- (g) satisfy itself that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements other than the public disclosure referred to in clause (f), above, and periodically assess the adequacy of these procedures.

13. ***Other***

The other duties of the Committee shall include:

- (a) reviewing any inquiries, investigations or audits of a financial nature by governmental, regulatory or taxing authorities;
- (b) reviewing annual operating and capital budgets;
- (c) reviewing and reporting to the Board on difficulties and problems with regulatory agencies which are likely to have a significant financial impact;
- (d) reviewing and approving the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company;
- (e) inquiring of management and the external auditor as to any activities that may be or may appear to be illegal or unethical; and
- (f) at the request of the Board, investigating and reporting on such other matters as it considers necessary or appropriate in the circumstances.

Authority to engage independent counsel and outside advisors

- 14. The Committee has the authority to engage independent counsel and other advisors it determines necessary to carry out its duties, to set and pay the compensation for any advisors employed by the Committee and to communicate directly with the internal and external auditors.
- 15. The Company shall provide appropriate funding, as determined by the Committee, in its capacity as a committee of the Board, for payment (a) of compensation to the external auditors employed by the issuer for the purposes of rendering or issuing an audit report and to any advisors engaged by the committee, and (b) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

