



MANAGEMENT'S DISCUSSION AND ANALYSIS

**For the three month period
ended 31 March 2020**

14 May 2020

SERABI GOLD PLC
Management's Discussion and Analysis
for the three month period ended 31 March 2020

Introduction

This Management's Discussion and Analysis ("MD&A") dated 14 May 2020 provides a review of the performance of Serabi Gold plc ("Serabi", the "Company" or the "Group"). It includes financial information from, and should be read in conjunction with, the Group's annual report and audited consolidated financial statements for the twelve month period ended 31 December 2019.

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

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

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

Overview

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

The current mining operations within the Palito Complex are over the Palito orebody ("Palito") and the Sao Chico orebody ("Sao Chico") and lie within the larger JDO Project which comprises a series of contiguous exploration licences covering an area of over 43,000 hectares, and lies on the 50 kilometres wide north west to south east trending Tocantinzinho Trend, a major controlling structural feature in the Tapajos region. The vast majority of the hard rock mineral resources discovered to date in the Tapajos region lie on this trend.

The Palito operation is fully permitted and has a mining licence, issued in October 2007 and with no fixed expiry covering 1,150 hectares. Remediation work commenced in October 2012, developing the existing underground mine and renovating the process plant. Commissioning of the process plant started in December 2013 with the first consignments of copper/gold concentrate transported from the Palito Mine in February 2014. On 23 July 2014, the Group declared that the Palito Mine had achieved commercial production with effect from 1 July 2014.

The gold at Palito is associated with occurrences of copper and iron and is hosted in quartz veins with bonanza gold grades associated with massive chalcopyrite-pyrite blowouts within the quartz veins. Gold recovery is undertaken by crushing and grinding prior to passing the ore through a flotation plant producing a copper/gold concentrate which can account for up to between 50 per cent to 70 per cent of the gold recovered from the Palito orebody. The residual tailings from the flotation process, which also recovers up to 90 per cent of the copper content of the ore, are then passed to a conventional Carbon in Pulp ("CIP") plant which can recover approximately 65 per cent to 70 per cent of the residual gold. Overall gold recovery from the Palito orebody is approximately 90 to 92 per cent.

The Sao Chico orebody is a high-grade deposit located approximately 30 kilometres, by road, from the Palito deposit. Initial development of the mine portal and ramp was undertaken during 2015 with the Main Vein intersected in January 2015. By the end of December 2015, the ramp development provided access to three development levels and the production of ore from the first stopes was underway. Commercial production at Sao Chico was declared as of 1 January 2016. Ore from the Sao Chico deposit is transported by truck to the central gold process plant located adjacent to the Palito orebody.

The gold of the Sao Chico orebody is hosted within a mineralised alteration zone including moderately high concentrations of pyrite, galena, and sphalerite, although the gold is not directly associated with the latter two minerals. The gold mineralisation is amenable to direct cyanidation. The ore passes initially to a gravity concentrator after milling, with the concentrate produced being passed through the In-Line Leach Reactor ("ILR"), where gold is leached, and then recovered through conventional electro winning and smelting processes to produce bars of gold doré. The ILR is a small but very intensive, closed cyanide leaching process for treating very high gold content material, typically to leach high grade gravity concentrate. The gravity circuit currently recovers up to 60 per cent of the gold. The tailings from this ILR process continue to pass to the CIP recovery plant where they are blended with the flotation tailings generated from the processing of the Palito ore. Overall gold recovery from the Sao Chico orebody is approximately 93 per cent.

On 12 April 2018 the Company completed a Subscription Agreement with Greenstone Resources II LP ("Greenstone"). Greenstone subscribed ("the Subscription") for 297,759,419 Ordinary Shares ("the Subscription Shares") at a price of 3.6 pence per share (the "Subscription Price"). The Subscription Shares issued pursuant to the Subscription rank pari passu with the Ordinary Shares already in issue at that time.

On 15 May 2018 the Company completed the placing of a further 176,678,445 New Ordinary Shares ("Placing Shares") at a price of 3.6 pence per Placing Share (the "Placing Price"), raising gross proceeds of £6.36 million for the Company. The Placing Shares rank pari passu with the Ordinary Shares already in issue at that time.

On 20 June 2018 the Company undertook a consolidation of its share capital whereby one new Ordinary Share with a par value of 10 pence ("New Ordinary Shares") was exchanged for every 20 existing Ordinary Shares with a par value of 0.5 pence each ("Old Ordinary Shares"). Each New Ordinary Share confers upon the holder identical rights to the Old Ordinary Shares.

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

Coringa was acquired by the Group from Anfield Gold Corp. ("Anfield") on 21 December 2017 (the "Acquisition"). Management considers that Coringa is very much a "carbon-copy" of Palito in terms of the geology, size and mining operations that will be used. Coringa is an advanced development project and a pre-feasibility study prepared by Global Resource Engineering ("GRE"), Serabi's independent engineering consultant, published in September 2019 ("the Coringa PEA") estimated:

Gold Price (per ounce)	Units	BASE CASE \$1,275	\$1,350	\$1,450
Pre tax NPV (5%)	US\$m	\$55.7	\$71.3	\$92.2
Pre tax NPV (10%)	US\$m	\$37.2	\$49.4	\$65.8
Post tax NPV (5%)	US\$m	\$47.3	\$61.3	\$79.6
Post tax NPV (10%)	US\$m	\$30.7	\$41.7	\$56.1
Post tax IRR	%	31%	37%	46%
Project after tax cash flow	US\$m	\$71.6	\$90.1	\$114.0
Average annual free cash flow	US\$m	\$11.5	\$13.7	\$16.6
Average gross revenue	US\$m	43.4	46.0	49.4

- The Base Case project payback is estimated to occur within 2.25 years of first gold production;
- Average Life of Mine ("LOM") All-In Sustaining Cost ("AISC") of US\$852¹ per ounce including royalties and refining costs using the Base Case gold price;
- Average gold grade of 8.34 g/t gold producing a total gold production of 288,000 ounces;
- Typical annual production once the project is in full operation averages 38,000 ounces per year²;
- Initial capital requirement of US\$24.7 million prior to sustained positive cash-flow;
- Sustaining capital expenditures of US\$9.2 million to be funded from project cash-flow;
- Indicated mineral resource inventory of 125,000 ounces of gold, supported by a further Inferred Resources of 178,000 ounces of gold from a total geological resource of 195,000 indicated ounces of gold and 346,000 inferred ounces of gold, to be produced by underground open stoping using a cut-off grade of 6.00 g/t gold;
- Total Life of Mine of approximately 9 years;
- The Base Case includes a 20 per cent contingency on both operating and capital costs;
- Subject to permitting approvals and project financing, management expects that mine development start-up could occur before the end of 2020, with initial processing of ROM feed set to commence approximately nine months later.

The Coringa PEA also included an update to the previously disclosed geological resource for the project. The results recorded a NI 43-101 compliant Indicated Resource of 195,000 ounces of gold at an average grade of 8.24 grammes per tonne ("g/t") and an Inferred mineral resource of 346,000 ounces of gold at an average grade of 6.54 g/t.

Serabi has made two payments to Anfield in respect of the Acquisition each of US\$5 million in cash. A final payment of US\$12 million in cash was due to be paid on 21 December 2019 representing the remaining "Coringa Deferred Consideration". The total proposed consideration for the Acquisition amounts to US\$22 million in aggregate. On 20 December 2019, Anfield and Serabi agreed to extend the date for the payment of the Coringa Deferred Consideration for a further three months to 31 March 2020. The Company agreed that it would pay

¹ Calculated when the Project has achieved sustained positive cash flow and excludes the initial capital requirements

² For the first five full years of production

interest on the amount of the Coringa Deferred Consideration outstanding at the rate of 10 per cent per annum. As a result of the uncertainty caused by the Coronavirus, a further extension was agreed, as announced by the Company on 9 April 2020, whereby the date for the payment of the Coringa Deferred Consideration was extended until such time as there are no international travel restrictions imposed by the Brazilian authorities and also no travel restrictions within or into the State of Para, Brazil, (the "Travel Restriction Condition"). Under the terms of the extension the Group will start to make instalment payments in respect the Coringa Deferred Consideration of US\$500,000 per month payable on each of 1 May 2020, 1 June 2020 and 1 July 2020 which will increase to US\$1 million per month thereafter (the "Deferral Period") until such time as the Travel Restriction Condition is satisfied. The balance outstanding of the Coringa Deferred Consideration is expected to be settled within six weeks of the Travel Restriction Condition being satisfied.

On 21 January 2020, the Group entered into a subscription deed for the issue of US\$12 million of Convertible Loan Notes ("the Loan Notes") by Greenstone Resources II LP ("Greenstone") the proceeds of which were to be applied inter-alia to settle the Coringa Deferred Consideration. The subscription deed was subject to shareholder approval and certain other conditions being fulfilled at the time of initial drawdown. Shareholder approval was received on 26 February 2020.

However, as a consequence of the uncertainties caused by Coronavirus, the Group subsequently agreed with Greenstone to extend the period for the satisfaction of all the conditions necessary for the completion of the subscription by, and issue to, Greenstone of the Loan Notes.

On 23 April 2020, The Company and Greenstone signed an amendment deed which varies the original Subscription Deed (the "Amendment Deed").

Under the Amendment Deed certain terms of the subscription with Greenstone have been amended as follows:

- (a) the Company may, prior to the satisfaction of the Travel Restriction Condition only submit a subscription request in respect of Convertible Loan Notes in the amount of US\$500,000 each month. Following the satisfaction of the Travel Restriction Condition, the Company may then issue further subscription request for amounts of not less than US\$100,000 and not exceeding an amount equal to US\$12,000,000 less the sum of the aggregate principal amount of all Notes outstanding at that time.
- (b) until such time as the existing secured loan due to Sprott Resource Lending Partnership (the "**Sprott Loan**") has been repaid, the Convertible Loan Notes shall be unsecured and will be subordinated to the Sprott Loan. The Sprott Loan was approximately US\$3.45 million as at 31 March 2020 and is being repaid in three equal monthly instalments ending 30 June 2020.
- (c) Following settlement of the Sprott Loan, the security interests of Sprott will be discharged and the Company will grant to Greenstone the security package as originally envisaged save that a pledge of the shares of Chapleau Resources Limited ("**CRL**") will continue to be held by Equinox until such time as the Coringa Deferred Consideration is settled in full. CRL holds 100% of the shares of Chapleau Exploração Mineral Ltda which in turn holds the exploration licences for the Coringa gold project
- (d) The period during which the Company may issue an Issue Notice to Greenstone expires on 31 December 2020 unless otherwise agreed.
- (e) Subject to Greenstone not having exercised its option to convert the amount outstanding into Conversion Shares, the Convertible Loan Notes are due to be repaid 16 months after the first Issue Date which was 30 April 2020.

The Amended Subscription Deed includes certain covenants and undertakings that are in accordance with normal market practice for these types of arrangement. These include an undertaking that at each month end (i) the cash position of the Group should be the higher of US\$1 million or 25 per cent of the value of the partial subscriptions completed at that date and (ii) the Group should have positive working capital (excluding the value of the Loan Notes) of at least US\$2.5 million.

Save as set out above there have been no other material changes to the terms of the Subscription Deed. The underlying conversion price at which Greenstone may, convert any outstanding amount into Ordinary Shares ("**Conversion Shares**") in the Company has not been varied and remains at a price of £0.76 per Ordinary Share. Greenstone may convert any outstanding Convertible Loan Notes at any time.

On 30 June 2017, the Group entered into a credit facility for US\$5 million with the Sprott Resource Lending Partnership ("Sprott") to provide development and working capital for Palito and Sao Chico. This facility included an amount of US\$1.37 million that was outstanding under a previous credit facility with Sprott, entered into on 26 September 2014, with the remaining funds being received on 5 July 2017. On 19 January 2018, the facility was increased to US\$8 million to provide additional working capital to the Group and in particular to reimburse the funds used to settle the initial US\$5 million payment made to Anfield in respect of the Acquisition. On 19 May 2019, the Group agreed with Sprott a variation in the repayment terms such that the outstanding loan would be repaid in six equal monthly instalments commencing on 31 January 2020.

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

Key Financial Information

SUMMARY FINANCIAL STATISTICS FOR THE THREE MONTHS ENDING 31 MARCH 2020

	3 months to 31 March 2020 US\$ (unaudited)	3 months to 31 March 2019 US\$ (unaudited)	12 months to 31 December 2019 US\$ (audited)	12 months to 31 December 2018 US\$ (audited)
Revenue	13,097,687	17,126,040	59,948,092	43,261,743
Cost of Sales	(8,233,056)	(11,361,987)	(37,203,445)	(31,101,016)
Gross Operating Profit	4,864,631	5,764,053	22,744,647	12,160,727
Administration and share based payments	(1,664,630)	(1,424,504)	(5,524,320)	(5,867,918)
EBITDA	3,200,001	4,339,549	17,220,327	6,292,809
Depreciation and amortisation charges	(1,704,361)	(2,289,545)	(8,857,203)	(9,004,411)
Operating profit/(loss) before finance and tax	1,495,640	2,050,004	8,363,124	(2,711,602)
Profit/(loss) after tax	772,632	1,549,962	3,832,984	(5,754,541)
Earnings per ordinary share (basic)	1.31 cents	2.63 cents	6.51 cents	(11.20 cents)
Earnings per ordinary share (diluted)	1.27 cents	2.49 cents	6.28 cents	(11.20 cents)
Average gold price received	US\$1,549	US\$1,287	US\$1,376	US\$1,258
		As at 31 March 2020	As at 31 December 2019	As at 31 December 2018
Cash and cash equivalents		9,149,274	14,234,612	9,216,048
Net assets		55,554,750	69,733,388	69,110,287
Cash Cost and All-In Sustaining Cost ("AISC") ⁽¹⁾				
	3 months to 31 March 2020	3 months to 31 March 2019	12 months to 31 December 2019	12 months to 31 December 2018
Gold production for cash cost and AISC purposes	9,020 ozs	10,164 ozs	40,101 ozs	37,108 ozs
Total Cash Cost of production (per ounce)	US\$996	US\$796	US\$832	US\$821
Total AISC of production (per ounce)	US\$1,257	US\$1,021	US\$1,081	US\$1,093

- (1) See Note *Total cash cost and all-in sustaining cost later* in this report for a reconciliation between non-IFRS cash cost and non-IFRS all-in sustaining cost to production costs included in cost of sales as disclosed in the consolidated statement of comprehensive income.

Key Operational Information

		SUMMARY PRODUCTION STATISTICS FOR 2020 AND FOR 2019						
		Qtr 1	YTD	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total
		2020	2020	2019	2019	2019	2019	2019
Gold production ⁽¹⁾	Ounces	9,020	9,020	10,164	9,527	10,187	10,233	40,101
⁽²⁾								
Mined ore – Total	Tonnes	42,036	42,036	42,609	44,784	44,757	44,092	176,243
	Gold grade (g/t)	6.54	6.54	7.47	6.72	7.14	6.69	7.00
Milled ore	Tonnes	40,465	40,465	43,451	43,711	45,378	44,794	177,335
	Gold grade (g/t)	6.66	6.66	7.69	6.72	6.84	6.81	7.02
Horizontal development – Total	Metres	2,878	2,878	1,868	2,419	2,433	2,908	9,628

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

(2) Gold production totals for 2020 includes treatment of 9,146 tonnes of flotation tails at a grade of 4.35 g/t (Q1 2019: 3,136 tonnes at a grade of 4.00g/t)

(3) The table may not sum due to rounding.

Financial Highlights

- Cash Cost for the quarter of US\$996 per ounce.
- All-In Sustaining Cost for the quarter of US\$1,257 per ounce.
- EBITDA for the first quarter of 2020 of US\$3.20 million (Q1 2019: US\$4.33 million).
- Post tax profit of US\$0.77 million reflecting lower level of gold sales realised during the period compared with 2019 offset by higher average gold prices in 2020.
- Earnings per share of 1.31 cents.
- Average gold price of US\$1,549 received on gold sales in 2020
- Lower revenue, quarter on quarter, reflects sales of gold inventory realised in Q1 2019 and lower production resulting from a mill stoppage in February 2020 (see news release 26 March 2020).
- Agreement, concluded in April 2020, with Greenstone Resources II LP (“Greenstone”) to subscribe for US\$12 million Convertible Loan Stock.
- Agreement reached with Equinox Gold Corp. (“Equinox”) allowing the Company to pay, in monthly instalments, the remaining US\$12 million consideration for purchase of Coringa, until travel restrictions caused by Coronavirus are lifted.

Operational Highlights

- First quarter gold production of 9,020 ounces.
- 3,674 ounces of gold produced in March 2020, the highest monthly level since the operation opened.
- Ore sorter in full scale operation in March following completion of commissioning during the quarter.
- 42,036 tonnes of ore mined during the quarter at 6.54 grams per tonne (“g/t”) of gold.
- 40,465 tonnes of run of mine (“ROM”) ore processed through the plant from the combined Palito and Sao Chico orebodies, with an average grade of 6.66 g/t of gold.
- 2,878 metres of horizontal development completed during the quarter.
- Public hearing for the Coringa project held on 6 February 2020 with positive feedback. The Company is now awaiting submission of final recommendation to, and approval of, the State Environmental Council (“COEMA”) for the award of the Licencia Previa (the Preliminary License).

Exploration and Development Highlights

- Step out surface diamond drilling at Sao Chico has identified westerly extension for 375 metres with mineable widths and grades and for over 200 metres to the east.
- Underground drilling at Sao Chico has continued to test the depth extension with an intersection reported of over 25g/t over 4.08 metres at a depth of over 200 metres below the current mine workings.
- Geochemical results from the Mata Cobra and Cinderella anomalies identifying a number of exciting new prospects.

Key Objectives for 2020

- Implement measures to minimise short term impacts of Coronavirus ("CV-19") on current operations and provide a safe and responsible work environment for staff during the crisis.
- Continue to make its best efforts to maintain production levels as close as guidance as is practical being mindful of providing proper rest schedules for those staff at the mine site
- Complete the licencing process for Coringa and complete all desktop planning activity.
- Secure financing package for the Coringa project to fund plant erection and other site developments.
- Complete, as soon as practical, exploration programmes at Sao Chico to expand the resource with a view to producing a new resource estimation.
- Complete exploration drilling programme over geophysical anomalies around Sao Chico.
- Complete acquisition of Coringa gold project.

OPERATIONS

The Palito Complex comprises the Palito deposit and adjacent process plant together with the Sao Chico deposit located 25 kilometres to the south west. The Palito deposit is currently operating across four sectors with active development and mining of eight of the 26 veins that comprise the Measured, Indicated and Inferred resources of the Palito Mine. Underground drilling of the Palito orebody is helping to identify mineralisation at depth, making the rate and location of future mine development more efficient and also identifying additional smaller parallel vein structures that could be accessed from existing mine development.

Within the Palito orebody the G3 vein is the most developed of the 26 veins, being developed to a depth of approaching 300 metres and over a strike length of more than 1.5 kilometres. Drill holes now extend that strike length beyond 1.5 kilometres and it remains open to the north and south. Management considers that there is strong potential for the Palito veins to continue both at depth and along strike to the southeast and the northwest, as far as the Currutela and Copper Hill discoveries respectively, opening up a potential four kilometre strike length of mineralisation.

At Sao Chico the mine development has, to date, focused on the central ore shoot of the Main Vein. The Group is driving development galleries east and west towards additional ore shoots that have been identified by surface drilling and management is confident that these ore shoots will provide additional mineable ore at Sao Chico. Underground drilling is being undertaken at Sao Chico for short term operational and mine planning purposes focussing on the deeper part of the mine, and the depth of the central ore zone. Surface drilling and a terrestrial induced polarisation ("IP") geophysics survey have highlighted excellent potential for future resource growth at Sao Chico whilst step out drilling, which is on-going has intersected mineable widths and grades beyond the current mine limits to the east for 220 metres and west for over 300 metres. The IP survey has highlighted some significant and exciting anomalies to the west and south east which will be drilled during 2020.

The Group has completed extensive test work to assess the benefits of ore-sorting to further enhance ore feed grade and to reduce waste entering the process plant. The ore sorter was acquired and installed during 2019 and was fully commissioned during the first quarter of 2020. The ore sorter 'screens out' waste rock ahead of the milling section allowing improved levels of gold production in 2020 without needing to expand the milling capacity. Management anticipates that the successful commissioning of the ore-sorter will bring feed grade increases as well

as liberating much needed process plant capacity and is key to allowing some future organic growth to be realised without needing to expand milling capacity.

Summary of production results for first quarter of 2020.

Total gold production for the first quarter of 2020 of 9,020 ounces represents a decrease of 11 per cent compared with 2019 when production was 10,164 ounces. This decrease resulted primarily from the failure of one of the Company's three ball mills for an 18 day period during February 2020 resulting in the loss of approximately 10% of the quarterly throughput.

Total mining rates over the Palito Complex were, for the first quarter of 2020, approximately 1% below those for the same quarter in 2020, whilst milling rates at 40,465 tonnes were approximately 7% lower than for 2019. The Company was however able to process approximately 9,100 tonnes of historic flotations tailings during the quarter representing an 191% per cent improvement compared to the same period in 2019. Production for the month of March 2020 of 3,674 ounces represents the highest level of monthly gold production since the operation began.

Mining

Mining of the Palito and Sao Chico orebodies has for the last couple of years been in a steady regime. Nevertheless, the Group realizes the importance of maintaining development rates comfortably ahead of stoping and in this way ensure a steady mining rate and ore-grades for the future. Short term actions taken in reaction to the COVID 19 pandemic are not anticipated to affect the longer term plans and operational strategies for mine development and production.

Mined grades achieved for the first quarter averaged 6.54 g/t, a 12 per cent reduction compared with the average grade achieved for the same period in 2019, and is below the average reserve grade for the two orebodies of just over 8.0 g/t, estimated by SRK in the Palito Complex Technical Report issued in January 2018. Whilst the operation tries to maintain an even grade as much as possible, the various blocks of the different veins being mined at any time give rise to monthly and therefore quarterly variation. During this first quarter of the year the level of mine fleet availability was slightly lower than expected which did result in higher levels of development mining being undertaken. Development mining has less selectivity and therefore results in a lower average mined grade. Nonetheless, management considers the short term grade variation to be within expected operational norms and therefore not unusual.

Plant operations

Total gold production for the first quarter of 2020 was 9,020 ounces of gold, generated from the processing of ROM ore from the Palito and Sao Chico orebodies, combined with the surface coarse ore stockpiles and includes 1,027 ounces produced from the stockpiled flotation tailings accumulated from the initial processing of Palito Mine production in 2014.

A total of 40,465 tonnes from the Palito and Sao Chico orebodies with an average grade of 6.66 g/t of gold (three months to 31 March 2019: 43,451 tonnes at 7.69 g/t of gold) were processed. ROM ore processed in the first quarter was seven per cent lower (approximately 3,000 tonnes) compared with the same period in the prior year. During the same period a total of 9,146 tonnes of reprocessed tailings were passed through the plant, an increase of approximately 6,000 tonnes compared with 2019.

Plant performance during the first quarter was restricted by the loss of the main ball mill during February as a result of which at least 18 days of milling time was lost. The main ball mill comprises approximately 40 per cent of the total milling capacity and it is estimated that the lost milling time for the quarter was up to ten per cent as a result of the loss of this ball mill.

Plant performance was otherwise very good throughout the quarter and during March the milling rates of crushed ROM were in line with forecast at slightly above 500 tonnes per day whilst the total volume processed including reprocessed tailings averaged over 620 tonnes per day compared with the average achieved for the 2019 calendar year of approximately 570 tonnes per day.. At the end of the quarter, the Company had approximately 9,600 tonnes of coarse ore stockpiled on surface and sufficient stockpile of flotation tails to allow processing at current rates for

the remainder of 2020 (with an average grade of around 3.0 g/t of gold). Since the operations began, plant capacity has limited the ability to run down the surface ore stocks, a legacy of the fact that mine production began six months before the ore processing.

The production improvement in March resulted from improved average ore feed grades, most notably from Palito, which could, in part, be attributed to the recently commissioned ore sorter. Following the completion of installation at the end of 2019, commissioning and testing of the ore-sorter took place during the first part of the quarter whilst trying to optimise the set up. During March, the sorter processed approximately 2,500 tonnes of ROM with an average grade of approximately 3 g/t, which was screened into 300 tonnes of product at over 20 g/t gold and 2,200 tonnes of reject at 0.88 g/t Au, representing an improved feed grade of 600 to 700 per cent and eliminating virtually all the waste that would otherwise have entered the plant. Including the low grade stockpiled material that was used during the commissioning and initial testing phases, the Company estimates that during the first quarter the ore sorter performance would have 'liberated' on average approximately 80 tonnes per day of capacity (16 per cent) in the plant. The Company hopes to be able to fill that capacity, and replace the waste, with high grade ore in future quarters.

The ore sorter has been installed after the main crushing plant and is intended to remove waste material that, despite best efforts to mine selectively, would otherwise, unavoidably, enter the plant feed. This waste will be removed post-crushing but ahead of milling and will reduce process costs per ounce recovered and liberate capacity in a mill constrained operation. In this way it is hoped that, using this technology, the plant can be debottlenecked, mill feed grade elevated as a result, and plant capacity freed up for the future organic growth.

Impact of COVID-19 pandemic

At this time, gold production operations have continued without interruption and the transport and sale of finished product has not been affected. The mine sites remain totally virus free and in the immediate term the Company is seeking to minimise the movements in and out of the mine site of personnel. Employees who are on work rotations are being tested prior to arrival at site and also being held under a medically supervised quarantine for seven days prior to mixing with the rest of the workforce. As a result work rosters are being extended and for those at site, additional rest days have been agreed. Critical mining and processing consumables and supplies have been stockpiled, where feasible, to keep the site operational. The Company hopes that by following this strategy mining and processing operations can be continued and, whilst it may not be possible to operate and achieve the levels of production that were originally forecast, good levels of monthly production can be maintained.

Mining has been included in a list of Brazil's essential business activities, which should help guarantee the continuity of the supply chain as well. Nonetheless, as a matter of caution, exploration programmes have been temporarily suspended at site. These activities rely heavily on contractors who may not be able to control their staff movements to the levels required and additionally this liberates accommodation to allow for areas to be set aside for isolation where it is required.

Palito Complex Licensing

The Palito operation is fully permitted and has a mining licence issued in October 2007 and with no fixed expiry date, covering 1,150 hectares.

In February 2014, the Final Exploration Report ("FER") for the Sao Chico gold project was completed and submitted to the Departamento Nacional de Produção Mineral ("DNPM"), who issued notification of their approval of this report in November 2014. This represented the first part of the process of transforming the Sao Chico exploration licence into a full mining licence. As the next major step in the conversion procedure, Serabi submitted, in September 2015, the Plano Aprovimientto Economico, a form of economic assessment prepared in accordance with Brazilian legislation. Additionally, the Group engaged MDM from Belem, an Environmental Consultancy to complete a full socio-economic analysis and Environmental Impact Assessment ("EIA") for Sao Chico. This is now complete, however SEMAS, the state Environmental Agency, in the latter half of 2018, informed Serabi that in reference to the already submitted Coringa EIA, they could not process two EIA's from the same company simultaneously. With the public hearing for Coringa, which was convened by SEMAS, having

now taken place in February 2020, the Company hopes that SEMAS will now be in a position to undertake their assessment of the Sao Chico EIA during 2020.

The Guia de Utilização (a trial mining licence) was renewed on 9 October 2019 and is valid until 9 October 2022. In addition, an application was submitted for a second trial mining licence, immediately to the west of the existing trial mining licence. This second licence was issued on 16 December 2019 and is valid until 13 December 2022. All mining operations can continue under the trial mining licences, whilst the full mining licence application is progressing. The issuing of the mining licence also requires the submission of a risk assessment and management plan, safety assessments, environmental and social impact studies, closure and remediation plans all of which have been submitted to the relevant government bodies. Any further reports requested or updates to existing reports will be submitted promptly upon request.

EXPLORATION

Drilling

A 9,600 metre 'step out' surface diamond drill programme commenced early in the fourth quarter of 2019 to test the east and west continuity of the Sao Chico orebody. In addition, an underground drilling services contractor was engaged to undertake an 8,000 metre underground drilling programme to test the depth continuity.

Initial results were announced in a news release of 6 January 2020 and at that time the drilling completed to date indicated payable strike continuity of mineralisation for 200 metres to both the east and west of current mining limits. Underground drilling also confirmed the extension of current Sao Chico ore-body for a further 100 metres below the lowest level of current development, level -48mRL, which is itself some 250 vertical metres below surface.

- o Key intercepts at depth include intersections of 34.42 g/t and 114.49 g/t from holes 19-SCUD-284 and 19-SCUD-274 respectively.

- o Key intercepts to the west include intersections grading 21.03 grammes per tonne ("g/t") and 15.39 g/t (holes 19-SCUD-219 and 248 respectively).

- o Key intercepts to the east include intersections of 16.61 g/t and 27.35 g/t (holes 19-SC-143 and 142 respectively).

Drilling was also commenced on the geophysical anomalies that lie immediately to the west of the Sao Chico orebody. A 6,000 metre Reverse Circulation ("RC") drilling programme began in early December to test the anomalies first highlighted in a news release issued in 28 November 2018.

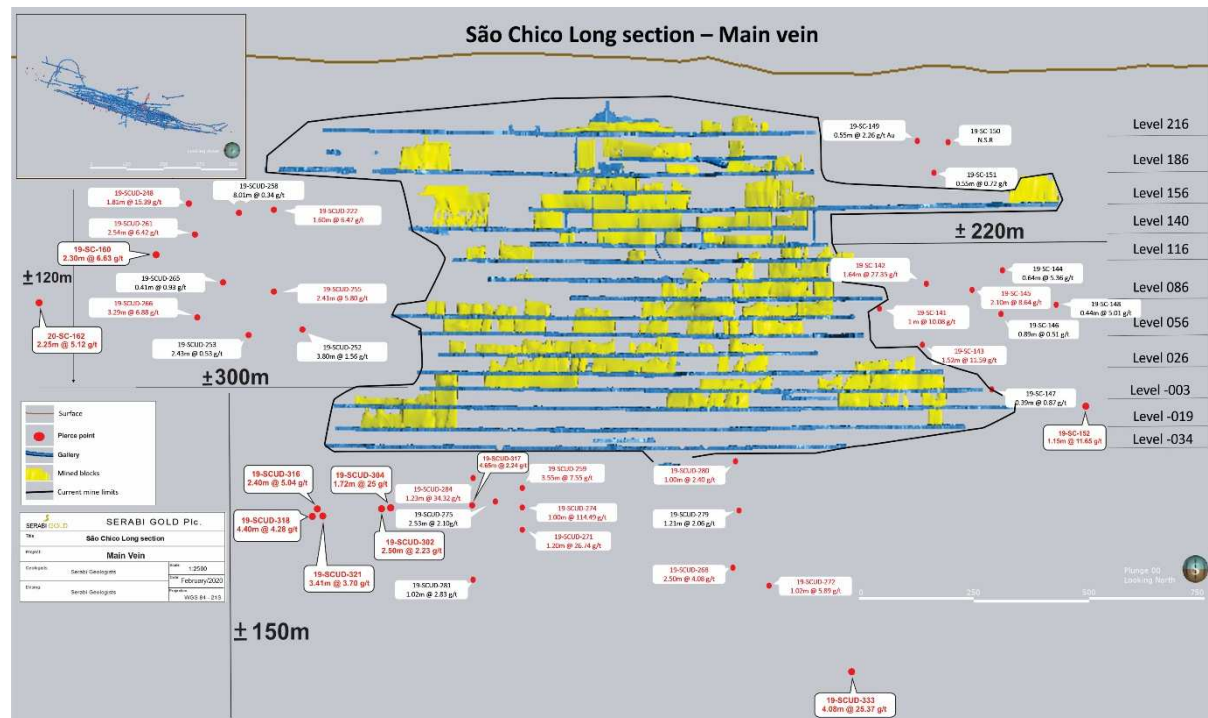
Subsequently, and as announced in a news releases issued on 3 March 2020 and 11 May 2020, drilling to the west was extended to 375 metres beyond the current western limit of the mine, and the intersections recovered continued to indicate of being able to extend the mine limit and contribute to a significant expansion of the current mineral resource. The Company plans to continue to "step-out" 100 metres at a time and expect that continued success would potentially expand the mineral resource further.

To the east additional drilling was also completed with high grade mineralization intersected in the most easterly hole of 11.7 g/t Au over 1.2 metres. This result is located 220 metres to the east of the current eastern limit of the mine and therefore the orebody remains open to the east and justifies additional step out drilling to test this eastern extension.

Continued drilling from underground, however, yielded the most encouraging result with what is now the deepest intersection at Sao Chico, where hole 19-SCUD-333 has reported a gold grade of 25.37g/t over a width of 4.08 metres. This hole is approximately 200 metres below the current lowest development level in the mine and therefore nearly 500 metres from surface. An intersection of this quality provides strong encouragement of continuity of the Sao Chico orebody at depth and therefore potential further resource growth and extended life of the operation.

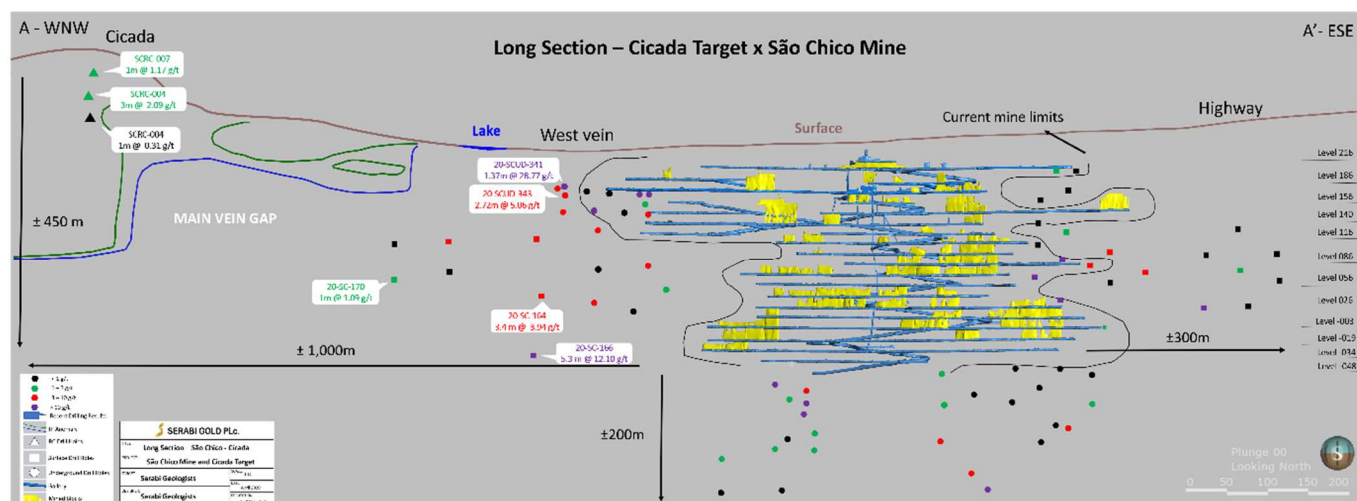
At that time approximately 40 per cent of the planned campaign had been completed and the Company planned that the drilling programme would continue until mid-2020 following which the Company intended to undertake a new mineral resource estimate during the second half of the year.

In light of the COVID-19 pandemic, however, the Company has, as a matter of caution, temporarily suspended exploration programmes at site. These activities rely heavily on contractors, and this action will reduce personnel at site as much as possible and therefore limit the potential for the introduction of the Coronavirus to site, as well as conserving cash at this moment in time. The campaign will be restarted as soon as circumstances allow.



Long section of the orebody with location of drilling intercepts and key results

“The Cicada terrestrial geophysics anomaly is located approximately 700 metres further to the west of hole 20-SC-170. Reverse circulation (RC) drilling has been started over this area, targeting the series of high chargeability anomalies defined from the extensive ground induced polarisation (“IP”) surveys completed in 2018 (news release dated 28 November 2018). The best intercept returned to date has been from drill hole SCRC004, where **3.00m @ 2.09g/t Au** was recovered from a depth of 169 metres including a zone of 1m @ 5.42g/t Au. The long section below showing the location of the RC programme over Cicada and the step out drilling going west from Sao Chico, suggests that, as drilling in the gap continues, the two areas of mineralisation could ultimately connect.



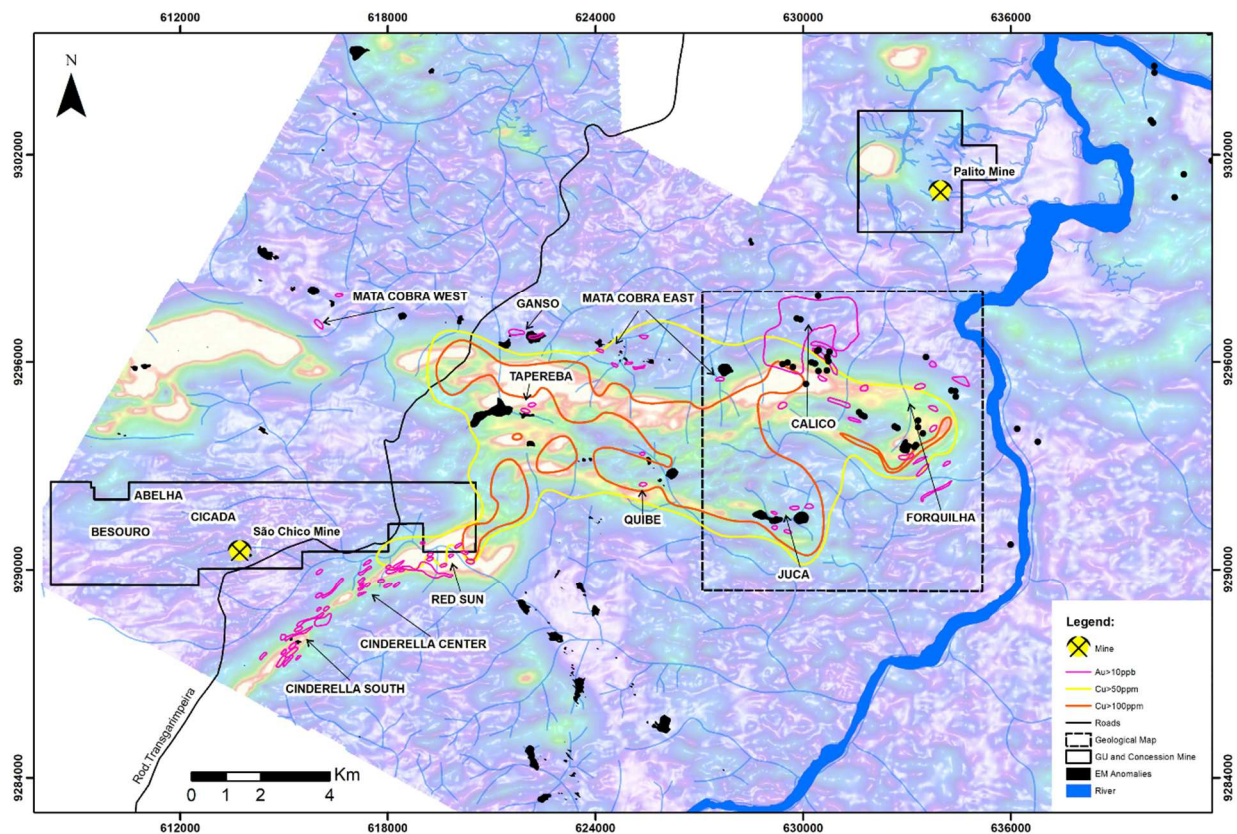
Long section of Sao Chico underground development and step out drilling to the Cicada anomaly

Ground Geophysics and Geochemistry

Ground geophysics surveys in the vicinity of the Sao Chico orebody were on-going for much of 2018 with some very significant anomalies recorded. Approximately 107 line kilometres of IP geophysical survey was completed, testing extensions to the east, west and south. This complimented an earlier 20 line kilometre IP survey started in 2016, along the Sao Chico strike. With a total of 127 line kilometres now completed, a strike length totalling nine kilometres along the Sao Chico trend has now been covered with IP.

These surveys have highlighted the exploration potential within the area, defining a significant number of IP chargeable anomalies to the south, east and west of the Sao Chico deposit. The results suggest the potential to the west remains very good, and provides a comprehensive electrical resistivity and chargeability map of the Sao Chico district and, together with the detailed airborne electromagnetic and magnetic surveying also completed in 2018, provided the foundation for the Group's exploration activities in 2019.

The Cinderella Shear located to the south east of Sao Chico is a very prominent IP anomaly, coincident with a magnetic high identified from an airborne survey, which now extends for seven kilometres. There has been historical artisanal mining activity around the areas that drain from the anomaly, make this feature extremely significant. A geochemical soil sampling programme has been completed over Cinderella to improve the targeting of the follow-up drilling campaign that is planned to be undertaken in 2020.



Regional plan showing contours of soil anomalies identified by geochemical sampling

In addition the airborne electro-magnetic (“AEM”) survey undertaken in 2018 identified, in particular, the very prominent 14 kilometre long, east-west trending, magnetic anomaly known as the Mata Cobra lineament as well as the adjacent NE-SW trending Cinderella shear.

Geochemistry programmes have been ongoing since mid-2019 in and around the Mata Cobra belt and Cinderella shear and initial results were announced in a news release issued on 11 May 2020. The prospectivity of the Mata Cobra geophysical magnetic anomaly has been strengthened by the identification of an eight kilometre by two kilometre copper anomaly with analytical results over 100ppm, coincidental with the geophysical anomaly identified by the AEM. Within the contours of this 100ppm copper anomaly, some very exciting prospects, have been identified including Calico and Juca, at the west end of the corridor and approximately five kilometres south of Palito. Both of these prospects exhibit a very similar geological setting to Palito and anomalous gold grades in addition to the copper. In the central part of Mata Cobra corridor, the Ganso, Quibe and Tabereba geochemical prospects have been identified also on strong AEM anomalies, themselves a good indicator of sulphide mineralisation.

Soil sampling on the Cinderella Shear Zone has yielded a series of NNE-SSW linear gold in soil anomalies coincident with the IP chargeability anomalies in the central and southern part of the shear supported by a number of >1g/t rock chip samples recovered from sub-copping basement in the area. In the northern part of the Cinderella shear a broad E-W trending gold in soil anomaly coincident with IP and AEM anomalies has been delineated. This anomaly, referred to as the Red Sun prospect, is positioned over an extensive area of artisanal mining activity and adjacent to a large copper-in-soil anomaly and given its location is interpreted to be a continuation of the hosting structure for Sao Chico, on the eastern side of the Cinderella shear.

All of these prospects will be advanced through to the discovery drilling stage as soon as practicable

CORINGA PROJECT DEVELOPMENT AND LICENCING

Serabi has been continuing the work started by Anfield on the permitting and licensing process and has continued to pursue the formal approval of the Environmental Impact Assessment ("EIA") submitted late in 2017 and undertake any supplementary work or reports that may be requested. Following the award of the trial mining licence for the project during the second quarter of 2018, management was advised late in 2018 that the state environmental agency ("SEMAS") had approved with the content of the EIA and was ready for the Group to start convening the necessary public meetings.

However, in light of concerns over conventional tailings dams in Brazil, following the failure of the Brumadinho dam in January 2019, the Group has now elected to install a filtration plant allowing for the dry stacking of tails and eliminate the need for a conventional tailings dam. The Group has been working with SEMAS on the amendment to the EIA to reflect this change in the planned process flowsheet and the amended EIA was submitted and protocolled with SEMAS in early September 2019.

SEMAS provided a provisional approval of the EIA shortly before the end of 2019 and authorised the holding of a public hearing which took place on 6 February 2020 and passed-off as expected. In addition to SEMAS, the meeting was also attended by representatives from the ANM (the Brazilian national mining authority), SEASTER (State Secretary for Social Assistance, Employment and Income) and SEDEME (State Secretary for Economic Development of Mining and Energy). The Company believes that the various government bodies, having visited Serabi's current operations immediately prior to the Public Hearing, formed a positive view of the Company and its proposals for progressing the Coringa Project. The next steps will be for SEMAS to present a recommendation to the State Environmental Council of Para ("COEMA"), which is the legislative body that will give final approval for the award of the Licença Previa. The Company expects that the decision of COEMA will be made in the coming months, following which management will submit its application for the Installation Licence ("Licença Instalação") and which it hopes can be approved in time to allow initial plant and site construction to commence prior to the end of 2020.

On 6 September 2019 Serabi released the results of the Coringa PEA prepared by GRE which also included an amended mineral resource estimate for the Coringa project, updating a previous estimation also undertaken by GRE that was issued on 4 March 2019. The new estimation recorded a NI 43-101 compliant Indicated Resource of 195,000 ounces of gold at an average grade of 8.24 grammes per tonne ("g/t") and an Inferred mineral resource of 346,000 ounces of gold at an average grade of 6.54 g/t. The Technical Report was issued on 21 October 2019, and is available to view on the Group's website at www.serabigold.com and on SEDAR at www.sedar.com.

Management considers that the PEA mine plan can be better optimised and the ramp-up to full production accelerated by starting up the development of the project earlier than envisaged in the PEA subject to funding being available. Whilst the Group is still seeking to obtain all the necessary permits for the construction of the plant and to allow processing of ore, it has already received a trial mining licence. It has been advised that within the limitations of the trial mining licence, initial development of the Coringa underground mine could be undertaken. Preparations for starting the mine portal and underground ramp at Coringa are well underway with the area having been cleared and hard rock exposed.

Beginning the ramp under the trial mining licence serves a number of purposes. Firstly, the Group will obtain invaluable information about the orebodies in terms of geometry, thickness, and their general nature, which, with vein mining, is very difficult to obtain solely from drill hole data. This has a number of key operational benefits. It will allow the Group to de-risk the project for potential lenders by establishing the continuity of the orebody. It will also allow the Group to establish whether and to what extent, mechanised mining could be deployed, potentially reducing costs compared with the PEA. Finally, it will allow the Group to generate a bulk ROM ore sample and test the amenability of the ore for ore-sorting. The proximity of the ore sorter at Palito, just 200 kilometres to the north, will allow the Group to undertake its own 'in-house' testing. Whilst the plant that was acquired as part of the acquisition has adequate capacity, the use of ore sorting could reduce operating costs by reducing the processing of unnecessary waste material. Management also considers that an early start up of the project is a critical step to winning support in the permitting process as a demonstration to the community and other local stakeholders of the Group's intent to develop the project.

On 14 August 2017, Anfield announced that it had received key permits required to commence construction of the Coringa project, being (1) the licence of operation for exploration and trial mining, (2) the vegetation suppression

permit and (3) fauna capture permit, all issued by the SEMAS. The SEMAS permits contain a list of conditions for the conservation and protection of fauna and flora.

In May 2018 trial mining licences for each of the concessions 850568/1990 and 850567/199, valid until 25 May 2020 and 25 November 2020 respectively, were issued by the DNPM permitting the Group to commence mine development and limited ore production from Coringa. The trial mining licences and the concurrent operating licence authorises mining of up to 50,000 tonnes of ore per year at Coringa. In the absence of the necessary processing permits, any ore recovered at this stage will be stockpiled for future processing. Under applicable regulations, once the mine is operational, Chapleau Brazil may apply to the DNPM and SEMAS to increase the mining and processing limits.

On 23 May 2018, Serabi was informed, following an action brought by the Brazilian Ministério Público Federal ("MPF"), on 27 September 2017, seeking to nullify the operating licence previously granted to Chapleau Brazil by SEMAS, that the court and judge who presided over the hearing on 26 April 2018, denied the MPF any action against SEMAS, the DNPM and Chapleau Brazil and also denied any right to appeal the decision, thus allowing Chapleau to proceed with advancing the project.

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

Coringa Exploration

There has been no exploration activity undertaken on the Coringa project during the first quarter of 2020.

OTHER EXPLORATION PROSPECTS

The Group has one other project area, although activities have been limited in recent periods.

Sucuba Project

The Sucuba project is located some 10 kilometres to the northwest of Palito and the Company holds two exploration licences applications totalling 10,449 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.

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

BACKGROUND TO THE GROUP'S TAPAJOS GOLD PROJECTS

Palito Gold Project – Para State, Brazil

The Palito Mine is wholly owned by the Group, through its 100 per cent owned subsidiary Serabi Mineração S.A. The Palito Mine and infrastructure lies some 4.5 kilometres south of the village of Jardim do Ouro and approximately 15 kilometres via road. Jardim do Ouro lies on the Transgarimpeira Road some 30 kilometres west/south-west of the town of Moraes de Almeida, located on the junction of the Transgarimpeira and the BR 163

(the Cuiabá - Santarém Federal Highway). Moraes de Almeida is approximately 300 kilometres south-east, by paved road, of the city of Itaituba which is also the municipal capital.

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

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

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

Since 30 June 2017 the Group has extracted, from the Palito orebody, total contained gold of approximately 57,900 ounces, having mined a total of approximately 260,786 tonnes at an average grade of 6.90g/t.

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

Classification	Vein Width	Quantity	Grade		Contained Metal	
	m	000't	Gold g/t	Copper %	Gold 000'oz	Copper t
Underground						
Measured	0.52	274	15.21	0.77	134	2,110
Indicated	0.57	371	10.91	0.57	130	2,115
Surface Stockpiles						
Measured	-	12	3.15	-	1	-
Tailings						
Measured	-	60	2.70	-	5	-
Combined						
Measured	-	346	12.62	0.61	140	2,110
Indicated	-	371	10.91	0.57	130	2,115
Measured and Indicated	-	717	11.74	0.59	271	4,225
Underground						
Inferred	0.77	784	7.02	0.20	177	1,568

Notes to Table 1:

- (1) Mineral Resources have been rounded. Mineral Resources are not Mineral Reserves and have not demonstrated economic viability. Mineral Resources are reported inclusive of Mineral Reserves. All figures are rounded to reflect the relative accuracy of the estimates. Underground Mineral Resources are reported within classification domains inclusive of in-situ dilution at a cut-off grade of 3.10 g/t gold assuming an underground extraction scenario, a gold price of US\$1,500/oz, a 3.5:1 Brazilian Real to U.S. Dollar exchange rate, and metallurgical recovery of 91%. Polygonal techniques were used for mineral resource estimates. Surface stockpiles and tailings are reported at a cut-off grade of 1.65 g/t gold assuming a gold price of US\$1,500/oz, a 3.5:1 Brazilian Real to U.S. Dollar exchange rate, and metallurgical recovery of 78%.
- (2) Serabi is the operator and owns 100% of the Palito Mine such that gross and net attributable mineral resources are the same. The mineral resource estimate was prepared by the Company in accordance with the standard of CIM and Canadian National Instrument 43-101, with an effective date of 30 June 2017, and audited and approved by Mr Glen Cole of SRK Consulting (Canada) Inc., who is a Qualified Person under the Canadian National Instrument 43-101.

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

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

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

Classification	Quantity	Grade		Contained Metal	
	000't	Gold	Copper	Gold	Copper
		g/t	%	000'oz	T
Probable	276	7.64	0.39	68	1,076
Proven and Probable	613	7.99	0.37	157	2,295

Notes to Table 2:

- (1) *Mineral Reserves have been rounded to reflect the relative accuracy of the estimates. Proven Underground Mineral Reserves are reported within the Measured classification domain, and Probable Underground Mineral Reserves are reported within the Indicated classification domain. Proven and Probable Underground Mineral Reserves are inclusive of external mining dilution and mining loss and are reported at a cut-off grade of 3.70 g/t gold assuming an underground extraction scenario, a gold price of US\$1,250/oz, a 3.5:1 Brazilian Real to U.S. Dollar exchange rate, and metallurgical recovery of 91%. Proven Mineral Reserves surface stockpiles and tailings are reported at a cut-off grade of 1.95 g/t gold assuming a gold price of US\$1,250/oz, a 3.5:1 Brazilian Real to U.S. Dollar exchange rate, and metallurgical recovery of 78%.*
- (2) *Serabi is the operator and owns 100% of the Palito Mine such that gross and net attributable mineral reserves are the same. The mineral reserve estimate was prepared by the Company in accordance with the standard of CIM and Canadian National Instrument 43-101, with an effective date of 30 June 2017, and audited and approved by Mr Timothy Olson of SRK Consulting (US) Inc., who is a Qualified Person under the Canadian National Instrument 43-101.*

Sao Chico Gold Project – Para State, Brazil

The Sao Chico property, acquired by the Group in July 2013 as part of the acquisition of Kenai Resources Ltd ("Kenai"), was initially represented by a single exploration licence area (AP 12836). The Sao Chico Mine is a small but high-grade underground gold mining operation some 30 kilometres to the south west, along the Transgarimpeira Highway, from the Palito Mine. The Sao Chico exploration licence was in force until 14 March 2014 and the Group, prior to its expiry, commenced the process of converting the concession to a full mining licence. A trial mining licence has also been issued for the property valid to 6 April 2019. In July 2015, the Group was also awarded exploration licences adjoining AP12836 to the south, east and west, covering approximately 6,400 hectares, which the Group considers to have excellent prospects for hosting extensions of the gold mineralisation identified at the Sao Chico Mine.

The Sao Chico Mine is located within an area of historic garimpo mining operations but exploration over the area has been limited. Prior to the acquisition of the project by the Group, the most significant recent exploration was a 22 hole programme extending to about 3,300 metres of diamond drilling conducted by Kenai during 2011. During 2013 the Group completed an infill and step out diamond drilling programme totalling 4,950 metres to enhance the existing resource in terms of both resource confidence and size. The drill programme was supplemented by ground geophysics, and a further 1,120 metres of diamond drilling to test initial geophysical anomalies. The results from the ground geophysics have established other potential areas of interest within the Sao Chico exploration licence but the Group will undertake other confirmatory exploration work, including geochemistry, over these identified anomalies before embarking on any further drilling activity of these anomalies.

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

Since 30 June 2017 the Group has extracted, from the Sao Chico orebody, total contained gold of approximately 55,150 ounces, having mined a total of approximately 212,060 tonnes at an average grade of 8.09g/t.

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

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

Notes to Table 3:

- (1) Mineral Resources have been rounded. Mineral Resources are not Mineral Reserves and have not demonstrated economic viability. Mineral Resources are reported inclusive of Mineral Reserves. All figures are rounded to reflect the relative accuracy of the estimates. Underground Mineral Resources are reported within classification domains inclusive of in-situ dilution at a cut-off grade of 2.85 g/t gold assuming an underground extraction scenario, a gold price of US\$1,500/oz, a 3.5:1 Brazilian Real to U.S. Dollar exchange rate, and metallurgical recovery of 95%. Polygonal techniques were used for mineral resource estimates.
- (2) Serabi is the operator and owns 100% of the Sao Chico Mine such that gross and net attributable mineral resources are the same. The mineral resource estimate was prepared by the Company in accordance with the standard of CIM and Canadian National Instrument 43-101, with an effective date of 30 June 2017, and audited and approved by Mr Glen Cole of SRK Consulting (Canada) Inc., who is a Qualified Person under the Canadian National Instrument 43-101.

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

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

Notes to Table 4:

- (1) Mineral Reserves have been rounded to reflect the relative accuracy of the estimates. Proven Underground Mineral Reserves are reported within the Measured classification domain, and Probable Underground Mineral Reserves are reported within the Indicated classification domain. Proven and Probable Underground Mineral Reserves are inclusive of external mining dilution and mining loss and are reported at a cut-off grade of 3.45 g/t gold assuming an underground extraction scenario, a gold price of US\$1,250/oz, a 3.5:1 Brazilian Real to U.S. Dollar exchange rate, and metallurgical recovery of 95%.
- (2) Serabi is the operator and owns 100% of the Sao Chico Mine such that gross and net attributable mineral reserves are the same. The mineral reserve estimate was prepared by the Company in accordance with the standard of CIM and Canadian National Instrument 43-101, with an effective date of 30 June 2017, and audited and approved by Mr Timothy Olson of SRK Consulting (US) Inc., who is a Qualified Person under the Canadian National Instrument 43-101.

Coringa Gold Project – Para State, Brazil

Coringa is located in north-central Brazil, in the State of Pará, 70 kilometres southeast of the city of Novo Progresso. Access to the property is provided by paved (National Highway BR-163) and gravel roads. Coringa is in the south eastern part of the Tapajós gold district, Brazil's main source of gold from the late 1970s to the late 1990s. Artisanal mining at Coringa produced an estimated 10 tonnes of gold (322,600 ounces) from alluvial and primary sources within the deep saprolite or oxidised parts of shear zones being mined using high-pressure water hoses or hand-cobbing to depths of 15 metres. Other than the artisanal workings, no other production has occurred at Coringa. Artisanal mining activity ceased in 1991 and a local Brazilian company (Tamin Mineração Ltda.) staked the area in 1990. Subsequently, the concessions were optioned to Chapleau (via its then subsidiary, Chapleau Brazil) in August 2006. On 1 September 2009, Magellan Minerals Ltd. ("Magellan Minerals") acquired Chapleau. Between 2007 and 2013, extensive exploration programmes were completed on the property, including airborne magnetic, radiometric and electro-magnetic surveys; surface IP surveys; stream, soil, and rock sampling; and trenching and diamond drilling (179 holes for a total length of 28,437 meters). On 9 May 2016, Anfield acquired Magellan Minerals. Anfield subsequently completed an infill drill programme (183 holes for a total length of 26,413 meters) for the Serra and Meio veins in 2016 and 2017. Serabi recently completed a ~7,000 metre surface drill programme in February 2019, following which the Mineral Resource estimation summarised below was released on March 2, 2019.

Table 5 - Mineral Resources Statement, Coringa Gold Project, Para State, Brazil, as of September 6, 2019

The current Mineral Resource estimates for the **Coringa Mine** (Table 5) are based on data as at **August 31, 2019**.

Classification	Quantity	Grade	Contained Metal
	000't	Gold g/t	Gold 000'oz
Underground			
Indicated	735	8.24	195
Total Indicated			
Underground			
Inferred	1,645	6.54	346

Notes to Table 5:

- (1) *Mineral Resources have been rounded. Mineral Resources are not Mineral Reserves and have not demonstrated economic viability. Mineral Resources are reported inclusive of Mineral Reserves. All figures are rounded to reflect the relative accuracy of the estimates. Mineral Resources are reported within classification domains inclusive of in-situ dilution at a cut-off **grade of 2.0g/t** gold assuming an underground extraction scenario, a gold price of **US\$1,500/troy oz**, an operating **cost of \$100/t**, metallurgical **recovery of 95%**.*
- (2) *Serabi is the operator and owns 100% of the Coringa gold project such that gross and net attributable mineral resources are the same. The mineral resource estimate was prepared by Global Resource Engineering in accordance with the standard of CIM and Canadian National Instrument 43-101, with an effective date of 31 August 2019 by Mr Kevin Gunesch and Dr Hamid Samari, who are both Qualified Persons under the Canadian National Instrument 43-101.*

SELECTED FINANCIAL INFORMATION

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

Results of Operations

Three month period ended 31 March 2020 compared to the three month period ended 31 March 2019

During the first quarter of 2020 the Group produced 9,020 ounces of gold (first quarter of 2019: 10,164 ounces) and recognised sales for 8,120 ounces (first quarter of 2019: 12,309 ounces).

The gross profit of US\$3,160,270 for the financial quarter ended 31 March 2020 (2019: gross profit of US\$3,474,508) can be analysed as follows:

	Three months ended March 2020	Three months ended March 2019	Variance US\$
Concentrate sold (Ounces)	1,958	3,249	(1,291)
Bullion sold (Ounces)	6,162	9,060	(2,898)
Total ounces sold	8,120	12,309	(4,189)
	US\$		
Revenue from ordinary activity			
Gold (in concentrate)	2,863,766	4,064,798	(1,201,032)
Copper (in concentrate)	255,824	494,558	(238,734)
Silver (in concentrate)	16,189	23,174	(6,985)
Total concentrate sales	3,135,779	4,582,530	(1,446,751)
Gold bullion sales	9,961,908	12,543,510	(2,581,602)
Total Sales	13,097,687	17,126,040	(4,028,353)
Costs of sales			
Operational costs	7,741,035	11,044,242	(3,303,207)
Release of provision for impairment of inventory	–	(500,000)	500,000
Shipping costs	209,699	399,842	(190,143)
Treatment and handling charges	89,268	165,578	(76,310)
Royalties	193,054	252,325	(59,271)
Amortisation of mine property	1,330,144	1,577,674	(247,530)
Depreciation of plant & equipment	374,217	711,871	(337,654)
Total operating costs	9,937,417	13,651,532	(3,714,115)
Gross profit	3,160,270	3,474,508	(314,238)

Revenue

For the three month period ended 31 March 2020 the Group generated US\$3,135,779 (2019: US\$4,582,530) in revenue by selling an estimated 1,958 ounces of gold from the sale of 240 tonnes of copper/gold concentrate (2019: 3,249 ounces from 420 tonnes) and also recognised revenue for 6,162 ounces of gold bullion generating revenue of

US\$9,961,908 during the first quarter of 2020 (first quarter of 2019: sale of 9,060 ounces for revenue of US\$12,543,510).

During the three months to 31 March 2020 the Group produced 215 wet tonnes of copper/gold concentrate, containing an estimated 1,711 ounces of gold; (three months to 31 March 2019: 241 wet tonnes of copper/gold concentrate, containing 2,503 ounces of gold). The unsold material is held as inventory.

During the three months to 31 March 2020 the Group produced 7,309 ounces of gold in the form of bullion in comparison to 7,662 ounces during the same period of the previous year, a decrease of five per cent. However, the Group registered sales for 6,162 ounces of bullion during the three months to 31 March 2020 in comparison to 9,060 ounces during the previous year, a decrease of 32 per cent.

Operating Costs

Operating costs of US\$7.74 million (three month period to 31 March 2019: US\$11.0 million), comprise all mining costs at both the Palito and Sao Chico mine, plant processing costs, as well as all general site costs incurred on both mine sites during the period in the production of the final sales products as per the table below. The table below shows a breakdown of operating activities and operating costs. During the first quarter of 2020 the average exchange rate was BrR\$4.47 to US\$1.00 compared with an average exchange rate of BrR\$3.77 to US\$1.00 during the same period of the previous year, a weakening of approximately 19 percent.

	Three Months ended 31 March 2020	Three Months ended 31 March 2019	Variance	Var %
Tonnes Mined	42,036	42,609	(573)	(1%)
Tonnes Milled	40,465	43,451	(2,986)	(7%)
Ounces Produced	9,020	10,164	(1,144)	(11%)
Ounces Sold	8,120	12,309	(4,189)	(34%)
	Three Months ended 31 March 2020	Three Months ended 31 March 2019		
	US\$'000	US\$'000		
<u>Operating Costs</u>				
Labour	3,305	4,884	(1,579)	(32%)
Mining consumables & maintenance	2,555	3,393	(838)	(25%)
Plant processing and consumables	1,030	1,575	(545)	(35%)
General site expenses	852	1,192	(340)	(29%)
	7,741	11,044	(3,303)	(30%)

During the first quarter of 2020, the Group mined 573 less tonnes in comparison to the same period of 2019 and milled 2,986 less tonnes (seven per cent) in comparison to the same quarter in 2019 the grade of which at 6.66g/t was 13 per cent lower than the same period in 2019. Overall, the Group produced 1,144 less ounces during the first quarter of 2020 in comparison to the same period of the previous year a reduction of 11 per cent, with some of the shortfall from the processing of ROM ore by higher levels of gold produced from the reprocessing of historic tailings.

Due to timing differences in the recognition of sales due to the departure dates of vessels carrying the Groups copper/gold concentrate leaving Brazil and the delivery of gold bullion for final sale, combined with lower levels of gold production resulted in the Group selling 4,189 less ounces during the first quarter of 2020 in comparison to the same period in 2019.

Operating Costs are calculated on a unit of production basis and therefore fluctuate directly with the level of sales recognised in any period.

Labour

The decrease in labour costs in USD terms of 32 per cent results from the decrease in sales recognised of 34 percent together with the 19 per cent weakening of the Brazilian Real in comparison to the US dollar. These reductions have been offset by an average five per cent salary increase awarded in May 2019 for Brazilian staff as a result of the national collective agreement, together with an increase in headcount reflecting a need to amend shift patterns to accommodate legislative requirements.

Mining Consumables & Maintenance

Mining consumables and maintenance for the three month period ended 31 March 2020 have decreased by 25 per cent in comparison to the same three month period of 2019. This is as a result of the decrease in sales recognised of 34 per cent and the 19 per cent weakening of the Brazilian Real in comparison to the US dollar. Maintenance costs of underground equipment have increased in BRL terms in comparison to 2019 as a result of a increased size and the age profile of the mining fleet

Plant Consumables

Plant costs have decreased by 35 per cent for the three month period ended 31 March 2020 in comparison to the same period in the previous year. Again, this is primarily due to the decrease in sales recognised and the weakening Brazilian real. The increased costs in BRL terms reflects the repairs required to one of the ball mills which failed during the first quarter of 2020.

General Site Costs

General site costs for the three month period ended 31 March 2020 decreased by 29 per cent compared with the same period in the previous year due to the decrease in sales being recognised during the first quarter of 2020 and the weaker Brazilian Real.

Shipping Costs

Shipping costs have decreased by 48 per cent from US\$0.40 million for the three month period ended 31 March 2019 to US\$0.21 for the same three month period of 2020. Shipping costs include all domestic road and river freight in Brazil from the Palito Mine to the international port at Belem and also international sea freight to the end purchaser as well as air transport and insurance for the bullion sold from the Palito Mine to its final destination in Sao Paulo. The decrease by comparison to the same period in 2019 reflects the 43 per cent decrease in the volume of concentrate shipped with 420 tonnes being shipped in the first quarter of 2019 in comparison to 240 tonnes for the same period of 2020.

Treatment Charges

Treatment charges for the first quarter of 2020 are 46 per cent less than the same period of the previous year. Treatment charges relate to the treatment of our copper concentrate and the reduction in the cost of US\$0.08 million reflects the 43 per cent decrease in the volume of concentrate shipped with 420 tonnes being shipped in the first quarter of 2019 in comparison to 240 tonnes for the same period of 2020.

Royalties

Royalty payments of US\$0.19 million have decreased by US\$0.06 million in comparison to the same period of the previous year. Royalty payments comprise statutory levies payable in Brazil and royalties payable to prior owners of the Sao Chico deposit. Government royalty rates are uniform across all mining operations with a rate of 1.5 per cent being applied to gold production and the royalty on copper production being 2.0 per cent. The decrease in royalty payments of US\$0.06 million compared with the same quarter in 2019 reflects the decreased levels of gold sales realised in the period.

Amortisation

Charges for the amortisation of mine property are calculated by reference to the depletion, during the quarter, of the total estimated mineable resource at each of the Palito and Sao Chico orebodies. In each case the base carrying cost of the asset is adjusted to include a provision for future mine development costs for each of these ore bodies. During the fourth quarter of 2019 the Group in recognition of an expected longer life of the Palito ore body increased the estimate of future mine development that would be required to exhaust the identified resources in

the Life of Mine plan. This directly impacts and increases the level of amortisation charge recognised in any period on a per ounce basis. However, the effect of quarterly production being lower by 11 per cent (9,020 ounces compared with 10,164 in the first quarter of 2019) and the weakening of the BRL against USD of 19 per cent, the total amortisation charge relating to the Palito and Sao Chico ore bodies for the first quarter of 2020 is approximately US\$1.33 million in comparison to US\$1.58 million during the same period of the previous year

Depreciation

A depreciation charge of US\$0.37 million was recorded during the first quarter of 2020 on plant and equipment used in the mining and processing, (first quarter of 2019: US\$0.71 million). The decrease is primarily due an accelerated charge of approximately US\$200,000 that was required to be recognised during the first quarter of 2019 as well as the 19 per cent weakening of the Brazilian Real in comparison to the US Dollar during the first quarter of 2020 compared with the same period of the previous year.

Operating Profit

The Group has recognised an operating profit before interest and other income for the three month period ended 31 March 2020 of US\$1.50 million compared with an operating profit of US\$2.05 million for the same period of the previous year reflective of the decrease in the gross profit of US\$0.31 million as well as an increase in administrative expenses of US\$0.36 million. There was also an increase of US\$0.08 million between the two periods in gains from the sales of assets.

Administration expenses for the first quarter of 2020 of US\$1.74 million are US\$0.36 million more than the administration expenditure during the same period of the previous year of US\$1.38 million. This is primarily due to the increase in legal and professional fees relating to US\$12.0 million Greenstone convertible loan. There were no similar costs incurred during the first quarter of 2019.

The Group also incurred costs of US\$0.03 million on share-based payments during the first quarter of 2020, (2019: US\$0.07 million). The deemed value assigned to these share options is amortised over the expected option life and is calculated using the Black Scholes model. The charge for the three months to 31 March 2020 is in respect of options granted between January 2017 and December 2018. There were no share options granted during the twelve months to 31 December 2019 or in the first quarter of 2020.

The Company recorded a foreign exchange loss of US\$0.01 million in the three month period to 31 March 2020 which compares with a foreign exchange loss of US\$0.01 million recorded for the three months ended 31 March 2019. These foreign exchange gains and losses primarily relate to the settlement of foreign currency liabilities from Brazil and therefore reflect the devaluation of the Brazilian Real and the revaluation of cash holdings of the Company in currencies other than US Dollars as at the period end. The exchange movements on cash holdings do not necessarily reflect actual realised profits or losses. The Company holds funds in certain currencies in anticipation of future expenditures that are anticipated to be settled in those currencies.

Net interest and other finance related costs for the three-month period to 31 March 2020 were US\$0.18 million compared with US\$0.27 million for the same period in the previous year. An analysis of the composition of these charges is set out in the table below:

	Quarter ended March 2020	Quarter ended March 2019
	US\$	US\$
Interest expense on secured loan	(145,091)	(149,584)
Expense in respect of non-substantial modification	(39,900)	–
Unwinding of discount on acquisition payment	–	(261,521)
	(184,991)	(411,105)
Income on revaluation of derivatives	–	136,842
Interest income	–	2,217
Net finance expense	(184,991)	(272,046)

The interest on the secured loan of US\$145,091 (2019: US\$149,584) is the cost of three months of interest paid in relation to funds advanced under the credit agreement with Sprott Resource Lending Partnership. The loan balance at the end of March 2020 was US\$3.45 million including the value of the cash settlement due on the gold call options exercised by Sprott in July 2019.

The expense of US\$261,521 in 2019 on the unwinding of the discount on acquisition is as a result of change in the net present value of the final payment due for the acquisition of Chapleau Resources.

In May 2019, the Group agreed revised repayment terms for its secured loan whereby the loan would be repaid in six equal monthly instalments commencing 31 January 2020. In accordance with IFRS 9, whilst the variation in the loan terms was not sufficient to give rise to a derecognition of the existing loan, the Group was required to recognise the effect of a non-substantial modification to the existing loan. Accordingly, the Group initially recognised a benefit arising from the modification totalling \$172,912 which is being amortised over the remaining life of the loan as a variation in the effective interest rate of the loan. The amount of US\$39,900 has been amortised in the period.

Summary of quarterly results	Quarter ended 31 March 2020 US\$	Quarter ended 31 December 2019 US\$	Quarter ended 30 September 2019 US\$	Quarter ended 30 June 2019 US\$
Revenues	13,097,687	16,008,582	14,353,771	12,459,699
Operating expenses	(8,233,056)	(8,825,050)	(8,496,884)	(7,803,002)
Provision for impairment of taxes receivable	–	(716,522)	–	–
Amortisation of mine property	(1,330,144)	(2,363,157)	(1,707,736)	(1,584,897)
Depreciation of plant and equipment	(374,217)	(206,155)	(496,294)	(376,059)
Gross profit / (loss)	3,160,270	3,897,698	3,652,857	2,695,741
Administration expenses	(1,740,964)	(1,289,212)	(1,174,204)	(1,415,133)
Option costs	(25,238)	(65,485)	(65,484)	(65,486)
Gain on disposal of asset	101,572	48,922	(8,717)	101,623
Operating profit / (loss)	1,495,640	2,591,923	2,404,452	1,316,745
Exchange	(8,858)	446,204	(169,113)	(51,486)
Net finance expense	(184,991)	(686,411)	(735,003)	(689,736)
Profit / (loss) before taxation	1,301,791	2,351,716	1,500,336	575,523
Income tax expense	(529,159)	(1,368,073)	(370,635)	(405,845)
Profit / (loss) after taxation	772,632	983,643	1,129,701	169,678
Profit / (loss) per ordinary share (basic)	1.31 cents	1.67 cents	1.92 cents	0.29 cents
Profit / (loss) per ordinary share (diluted)	1.27 cents	1.64 cents	1.85 cents	0.28 cents
Deferred exploration costs	26,169,961	30,686,652	28,439,970	29,591,753
Property, plant and equipment	32,179,874	39,594,276	38,807,114	41,228,338
Total current and other assets	20,391,646	27,258,770	28,405,348	28,827,096
Total assets	78,741,481	97,539,698	95,652,432	99,647,187
Total liabilities	23,186,731	27,806,310	28,191,876	28,194,439
Shareholders' equity	55,554,750	69,733,388	67,460,556	71,452,748

Summary of quarterly results	Quarter ended 31 March 2019 US\$	Quarter ended 31 December 2018 US\$	Quarter ended 30 September 2018 US\$	Quarter ended 30 June 2018 US\$
Revenues	17,126,040	10,037,906	7,523,203	11,873,783
Operating expenses	(11,861,987)	(7,647,624)	(6,380,505)	(7,983,786)
Provision for impairment of inventory	500,000	200,000	–	200,000
Amortisation of mine property	(1,577,674)	(1,812,387)	(1,209,705)	(1,733,384)
Depreciation of plant and equipment	(711,871)	(1,212,251)	(556,144)	(764,663)
Gross profit	3,474,508	(434,356)	(623,151)	1,591,950
Administration expenses	(1,383,831)	(1,677,400)	(1,171,660)	(1,357,814)
Option costs	(65,485)	(115,503)	(58,546)	(78,278)
Gain on disposal of asset	24,812	168,511	44,141	13,209
Operating profit / (loss)	2,050,004	(2,058,748)	(1,809,216)	169,067
Exchange	(14,617)	(299,569)	260,606	(498,543)
Net finance expense	(272,046)	(421,080)	(403,319)	(109,145)
(Loss) / profit before taxation	1,763,341	(2,779,397)	(1,951,929)	(438,621)
Income tax expense	(213,379)	(244,034)	(296,547)	(54,799)
(Loss) / profit after taxation	1,549,962	(3,023,431)	(2,248,476)	(493,420)
(Loss) / profit per ordinary share (basic)	2.63 cents	(5.13) cents	(3.82) cents	(0.94) cents
Profit / (loss) per ordinary share (diluted)	2.49 cents	(5.13) cents	(3.82) cents	(0.94) cents
Deferred exploration costs	28,581,674	27,707,795	25,578,156	24,490,001
Property, plant and equipment	40,766,304	42,342,102	40,834,470	42,049,417
Total current and other assets	27,036,208	26,369,997	31,539,877	35,707,966
Total assets	96,924,186	96,419,894	97,952,503	102,247,384
Total liabilities	(26,760,545)	27,309,607	28,295,055	27,781,688
Shareholders' equity	70,163,641	69,110,287	69,657,448	74,465,696

Liquidity and Capital Resources

Non-Current Assets

On 31 March 2020, the Group's net assets amounted to US\$55.55 million, which compares to US\$69.73 million as reported at 31 December 2019. The Group has also reported a profit after taxation of US\$0.77 million in the three month period to 31 March 2020.

Non-current assets totalling US\$60.05 million at 31 March 2020 (31 December 2019: US\$72.45 million), are primarily comprised of property, plant and equipment, which as at 31 March 2020 totalled US\$32.18 million, (31 December 2019: US\$39.59 million) as well as development and deferred exploration costs with a value of US\$26.17 million, (31 December 2019: US\$30.69 million). The Group has also a provision for a deferred tax asset of US\$0.86 million (31 December 2019: US\$1.32 million) and a long-term receivable in respect of state taxes due in Brazil of US\$0.83 million (31 December 2019: US\$0.85 million). The 29 per cent weakening of the Brazilian Real from 31 December 2019 when the exchange rate was BrR\$4.03 to US\$1.00 to the rate of BrR\$5.20 to US\$1.00 at 31 March 2020 has had a negative impact on the net asset position but the main movements are discussed in more detail below.

The Group's property, plant and equipment includes the value of its mine assets relating to the Palito Mining Complex at 31 March 2020 of US\$15.77 million (31 December 2019: US\$19.58 million). This includes US\$0.59 million of additions in relation to the capital development of the Palito and Sao Chico ore bodies incurred during the period. Assets in construction as at 31 March 2020 and relating to the Palito Mining Complex had a book value of US\$10.32 million (31 December 2019: US\$11.29 million) and includes the provision for mine rehabilitation.

The Group owns land, buildings, plant and equipment with a value of US\$6.09 million (31 December 2019: US\$8.72 million). During the first three months of 2020 the Group has acquired additional plant and machinery to the value of US\$1.01 million in relation to its ongoing operations at the Palito Mining Complex.

The gross value ascribed to the Palito Mining Complex is now being amortised over the expected recoverable ounces of each orebody. An amortisation charge totalling US\$1.39 million has been recorded for the three month period to 31 March 2020 (twelve month period to 31 December 2019: US\$7.10 million).

Deferred exploration costs as at 31 March 2020 totalled US\$26.17 million (31 December 2019: US\$30.69 million), which includes US\$11.26 million attributable exploration activity within the Palito Complex including exploration expenditure incurred during the first quarter of 2019 of US\$836,361 and US\$14.91 million in respect of current and past exploration and development expenditures for the Coringa project including capitalised costs incurred during the first quarter of US\$215,296.

Working Capital

The Group had a negative working capital position of US\$2.66 million at 31 March 2020 compared to a negative US\$0.30 million at 31 December 2019, the movement of US\$2.37 million being detailed in the table below:

	31 March 2020 US\$	31 December 2019 US\$	Variance US\$
<u>Current assets</u>			
Inventories	6,220,213	6,577,968	(357,755)
Trade and other receivables	1,174,968	802,275	372,693
Prepayments	2,149,300	3,473,288	(1,323,988)
Cash and cash equivalents	9,149,274	14,234,612	(5,085,338)
Total current assets	18,693,755	25,088,143	(6,394,388)
<u>Current liabilities</u>			
Trade and other payables	5,604,674	6,113,789	(509,115)
Acquisition payment due	12,000,000	12,000,000	–
Secured loan	3,451,846	6,903,692	(3,451,846)
Equipment leases	12,231	48,850	(36,619)
Accruals	289,776	319,670	(29,894)
Total current liabilities	21,358,527	25,386,001	(4,027,474)
Working capital	(2,664,772)	(297,858)	(2,366,914)
<u>Non-current liabilities</u>			
Trade and other payables	93,648	183,043	(89,395)
Provisions	1,734,556	2,237,266	(502,710)
Total non-current liabilities	1,828,204	2,420,309	(592,710)

The weakening of the Brazilian Real from 31 December 2019 when the exchange rate was BrR\$4.03 to US\$1.00 to the rate of BrR\$5.20 to US\$1.00 at 31 December 2019, a weakening of 29 per cent, has had a negative impact on the key components which make up the working capital position, however the main movements are discussed in more detail below.

Inventories

The level of inventory held by the Group at 31 March 2020 has decreased by US\$0.36 million since 31 December 2019. A breakdown of the Group's inventories at 31 March 2020 and at 31 December 2019 is set out in the table below:

	31 March 2020 US\$	31 December 2019 US\$	Variance US\$
Stockpile of mined ore	443,193	331,775	111,418
Finished goods awaiting sale	1,866,487	1,376,005	490,482
Other material in process	1,160,476	1,391,302	(230,825)
	3,470,157	3,099,082	371,075
Consumables	2,750,056	3,478,886	(728,830)
Total Inventory	6,220,213	6,577,968	(357,755)

Inventories of consumables (fuel, spare parts, chemicals, explosives etc.) at 31 March 2020 of US\$2.75, million (31 December 2019: US\$3.48 million) have decreased by approximately US\$0.73 million. This decrease is due to the 29 percent weakening of the Brazilian Real in comparison to the US Dollar from the 31 December 2019 to the 31 March 2020. In local currency terms, the levels of inventory holdings have remained steady at approximately BrR\$14.0

million The Group acquires stocks of certain materials including reagents, explosives and other consumables in quantities that are sufficient for up to three to four months' consumption requirements to minimise freight and other logistics costs and improve pricing.

At 31 March 2020 and at 31 December 2019, the Group held a provision against the carrying value of coarse ore stockpiles amounting to US\$50,000.

The value of the stock of surface ore has increased by 34 per cent from US\$0.33 to US\$0.44 million. The total coarse ore stockpile tonnage that is subject to valuation is roughly the same with approximately 2,212 tonnes at 31 December 2019 and approximately 3,873 tonnes at 31 March 2020 an increase of 71 per cent. This volume increase has however been offset by the 29 per cent weakening of the Brazilian Real.

The value of finished goods awaiting sale at 31 March 2020 of US\$1.87 million compares with the value at 31 December 2019 of US\$1.38 million an overall increase in value of 36 per cent. The total value of finished goods held in stock at 31 March 2020 comprises 94 bags of copper/gold concentrate with a value of US\$0.63 million (31 December 2019: 122 bags with a value of US\$0.76 million) and bullion on hand for smelting which, at 31 March 2020, was estimated at 42,554 grammes valued at US\$1.23 million compared to 23,023 grammes at 31 December 2019 valued at US\$0.61million. Whilst there are small variances between the two periods in the unit costs for each of these items, the variance in period end values is largely explained by the variances in volume and currency effects as all unit costs of production are calculated in Brazilian Real.

The valuation attributable to gold locked up within the processing plant has decreased to US\$1.16 million at 31 March 2020 from US\$1.39 million at 31 December 2019 with 101,497 grammes of gold locked up within the processing plant as at 31 March 2020 (31 December 2019: US\$1.39 million; 84,793 grammes) reflecting normal operational variances. With similar units costs between the periods the change in valuation is a combination of currency effect and volume variances.

Trade Receivables

Trade and other receivables at 31 March 2020 of US\$1.17 million have increased by US\$0.37 million from US\$0.80 million at 31 December 2019 and represent normal variations in the timing of the sales receipts from the sale of copper/gold concentrate.

Prepayments

Prepayments have decreased by US\$1.32 million from US\$3.47 million at 31 December 2019 to US\$2.15 million at 31 March 2020, a decrease of 38 per cent. The primary reason for the decrease in the value of prepayment is due to the 29 percent weakening of the Brazilian Real to the US Dollar from the 31 December 2019 to 31 March 2020. Prepayments relate to supplier down payments as well as prepaid taxes, including taxes of ICMS, PIS, COFINS and other federal taxes, that remain to be recovered at the period end.

Cash at Bank

Between 31 December 2019 and 31 March 2020, cash balances have decreased by approximately US\$5.09 million.

During the first quarter of 2020, the Group has generated net cash flow from its operations of US\$2.21 million. The Group spent US\$3.73 million on financing activities during the first three months of 2020, including repaying US\$3.49 million on its secured loan with Sprott Resource Lending. During the same three month period the Group has also spent US\$2.59 million on investing activities including US\$0.84 million on exploration activities around the Palito Mining Complex and the Coringa project, US\$0.59 million on mine development, US\$1.01 million on plant and equipment and US\$0.22 million on other pre-operating costs for the Coringa project. The group also made payments totalling US\$0.18 million as agreed instalment payments for the acquisition of an outstanding interest of a third party in the Sao Chico project area. The Group holds cash balances in a variety of currencies including Brazilian Reais which are needed to meet day to day working capital needs and all bullion sales are settled in Reais. The sudden and unexpected devaluation of the Real in March 2020 to 5.20 has resulted in an exchange loss on the Real cash holdings.

Current Liabilities

Current liabilities have decreased by US\$4.03 million from US\$25.39 million at 31 December 2019 to US\$21.36 million at 31 March 2020 an overall reduction of 16 per cent.

Trade Creditors

Trade and other payables amounting to US\$5.60 million at 31 March 2020 compared with an amount owed by the Group of US\$6.11 million at 31 December 2019, a decrease of US\$0.51million. The primary reason for the decrease in the value of trade creditors is due to the 29 percent weakening of the Brazilian Real to the US Dollar from the 31 December 2019 to 31 March 2020. In local currency terms amounts owed to traded creditors have increased since 31 December 2019 reflecting normal operating variances and the exploration activity being undertaken in the first quarter.

Interest-Bearing Secured Loan

On 22 January 2018 the Group increased its existing secured loan with Sprott by US\$3 million ("The New Loan") and at the same time extended the final repayment period on its existing US\$5 million loan (The Existing Loan") with Sprott by six months from 31 December 2019 to 30 June 2020. On 14 September 2018, the Company exercised its option to extend the term of the New Loan to 30 June 2020. In May 2019, the Group agreed revised repayment terms for its secured loan whereby the loan would be repaid in six equal monthly instalments commencing 31 January 2020. On 18 July 2019, Sprott Resource Lending Corp. ("Sprott"), exercised their call options over 6,109 ounces of gold representing all the call options granted by the Group. This has given rise to a liability of US\$922,886. It was agreed that this cash liability of US\$922,886 will be paid in six equal monthly instalments commencing on 31 January 2020 and will be subject to the same terms and conditions as the existing loan liability due to Sprott. The total liability on the Sprott loan at 31 March 2020 is US\$3.45 million. (31 December 2019: US\$6.90 million) as the Group repaid a total of US\$3.45 million during the first three months of 2020.

Obligations Under Leases

Lease obligations due in less than one year have decreased by US\$0.04 million from US\$0.05 million at 31 December 2019 to US\$0.01 million at 31 March 2020. During the first quarter of 2020, the Group has not entered into any new equipment lease arrangements and has made capital repayments totalling approximately US\$0.04 million on existing equipment leases. All equipment leases are held by Serabi Mineracao SA ("SMSA") in Brazil but are denominated in Euro or US Dollar before being converted to Brazilian Reals, the functional currency for SMSA.

Acquisition Liability

On 21 December 2017 ("Closing"), the Group finalised the acquisition of Chapleau Resources for a total value of US\$22 million, with US\$5 million being paid in cash on 21 December 2017. A further US\$5 million in cash was paid on 16 April 2018 and a final payment of US\$12 million in cash was due on the earlier of either the first gold being produced or 24 months from the date of Closing. The Group has now reached an agreement with the vendor, Anfield Gold and its parent company, Equinox, whereby the date for the completion of the final US\$12 million payment owed to Anfield for the acquisition of the Coringa Gold project (the "Coringa Deferred Consideration") has been extended (the "Deferral Period") until such time as there are no international travel restrictions imposed by the Brazilian authorities and also no travel restrictions within or into the State of Para, Brazil, (the "Travel Restriction Condition") where the Group's Palito Complex gold production operations and the Coringa gold project are located. Under the terms of the extension the Group will start to make instalment payments in respect the Coringa Deferred Consideration of US\$500,000 per month payable on each of 1 May 2020, 1 June 2020 and 1 July 2020 which will increase to US\$1 million per month thereafter until such time as the Travel Restriction Condition is satisfied. The balance outstanding of the Coringa Deferred Consideration is expected to be settled within six weeks of the Travel Restriction Condition being satisfied. Interest is payable on the outstanding sum at the rate of 10% per annum and will be settled at the same time that the Coringa Deferred Consideration is completed.

Non-Current Liabilities

The Group makes provision for the future estimated rehabilitation costs for its mine sites at Palito and Sao Chico. The value of the rehabilitation provision carried by the Group at 31 March 2020 was US\$1.74 million. The value at 31 December 2019 was US\$2.24 million. The decrease in the value of rehabilitation provision is due to the 29 per cent weakening of the Brazilian Real to the US Dollar from the 31 December 2019 to 31 March 2020. There have been no adjustment to the underlying cost estimates which are denominated in Brazilian Reais.

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

Non-IFRS Financial Measures

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

Total cash cost and all-in sustaining cost

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

	3 Months ended 31 March 2020 (US\$)	12 Months ended 31 December 2019 (US\$)	3 Months ended 31 March 2019 (US\$)
Total operating costs (calculated on a sales basis)	8,233,056	36,986,923	11,861,987
Add/(subtract)			
Finished goods and WIP inventory stock	1,149,959	(2,515,806)	(2,747,108)
Grossing up of revenue for metal deductions	120,263	202,323	169,366
By-product credits	(485,924)	(1,311,331)	(1,196,701)
Total cash cost of production	8,982,354	33,362,108	8,047,545
Corporate G&A	1,740,964	5,262,380	1,383,831
Share-based remuneration	25,238	261,940	65,485
Capitalised cost for mine development	587,609	4,478,420	838,310
All-In Sustaining Cost of production	11,336,165	43,364,848	10,375,171

	3 Months ended 31 March 2020 (ounces)	12 months ended 31 December 2019 (ounces)	3 Months ended 31 March 2019 (ounces)
Gold ounces produced	9,020	40,101	10,164

	3 Months ended 31 March 2020 (US\$)	12 months ended 31 December 2019 (US\$)	12 Months Ended 31 December 2018 (US\$)
Total Cash Cost of production (per ounce)	US\$996	US\$832	US\$796
Total All-In Sustaining Cost of production	US\$1,257	US\$1,081	US\$1,021

Contractual commitments

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

The Group holds certain exploration prospects which require the Group to make certain payments under rental or purchase arrangements allowing the Group to retain the right to access and undertake exploration on these properties. Failure to meet these obligations could result in forfeiture of any affected prospects. Management estimates that the cost over the next 12 months of fulfilling the current contracted commitments on these exploration properties in which the Group has an interest is US\$0.46 million (31 December 2019: US\$0.59 million).

Contractual obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
	\$	\$	\$	\$	\$
Acquisition Liability	12,000,000	12,000,000	—	—	—
Trade Creditors	5,698,322	5,604,674	93,648	—	—
Short term debt	3,451,846	3,451,846	—	—	—
Lease obligations	99,800	99,800	—	—	—
Total contractual obligations	21,249,968	21,156,320	93,648	—	—

Financial and other instruments

The Group's and the Company's financial assets at 31 March 2020 which comprise other receivables and cash, and in the case of the Company include amounts due from subsidiaries, are classified as loans and receivables. All of the Group's and Company's financial liabilities which comprise trade and other payables and interest bearing liabilities are classified as liabilities measured at amortised cost.

The main financial risks arising from the Group's activities remain unchanged from the previous financial year, namely, commodity prices, currency, liquidity, credit and interest rates. The Board reviews and agrees policies for managing each of these risks and these are summarised below:

Commodity price risk

By the nature of its activities the Group and the Company are exposed to fluctuations in commodity prices and, in particular, the price of gold and copper as these could affect its ability to raise further finance in the future, its future revenue levels and the viability of its projects. The Group does closely monitor the prices of these commodities and will consider the use of hedging contracts, where appropriate, in future.

Whilst not representing a financial instrument, at 31 March 2020, the Group carried inventory of finished goods and work-in-progress valued at US\$3.47 million (31 December 2019: US\$3.10 million). All inventory as at 31 March 2020, which is unsold, is subject to future variation in commodity prices and accordingly the results for the period and the equity position of the Group may be affected by any change in commodity prices subsequent to the end of the period.

Interest rate risk

During the preceding three years the Group has taken out fixed rate finance leases for the acquisition of some equipment. In June 2017 the Group took out a US\$5.00 million secured loan with Sprott which was increased to US\$8.00 million in January 2018. As at 31 March 2020 US\$3.45 million of this loan remained outstanding. (31 December 2019: US\$6.90 million)

Liquidity risk

Historically the Group has relied primarily on funding raised from the issue of new shares to shareholders but has also received short term loans from its shareholders. It has also used floating rate short term trade finance and fixed rate finance leases to finance its activities and on 22 January 2018 increased a secured loan from US\$5.00 million to US\$8.00 million, of which US\$3.45 million remained outstanding as at 31 March 2020.

As at 31 December 2019 the Group owed Equinox Gold Corp. US\$12.0 million for the final payment of the acquisition of Chapleau Resources, (the "Coringa Deferred Consideration"). However, the Group has now reached an agreement with the vendor, whereby the date for the completion of the final US\$12 million payment owed to Equinox for the acquisition of the Coringa Gold has been extended (the Deferral Period") until such time as there are no international travel restrictions imposed by the Brazilian authorities and also no travel restrictions within or into the State of Para, Brazil, (the "Travel Restriction Condition") where the Group's Palito Complex gold production operations and the Coringa gold project are located. Under the terms of the extension the Group will

start to make instalment payments in respect the Coringa Deferred Consideration of US\$500,000 per month payable on each of 1 May 2020, 1 June 2020 and 1 July 2020 which will increase to US\$1 million per month thereafter until such time as the Travel Restriction Condition is satisfied. The balance outstanding of the Coringa Acquisition Payment is expected to be settled within six weeks of the Travel Restriction Condition being satisfied. Interest is payable on the outstanding sum at the rate of 10% per annum and will be settled at the same time as the Coringa Deferred Consideration is completed.

As at 31 March 2020, in addition to the Sprott Facility, the Group had obligations under fixed rate finance leases amounting to US\$0.01 million (31 December 2019: US\$0.05 million).

The Group's objectives when managing its capital are to maintain financial flexibility to achieve its development plans, safeguard its ability to continue to operate as a going concern through management of its costs whilst optimising its access to capital markets by endeavouring to deliver increases in value of the Group for the benefit of shareholders. In establishing its capital requirements, the Group will take account of the risks inherent in its plans and proposed activities and prevailing market conditions. There are risks associated with any mining operation whereby unforeseen technical and logistical events result in additional costs needing to be incurred, giving rise to the possibility that additional working capital may be required. The Group is also subject to pricing risks and significant short-term variations in sale prices of commodities to which the Group is exposed, may place significant additional pressure on the Group's working capital position. Should additional working capital be required the Directors consider that further sources of finance could be secured within the required timescale. The Group, where available and appropriate, will use fixed rate finance arrangements for the purchase of certain items of capital equipment and use short term trade finance particularly in respect of its projected sales of copper/gold concentrate. It will seek to raise debt finance where possible to finance further capital development of its projects taking due consideration of the ability of the Group to satisfy the obligations and undertakings that would be imposed in connection with such borrowings.

Currency risk

Although the Company is incorporated in the United Kingdom, its financial statements and those of the Group are presented in US Dollars which is also considered to be the functional currency of the Company. Funding of activities of its subsidiaries is generally made in US Dollars, all sales for the Group are denominated in US Dollars and future remittances of dividends, loans or repayment of capital from the subsidiaries are expected to be received in US Dollars.

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

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

	Group	
	31 March 2020 US\$	31 December 2019 US\$
US Dollar	6,018,558	9,193,766
Canadian Dollar	20,802	26,188
Sterling	37,364	162,585
Australian Dollar	18,250	38,947
Euro	60,190	25,576
Brazilian Real	2,994,110	4,787,550
Total	9,149,274	14,234,612

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

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

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

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

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

Credit risk

The Group's exposure to credit risk is limited to its cash and cash equivalents and trade and other receivables amounting to US\$13,827,675 (31 December 2019: US\$19,359,020). It is the Group's policy to only deposit surplus cash with financial institutions that hold acceptable credit ratings.

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

The Group currently sells its copper/gold concentrate production to a single customer, a publicly quoted trading group located in Japan having changed customer in the second half of 2016. Settlement terms are in accordance with industry norms. The customer has a strong reputation within the industry and has a good credit risk history. As at the balance sheet date there were no amounts owed to the Group that were overdue.

Subsequent events

On 21 January 2020, the Group entered into a subscription deed (the "Subscription Deed") for the issue of US\$12 million of Convertible Loan Notes ("the Loan Notes") by Greenstone Resources II LP ("Greenstone") the proceeds of which were to be applied inter-alia to settle a payment of US\$12 million due to Equinox Gold Corp ("Equinox") representing a final payment for the acquisition of the Coringa gold project (the "Coringa Deferred Consideration"). The subscription deed was subject to shareholder approval and certain other conditions being fulfilled at the time of initial drawdown. However, as a consequence of the uncertainties caused by Coronavirus, the Group subsequently agreed with Greenstone to extend the period for the satisfaction of all the conditions necessary for the completion of the subscription for and issue to Greenstone of the Loan Notes.

On 9 April 2020, the Group announced that it had reached an agreement with Equinox whereby the date for the completion of the Coringa Deferred Consideration was extended (the "Deferral Period") until such time as there are no international travel restrictions imposed by the Brazilian authorities and also no travel restrictions within or into the State of Para, Brazil, (the "Travel Restriction Condition") where the Group's Palito Complex gold production operations and the Coringa gold project are located. Under the terms of the extension the Group will start to make instalment payments in respect the Coringa Deferred Consideration of US\$500,000 per month payable on each of 1 May 2020, 1 June 2020 and 1 July 2020 which will increase to US\$1 million per month thereafter until such time as the Travel Restriction Condition is satisfied. The balance outstanding of the Coringa Deferred Consideration is expected to be settled within six weeks of the Travel Restriction Condition being satisfied.

On 23 April 2020, The Company and Greenstone signed an amendment deed which varies the original Subscription Deed (the "Amendment Deed").

Under the Amendment Deed certain terms of the subscription with Greenstone have been amended as follows:

- (a) the Company may, prior to the satisfaction of the Travel Restriction Condition only submit a subscription request in respect of Convertible Loan Notes in the amount of US\$500,000 each month. Following the satisfaction of the Travel Restriction Condition, the Company may then issue further

- subscription request for amounts of not less than US\$100,000 and not exceeding an amount equal to US\$12,000,000 less the sum of the aggregate principal amount of all Notes outstanding at that time.
- (b) until such time as the existing secured loan due to Sprott Resource Lending Partnership (the “**Sprott Loan**”) has been repaid, the Convertible Loan Notes shall be unsecured and will be subordinated to the Sprott Loan. The Sprott Loan was approximately US\$3.45 million as at 31 March 2020 and is due to be repaid in three equal monthly instalments ending 30 June 2020.
 - (c) Following settlement of the Sprott Loan, the security interests of Sprott will be discharged and the Company will grant to Greenstone the security package as originally envisaged save that a pledge of the shares of Chapleau Resources Limited (“**CRL**”) will continue to be held by Equinox until such time as the Coringa Deferred Consideration is settled in full. CRL holds 100% of the shares of Chapleau Exploração Mineral Ltda which in turn holds the exploration licences for the Coringa gold project
 - (d) The period during which the Company may issue an Issue Notice to Greenstone expires on 31 December 2020 unless otherwise agreed.
 - (e) Subject to Greenstone not having exercised its option to convert the amount outstanding into Conversion Shares, the Convertible Loan Notes are due to be repaid 16 months after the first Issue Date which is expected to be 30 April 2020.

Save as set out above there have been no other material changes to the terms of the Subscription Deed. The underlying conversion price at which Greenstone may, convert any outstanding amount into Ordinary Shares (“**Conversion Shares**”) in the Company has not been varied and remains at a price of £0.76 per Ordinary Share. Greenstone may convert any outstanding Convertible Loan Notes at any time.

The occurrence of the Coronavirus (COVID-19) pandemic has created significant uncertainty for all business sectors including the Group and in particular the short-term effects and actions that may need to be implemented either by the Group or that may be imposed on the Group by new regulations or measures taken by government. Already there are limitations imposed which restrict the ability of certain of the Company’s personnel and contractors to attend the Group’s operations. The Group has and is implementing measures that will permit it to maintain operations albeit at potentially reduced levels of production than previously envisaged. The Group has implemented measures to reduce the numbers of personnel and camp and has ceased all exploration activity to liberate on site accommodation for personnel dedicated to mining and gold production. In the short term, current staff at site have agreed to extend their rosters in order to minimise crew changeovers in the immediate term, thereby minimising the potential for the virus to be introduced to the mine site. The Group started to introduce a testing regime during May 2020 which is allowing for limited changeover of personnel to be re-introduced and keep the mine site virus-free. It is expected that the additional testing capability can be acquired during the second quarter.

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

Changes in accounting policies

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

There are a number of standards, amendments to standards, and interpretations which have been issued that are effective in future periods and which the Group has chosen not to adopt early. None of these are expected to have a significant effect on the Group, in particular

IAS 1 Presentation of Financial Statements

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)

IFRS 3 Business Combinations (Amendment – Definition of a Business)

Off-balance sheet arrangements

The Group has no off-balance sheet arrangements

Critical accounting estimates

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

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

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

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

Mineral resources

Quantification of mineral resources requires a judgment on the reasonable prospects for eventual economic extraction. These judgments are based on assessments made in accordance with the provisions of Canadian National instrument 43-101. These factors are a source of uncertainty and changes could result in an increase or decrease in mineral resources and changes to the categorisation of mineral resources between Mineral Reserves, Measured and Indicated Mineral Resources and Inferred Mineral Resources. Only Mineral Reserves have been established to have economic viability and only at the time that such estimation is undertaken, and any change in the underlying factors under which the economic assessment was made may give rise to management making a judgment as to the continuing economic viability of such Mineral Reserves and how they should be used for the purpose of forecasts. This would, in turn, affect certain amounts in the financial statements such as depreciation, which is calculated on projected life of mine figures, and carrying values of mining property and plant which are tested for impairment by reference to future cash flows based on projected life of mine figures.

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

Inventory valuation

Valuations of gold in stockpiles and in circuit, require estimations of the amount of gold contained in, and recovery rates from, the various stages of work in progress. These estimations are based on analysis of samples and prior experience. A judgment is also required about when stockpiles will be used and what gold price should be applied in calculating net realisable value; these are both sources of uncertainty. The balance that is most sensitive to changes in estimates is the stockpile of mined ore or a prior impairment of which has been partially reversed during the year.

The amounts recognised in the consolidated financial statements are derived from the Group's best estimation and judgment.

Impairment of mining assets and other property, plant and equipment

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

In considering the impairment of its mining assets in accordance with IAS 36, management will use gold prices and exchange rates applicable at the balance sheet date. The mine life will be based on the judgement of management of that portion of measured, indicated and inferred resources that can be recovered on the basis that, given the nature of the Group's orebodies, the mineral reserves (that portion of the mineral resource that

has been proven by independent study to have economic viability) comprises a small part of the total mineral resource of the Group's orebodies and does not reflect management's view of the true life of the orebody. Production costs, estimated capital costs and plant performance are based on current operating performance and costs. The value in use calculation will also be determined by the judgments made by management regarding any future changes in legislation or economic circumstances that might impact the operations.

In the event that there is an indication of impairment, mining assets are assessed for impairment through an estimation of the value in use of the cash generating units ("CGU's"). The value in use calculation requires the entity to estimate the future cash flows expected to arise from a CGU and a suitable discount rate in order to calculate present value. A CGU is a group of assets that generates cash inflows from continuing use. Given their interdependences and physical proximity, the Palito and Sao Chico Mines are considered to be one single CGU. Management considers that there was no indicator of impairment identified in the year.

The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

Recoverability of debts including recoverable taxes

In making its judgments over the recoverability of any amounts owed to the Group management will assess the creditworthiness of the debtor, the legal enforceability of the Group's rights and the practicalities and costs of obtaining and enforcing judgments relative to the debt outstanding. Based on these assessments it will estimate the likely recoverability of sums that are due to the Group, the likely time period over when such debts might be received and any provision that needs to be established against the future recoverability. Recoverable taxes comprise any federal or state levied input taxes incurred by the Group including taxes levied on the purchase of goods and services that are designated in law as being recoverable either in cash, kind or by way of set-off against other tax liabilities at either a federal or state level. IFRS 9, requires the Parent company to make assumptions when implementing the forward-looking expected credit loss model.

Recoverability of investments in subsidiaries and inter-company debts

In making its judgments over the recoverability of any amounts invested into subsidiary companies by way of share capital or loans advanced to subsidiaries the Company considers the expected future cash flows that can be generated by the underlying projects owned and operated by these subsidiaries and the potential value of exploration and development projects owned and managed by these subsidiaries. As each of the subsidiaries is 100% owned (directly or indirectly) by the Company the creditworthiness of the subsidiary is the same as the creditworthiness of the Company subject only to any restrictions that may be imposed on the repatriation of capital and loans by the host government of the subsidiary.

Restoration, rehabilitation and environmental provisions

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

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

Recoverability of deferred exploration expenditure

The recoverability of exploration expenditure capitalised within intangible assets is assessed based on a judgment about the potential of the project to become commercially viable and if there are any facts or circumstances that would suggest the costs should be impaired. In making this judgment management will consider the items noted in the impairment policy in respect of exploration assets as noted in accounting policy

1 h). Should an indicator of impairment be identified the value in use is estimated on a similar basis as the mining asset as detailed above. Management determined that there were no indicators of impairment in the year.

Utilisation of historic tax losses and recognition of deferred tax assets

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

Disclosure controls and procedures

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

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

As at 31 December 2019, an evaluation was carried out, under the supervision of the Chief Executive Officer and Chief Financial Officer, of the design and operating effectiveness of the Group's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Group's disclosure controls and procedures were effective as at 31 December 2019.

Internal controls over financial reporting

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

As at 31 December 2019, an evaluation was carried out, under the supervision of the Chief Executive Officer and Chief Financial Officer, of the design and operating effectiveness of the Group's internal controls over financial reporting. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the internal controls over financial reporting were effective as at 31 December 2019, using the criteria, having taken account of the size and nature of the Group, put forward by the Financial Reporting Council in their revised guidance for directors on internal controls for UK listed companies (issued September 2014).

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

Changes in internal controls over financial reporting

There have been no changes in the Group's internal controls over financial reporting during the twelve month period ended 31 December 2019 that have materially affected, or are reasonably likely to materially affect, the Group's internal controls over financial reporting.

Disclosure of outstanding share data

The Company had the following Ordinary Shares, Stock Options and Warrants outstanding at 14 May 2020:

Ordinary Shares	58,959,551
Stock Options	<u>1,786,750</u>
Fully diluted ordinary shares outstanding	<u>60,746,301</u>

Fratelli Investments Limited ("Fratelli") holds 19,318,786 Ordinary Shares in the Group representing 32.8 per cent of the voting shares in issue.

Greenstone Resources II LP ("Greenstone"), holds 14,887,970 Ordinary Shares in the Group representing 25.3 per cent of the voting shares in issue.

Qualified persons statement

The technical information contained within this Management Discussion and Analysis has been reviewed and approved by Michael Hodgson, CEO of the Group. Mr Hodgson is an Economic Geologist by training with over 30 years' experience in the mining industry. He holds a BSc (Hons) Geology, University of London, a MSc Mining Geology, University of Leicester and is a Fellow of the Institute of Materials, Minerals and Mining and a Chartered Engineer of the Engineering Council of UK, recognising him as both a Qualified Person for the purposes of Canadian National Instrument 43-101 and by the AIM Guidance Note on Mining and Oil & Gas Companies dated June 2009.

Cautionary statement on forward-looking information

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

Risks and uncertainties

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

There are many risks inherent with mining operations which to a greater or lesser degree companies can anticipate, plan for and seek to mitigate. These risks may impact on a company only in the short term or may have longer term implications for the success and development of the enterprise and its mining projects.

UNCERTAINTIES CAUSED BY COVID 19

The implications of the COVID 19 pandemic remain difficult to predict giving the evolving nature of this issue and the varying reactions of governments around the world. The Board and management are reviewing the potential implications and the contingency planning that the Group can invoke to mitigate the effects:

- restrictions on the free movement of personnel both within country as well as between countries may impose restrictions on the availability of key personnel at certain times,
- supply chains may be affected by restriction of the free movement of goods or the availability of goods,
- finance required for the development of projects may become scarce depending on the long term global economic effects.

In response to the issues that COVID 19 places on the economy of Brazil, on 20 March 2020, the mining industry through degree number 10.282/20 was designated by the Brazilian government as an essential business sector and the Ministry of Mines and Energy has subsequently started action to try and guarantee the continuity of the supply chain, transport of materials required for processing and the sale and transportation of mineral products. However, there does remain significant uncertainty and the situation could change very quickly, placing risk on the Group and the levels of cash flow that can be generated over the coming months. Further details are discussed within the Directors Report and have been considered in the basis of preparation of the Financial Statements contained within this Annual Report.

The Group has an outstanding obligation to pay US\$12 million to Equinox Gold Corp. ("Equinox") as a final installment for the purchase of the Coringa gold project. It has been now agreed that this debt will start to be paid in monthly installments until such time as certain travel restriction imposed as a result of COVID 19 are lifted (the "Travel Restriction Condition") following which the full balance would become payable. On 21 January 2020 signed a subscription deed (the "Subscription Deed") with Greenstone Resources II LP ("Greenstone"), one of its major shareholders, for the issue of US\$12 million of Convertible Loan Notes (the "Loan Notes"). With the uncertainty surrounding COVID 19 the Company and Greenstone agreed to extend the period for the satisfaction of certain conditions required for the completion of the transaction.

On 23 April 2020, The Company and Greenstone signed an amendment deed which varies the original Subscription Deed (the "Amendment Deed").

Under the Amendment Deed certain terms of the subscription with Greenstone have been amended as follows:

- (a) the Company may, prior to the satisfaction of the Travel Restriction Condition only submit a subscription request in respect of Convertible Loan Notes in the amount of US\$500,000 each month. Following the satisfaction of the Travel Restriction Condition, the Company may then issue further subscription request for amounts of not less than US\$100,000 and not exceeding an amount equal to US\$12,000,000 less the sum of the aggregate principal amount of all Notes outstanding at that time.
- (b) until such time as the existing secured loan due to Sprott Resource Lending Partnership (the "**Sprott Loan**") has been repaid, the Convertible Loan Notes shall be unsecured and will be subordinated to the Sprott Loan. The Sprott Loan was approximately US\$3.45 million as at 31 March 2020 and is due to be repaid in three equal monthly instalments ending 30 June 2020.
- (c) Following settlement of the Sprott Loan, the security interests of Sprott will be discharged and the Company will grant to Greenstone the security package as originally envisaged save that a pledge of

the shares of Chapleau Resources Limited (“CRL”) will continue to be held by Equinox until such time as the Coringa Deferred Consideration is settled in full. CRL holds 100% of the shares of Chapleau Exploração Mineral Ltda which in turn holds the exploration licences for the Coringa gold project

- (d) The period during which the Company may issue an Issue Notice to Greenstone expires on 31 December 2020 unless otherwise agreed.
- (e) Subject to Greenstone not having exercised its option to convert the amount outstanding into Conversion Shares, the Convertible Loan Notes are due to be repaid 16 months after the first Issue Date which is expected to be 30 April 2020.

The Group will be obliged to meet part of its ongoing obligations to Equinox from its cash resources and the cash flow that can be generated from its operations. This obligation will place additional stress on the free cash flow that the Group can generate over the coming months and may impact on the ability of the Group to retain the Coringa gold project which is pledged as security to Equinox until the full value of the consideration due for its acquisition is satisfied.

In addition to the immediate risk and uncertainty that the COVID 19 virus presents, the Board considers that the following risks are those which present the most significant uncertainty for the Company at the current time.

<i>Risk</i>	<i>Comment</i>	<i>Mitigation</i>
<i>Changes in gold prices.</i>	<p>The profitability of the Group’s operations is dependent upon the market price of gold.</p> <p>Gold prices fluctuate widely and are affected by numerous factors beyond the control of the Group.</p> <p>Reserve calculations and life-of-mine plans using significantly lower metal prices could result in material write-downs of the Group’s investment in mining properties and increased amortisation, reclamation and closure charges.</p>	<p>Management closely monitors commodity prices and economic and other events that may influence commodity prices.</p> <p>The Board will use hedging instruments if and when it considers it appropriate.</p>
<i>Currency fluctuations may affect the costs of doing business and the results of operations.</i>	<p>The Group’s major products are traded in prices denominated in US Dollars. The Group incurs most of its expenditures in Brazilian Reals although it has a reasonable level of expenses in US Dollars, UK Pounds and other currencies.</p>	<p>Management closely monitors fluctuations in currency rates and the Board may, from time to time, make use of currency hedging instruments.</p>
<i>Availability of working capital.</i>	<p>The Company is reliant on generating regular revenue and cash flow from its operations on a monthly basis to meet its monthly operating costs, meet debt repayment requirements and to fund capital investment and exploration programmes. It has no overdraft or stand-by credit facilities in place in the event of any operational difficulties or other events that may reduce or delay revenue receipts in the short term.</p>	<p>Management, in designing and planning the Group’s operations, incorporates contingency planning. The Group has multiple mining faces to minimise geological and mining risk to operations, it has a modular plant to ensure gold processing can be maintained to the greatest extent possible at all times and deals with customers for its products who have good credit and standing in the industry. Management also manages the Group’s commitments and obligations to maximise the level of cash holdings at any time and works closely with existing and potential lenders and other potential financing partners to ensure that, to the greatest extent possible, it can have access to additional cash resources or defer debt</p>

<i>Risk</i>	<i>Comment</i>	<i>Mitigation</i>
		repayment obligations should any unexpected need arise.
<p><i>No guarantee that the Group's applications for exploration licences and mining licences will be granted.</i></p> <p><i>Existing exploration licences may not be renewed or approved or converted into mining licences.</i></p> <p><i>Title to any of the Group's mineral properties may be challenged or disputed</i></p>	<p>There is no guarantee that any application for mining licences, the renewal of existing exploration licences or the granting of new exploration licences will be approved by the Agencia Nacional do Mineracao ("ANM"). The ANM can refuse any application. Persons may object to the granting of any exploration licence and the ANM may take those objections into consideration when making any decision on whether or not to grant a licence.</p> <p>The exploration licence for the Sao Chico property expired in March 2014. The Group applied for a full mining licence and the application and all supporting information and reports have been made in accordance with prescribed regulations. The Group has received no indications that the full mining licence will not be granted.</p> <p>At the current time mining operations at the Sao Chico Mine are carried out under a trial mining licence which was renewed in February 2020 and expires in October 2022.</p> <p>If and when exploration licences are granted, they will be subject to various standard conditions including, but not limited to, prescribed licence conditions. Any failure to comply with the expenditure conditions or with any other conditions, on which the licences are held, can result in licence forfeiture.</p> <p>The Group is in the process of applying for a mining licence in respect of the Coringa gold project. There can be no certainty that a mining licence will be issued or as to the time frame in which it will be issued.</p>	<p>Management maintains on-going dialogue with the ANM and other relevant government bodies regarding its operations to ensure that such bodies are well informed and also to help ensure that the Group is informed at an early stage of any issues of concern that such bodies may have.</p> <p>The Group employs staff and consultants who are experienced in Brazilian mining legislation to ensure that the Group is in compliance with legislation at all times.</p>
<i>Other permits and licences required to conduct operations may not be renewed or may be revoked or suspended</i>	<p>The Group requires a number of permits and licences to be able to undertake its operations and these are issued by a variety of agencies and departments.</p> <p>The Group is required to provide regular reports and may be subject to inspections to ensure that it is in compliance with its obligations in respect of any licence or permit. Failure to comply with the obligations can result in fines, obligations to undertake remedial action and in cases where a breach is deemed significant can result in suspension until remedied.</p>	<p>Management maintains on-going dialogue with the government bodies involved with the granting and control of mining operations to ensure that such bodies are well informed of the Group's activities and plans and also to help ensure that the Group is informed at an early stage of any issues of concern that such bodies may have.</p> <p>The Group employs personnel and consultants experienced in the various aspects of the licensing and permitting</p>

<i>Risk</i>	<i>Comment</i>	<i>Mitigation</i>
	Permits and licences are issued for fixed periods and therefore subject to regular renewal. The renewal process may impose additional obligations on the Group that had not been imposed under previous licences and permits.	process to ensure that it maintains compliance with its obligations.
<i>The Coringa gold project is an advanced stage development project requiring permitting and construction before production can commence</i>	<p>The Group acquired the Coringa gold project in December 2017.</p> <p>Whilst the Group has been awarded a trial mining licences and an initial operating licence, it is still in the early stages of obtaining all the necessary permits and licences required to allow full scale mine development and plant construction to commence and there can be no certainty that it will be granted all the necessary licences and permits or as to the time frame in which these will be issued.</p>	<p>The Group has been operating in the region for a number of years and in general is dealing with the same government agencies and bodies that have oversight of the operations in the Palito Mining Complex.</p> <p>The Group considers that it has developed good relations and understanding with the government bodies and agencies who will grant these licences and these same bodies have been supportive of Serabi's acquisition of the project.</p>