MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and twelve month periods ended 31 December 2018

29 March 2019

SERABI GOLD PLC
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Introduction

This Management's Discussion and Analysis ("MD&A") dated 29 March 2019 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 2018.

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, 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 approximately 60 per cent to 70 per cent of the gold recovered from the Palito orebody. The residual tailings from the flotation process, which also recovers 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 feasibility study prepared by MTB Project Management Professionals of Colorado USA for Anfield and Chapleau Resources Ltd ("Chapleau"), published in September 2017 ("the Coringa FS") estimated:

- Gold production of approximately 32,000 ounces per year averaged over a 4.8 year mine life;
- Average life of mine process fully-diluted gold grade of 6.5 g/t;
- Post-tax internal rate of return of 30.1 per cent;
- Post-tax net present value of US$30.5 million at a five per cent. discount rate;
- Remaining capital costs of US$28.8 million;

- Average net cash operating costs of US$585 per ounce and all-in sustaining costs of US$786 per ounce; and
- Probable mineral reserves of 161,000 ounces of gold and 324,000 ounces of silver.

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 will be due upon the earlier of either the first gold being produced or 24 months from 21 December 2017. The total proposed consideration for the acquisition amounts to US$22 million in aggregate.

The Group holds other exploration licences within the Tapajos region covering approximately 10,450 hectares. Exploration work undertaken by the Group on these licences is at an early stage.

On 4 March 2019 Serabi released results from its updated Geological Resource Technical Report (the NI 43-101 Technical Report Coringa, Brazil) currently being prepared by its consultants, Global Resource Engineering Ltd("GRE"). The results recorded a NI 43-101 compliant Indicated Resource of 216,000 ounces of gold at an average grade of 7.95 grammes per tonne ("g/t") and an Inferred mineral resource of 298,000 ounces of gold at an average grade of 6.46 g/t.

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.

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

Key Financial Information

SUMMARY FINANCIAL STATISTICS FOR THE THREE AND TWELVE MONTHS ENDING 31 DECEMBER 2018

	12 months to 31 Dec 2018 US$	**3 months to 31 Dec 2018 US$**	12 months to 31 Dec 2017 US$	3 months to 31 Dec 2017 US$
Revenue	**43,261,743**	**10,037,906**	48,449,868	12,224,818
Cost of Sales	**(31,101,016)**	**(7,447,624)**	(32,965,498)	(8,407,318)
Gross Operating Profit	**12,160,727**	**2,590,282**	15,484,370	3,817,500
Administration and share based payments	**(5,867,918)**	**(1,792,903)**	(5,711,046)	(1,734,751)
EBITDA	**6,292,809**	**797,379**	9,773,324	2,082,749
Depreciation and amortisation charges	**(9,004,411)**	**(2,856,127)**	(10,465,283)	(2,919,436)
Operating (loss)/profit before finance and tax	**(2,711,602)**	**(2,058,748)**	(691,959)	(836,687)
Loss after tax	**(5,754,541)**	**(3,023,431)**	(2,397,903)	(1,627,274)
Earnings per ordinary share (basic)	**(11.20 cents)**	**(5.13 cents)**	(6.86 cents)	(4.60 cents)
Average gold price received	**US$1,258**	**US$1,213**	US$1,244	US$1,265

	As at 31 December 2018	As at 31 December 2017
Cash and cash equivalents	**9,216,048**	4,093,866
Net assets	**69,110,287**	60,770,712

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

	12 months to 31 December 2018	12 months to 31 December 2017
Gold production for cash cost and AISC purposes	**37,108**	37,004
Total Cash Cost of production (per ounce)	**US$821**	US$799
Total AISC of production (per ounce)	**US$1,093**	US$1,071

Key Operational Information

SUMMARY PRODUCTION STATISTICS FOR 2018 AND 2017

		Qtr 1 2018	**Qtr 2 2018**	**Qtr 3 2018**	**Qtr 4 2018**	**Full Year 2018**	Qtr 1 2017	Qtr 2 2017	Qtr 3 2017	Qtr 4 2017	Total 2017
Horizontal development – Total	Metres	**2,353**	**2,744**	**2,814**	**2,460**	**10,371**	2,251	1,855	2,996	2,762	9,864
Mined ore – Total	Tonnes	**39,669**	**36,071**	**42,725**	**44,257**	**162,722**	36,918	41,684	41,263	49,011	168,876
	Gold grade (g/t)	**7.49**	**8.12**	**6.23**	**7.45**	**7.29**	10.12	7.80	9.80	8.25	8.92
Milled ore	Tonnes	**43,145**	**38,155**	**41,405**	**45,548**	**168,253**	41,722	43,294	44,205	43,345	172,565
	Gold grade (g/t)	**7.04**	**7.71**	**6.11**	**7.39**	**7.06**	7.62	6.29	7.28	7.27	7.11
Gold production (1) (2)	Ounces	**9,188**	**9,563**	**8,101**	**10,256**	**37,108**	9,861	8,148	9,657	9,337	37,004

(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 2018 include treatment of 16,466 tonnes of flotation tails at a grade of 3.71 g/t (2017 full year : 4,568 tonnes)
(3) The table may not sum due to rounding.

Financial Highlights

- Cash Cost for the year of US$821 per ounce.
- All-In Sustaining Cost for the year of US$1,093 per ounce.
- EBITDA of US$6.3 million
- Post tax loss of US$5.75 million reflecting lower level of gold sales realised during the period compared with 2017. The sales shortfall reflects the timing between production and sale recognition and will be recorded in 2019.
- Loss per share of 11.20 cents for 2018.
- Cash holdings of US$9.2 million at 31 December 2018 (31 December 2017: US$4.1 million), had increased to US$12.8 million by the end of January 2019.
- Average gold price of US$1,258 received on gold sales in 2018.
- Completion of share placings in second quarter 2018 raising more than US$23.5 million for exploration and activity and ongoing development of Coringa project.

2018 Guidance

- Management does not anticipate a major shift in mine performance and therefore hard rock gold production for 2019. However, with production efficiencies from new initiatives such as the scrubber to improve throughput of stockpiled flotation tails and the planned commissioning of the ore-sorter in the second half of 2019, management expects to see an increase in gold production in 2019, with production forecast to be in the range of 40,000-44,000 ounces.

FOURTH QUARTER OPERATIONAL SUMMARY

Operational Highlights

- Annual gold production totalling 37,108 ounces is an improvement on 2017 production (2017: 37,004 ounces).
- Fourth quarter gold production of 10,256 ounces of gold represents record quarterly production for Serabi.
- Mine production in 2018 totalling 162,722 tonnes at 7.29 g/t of gold, with the highest level of mined tonnage for 2018 achieved in fourth quarter with a total of 44,257 tonnes at 7.45 grams per tonne ("g/t") of gold.
- 168,253 tonnes processed through the plant in 2018 for the combined mining operations, with an average grade of 7.06 g/t of gold.
- 45,548 tonnes of run of mine ("ROM") ore processed through the plant from the combined Palito and Sao Chico orebodies during the fourth quarter with an average grade of 7.39 g/t of gold, representing the highest quarterly throughput for the year.
- 10,371 metres of horizontal mine development completed in the year, with 2,460 metres of horizontal development completed during the fourth quarter.
- Successful factory testing of ore sorter completed in December 2018 and the unit is now in transit to site with commissioning planned for the second half of the year.

Exploration and Development Highlights

- A series of discrete "apparent conductivity" anomalies have been delineated by the analysis of the airborne magnetic and electromagnetic ("VTEM") survey flown during the third quarter of 2018. These anomalies are indicative of probable sulphide bodies which the Company hopes will be gold bearing.
- Identification of the "Cinderella" anomaly, a chargeability and conductive high extending over seven kilometres, which is coincident with a strong magnetic anomaly defined by the airborne VTEM survey – Cinderella is the most significant of a number of anomalies around Sao Chico identified by an Induced Polarisation (IP) terrestrial geophysics programme completed at Sao Chico in the fourth quarter.
- Environmental Impact Assessment ("EIA") for the Coringa project approved by State Environmental Agency ("SEMAS") and public hearings now being planned.
- Mineral Resources for the Coringa project increased to 514,000 ounces representing a 37% increase over the previously disclosed estimation (as of May 3, 2017), following completion of a ~7,000 metre surface drilling programme.
- Completion of a 4,343 line kilometre airborne HeliTEM Electro-magnetic ("EM") and Magnetic survey.

- Completion of 80 line kilometres of a terrestrial Induced Polarisation (“IP”) geophysical survey.
- 4,237 metres of surface exploration drilling completed over the Sao Chico deposit, successfully intersecting the strike extension of the Sao Chico orebody up to 500 metres west of the current mine limit.
- 1,520 metres of surface drilling at the Palito deposit, targeting the north extension of the main G3 vein, with the most significant intersection recording 19 g/t of gold over a width of 0.55 metres.

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 to over 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 has intersected what appears to be the strike extension of the Sao Chico orebody approximately 500 metres to the west. The IP survey has highlighted some significant and exciting anomalies to the west and south east which will be drilled during 2019.

The Group has been conducting extensive test work to assess the benefits of ore-sorting to further enhance ore feed grade and to reduce waste entering the process plant. This will also free plant capacity for future organic growth. Tests on the Palito ore have been extremely encouraging and further tests on the Sao Chico ore have also returned good results. This equipment is currently being transported to site and is expected to be commissioned during the second half of 2019.

Total gold production for the fourth quarter of 2018 was 10,256 ounces of gold an increase of 10 per cent compared with the same quarter in 2017 and resulted in total gold production for the year of 37,108 ounces, a small increase in total production compared with 2017.

This momentum has been continued into the first quarter of 2019 and it is anticipated that production for the first quarter of 2019 will be approximately 10,000 and therefore in line with the Company’s guidance.

Total mining rates over the Palito Complex are, for 2018, approximately 4% below those for 2017, whilst milling rates at 168,253 tonnes for the year are approximately 3.5% lower than for 2017. Management does not consider these variations significant given the nature of the orebodies being mined. The Company was however able to process over 16,000 tonnes of historic flotations tailings during the 12 month period representing a 360% increase compared to 2017.

Management had also hoped to boost gold production in the second half of 2018 through an increase in the processing rate of Run of Mine (“ROM”) surface stockpiles. However, at the end of 2018 the stockpile of ore at surface was 7,661 tonnes at a grade of 4.14 g/t gold end of the year, a decrease of 1328 tonnes compared with the levels at 30 September 2018.

Management anticipates that the successful commissioning of the ore-sorter will bring feed grade increases as well as freeing up some plant capacity, and is key to allowing some future organic growth to be realised without plant expansion. However, with the equipment expected to be commissioned during the second half of 2019, this process enhancement will not have any major impact until the end of the year.

Mining

Mining of the Palito orebody has been at relatively steady levels for over three years with production and development rates achieving a steady state of mine output. The ore generated from the Sao Chico orebody in 2016 was derived principally from development. With sufficient development headings now established, the Group started to increase the level of stoping activity in the first quarter of 2017 and consequently the tonnage of ore that could be recovered from stope mining.

Mine development from the Sao Chico orebody in recent quarters has been very encouraging, and there are no indications that the payability of ore development is diminishing with depth. In addition, development is now comfortably ahead of stoping, with over two years of ore now developed and 'blast ready' at current production rates.

Mined grades achieved for 2018 averaged 7.29 g/t, adversely affected by lower grades mined in the third quarter, when mine scheduling unavoidably resulted in a need to mine through some lower grade blocks in the Sao Chico orebody, coupled with an increased amount of development ore, which is generally lower grade in the total. Long-hole retreat mining is used on the Sao Chico orebody, a cheaper and simpler mining method, but whilst efficient it is less flexible in terms of mining selectivity. During the third quarter the Company was retreating two faces at Sao Chico through economically viable blocks but of a lower grade than anticipated. Management anticipated an improvement in average grades during the final quarter of 2018 and this was realised with average grades improving to 7.45g/t in the final three month period of 2018. The average mined grade for the year of 7.29g/t, is lower than reported for the same period in 2017, and slightly 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 the first quarter of 2018, the first new generation mini scoops arrived on site together with a new face drilling jumbo with a narrower profile. This smaller equipment permits smaller mine development, resulting in reduced production costs for development mining combined with lower dilution and higher quality of development ore. More importantly, however, it also greatly assists in minimising dilution in the subsequent stoping of these veins. Following the successful initial deployment of this equipment, the Group has acquired additional units. This equipment will only be deployed at Palito, where the potential benefits of minimising the mining widths are significant, with some of the larger units previously used at Palito bring redeployed to Sao Chico.

Plant operations

Total gold production for 2018 was 37,108 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 a small contribution from the stockpiled flotation tailings accumulated from the processing of Palito Mine production in 2014.

Gold production for the year was achieved through the processing of 168,253 tonnes from the Palito and Sao Chico orebodies with an average grade of 7.06 g/t of gold (twelve months to 31 December 2017: 172,565 tonnes at 7.11 g/t of gold). Whilst ROM ore processed was lower by 3.50 per cent or approximately 4,300 tonnes, during the same period a total of 16,466 tonnes of reprocessed tailings were passed through the plant, an increase of approximately 11,900 tonnes compared with 2017.

Plant performance has been excellent throughout the year, averaging approximately 500 tonnes per day. Mill feed is predominantly crushed ROM and is topped up with coarse ore stock and some stockpiled flotation tailings. The

Company still has approximately 9,000 tonnes of coarse ore stockpiled on surface and an estimated 30,000 tonnes of flotation tails stockpiled (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.

At the start of 2019 the Company successfully commissioned a 'scrubber', an item of equipment that will allow easier processing of stockpiled flotation tailings. During 2018 the Company had, with limited success, tried to feed these flotation tailings into the plant trialling a variety of feed mechanisms. The scrubbing plant is dedicated to classifying and cleaning this material, removing impurities and allowing it to be fed directly into the plant post milling.

An encouraging development during 2018 was the test work undertaken by the Group on ore sorting of the Palito and Sao Chico ores. Current mining operations whilst excellent, and employing the most selective methods possible, with veins typically 0.5 to 0.7 metres wide, a minimum mining width of 1.0 metre means significant amounts of granite waste still form part of the mined material coming to surface. Having undertaken test work in Brazil and subsequently at the manufacturer's facilities in Poland, excellent results have been achieved using X-ray scanning on the Palito ore using relative atomic densities to physically separate crushed sulphide bearing ore and granite waste. The contrast and results have been quite remarkable. Having completed factory testing the unit is now on its way to site and expected to be commissioned during the second half of 2019. Whilst the unit will initially be dedicated to the processing of Palito ore, a colour scanner unit has been be added to provide flexibility for future processing of Sao Chico ore which, in initial testing, was amenable to colour sorting. The Company sees the option to campaign or batch process, both ore feeds in the future.

The sorter will be installed after the main crushing plant and will 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 as well as liberating capacity in a mill constrained operation. In this way it is hoped that, using this technology, the plant can be debottlenecked, mill feed grade elevated as a result, and plant capacity freed up for the future organic growth with the added benefit of potentially reducing the surface stockpiles of ore.

Palito Complex Licensing

The Palito operation is fully permitted and has a mining licence issued in October 2007, 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 Approvimiento 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 informed Serabi in the latter half of 2018 that, in reference to the already submitted Coringa EIA, they could not process two EIA's from the same company simultaneously. It is hopes that SEMAS will assess the Sao Chico EIA during 2019.

With the Guia de Utilização (a trial mining license) already in place, and valid until 6 April 2019, and in accordance with legislation, the renewal application has already been submitted and protocoled. In addition, an application has also been submitted for a second trial mining license. All mining operations can continue in parallel, 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

Cash constraints until late 2017 meant all exploration activity had been essentially suspended since the end of 2011 as the Group focused on immediate efforts on bringing the Palito orebody and subsequently the Sao Chico orebody into production. The issues of new equity completed in 2018 have allowed management to pick up where exploration was left in 2011, and go significantly further, engaging, not only in 'headframe' exploration, but also including regional programmes to help evaluate its whole tenement package.

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

Recent exploration activities fall into four categories;

- **Drilling:** surface diamond drilling programme of approximately 20,000 metres, focusing on extensions of known veins on both the Palito and Sao Chico orebodies,
- **Ground geophysics:** exploring the 'anticipated trend and projection' of the main vein at Sao Chico,
- **Geochemistry**: Follow-up soil geochemical programme over near mine-site anomalies adjacent to the Palito orebody,
- **Regional**: An airborne electro-magnetic ("EM") geophysical survey, covering those parts of the JDO tenement holdings that had not previously been covered by similar surveys.

Drilling

A planned 20,000 metre surface drill programme was divided between both the Palito and Sao Chico orebodies.

At Palito, the programme initially focused on step out drilling on the known veins, with a view to justify subsequent underground development.

The key outcomes of the 2018 Palito programme have been

(i) the extension of the Pipocas vein to the north and south, where step out traverses have traced the vein further to the north than the current mine limit,
(ii) the southerly extensions of the Ipe/Mogno veins of the Chico da Santa area, and
(iii) the southerly and northerly extensions of the G3 vein

Smaller programmes tested the Copper Hill and the Caixas anomalies.

Drill intersections on the Pipocas north area show the vein continuing north approximately 250 metres from the most northerly exposure underground. Diamond drilling over the G3 vein from surface to the south has intersected economic mineable widths and grades located 200 metres to the south of the current Palito underground workings and only 800 metres from the northern limits of the Currutela Prospect. Further details are included in the Company's news release of 31 August 2018. Subsequently three further holes have been drilled on the northern extension of the G3 vein, with all three holes successfully cutting the vein, the best of which reported a grade in excess of 19 g/t over a 0.60 metre vein width, which is very typical for Palito. The G3 vein has now been traced over 1.5 kilometres and remains open to the south and north. Management plans to undertake further exploration drilling during 2019.

At the Sao Chico orebody, the surface drilling has focussed on the western and eastern extensions of the Sao Chico mineralisation, and to date drilling has successfully intersected what appears to be the Sao Chico ore zone up to 500 metres west of the current mine limit. To the east drilling has confirmed an eastward extension of mineralisation up to 200 metres beyond the mine workings. In both cases, these eastern and western extensions will now be further investigated from underground.

The latest drilling programme commenced in May 2018. The Sao Chico main orebody is completely open along strike and the Group has very little geological information outside the immediate mine limits. Nonetheless there are strong indications that substantial strike extensions of the principal vein and adjacent veins are waiting to be defined as shown in the figure below.

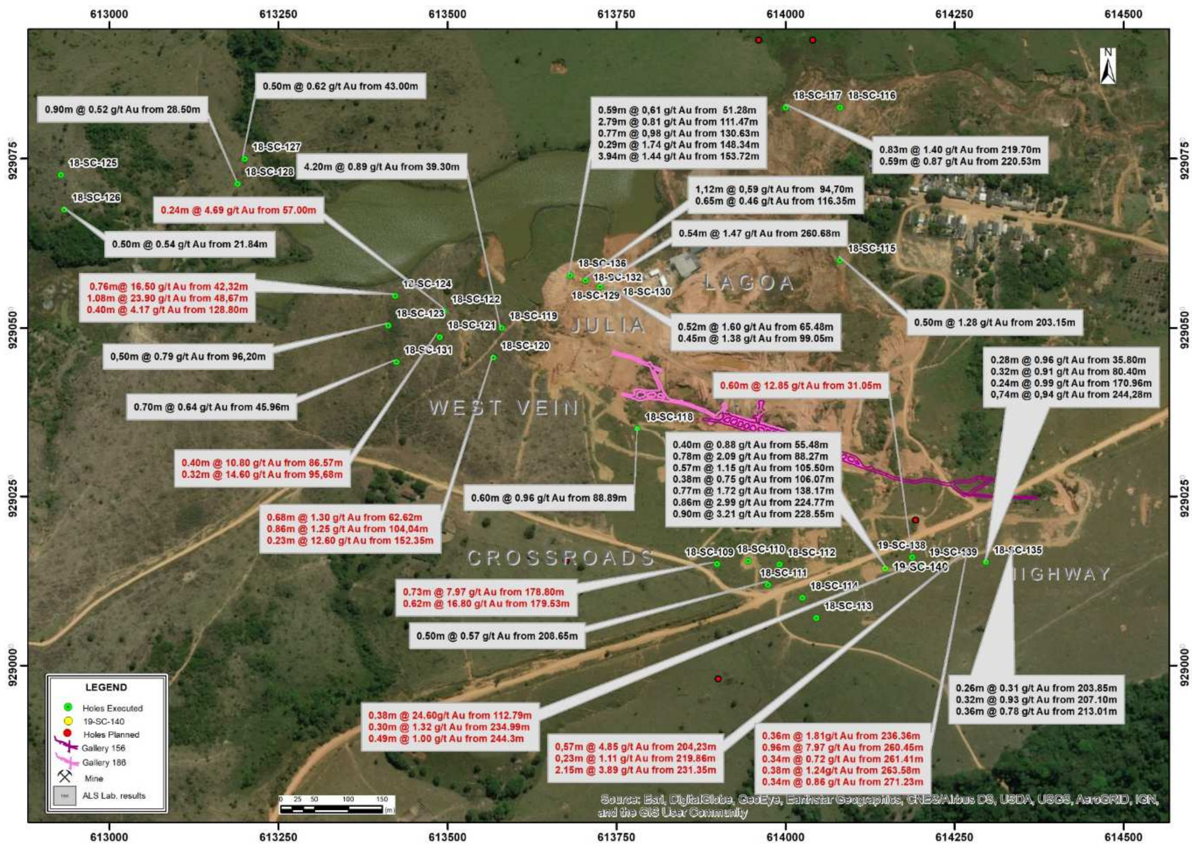


Image of Sao Chico mine site showing location of drilling and key results

More recent drilling has also followed up on some of the initial results from terrestrial Induced Polarisation ("IP") geophysical surveys which started in May 2018. This has been simple step out drilling following the strike of the Sao Chico Main Vein and although the drilling is quite broadly spaced, it appears the mineralisation can now be traced for a further 500 metres to the west of the current mining limit. The mineralised intersections encountered in the traverse 300 metres west of the Sao Chico mine returned grades of 21.97 g/t and 26.86 g/t of gold over widths of 0.80 metres and 1.10 metres respectively. Further details are set out in the Company's news releases of 31 August 2018 and 31 October 2018. This strike extension complements the potential parallel structures of Lagoa and Crossroads that are to the north and south of the current mine.

During the fourth quarter, surface drilling was focussed on the eastern extension at Sao Chico. A near surface development level (216mRL) had been developed to the Highway Vein, which appears to be a continuation of the main orebody at Sao Chico, though a faulted contact separates it from the Main Vein. All mine levels below the 216mRL to the lowest current level of -19mRL, have not been developed to the other side of the fault. The Group therefore undertook a surface drill programme to test the area below the 216mRL and to the east of the current mine development, for the continuation of the Highway Vein at depth. This programme was very successful with the holes drilled recording intersections of mineable grades over mineable widths.

Prior to 2018, the Company had undertaken a surface diamond drill programme in March 2015 at Sao Chico Mine consisting of 42 diamond drill holes and totalling 7,204 metres. A further 30 underground diamond drill holes were completed during 2015 totalling an additional 1,459 metres of drilling. This earlier drill programme was a combination of in-fill and step-out drilling and the results from this, in conjunction with the on-lode development mining that took place during the remainder of 2015, greatly enhanced the understanding of the orebody and facilitated mine planning for 2016 and 2017. It built on the results and understanding gained from the 2011 and 2013 drilling campaigns and reported numerous high-grade intersections, with some gold grades in excess of 100 g/t, and indications that the grade and resource potential continues at depth. Further details are set out in a news release issued by the Group on 21 October 2015, which is available on the Group's website www.serabigold.com and has been filed on SEDAR. The understanding of the orebody has also been assisted by paragenetic studies on mine ore samples including detailed petrological descriptions, SEM and QuemScan analysis.

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, provides an excellent foundation for the Company's exploration activities in 2019.

However, in the near term, the area highlighted by the geophysical survey activities as being of the greatest interest is the Cinderella Shear located to the south east of Sao Chico. This 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 is now underway over Cinderella and this will extend during this year over a number of the other geophysical IP anomalies, designed to further define the anomalous zones and provide better targeting for subsequent drilling that management hope can be undertaken during the year.

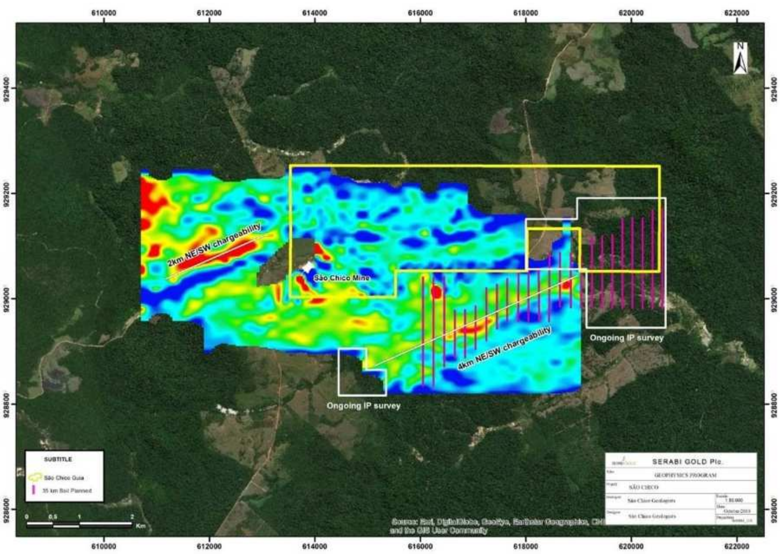


Figure 1 -Image showing current IP results at Sao Chico and location of the Cinderella zone

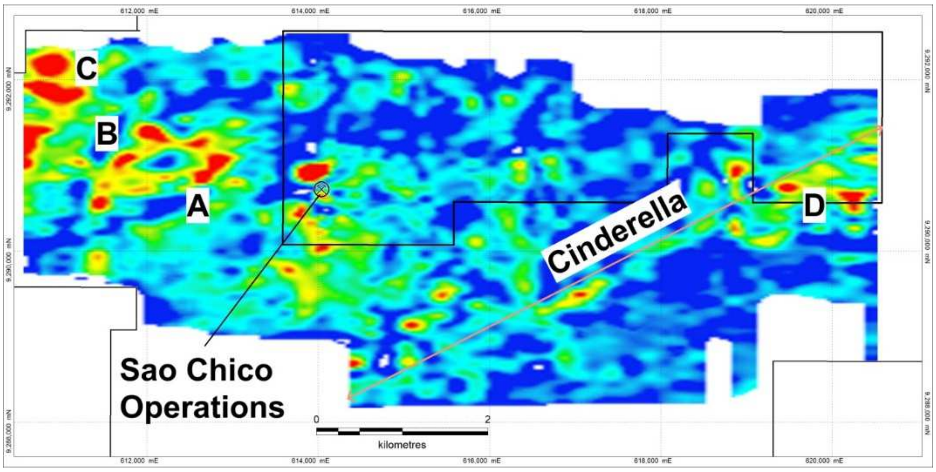


Figure 2 - 115m depth slice through chargeability model. Red highs indicate high chargeable features which may reflect sulphide bearing mineralised zones.

Key to zones marked on images

FEATURE A - A two kilometre long, east-northeast to west-southwest trending, robust chargeability anomaly coincident with a subtle magnetic high, situated only two kilometres west of the Sao Chico mine and one kilometre west of the recently reported high grade intersections from West Vein drilling (see news release of 20 September 2018). This anomalous area lies within the Sao Chico structural corridor at the intersection of several interpreted fault sets, similar to the setting of the current Sao Chico operations.

FEATURE B - An elongate chargeability anomaly, parallel to Feature A and lying on the western edge of the survey area.

FEATURE C - A cluster of chargeability anomalies located in the northwest of the survey area and lying within the Sao Chico strike corridor.

FEATURE D - A chargeability/conductivity anomaly on the flanks of the Cinderella anomaly, also hosted within a magnetic high.

Regional Exploration

The JDO Project Area covers a total area of over 43,000 hectares, incorporating the Palito and Sao Chico mining licence areas. The Palito mining licence was granted on 23 October 2007 covering an area of 1,150 hectares, whilst the Sao Chico licence is in the process of being converted into a full mining licence. The remainder of the tenement area comprises exploration licences either granted or in application. The JDO Project is located in the Tapajós Mineral Province in the south east part of the Itaituba Municipality in the west of Pará State in central north Brazil.

The Company completed, in the third quarter of 2018, an airborne 4,300 line kilometre geophysical VTEM ("EM") geophysical survey, covering approximately 25,000 hectares of the JDO tenement holdings that had not previously been covered by such a survey. The survey was flown during July and supplements the two airborne geophysical VTEM surveys completed in 2008 and 2010 that covered a total area of 14,650 hectares. From these original surveys the Group has already identified a number of geophysical anomalies which it considers worthy of further investigation and these surveys also provided management with the EM and magnetic signatures of both the Palito and Sao Chico orebodies, allowing any anomalies identified to be benchmarked.

The EM survey identified an extremely pronounced magnetic high that runs east west across the tenements (see Figure 3). This is a regional feature and many of the identified electromagnetic anomalies lie on the flanks of this magnetic high.

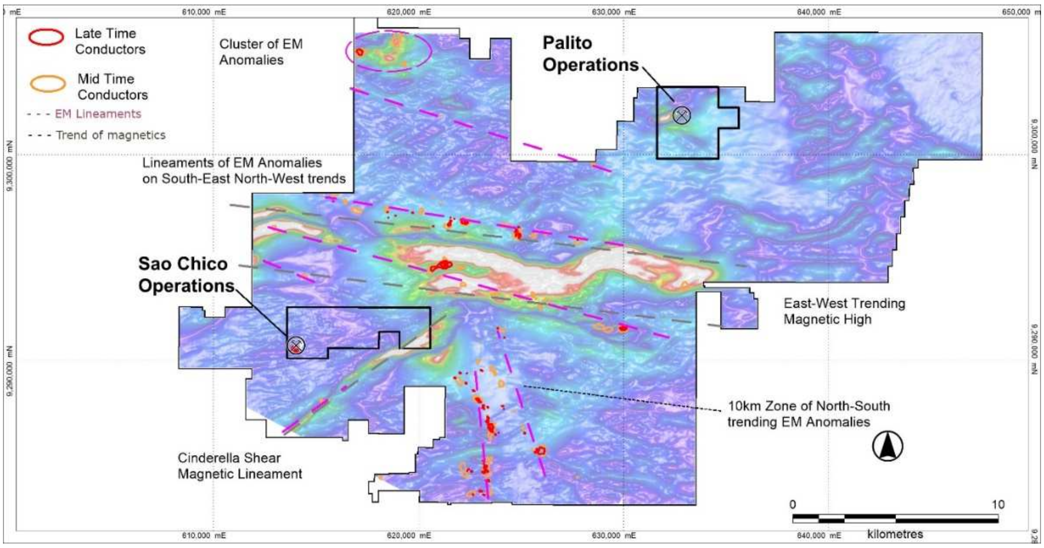


Figure 3 - VRMI magnetic image showing coincident mid (100-175m depth – orange colour) and late-time (175-250m depth –red) EM conductivity anomalies. The above figure includes magnetic images generated by previous surveys conducted by the Company in 2008 and 2011.

The EM survey also identified the smaller, but nonetheless very exciting, Cinderella anomaly, which is located traversing the Sao Chico mining license area in a south west to north east trend. The airborne survey results highlight an eight kilometre long magnetic and electromagnetic high which is very coincidental with the seven kilomtere long chargeability 'high' identified by the ground geophysics IP survey.

It also identified an extremely interesting EM anomaly trending north-south and located to the south east and east of the Sao Chico tenement. The Group's current ground geophysics and drill programmes have not extended out this far and this is therefore untested ground. As a completely new find and considering that it extends for more than 10 kilometres, management considers that this represents a very exciting development.

The scale of some of the features that have been identified are significantly larger than the signatures of the existing Palito and Sao Chico orebodies.

During the year the Company also engaged a geological contractor to undertake soil geochemistry surveys over the Calico anomaly close to Palito. This prospect lies some four kilometres from the Palito deposit, and was one of the most significant anomalies identified during the initial airborne EM survey. Results are still pending, but those received to date have justified some infill sampling to be undertaken which is ongoing.

CORINGA PROJECT DEVELOPMENT AND LICENCING

Serabi is continuing the work started by Anfield on the permitting and licencing 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 has been informed that the state environmental agency is satisfied with the content of the EIA and the Group is now co-ordinating the necessary public hearings. It is hoped that these hearings can be completed during the first half of 2019 and a positive outcome should then be sufficient for SEMAS to issue the key Preliminary Licence ("Licencia Previa").

On 4 March 2019 Serabi released results from its updated Geological Resource Technical Report on Coringa (the NI 43-101 Technical Report Coringa, Brazil) which is currently being prepared by its consultants, Global Resource Engineering Ltd("GRE"). The results recorded a NI 43-101 compliant Indicated Resource of 216,000 ounces of gold at an average grade of 7.95 grammes per tonne ("g/t") and an Inferred mineral resource of 298,000 ounces of gold at an average grade of 6.46 g/t.

This update followed the approximate 6,000 metres of surface diamond core drilling which was finally completed early in February 2019. In the meantime, preparations for starting the mine portal and underground ramp at Coringa are well underway with the area having been cleared and hard rock exposed. The Group is now waiting on the necessary blasting licence from the army. It is hoped that this will be received soon and work can recommence. Beginning the ramp under the trial mining licence has a dual purpose. 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. Secondly, it is a demonstration to the community and stakeholders of the Group's intent to develop the project, which is considered by management to be a critical step to winning support in the permitting process.

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

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 licenses 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 license 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 are underway with the Instituto Nacional de Colonização e Reforma Agrária ("INCRA"), a government agency which claims ownership of the surface rights where the project is situated.

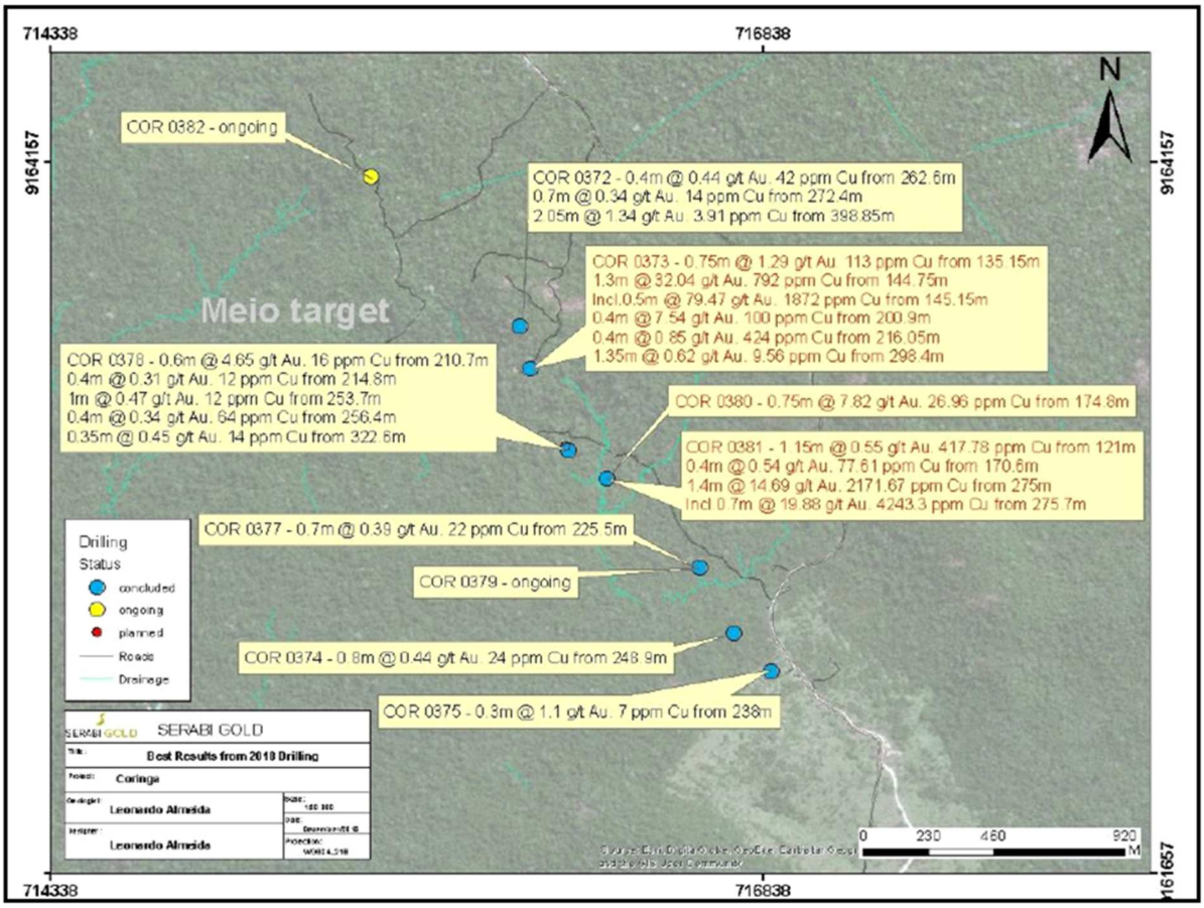
Coringa Exploration

Recent drilling over the Coringa gold project targetted both strike and plunge extensions along the three main ore zones of Meio, Galena and Serra, with the results returning a series of high grade intersections extending the previously modelled ore zones.

Significant new intersections returned included;

- Galena - 2.0m @ 25.02 g/t Au from 141.50m (COR0367) including 1.0m @ 48.18g/t Au
- Serra – 4.0m @ 3.36 g/t Au from 354.0m (COR0370) including 1.28m @7.45g/t Au.
- Meio #2 – 0.35m @15.57 g/t Au (COR0372) from 197.05m
- Meio #2 – 1.3m @ 32.04g/t Au (COR0373) from 144.75m including 0.5m @ 79.47g/t Au
- Meio # 4 – 0.60m @ 4.65 g/t Au (COR0378) from 210.70m
- Meio #4 – 0.75m @ 7.82 g/t Au (COR0380) from 174.8m
- Meio #4 - 1.40m @ 15.82 g/t Au (COR0381) from 275.0m including 0.70 m @ 20.29 g/t Au
- Meio #4 - 1.15m @ 9.69 g/t Au (COR0383) from 154.5m including 0.60 m @ 17.74 g/t Au

On March 4, 2019, the Group announced an updated estimate of the Mineral Recourses of the Coringa project which represented a 37% increase in the total global resource for the project to 514,000 ounces. The full technical report in relation to this new Mineral Resource estimation is expected to be published on or before April 18, 2019. The Group has, on the basis of his increased Mineral Resource, commenced work on the preparation of a new Preliminary Economic Assessment (PEA) the results of which, it is hoped, will be available before the end of the second quarter.



The Galena vein was drilled targeting the strike and plunge extension of the vein at depth. The programme successfully intersected high grade mineralisation over mineable widths and with hole COR0367 extended the known mineralisation for a further 100 metres to the south of the previously known limit.

Similarly, a series of four holes were completed on the Serra vein set. Drill hole COR0370 targeted the down dip and northern strike extension of the modelled ore zones. It successfully intersected a four metre drilled width of veining and alteration which has extended the mineralisation for a further 150 metres down dip and 140 metres along strike to the north from the previous drill intersections of the Serra mineralisation.

A series of nine drill holes were completed along the Meio vein set, targeting the Meio #2 (M2) and Meio #4 (M4) veins. The Meio #1 (M1) vein is the most strike extensive and drilled vein defined to date with numerous intersections along a total strike length of 1,500 metres. The M2 vein which lies parallel to M1 had previously, however, only been defined along a total strike length of 700 metres. The M4 vein is considered to be a southern extension of the M1 vein in a structurally off set position and past drilling had defined the mineralisation over a 900 metre strike length.

Drill holes COR0372 and COR0373 targeted the southern strike extension of the M2 vein, successfully intersecting the structure and significantly extending the strike of the M2 vein for a further 480 metres to the south making the drilled strike of the M2 vein to almost 1,200 metres and it remains open along the southern strike.

Drill holes COR0378, COR0380 & COR0381 targeted, over a strike extend of 400 metres, the northern dip extension of M4 vein at depth. This drilling has successfully extended the vein for approximately 200 metres deeper than previously known along this 400 metre strike.

OTHER EXPLORATION PROSPECTS

The Group has three other project areas, although activities on each of these projects 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.

Pizon and Modelo Projects

The Pison and Modelo Projects are isolated sites located approximately 250km and 300km to the west and northwest of the Palito Mine with access being primarily by light aircraft. Serabi has submitted final exploration reports and notices of relinquishment and is awaiting final confirmation from the authorities that the relinquishment has been approved.

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 (Iriri) 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 35,316 ounces, having mined a total of approximately 148,400 tonnes at an average grade of 7.40 g/t.

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

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

Notes to Table 1:

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

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

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

Classification	Quantity	Grade		Contained Metal	
		Gold	Copper	Gold	Copper
	000't	g/t	%	000'oz	T
Underground					
Proven	265	9.77	0.46	83	1,219
Probable	276	7.64	0.39	68	1,076
Surface Stockpiles					
Proven	12	3.15	-	1	-

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

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

Notes to Table 2:

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

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

Sao Chico Gold Project – Para State, Brazil

The Sao Chico property, acquired by the Group in July 2013 as part of the acquisition of Kenai Resources Ltd ("Kenai"), was initially represented by a single exploration licence area (AP 12836). The Sao Chico Mine is a small but high-grade underground gold mining operation some 30 kilometres to the south west, along the Transgarimpeira Highway, from the Palito Mine. The Sao Chico exploration licence was in force until 14 March 2014 and the Group, prior to its expiry, commenced the process of converting the concession to a full mining licence. A trial mining licence has also been issued for the property valid to 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 29,225 ounces, having mined a total of approximately 106,000 tonnes at an average grade of 8.57 g/t.

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

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

Notes to Table 3:

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

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

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

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

Notes to Table 4:

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

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

Coringa Gold Project – Para State, Brazil

Coringa is located in north-central Brazil, in the State of Pará, 70 kilometres southeast of the city of Novo Progresso. Access to the property is provided by paved (National Highway BR-163) and gravel roads. Coringa is in the south eastern part of the Tapajós gold district, Brazil's main source of gold from the late 1970s to the late 1990s. Artisanal mining at Coringa produced an estimated 10 tonnes of gold (322,600 ounces) from alluvial and primary sources within the deep saprolite or 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 March 4, 2019

The current Mineral Resource estimates for the **Coringa Mine** (Table 5) are based on data as at **February 11, 2019.**

Table 5 - Mineral Resource Statement, Coringa Mine, Para State, Brazil, as of March 4, 2019

Classification	Vein Width	Quantity	Grade	Contained Metal
			Gold	Gold
	m	000't	g/t	000'oz
Underground				
Indicated	0.7	845	7.95	216
Total Indicated				
Underground				
Inferred	0.7	1,436	6.46	298

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. Underground 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**, and 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 March 4, 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 December 2018 compared to the three month period ended 31 December 2017

During the fourth quarter of 2018 the Group produced 10,256 ounces of gold (fourth quarter of 2017: 9,337 ounces) and recognised sales for 8,043 ounces (fourth quarter of 2017: 9,295 ounces).

The gross loss of US$434,356 for the financial quarter ended 31 December 2018 can be analysed as follows:

	Three months ended December 2018	Three months ended December 2017	Variance US$
Concentrate sold (Ounces)	2,162	1,767	395
Bullion sold (Ounces)	5,881	7,528	(1,647)
Total ounces sold	**8,043**	**9,295**	**(1,252)**
	US$	**US$**	**US$**
Revenue from ordinary activity			
Gold (in concentrate)	2,484,097	2,123,488	360,609
Copper (in concentrate)	354,572	396,298	(41,276)
Silver (in concentrate)	16,192	13,332	2,860
Total concentrate sales	**2,854,861**	**2,533,118**	**321,743**
Gold bullion sales	7,183,045	9,691,700	(2,508,655)
Total Sales	**10,037,906**	**12,224,818**	**(2,186,912)**
Costs of sales			
Operational costs	(7,073,048)	(7,550,024)	476,976
Release of provision for impairment of inventory	200,000	(330,000)	530,000
Shipping costs	(292,873)	(248,330)	(44,543)
Treatment and handling charges	(122,895)	(106,732)	(16,163)
Royalties	(158,808)	(172,232)	13,424
Amortisation of mine property	(1,812,387)	(2,220,886)	408,499
Depreciation of plant & equipment	(1,212,251)	(698,550)	(513,701)
Total operating costs	**(10,472,262)**	**(11,326,754)**	**854,492**
Gross (loss)/ profit	**(434,356)**	**898,064**	**(1,332,420)**

Revenue

For the three month period ended 31 December 2018 the Group generated US$10,037,906 (2017: US$$12,224,818) in revenue by selling an estimated 2,162 ounces of gold from the sale of 340 tonnes of copper/gold concentrate (2017: 1,767 ounces from 280 tonnes) and also recognised revenue for 5,881 ounces of gold bullion generating revenue of US$7,183,045 (fourth quarter of 2017: sale of 7,528 ounces for revenue of US9,691,700).

During the three months to 31 December 2018 the Group produced 291 wet tonnes of copper/gold concentrate, containing an estimated 2,312 ounces; (three months to 31 December 2017: 334 wet tonnes of copper/gold concentrate, containing 1,858 ounces of gold). The unsold material is held as inventory.

During the three months to 31 December 2018 the Group produced 7,944 ounces of gold in the form of bullion in comparison to 7,480 ounces during the same period of the previous year, an increase of six per cent. However, the Group only registered sales for 8,043 ounces of bullion during the three months to 31 December 2018 in comparison to 9,295 ounces during the previous year, a decrease of thirteen percent. The Group held 5,807 ounces of gold in the form of bullion at 31 December 2018 in comparison to 3,574 ounces of gold at 31 December 2017.

Operating Costs

Operating costs of US$7.07 million, (three month period to 31 December 2017: US$7.55 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.

	3 Months to 31 December 2018	**3 Months to 31 December 2017**	**Variance**	**Variance %**
Tonnes Mined	44,257	49,011	(4,754)	(10%)
Tonnes Milled	45,548	43,345	2,203	5%
Ounces Produced	10,256	9,338	918	10%
Ounces Sold	8,043	9,295	(1,252)	(13%)
	3 Months to 31 December 2018	**3 Months to 31 December 2017**	**Variance**	**Variance %**
	US$'000	**US$'000**	**US$'000**	**%**
Operating Costs				
Labour	2,900	3,096	(196)	(6%)
Mining consumables & maintenance	2,369	2,567	(198)	(8%)
Plant processing and consumables	1,061	1,133	(72)	(6%)
General site expenses	743	755	(12)	(2%)
	7,073	7,550	(477)	(6%)

During the fourth quarter of 2018, the Group mined ten per cent less tonnes in comparison to the same period of 2017, however the Group milled five per cent more tonnes in comparison to the fourth quarter in 2017. During the fourth quarter of 2018 the Group supplemented mined ore with the processing of the surface stockpiles of ore. As a result of an increase in mined grade during the fourth quarter of 2018, the Group produced 10 per cent more gold ounces compared with the same period in 2017. However, 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, the Group sold thirteen per cent less ounces during the fourth quarter of 2018 in comparison to the same period in 2017.

Labour

The decrease in labour costs of six per cent is as a result of the reduction in sales recognised offset by each Brazilian employee receiving a three per cent salary increase in May 2018 as a result of the national collective agreement in Brazil. During the fourth quarter of 2018 there were also more staff on site in comparison to the same period of the previous year providing additional support costs such as underground drilling. Whilst production in the fourth quarter of 2018 was higher than the preceding year a reduction in the relative level of sales has resulted in greater levels of inventory at the end of 2018. Accordingly, a higher level of labour and other operating costs is being carried as a cost of inventory compared with 2017 whilst a variation in exchange rates has also resulted in costs being relatively lower when translated into US Dollars.

Mining consumables & Maintenance

Mining consumables and maintenance for the three month period ended 31 December 2018 have decreased by eight per cent in comparison to the same three month period of 2017. This is as a result of this reduction in sales with consequent higher relative levels of inventory has been offset by an increase in power costs, particularly diesel power, which have increased significantly during the fourth quarter of 2018 in comparison to the same quarter of 2017 following a global increase in the price of oil. Maintenance costs of underground equipment has also increased in comparison to 2017 as a result of a larger fleet and the age profile of the mining fleet.

Plant Consumables

Plant costs have decreased by US$0.07 million, for the three month period ended 31 December 2018 in comparison to the same period in the previous year. Again, this is primarily due to the reduction in sales with consequent higher relative levels of inventory has been offset against the increase in power costs, particularly diesel power, which have increased significantly during the fourth quarter of 2018 in comparison to the same quarter of 2017 following a global increase in the price of oil.

General Site Costs

General site costs for the three month period ended 31 December 2018 decreased by two per cent compared with the same period in the previous year due to the reduction in sales being recognised during the fourth quarter of 2018.

Release of impairment provision

The Group calculates unit costs of mined production on a cost per tonne basis irrespective of grade and has established stockpiles of low grade run of mine ore which are available for processing in the future. For the quarter ended 31 December 2017, the Group had recognised a general impairment provision of US$330,000 against the carrying value of these coarse ore stockpiles. At 31 December 2018, having considered the net realisable value of the stocks, the value of the provision against the carrying value of these coarse ore stockpiles was reduced and the reduction in the impairment provision of US200,000 was released to the Income Statement

Other costs of Sales

Shipping costs of US$0.29 million (2017: US$0.25 million) 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 small increase by comparison to the same period in 2017 reflects the increased volume of concentrate shipped with 340 tonnes being shipped in the fourth quarter of 2018 in comparison to 280 tonnes for the same period of the previous year.

Treatment Charges

Treatment charges have increased by fifteen per cent between the fourth quarter of 2017 in comparison to the same period during 2018 as the Group sold 60 tonnes more of copper/gold concentrate in the three month period ended 31 December 2018 in comparison to the same period in 2017.

Royalties

Royalty payments of US$0.16 million (2017: US$0.17 million) comprise statutory levies payable in Brazil. Rates are uniform across all mining operations, however royalties on gold increased during the fourth quarter of 2017, with a new rate of 1.5 per cent on gold replacing the previous rate of 1.0 per cent. The royalty on copper production of 2.0 per cent has not been adjusted. The decrease in royalty payments of US$0.01 million by comparison with the same quarter in 2017 reflects the reduction in sales registered during the quarter.

Amortisation

Charges for the amortisation of mine property are calculated by reference to the depletion, during the quarter, of the total estimated mineable resource at each of the Palito and Sao Chico orebodies. In each case the base carrying cost of the asset is adjusted to include a provision for future mine development costs for each of these ore bodies. The total amortisation charge relating to the Palito and Sao Chico ore bodies for the fourth quarter of 2018 is US$1.73 million, (fourth quarter of 2017 US$2.01 million). The reduction in total amortisation charge from the fourth quarter of 2017 in comparison to the same quarter of 2018 is primarily due to the reduced gold production resulting from the 20 per cent reduction in head grade mined as well as because of the weakening of the Brazilian Real in comparison to the US dollar. During the fourth quarter of 2018 the Group reported a lower level of contained gold in the ore mined compared with the same period in 2017. The charge reported in the Income Statement is also adjusted to reflect the level of sales rather than the level of production, with part of the depreciation being carried as an inventory cost and released to the income statement when the goods are sold.

Depreciation

There was also a depreciation charge of US$1.21 million recorded during the fourth quarter of 2018 on plant and equipment used in the mining and processing, (fourth quarter of 2017: US$0.70 million). The increase is primarily due to increase in the size of the underground fleet and an accelerated charge of approximately US$400,000 in respect of items that had reached the end of their useful lives.

Operating Profit

The Group has recognised an operating loss before interest and other income for the three month period ended 31 December 2018 of US$2.1 million compared with a gain of US$0.89 million for the same period of the previous year reflective of the decrease in sales recognised in the period.

Administration expenses for the fourth quarter of 2018 of US$1.68 million are consistent with the level of expenditure during the same period of the previous year of US$1.51 million.

The Group also incurred costs of US$0.12 million on share-based payments during the fourth quarter of 2018, (2017: US$0.10 million). The deemed value assigned to these share options is amortised over the expected option life and is calculated using the Black Scholes model. The charge for the three months to 31 December 2018 is in respect of options granted between December 2015 and December 2018.

The Company recorded a foreign exchange loss of US$0.30 million in the three month period to 31 December 2018 which compares with a foreign exchange loss of US$0.19 million recorded for the three months ended 31 December 2017. These foreign exchange gains and losses primarily relate to the settlement of foreign currency liabilities from Brazil and therefore reflect the devaluation of the Brazilian Real and the revaluation of cash holdings of the Company in currencies other than US Dollars as at the period end. The exchange movements on cash holdings do not necessarily reflect actual realised profits or losses. The Company holds funds in certain currencies in anticipation of future expenditures that are anticipated to be settled in those currencies.

Net interest and other finance related costs for the three-month period to 31 December 2018 were US$0.80 million compared with US$0.50 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 December 2018 US$	**Quarter Ended December 2017 US$**
Interest expense on secured loan	(155,334)	(124,658)
Unwinding of discount on the rehabilitation provision	–	(335,204)
Unwinding of discount on outstanding acquisition payment	(261,055)	–
Loss on revaluation of derivatives	(222,368)	–
Amortisation of fair value of derivatives	(325,000)	(65,000)
	(963,757)	(524,862)
Gain on revaluation of derivatives	–	23,214
Unwinding of discount on the rehabilitation provision	538,371	
Interest income	4,306	35
Net finance expense	(421,080)	(501,613)

The interest on the secured loan of US$155,334 (2017: US$124,658) is the cost of three months of interest paid on the loan advanced under the credit agreement with Sprott, with the increase reflecting the higher levels of loan principal outstanding during the period. On 30 June 2017, the Group entered into a new agreement with Sprott to increase the loan from US$1.37 million to US$5.00 million and further increased this loan to US$8.00 million on 23 January 2018.

The expense on the unwinding of the discount on acquisition is as a result of change in the net present value of the final payment due on the acquisition of Chapleau Resources.

The amortisation of fair value of derivatives of US$325,000 represents the outstanding amortisation charge of the fair value ascribed to a gold call option granted to Sprott on 30 June 2017. As part of the US$5 million loan arrangement the Group granted call options to Sprott over 6,109 ounces of gold exercisable at a price of US$1,320 which expire on 31 December 2019. On 30 June 2017, the date these call options were granted, their value was assessed as being US$650,000 and a provision for a derivative financial liability of US$650,000 was recognised in the accounts. At the end of the third quarter of 2018, a total of US$325,000 of this liability had been charged to the Income Statement. On 19 January, and at the same time as taking out an additional US$3 million loan with Sprott, the Group obtained a six month extension to the repayment terms for this US$5 million loan. At the end of the fourth quarter it was determined that the original loan had, under IFRS 9, been the subject of a substantial modification being more than 10 per cent of the future cash flows. Accordingly, the original loan under the terms of IFRS 9 was considered to be repaid and a new loan for US$5 million taken out but with no derivative instrument attached to it. As a result, the outstanding fair value of the derivative attaching to the original US$5 million loan, totalling US$325,000, was required to be amortised in full as the original loan had been deemed to have been repaid.

The loss on the revaluation of derivatives of US$222,368 (three months to 31 December 2017 gain of: US$23,214) represents the gain arising on the revaluation of the derivative provision at the 31 December 2018. The initial value of the provision as at 30 June 2017 was US$650,000 which having been revalued to US$709,255 as at 31 December 2017 and US$168,608 as at 30 September 2018 required a revaluation to US$390,976 at 31 December 2018 resulting in a loss during the three month period ended 31 December 2018. For the three months to 31 December 2017 there was a gain of US$23,214 as the original derivative of US$650,000 as at 30 June 2017 having been revalued to US$732,469 on 30 September 2017 required a downward revaluation to US$709,255 at 31 December 2017.

The gain on the unwinding of the discount on the rehabilitation provision is as a result of change in the net present value of the rehabilitation provision.

Twelve month period ended 31 December 2018 compared to the twelve month period ended 31 December 2017

The twelve month period ended 31 December 2018 has seen higher levels of gold bullion production than the same period of 2017 offset by lower levels of production of copper/gold concentrate reflecting the variations in the ore sources and grades being mined during 2018 compared with 2017.

Gold production for the twelve month period ended 31 December 2018 was 37,108 ounces which is a small increase compared with production for 2017 of 37,004 ounces. The total amount of ounces sold during the twelve months of 2018 was 33,551 ounces, which is approximately ten per cent less than the 37,161 ounces sold during 2017.

The Group has recognised a gross profit for the twelve month period ended 31 December 2018 of US$2,879,340 (2017: US$5,019,087) and an operating loss of US$2,711,602, (2017 operating loss of: US$691,959).

The gross profit of US$2,879,340 for the twelve month period ended 31 December 2018 can be analysed as follows:

	Twelve months ended December 2018	**Twelve months ended December 2017**	**Variance**
Concentrate sold (Ounces)	6,745	11,195	(4,450)
Bullion Sold (Ounces)	26,806	25,966	840
Total Ounces	**33,551**	**37,161**	**(3,610)**
Revenue from Ordinary Activity	**US$**	**US$**	**US$**
Gold (in concentrate)	8,214,400	13,661,002	(5,446,602)
Copper (in concentrate)	1,203,019	1,852,679	(649,660)
Silver (in concentrate)	51,917	106,523	(54,606)
Total concentrate sales	**9,469,336**	**15,620,204**	**(6,150,868)**
Gold bullion sales	33,792,407	32,829,664	962,743
Total Sales	**43,261,743**	**48,449,868**	**(5,188,125)**

	Twelve months ended December 2018	Twelve months ended December 2017	Variance
Costs of sales			
Operational costs	(29,491,414)	(29,568,195)	76,781
Release of/provision for impairment of inventory	400,000	(950,000)	1,350,000
Shipping costs	(898,005)	(1,344,154)	446,149
Treatment charges	(432,082)	(543,338)	111,256
Royalties	(679,515)	(559,811)	(119,704)
Amortisation of mine property	(6,180,735)	(7,787,166)	1,606,431
Depreciation of plant & equipment	(3,100,652)	(2,678,117)	(422,535)
Total operating costs	**(40,382,403)**	**(43,430,781)**	**3,048,378**
Gross profit	**2,879,340**	**5,019,087**	**(2,139,747)**

Revenue

For the twelve-month period ended 31 December 2018 the Group generated US$9,469,336 (2017: US$15,620,204) in revenue by selling an estimated 6,745 ounces of gold from the sale of 1,040 tonnes of copper/gold concentrate (2017: 11,195 ounces from 1,440 tonnes) and also recognised revenue for 26,806 ounces of gold bullion generating total revenue of US$33,792,407 during the twelve months of 2018, (2017: sale of 25,966 ounces for revenue of US$32,829,664).

During the twelve months of 2018, with the Group producing more gold in the form of bullion as opposed to in copper/gold concentrate, there has been a three per cent increase in bullion sales during the twelve months ended 31 December 2018 compared with the same period of 2017. At the same time there has been a forty per cent decrease in sales of copper/gold concentrate.

During the twelve months to 31 December 2018 the Group produced 1,134 wet tonnes of copper/gold concentrate, containing an estimated 7,543 ounces; (twelve months to 31 December 2017: 1,420 wet tonnes of copper/gold concentrate, containing 10,050 ounces of gold). The unsold material is held as inventory.

Operating Costs

Operating costs for the twelve months ended 31 December 2018 of US$29.49 million (2017: US$29.57 million) comprise all mining costs at both the Palito and Sao Chico Mines, plant processing costs, as well as all general site costs incurred on both mine sites during the twelve month period in the production of the final sales products as shown in the table below:

	Twelve months ended December 2018	Twelve months ended December 2017	Variance	Variance %
Tonnes Mined	162,722	167,555	(4,833)	(3%)
Tonnes Milled	168,253	172,949	(4,696)	(3%)
Ounces Produced	37,108	37,004	104	0%
Ounces Sold	33,551	37,161	(3,610)	(10%)

	Twelve months ended December 2018	Twelve months ended December 2017	Variance	Variance %
	US$'000	US$'000	US$'000	
Operating Costs				
Labour	13,006	12,860	146	1%
Mining consumables & maintenance	9,269	9,358	(89)	(1%)
Plant processing and consumables	4,151	4,176	(25)	(1%)
General site expenses	3,064	3,174	(110)	(3%)
	29,491	29,568	(77)	0%

Labour Costs

Labour costs have increased by US$0.15 million for the twelve month period ended 31 December 2018 in comparison to the same period in the previous year due to each Brazilian employee receiving a three per cent increase in salary in May 2018 as a result of the national collective agreement in Brazil, (in May 2017 the labour force received an eight per cent increase). There was also an increase number of operational staff employed during 2018 in comparison to 2017. Whilst production in the fourth quarter of 2018 was higher than the preceding year a reduction in the relative level of sales has resulted in greater levels of inventory at the end of 2018. Accordingly, a higher level of labour and other operating costs is being carried as a cost of inventory compared with 2017 whilst a variation in exchange rates has also resulted in costs being relatively lower when translated into US Dollars.

Mining Costs

Mining consumables and maintenance for the twelve month period ended 31 December 2018 have decreased by US$0.09 million in comparison to the same twelve month period from 2017. This is primarily due to a deduction in sales recognised offset by cost increases relating to power generation and supply during the twelve months of the year as a result the global increase in the price of oil. Maintenance costs have also increased during the twelve months of 2018 in comparison to the same period of the previous year as the underground fleet increased in size and age profile of the mining fleet. These increases in mining costs have been offset by the weakening of the Brazilian Real in comparison to the US Dollar by fourteen per cent compared with the same twelve month period ending December 2017.

Plant processing costs

Plant costs for the twelve months of 2018 are broadly similar to the costs for the same period in the previous year. This is primarily due to a deduction in sales recognised for the full year 2018 in comparison to the same period of the previous year. Costs in local currency have increased but have been offset by the 14 percent weakening of the average exchange rate between the Brazilian Real and the US Dollar for the twelve month period ended 31 December 2017 in comparison to the same period in 2018. The main area of cost increases relates to power generation and supply during the twelve months of the year as a result the global increase in the price of oil. There was also an increase in maintenance costs resulting from the aging of the equipment.

General Site Costs

General site costs for the twelve month period ended 31 December 2018 decreased by three per cent versus the same period in the previous year. This is primarily due to a deduction in sales recognised for the full year 2018 in comparison to the same period of the previous year. Costs in local currency have increased but have been offset by the fourteen percent weakening of the exchange rate between the Brazilian Real and the US Dollar.

Cost increases in local currency reflect general increases in inflation between the two periods as well as more third-party contractors required to undertake works on the Group's tailings management facilities to maintain compliance with new regulations that had come into force.

Release of impairment provision

The Group calculates unit costs of mined production on a cost per tonne basis irrespective of grade and has established stockpiles of low grade run of mine ore which are available for processing in the future. For the year ended 31 December 2017, the Group had recognised a general impairment provision of US$950,000 against the carrying value of these coarse ore stockpiles. At 31 December 2018, the value of the provision against the carrying value of these coarse ore stockpiles was reduced to US$550,000, therefore the reduction in the impairment provision of US$400,000 was released to the Income Statement.

Shipping Costs

Shipping costs of US$0.89 million (2017: US$1.34 million) 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 2017 reflects the reduction in the volume of concentrate shipped; twelve months of 2018 being 1,040 tonnes in comparison to 1,440 tonnes for the same period of the previous year.

Treatment Charges
Treatment Charges have decreased by twenty per cent between 2017 and 2018 as the Group sold 400 tonnes less, (twenty eight per cent) of copper/gold concentrate in the twelve month period ended 31 December 2018 compared with the 2017 calendar year.

Royalties
Royalty payments of US$0.68 million (2017: US$0.56 million) comprise statutory levies payable in Brazil. Rates are uniform across all mining operations, however royalties on gold increased during the fourth quarter of 2017, with a new rate of 1.5 per cent on gold replacing the previous rate of 1.0 per cent. The royalty on copper production of 2.0 per cent was not changed. The increase in royalty payments of US$0.12 million compared with 2017 reflects this increase of 0.5 per cent on gold royalties.

Amortisation
Charges for the amortisation of mine property are calculated by reference to the depletion, during the period, of the total estimated mineable resource at each of the Palito and Sao Chico orebodies. In each case the base carrying cost of the asset is adjusted to include a provision for future mine development costs for each of these ore bodies. The total amortisation charge relating to the Palito and Sao Chico ore bodies for the twelve months of 2018 is approximately US$6.18 million, (2017: US$7.79 million).

The weakening of the average exchange rate between the Brazilian Real and the US Dollar by fourteen per cent together with the reduction in the reported level of contained gold in the ore mined compared with the same period in 2017 The charge reported in the Income Statement is also adjusted to reflect the level of sales rather than the level of production, with part of the depreciation being carried as an inventory cost and released to the income statement when the goods are sold.

Depreciation
There was also a depreciation charge of US$3.10 million recorded during the twelve months of 2018 on plant and equipment used in the mining and processing, (twelve months of 2017: US$2.68 million). The movement reflects a 14 per cent weakening of the Brazilian Real against the US Dollar, offset by an increase in the charge in local currency due to the larger mobile fleet acquired for both the Palito and Sao Chico Mines over the last twelve months. In addition, the Group has during the fourth quarter made an accelerated charge of approximately US$400000 in respect of plant and machinery has had reached the end of its useful life.

Operating Loss
The Group has recognised an operating loss before interest and other income of US$2.71 million, (2017: operating loss of US$0.69 million) reflective of the lower level of gross profit from operations and after incurring US$5.54 million (2017: US$5.50 million) in administrative expenses as well as US$0.33 (2017: US$0.38 million) on share based payments. The deemed value assigned to these share options is amortised over the expected option life and is calculated using the Black Scholes model. The charge for the twelve months to 31 December 2018 is in respect of options granted between January 2015 and 31 December 2018. The Group also reported a profit of US$0.27 million from the disposal of assets (2017: US$0.17 million).

Administration costs of US$5.54 million for the twelve month period ended 31 December 2018 are at a consistent level to the expense of US$5.50 million incurred during the twelve month period ended 31 December 2017.

The Company recorded a foreign exchange loss of US$0.59 million for the twelve months ended 31 December 2018 which compares with a foreign exchange loss of US$0.21 million recorded for the twelve months ended 31 December 2017. These foreign exchange losses are primarily incurred in respect of the cash holdings of the Company in currencies other than US Dollars as at the period end and do not necessarily reflect actual realised profits or losses. The Company holds funds in certain currencies in anticipation of future expenditures that are anticipated to be settled in those currencies.

Net interest charges for the twelve month period to 31 December 2018 were US$2.17 million compared with US$0.84 million for the same twelve month period of 2017. An analysis of the composition of these charges is set out in the table below:

	Twelve months 31 December 2018 US$	Twelve months ended 31 December 2017 US$
Interest on secured loan	(685,517)	(314,732)
Unwinding of discount on outstanding acquisition payment	(999,796)	–
Unwinding of discount on rehabilitation provision	–	(335,204)
Loss on revaluation of derivatives	–	(59,255)
Amortisation of fair value of derivatives	(520,000)	(130,000)
Arrangement fee for secured loan	(180,000)	–
	(2,385,313)	(839,191)
Gain on revaluation of derivatives	318,279	–
Unwinding of discount on rehabilitation provision	538,371	–
Interest income	4,780	135
Net finance expense	(1,523,883)	(839,056)

The interest on the secured loan of US$685,517 (2017: US$314,732) is the cost of twelve months of interest paid in relation to funds advanced under the credit agreement with Sprott, with the increase reflecting the higher levels of loan principal outstanding during the period. On 30 June 2017, the Group entered into a new agreement with Sprott to increase the loan from US$1.37 million to US$5.00 million and further increased this loan to US$8.00 million on 23 January 2018.

The expense on the unwinding of the discount on acquisition is as a result of change in the net present value of the final payment due on the acquisition of Chapleau Resources.

The amortisation of fair value of derivatives of US$520,000 represents amortisation charge of the fair value ascribed to a gold call option granted to Sprott on 30 June 2017. As part of the US$5 million loan arrangement the Group granted call options to Sprott over 6,109 ounces of gold exercisable at a price of US$1,320 which expire on 31 December 2019. On 30 June 2017, the date these call options were granted, their value was assessed as being US$650,000 and a provision for a derivative financial liability of US$650,000 was recognised in the accounts. On 19 January and at the same time as taking out an additional US$3 million loan with Sprott, a six month extension to the repayment terms for this US$5 million loan was agreed. Under IFRS9, this variation being more than 10 per cent of the future cash flows was considered a substantial modification to the original US$5 million loan. Accordingly, the original loan under the terms of IFRS 9 was considered to be repaid and a new loan for US$5 million taken out but with no derivative instrument attached to it. As a result, the outstanding fair value of the derivative, totalling US$520,000, attaching to the original US$5 million loan was required to be amortised in full upon the deemed repayment of the original loan.

The arrangement fee for the secured loan of US$180,000 relates to two payments of US$90,000 to Sprott for the organisation and renewal of the loan. US$90,000 relates to the fee paid to Sprott during the first quarter for the new US$3 million loan and the revision to the terms of the existing US$5 million loan. The second fee of US$90,000 relates to the fee paid to Sprott during the third quarter of 2018 for the extension of the new US$3 million loan from its original maturity date of 30 September 2018 to 30 June 2020.

The gain on the revaluation of derivatives of US$318,279 (twelve months to 31 December 2017 loss of: US$59,255) represents the gain arising on the revaluation of the derivative provision at the 31 December 2018. The initial value of the provision as at 30 June 2017 was US$650,000 which having been revalued to US$709,255 as at 31 December 2017 required a revaluation to US$390,976 at 31 December 2018 resulting in a gain during the twelve month period ended 31 December 2018.

The gain on the unwinding of the discount on the rehabilitation provision is as a result of change in the net present value of the rehabilitation provision.

Summary of quarterly results	**Quarter ended 30 December 2018 US$**	**Quarter ended 30 September 2018 US$**	**Quarter ended 30 June 2018 US$**	**Quarter ended 31 March 2018 US$**
Revenues	10,037,906	7,523,203	11,873,783	13,826,851
Operating expenses	(7,647,624)	(6,380,505)	(7,983,786)	(9,489,101)
Provision for impairment of inventory	200,000	–	200,000	–
Amortisation of mine property	(1,812,387)	(1,209,705)	(1,733,384)	(1,425,259)
Depreciation of plant and equipment	(1,212,251)	(556,144)	(764,663)	(567,594)
Gross (loss) / profit	(434,356)	(623,151)	1,591,950	2,344,897
Administration expenses	(1,677,400)	(1,171,660)	(1,357,814)	(1,331,424)
Option costs	(115,503)	(58,546)	(78,278)	(77,293)
Gain on disposal of asset	168,511	44,141	13,209	51,115
Operating (loss) / profit	(2,058,748)	(1,809,216)	169,067	987,295
Exchange	(299,569)	260,606	(498,543)	(57,090)
Net finance expense	(421,080)	(403,319)	(109,145)	(590,339)
(Loss) / profit before taxation	(2,779,397)	(1,951,929)	(438,621)	339,866
Income tax expense	(244,034)	(296,547)	(54,799)	(329,080)
(Loss) / profit after taxation	(3,023,431)	(2,248,476)	(493,420)	10,786
(Loss) / profit per ordinary share (basic)	(5.13) cents	(3.82) cents	(0.94) cents	0.03 cents
Deferred exploration costs	27,707,795	25,578,156	24,490,001	25,295,721
Property, plant and equipment	42,342,102	40,834,470	42,049,417	47,736,835
Total current and other assets	26,369,997	31,539,877	35,707,966	22,263,549
Total assets	96,419,894	97,952,503	102,247,384	95,296,105
Total liabilities	27,309,607	28,295,055	27,781,688	34,681,745
Shareholders' equity	69,110,287	69,657,448	74,465,696	60,614,360

Summary of quarterly results	**Quarter ended 31 December 2017 US$**	**Quarter ended 30 September 2017 US$**	**Quarter ended 30 June 2017 US$**	**Quarter ended 31 March 2017 US$**
Revenues	12,224,818	12,908,790	10,142,676	13,173,584
Operating expenses	(8,077,318)	(7,295,870)	(6,849,960)	(9,792,350)
Provision for impairment of inventory	(330,000)	(400,000)	–	(220,000)
Amortisation of mine property	(2,220,886)	(2,191,090)	(1,984,784)	(1,390,406)
Depreciation of plant and equipment	(698,550)	(743,896)	(725,373)	(510,298)
Gross profit	898,064	2,277,934	582,599	1,260,530
Administration expenses	(1,672,081)	(1,407,836)	(1,178,903)	(1,241,455)
Option costs	(101,665)	(101,665)	(112,412)	(65,620)
Gain on disposal of asset	38,995	15,621	115,975	–
Operating (loss) / profit	(836,687)	784,054	(592,781)	(46,545)
Exchange	(70,068)	(24,021)	(167,236)	46,837
Net finance	(501,613)	(269,501)	(34,159)	(33,783)
(Loss) / profit before taxation	(1,408,368)	490,532	(794,176)	(33,491)
Income tax expense	(218,906)	(255,481)	(97,461)	(80,552)
(Loss) / profit after taxation	(1,627,274)	235,051	(891,637)	(114,043)
(Loss) / profit per ordinary share (basic)	(4.66) cents	0.67 cents	(2.55) cents	(0.33) cents
Deferred exploration costs	23,898,819	10,235,454	9,868,205	10,234,360
Property, plant and equipment	48,890,381	44,260,723	43,557,012	45,862,328
Total current assets	19,956,554	26,498,341	21,842,892	20,668,013
Total assets	92,835,754	80,994,518	75,268,109	76,764,701
Total liabilities	32,065,042	16,396,195	13,373,479	11,966,304
Shareholders' equity	60,770,712	64,598,323	61,894,630	64,798,397

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

Liquidity and Capital Resources

Non-Current Assets

On 31 December 2018, the Group's net assets amounted to US$69.11 million, which compares to US$60.77 million as reported at 31 December 2017. The Group has also reported a loss after taxation of US$5.75 million in the twelve month period to 31 December 2018.

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 will be due upon the earlier of either the first gold being produced or 24 months from the date of Closing. As a result of the acquisition of Chapleau there is US$11.00 million payable included within current liabilities representing the discounted net present value of the US$12 million final payment.

Non-current assets totalling US$73.77 million at 31 December 2018 (31 December 2017: US$77.29 million), are primarily comprised of property, plant and equipment, which as at 31 December 2018 totalled US$42.34 million, (31 December 2017: US$48.98 million), including assets acquired as part of the Chapleau acquisition, as well as development and deferred exploration costs with a value of US$27.71 million, (31 December 2017: US$23.90 million), including assets acquired as part of the Chapleau acquisition. The Group has also a provision for a deferred tax asset of US$2.16 million (31 December 2017: US$2.94 million) and a long-term receivable in respect of state taxes due in Brazil of US$1.55 million (31 December 2017: US$1.47 million). The weakening of the Brazilian Real from 31 December 2017 when the exchange rate was BrR$3.3074 to US$1.00 to the rate of BrR$3.8742 to US$1.00 at 31 December 2018 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 December 2018 of US$22.65 million (2017: US$28.41 million). This includes US$3.81 million of additions in relation to the capital development of the Palito and Sao Chico ore bodies incurred during the year. Assets in construction as at 31 December 2018 and relating to the Palito Mining Complex had a book value of US$5.70 million (2017: US$3.69 million).

The Group owns land, buildings, plant and equipment with a value of US$9.31 million (31 December 2017: US$11.19 million). During the twelve months of 2018 the Group has acquired additional plant and machinery to the value of US$2.81 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$6.10 million has been recorded for the twelve month period to 31 December 2018 (twelve month period to 31 December 2017: US$7.40 million).

Deferred exploration costs as at 31 December 2018 totalled US$27.71 million (31 December 2017: US$23.90 million), which relates to US$16.3 million attributable to the value of the projects acquired as part of the Chapleau acquisition as well as capitalised costs of US$4.61 million (2017: US$2,487) on exploration and evaluation expenditure.

Working Capital

The Group had a working capital position of US$0.32 million at 31 December 2018 compared to US$1.03 million at 31 December 2017, the movement of US$0.71 million being detailed in the table below:

	December 2018 US$	December 2017 US$	Variance US$
Current assets			
Inventories	8,511,474	6,934,438	1,577,036
Trade and other receivables	758,209	1,277,142	(518,933)
Prepayments	4,166,916	3,237,412	929,504
Cash and cash equivalents	9,216,048	4,093,866	5,122,182
Total current assets	**22,652,647**	**15,542,858**	**7,109,789**
Current liabilities			
Trade and other payables	6,273,321	5,347,964	(925,357)
Acquisition payment due	10,997,757	5,000,000	(5,997,757)
Secured loan	3,636,360	1,980,000	(1,656,360)
Finance leases and unsecured loan	666,438	865,712	199,274
Derivative financial liabilities	390,976	709,255	318,279
Accruals	372,327	614,198	241,871
Total current liabilities	**22,337,179**	**14,517,129**	**(7,820,050)**
Working capital	**315,468**	**1,025,729**	**(710,261)**
Non-current liabilities			
Trade and other payables	955,521	2,753,409	1,797,888
Acquisition payment due	–	9,997,961	9,997,961
Provisions	1,543,811	2,047,131	503,320
Secured loan	2,424,246	2,500,000	75,754
Finance Leases	48,850	249,412	200,562
Total non-current liabilities	**4,972,428**	**17,547,913**	**12,575,485**

The weakening of the Brazilian Real from 31 December 2017 when the exchange rate was BrR$3.3074 to US$1.00 to the rate of BrR$3.8742 to US$1.00 at 31 December 2018, a weakening of 17 per cent, has had a negative impact on the primary areas 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 December 2018 has increased by US$1.58 million since 31 December 2017. A breakdown of the Group's inventories at the 31 December 2018 and at 31 December 2017 is set out in the table below:

	31 December 2018 US$	31 December 2017 US$	Variance US$	Variance %
Stockpile of mined ore	600,335	1,091,656	(491,321)	(45%)
Finished goods awaiting sale	3,819,685	1,741,860	2,077,825	119%
Other material in process	1,162,157	1,019,593	142,564	14%
Stockpile of flotation tails	–	494,117	(494,117)	(100%)
	5,582,177	**4,347,226**	**1,234,951**	**28%**
Consumables	2,929,297	2,587,212	342,085	13%
Total Inventory	**8,511,474**	**6,934,438**	**1,577,036**	**23%**

Inventories of consumables (fuel, spare parts, chemicals, explosives etc.) at 31 December 2018 of US$2.93 million (31 December 2017: US$2.59 million) have increased by approximately US$0.34 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. The levels of inventory have increased reflecting a requirement to keep on hand higher levels of items related to equipment and plant maintenance.

During 2017, the Group made a provision of US$950,000 against the value of its stockpiles of mined ore. At 31 December 2018, the value of the provision against the carrying value of these coarse ore stockpiles was reduced to US$550,000, with the reduction in the impairment provision of US$400,000 being released to the Income Statement.

The value of the stock of surface ore has decreased by 45 per cent from US$1.09 million to US$0.60 million. The total coarse ore stockpile tonnage has decreased from approximately 15,000 tonnes at 31 December 2017 to approximately 8,000 tonnes at 31 December 2018, a decrease of 48 per cent. Whilst the group have reduced by US$400,000 the level of impairment provisions carried against the value of coarse ore stockpiles, the changing unit production costs and the weakening of the Brazilian Real between 31 December 2017 and 31 December 2018 explains the remainder of the decrease.

The value of finished goods awaiting sale at 31 December 2018 of US$3.82 million compares with the value at 31 December 2017 of US$1.74 million. The total value of finished goods held in stock at 31 December 2018 comprises 236 bags of copper/gold concentrate with a value of US$1.45 million (31 December 2017: 142 bags with a value of US$0.66 million) and bullion on hand for smelting which, at 31 December 2018, was 86,744 grammes valued at US$2.37 million in comparison to 39,893 grammes at 31 December 2017 valued at US$1.08 million.

During 2014, when the current operations were started, the Group established a stockpile of partly processed material which, having only passed through the flotation processing circuit, retained a gold grade of approximately 2.5 g/t. At 31 December 2017, there were approximately 14,700 tonnes of this stockpile on site with a value of US$0.49 million. During 2018 this particular stockpile was processed in its entirety.

The valuation attributable to gold locked up within the processing plant has decreased to US$1.17 million as at 31 December 2018 (31 December 2017: US$1.02 million) reflecting normal operational variances.

<u>Trade Receivables</u>
Trade and other receivables at 31 December 2018 of US$0.76 million have decreased by US$0.52 million from US$1.28 million at 31 December 2017.

As at 31 December 2018 the Group was owed US$0.62 million from the sale of its copper/gold concentrate in comparison to US$1.23 million as at 31 December 2017.

<u>Prepayments</u>
Prepayments have increased by US$0.93 million from US$3.24 million at 31 December 2017 to US$4.16 million at 31 December 2018. The main reason for this increase is because during the second half of 2018 the Group made several down payments on underground mining equipment, and for the ore sorter as well as more usual supplier deposits for monthly consumable supplies and import taxes. At 31 December 2018 the total amount of supplier down payments totalled US$1.14 million, (2017: US$0.48 million).

There has also been an increase of US$0.12 million in prepaid taxes including recoverable taxes of PIS and Cofins (Federal taxes) that remain to be recovered at the period end.

<u>Cash at Bank</u>
Between 31 December 2017 and 31 December 2018, cash balances have increased by approximately US$5.13 million.

During the second quarter of 2018, the Group received a total of US$23.24 million, net of legal fees, for the issue of 474,437,864 shares. The group also repaid the second instalment of US$5.0 million for the acquisition of Chapleau on 16 April 2018.

During the first quarter of 2018, the Group increased the interest-bearing secured loan by a further US$3.0 million from US$5.00 million at 31 December 2017 to US$8.00 million. The additional loan was taken out in January 2018 to replace working capital that had been used to make a US$5.00 million payment for the acquisition of Chapleau

Resources as the first instalment of the total consideration of US$22 million payable. The Group have also repaid US$1.94 million of this loan during the twelve months of 2018.

During 2018, the Group has also spent US$4.61 million on exploration activities around the Palito Mining Complex, US$4.10 million on mine development, US$4.05 million on plant and equipment and US$2.27 million on pre-operating costs at the Coringa project. The Group also made the second instalment of the acquisition payment to Chapleau of US$4.74 million, (US$5.0 million less the working capital adjustment of US$0.26 million).

<u>Current Liabilities</u>

Current liabilities have increased by US$7.82 million from US$14.52 million at 31 December 2017 to US$22.34 million at 31 December 2018. This mostly reflects that the third and final payment due to in respect of the acquisition of the Coringa gold project of US$12.00 million is now due within 12 months and has been reclassified as a current liability whereas at the end of the prior year this payment was a non-current liability. In addition, a liability of US$1.33 million relating to the acquisition of a historic third party interest in the Sao Chico project was re-classified as a current liability.

<u>Trade Creditors</u>

Trade and other payables amounting to US$6.27 million at 31 December 2018 compared with an amount owed by the Group of US$5.35 million at 31 December 2017, an increase of US$0.92 million. This increase in current trade creditors is primarily because the Group has re-classified as a current liability the amount of US$1.33 million relating to the acquisition of a historic third party net profits interest in the Sao Chico project. In the previous year this payable was included within long term trade payables. The Group has determined that this liability will now be settled in a series of payments over the coming 24 months.

<u>Interest-Bearing loan</u>

On 30 June 2017, the Group entered into a new loan agreement with Sprott for US$5.00 million expiring 31 December 2019 with the loan repayments commencing over 24 months starting in January 2018. An amendment to this agreement was completed on 22 January 2018 whereby the Group increased its loan with Sprott by US$3 million ("The New Loan") and at the same time extended the final repayment period on its existing US$5 million loan (The Existing Loan") with Sprott by six months from 31 December 2019 to 30 June 2020. On 14 September 2018, the Company exercised its option to extend the term of the New Loan to 30 June 2020 with repayment being in equal monthly instalments commencing on 30 September 2018.

Of the total loan US$3.64 million is due in more or less 12 months with US$2.16 million due in more than twelve months. A total of US$1.94 million was repaid during the period.

<u>Obligations under Finance Leases and unsecured equipment loan</u>

Obligations under finance leases and unsecured equipment loans for less than one year have decreased by US$0.20 million from US$0.87 million at 31 December 2017 to US$0.67 million at 31 December 2018. During 2018, the Group has made one new equipment acquisition using lease finance arrangements and has made capital repayments totalling approximately US$0.80 million. All finance leases are held by Serabi Mineracao SA ("SMSA") in Brazil but are denominated in Euro or US Dollar before being converted to Brazilian Reals, the functional currency for SMSA.

<u>Derivative Financial Liabilities</u>

By way of a fee for the loan agreement with Sprott the Group has granted call options to Sprott over 6,109 ounces of gold exercisable at a price of US$1,320 which expire on 31 December 2019. On 30 June 2017, the date these call options were granted, their value was assessed as being US$650,000 and a provision for a derivative financial liability of US$$650,000 has been recognised in the accounts. At 31 December 2017, the derivative provision was revalued to US$0.71 million. At 31 December 2018, the derivative provision was revalued to US$0.39 million with the decrease in the provision that has arisen in the year to date of US$0.32 million being reflected as finance income in the Income Statement.

Derivatives are valued by reference to available market data. Any change in the value of the derivative is recognised in the statement of comprehensive income in the period in which it occurs. The fair value of the derivative has been measured using level 1 inputs.

Acquisition Liability
The amount due on acquisition of US$11.00 million relates to the net present value of the US$12 million cash payment due upon the earlier of either the first gold being produced from the Coringa gold project or 21 December 2019.

Non-Current Liabilities
The Group makes provision for the future estimated rehabilitation costs for its mine sites at Palito and Sao Chico. The value of the rehabilitation provision carried by the Group at 31 December 2018 was US$1.54 million. The value at 31 December 2017 was US$2.01 million. The variation is as a result of changes in estimates as well as exchange rate variations between the two periods.

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

Non-IFRS Financial Measures

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

Total cash cost and all-in sustaining cost

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

	12 months Ended 31 December 2018 (US$)	12 Months Ended 31 December 2017 (US$)
Total operating costs (calculated on a sales basis)	31,501,016	32,015,498
Add/(subtract)		
Finished goods and WIP inventory stock	(106,436)	(347,562)
Grossing up of revenue for metal deductions	346,468	555,476
By-product credits	(1,268,161)	(2,663,981)
Total cash cost of production	30,472,886	29,559,430
Corporate G&A	5,359,000	5,343,871
Share-based remuneration	329,620	381,362
Capitalised cost for mine development	4,386,397	4,362,192
All-In Sustaining Cost of production	40,547,903	39,646,855

	12 months ended 31 December 2018 (ounces)	12 months ended 31 December 2017 (ounces)
Gold ounces produced	37,108	37,004
	12 months ended 31 December 2018 (US$)	12 Months Ended 31 December 2017 (US$)
Total Cash Cost of production (per ounce)	US$821	US$799
Total All-In Sustaining Cost of production	US$1,093	US$1,071

Contractual commitments

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

The Group holds certain exploration prospects which require the Group to make certain payments under rental or purchase arrangements allowing the Group to retain the right to access and undertake exploration on these properties. Failure to meet these obligations could result in forfeiture of any affected prospects. Management estimates that the cost over the next 12 months of fulfilling the current contracted commitments on these exploration properties in which the Group has an interest is US$0.59 million (December 2017: US$0.12 million). The increase in comparison to the previous year is due to the acquisition of Chapleau Resources.

	Payments due by period				
Contractual obligations	**Total**	**Less than**	**1-3 years**	**4-5 years**	**After 5**
	$	**$**	**$**	**$**	**$**
Short term debt	5,800,606	3,636,360	2,164,246	—	—
Capital lease obligations	715,288	666,438	48,850	—	—
Operating leases	181,283	130,063	51,219	—	—
Total contractual obligations	6,697,177	4,432,861	2,264,315	—	—

Transactions with related parties of the Group

During the period the Company has made loans to subsidiaries of US$8.27 million (2017: US$Nil). There were no loans converted into new shares issued by subsidiaries during 2018 (2017: US$Nil).

The Company has loans receivable from subsidiaries totalling US$16,660,987 (2017: US$16,188,272) before any provision for the impairment of these loans (see note 12).

The Company has purchased, during the year from its subsidiary SMSA, 1,040 tonnes of copper/gold concentrate for a consideration of US$7,406,175 (2017: 1,440 tonnes; US$12,028,870).

Financial and other instruments

The Group's and the Company's financial assets at 31 December 2018 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 December 2018, the Group carried inventory of finished goods and work-in-progress valued at US$5.58 million (31 December 2017: US$4.35 million). All inventory as at 30 December 2018, 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 December 2018 US$1.94 million of the total loan of US$8.00 million had been repaid.

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$6.06 million remained outstanding as at 31 December 2018.

As at 31 December 2018, in addition to the Sprott Facility, the Group had obligations under fixed rate finance leases amounting to US$0.75 million (31 December 2017: US$1.12 million).

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

The following table sets out the maturity profile of the financial liabilities as at 31 December 2018:

	31 December 2018 Group US$	**31 December 2017 Group US$**
Due in less than one month	1,523,621	1,082,671
Due between one month and three months	3,011,513	1,897,943
Due between three months and one year	6,040,985	5,213,062
Total due within one year	10,576,119	8,193,676
Due more than one year	2,213,096	2,749,412
Total	12,789,215	10,943,088

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 December 2018 US$	**31 December 2017 US$**
US Dollar	3,798,585	2,635,299
Canadian Dollar	57,953	44,578
Sterling	3,460,533	126,198
Australian Dollar	11,199	28,101
Euro	57,070	105,977
Brazilian Real	1,830,708	1,153,713
Total	9,216,048	4,093,866

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$14,141,173 (2017: US$8,608,420). It is the Group's policy to only deposit surplus cash with financial institutions that hold acceptable credit ratings.

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

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

Subsequent events

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.

As of 1 January 2018, lFRS 9 - Financial Instruments, and lFRS 15 - Revenue from Contracts, became effective and have been adopted. The effect of implementation has not had a material impact on the financial results of the Group.

As of the date of authorisation of these financial statements, IFRS 16 – Leases, was in issue but not effective and has not been applied to these financial statements.

IFRS 16 will require the recognition of an asset and liability with respect to the material operating lease commitments that the group have. Management are currently considering the impact that this will have on the financial statements. The Group does not at this time anticipate voluntary early adoption of IFRS 16.

Off-balance sheet arrangements

The Group has no off-balance sheet arrangements

Critical accounting estimates

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

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

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

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

Impairment of mining assets and other property, plant and equipment

An initial judgement is made as to whether the mining assets are impaired based on the matters identified for mining assets in the impairment policy in the Group's 2018 Annual Report at 1 h) relating to IAS 36 impairment.

In the event that there is an indication of impairment, mining assets are assessed for impairment through an estimation of the value in use of the cash-generating units ("CGU's"). The value in use calculation requires the entity to estimate the future cash flows expected to arise from a CGU and a suitable discount rate in order to calculate present value. A CGU is a group of assets that generates cash inflows from continuing use. Given their interdependences and physical proximity, the Palito and Sao Chico Mines are considered to be one single CGU. Management consider that at the end of the period there had not been any indicator of impairment.

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

As described in note 1(d) (iv) in the Group's 2018 Annual Report, the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

Mineral resources

Quantification of mineral resources requires a judgement on the reasonable prospects for eventual economic extraction. These judgements are based on assessments made in accordance with the provisions of Canadian National instrument 43-101. These factors are a source of uncertainty and changes could result in an increase or decrease in mineral resources and changes to the categorisation or mineral resources between Mineral Reserves, Measured and Indicated Mineral Resources and Inferred Mineral Resources. Only Mineral Reserves have been established to have economic viability and only at the time that such estimation is undertaken. Any change in the underlying factors under which the economic assessment was made may give rise to management making a judgment as to whether it is reasonable that such Mineral Reserves should be used for the purposes of forecasts. This would, in turn, affect certain amounts in the financial statements such as depreciation, which is calculated on projected life of mine figures, and carrying values of mining property and plant mine, if management consider there to be an indicator of impairment, will be 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 judgements based on historical reports, future economic factors and other empirical measures to make estimates as the level of Mineral Resources that in incorporates into its assessments.

Recoverability of deferred exploration expenditure (note 10)

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

Recoverability of debts including recoverable taxes

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

Acquisition of Chapleau

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

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

Estimates are involved in determining the respective attributable value of the assets and liabilities over which the cost of the acquisition is attributed. Further details are included in note 22 of the Group's 2018 Annual Report.

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

Inventory valuation

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

Utilisation of historic tax losses and recognition of deferred tax assets

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

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

Restoration, rehabilitation and environmental provisions

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

Disclosure controls and procedures

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

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

As at 31 December 2018, 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 2018.

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 2018, 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 2018, 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 2018 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 28 March 2019:

Ordinary Shares	58,909,551
Stock Options	3,436,750
Fully diluted ordinary shares outstanding	62,346,301

Fratelli Investments Limited ("Fratelli") holds 19,318,786 Ordinary Shares in the Group representing 32.88 per cent of the voting shares in issue.

Greenstone Resources II LP ("Greenstone"), holds 14,887,970 Ordinary Shares in the Group representing 25.34 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 analysisare based upon what management believes to be reasonable assumptions, the Group cannot assure prospective purchasers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this management's discussion and analysis, and the Group assumes no obligation to update or revise them to reflect new events or circumstances, except in accordance with applicable securities laws. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Risks and uncertainties

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

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

OPERATIONAL RISKS			
Risk	***Comment***	***Business Impact***	***Mitigation***
Future exploration may not result in increased mineral resources	Mineral exploration involves significant risks over a substantial period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. Even if the Group discovers a valuable deposit of minerals, it may be several years before production is possible and during that time it may become economically unfeasible to produce those minerals.	***Medium***	Management undertakes exploration only following careful evaluation of opportunities and designs programmes that seek to ensure that expenditure is carefully controlled and can be ceased at any time that management considers that the exploration prospect is unlikely to be commercially viable and does not warrant further evaluation.
No guarantee that the Group's Applications for exploration licences and mining licences will be granted ***Existing exploration licences may not be renewed or approved or converted into mining licences*** ***Title to any of the Group's mineral properties may be challenged or disputed***	There is no guarantee that any application for additional exploration licences will be granted by the Agência Nacional de Mineração ("ANM"). The ANM can refuse any application. Persons may object to the granting of any exploration licence and the ANH may take those objections into consideration when making any decision on whether or not to grant a licence. The exploration licence for the Sao Chico 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. At the current time mining operations at the Sao Chico Mine are carried out under a trial mining licence which is renewable annually. If and when exploration licences are granted, they will be subject to various standard conditions including, but not limited to, prescribed licence conditions. Any failure to comply with the expenditure conditions or with any other conditions, on which the licences are held, can result in licence forfeiture. 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.	***High***	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. 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.
The Group has declared commercial production effective as of 1 January 2016 at the Sao Chico gold mine located close to the Group's	Whilst the Group has published NI 43-101 compliant Reserves and Resources for the Sao Chico Mine the Group has never published an independent technical assessment into the commercial viability of this operation.	***High***	Management has made its own assessment of the Sao Chico Mine and whilst during 2015 the mine had been in a development phase it has now been operating successfully for over 30 months. Whilst management noted, during the course of the development mining undertaken in 2015, that the

OPERATIONAL RISKS			
Risk	*Comment*	*Business Impact*	*Mitigation*
Palito Mine. There is however no certainty that the Group will be able to maintain a commercially viable long term operation at Sao Chico			mineralisation is more complex than was initially envisaged, it has now put in place changes to the mine plans and mining methodology to address the issues that were encountered. Management is confident, based on its experience and knowledge, that the Sao Chico Mine will continue to be commercially viable mining operation.
Other permits and licences required to conduct operations may not be renewed or may be revoked or suspended	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. 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. 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.	***Medium***	Management maintains on-going dialogue with the all government bodies involved with the granting and control of mining operations s 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. The Group employs personnel and consultants experienced in the various aspects of the licencing and permitting process to ensure that it maintains compliance with its obligations.
The Coringa gold project is an advanced stage development project requiring permitting and construction before production can commence	The Group acquired the Coringa gold project in December 2017. The Group is at the early stages of obtaining all the necessary permits and licences (including a mining licence and operational licence) required to allow 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.	***Medium***	The Group has been operating 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. 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.
Exploration and development of the Group's other properties, including continuing exploration and development projects, and the	Whilst the Group anticipates that it will use cash flow generated from operations at the Palito and Sao Chico Mines to finance further exploration and development activities at the Group's other properties, any cash flow that the Group generates may not be sufficient to meet these future exploration and development activities. Failure to obtain sufficient financing will result in a delay or	***Low***	Management of capital resources is a high priority for the Group and prior to taking any development decision the Group will seek to ensure, to the greatest extent possible, that the development is fully funded and will manage the development budgets and programmes to minimise and anticipate any potential budget over-runs.

OPERATIONAL RISKS			
Risk	***Comment***	***Business Impact***	***Mitigation***
construction of mining facilities and commencement of mining operations, will require substantial additional funding	indefinite postponement of exploration, development or production on any of the Group's other properties or even a loss of a property interest.		
The Group may experience higher costs and lower revenues than estimated due to unexpected problems	Mining operations often experience unexpected problems during the life of the mine which may result from events of nature, unexpected geological features or mechanical issues that can result in substantial disruption to operations. Such disruption could increase operating costs, delay revenue growth and have implications for the working capital requirements of the business.	***Medium***	Management is experienced with similar mining operations and has gained valuable operational experience at both Palito and Sao Chico. As the mine has been developed over successive periods management have increased the number of mining areas that can be active at any time at Palito and established increased mining capacity levels which it does not intend to be fully utilised at all times. In this way it anticipates that short term operational issues should not be unduly disruptive and that any shortfall can be caught up quickly once the issue is resolved.
Environmental legislation	All phases of the Group's operations are subject to environmental regulation in Brazil. There is no assurance that existing or future environmental regulation will not materially adversely affect the Group's business, financial condition and results of operations.	***Low***	Environmental regulations are constantly changing and governed by both local and global concerns and initiatives. Management seeks to ensure that it adopts sound and compliant environmental principles. The operations of the Group are relatively small and management does not consider the scale of the operations to have a material environmental impact on its surroundings.
Exposure to mining hazards	The Group is exposed to a number of risks and hazards typically associated with mining operations including environmental hazards; mining and industrial accidents; metallurgical and other processing problems; unusual and unexpected rock formations; flooding and periodic interruptions due to inclement or hazardous weather conditions or other acts of nature; mechanical equipment and facility performance problems; and unavailability of materials, equipment and personnel. These risks may result in: damage to, or destruction of, the Group's properties or production facilities; personal injury or death; environmental damage; delays in mining; increased production costs; asset write downs; monetary losses; and legal liability.	***Medium***	The Group's operational teams regularly monitor mining risks, and report to the CEO who, in consultation with the Board, is responsible, on behalf of the Board, for ensuring appropriate measures are in place for anticipating, and responding to, such matters.
If mineral resource estimates are not accurate,	Mineral resource estimates are imprecise and depend on geological analysis based partly on statistical inferences drawn from drilling, and	***Medium***	The Groups mineral resource estimates are prepared by either in-house staff or third party consultants who have

OPERATIONAL RISKS			
Risk	***Comment***	***Business Impact***	***Mitigation***
production may be less than estimated which would adversely affect the Group's financial condition and the results of operations	assumptions about operating costs and metal prices, all of which may prove unreliable. The Group cannot be certain that the resource estimates are accurate and cannot guarantee that it will recover the indicated quantities of metals. Future production could differ dramatically from such estimates if mineralisation or formations at the properties were different from those predicted by drilling, sampling and similar examinations.		considerable experience and as appropriate are certified in accordance with recognised international standards.
The Group is required to obtain and renew governmental permits and licences in order to conduct mining operations, which can be a costly and time-consuming process	In the ordinary course of business, the Group will be required to obtain and renew governmental permits and licences for the operations and expansion of existing operations or for the commencement of new operations. Obtaining or renewing the necessary governmental permits is a complex and time consuming process. The duration and success of the Group's efforts to obtain and renew permits and licences are contingent upon many variables not within its control including the interpretation of applicable requirements implemented by the permitting or licencing authority. The Group may not be able to obtain or renew permits and licences that are necessary to its operations or the cost to obtain or renew permits and licences may exceed what the Group expects.	***Low***	The Group maintains good relationships with the appropriate licencing authorities and management are responsible for ensuring that conditions are adhered to and that renewals are submitted in a timely and complete manner.
The mining industry is intensely competitive in all of its phases and the Group competes with many companies possessing greater financial and technical resources than itself	Competition in the precious metals mining industry is primarily for mineral rich properties that can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and the capital for the purpose of funding such properties. Such competition may result in the Group being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties.	***Low***	To date the Group has established a track record of financial performance and met its debt repayment obligations. In has been successful in securing funding in the form of debt and equity when required for development and to support acquisitions.

COUNTRY RISKS			
Risk	***Comment***	***Business Impact***	***Mitigation***
The Group's operations are conducted in Brazil and, as such, the Group's operations are exposed to	The government of Brazil introduced a new Mining Code during 2017. The new proposals were announced in July 2017 including the establishment of a new body to replace the Departamento Nacional de	***Medium***	The mining industry in Brazil is dominated by a small number of influential local companies and the interests and needs of smaller mining operations can be limited. The Group is affiliated with group's who help promote

COUNTRY RISKS			
Risk	***Comment***	***Business Impact***	***Mitigation***
various levels of political, economic and other risks and uncertainties	Produção Mineral ("DNPM") and have oversight of the mining industry. Whilst the new body the ANM has assumed all the functions of the DNPM, the process of transfer of management and responsibility remains incomplete leading to delay.		and lobby for the needs of smaller mining enterprises.

OTHER RISKS			
Risk	***Comment***	***Business Impact***	***Mitigation***
Finance risk	Many of the Group's assets at the Palito and Sao Chico mines have been pledged as security to the Sprott Resource Lending Partnership, with whom the Group signed a new loan agreement in on 30 June 2017 for a facility of US$5 million. The Group is therefore reliant on meeting its loan obligations with Sprott in order to avoid the potential loss of these assets which could arise from the enforcement of this security.	*Low*	The Group is in compliance with its obligations under the loan agreements with Sprott and at the current time anticipates meeting the on-going debt servicing obligations.
Portfolio risk of having two relatively small interdependent operating assets	The Group is reliant on two relatively small revenue-generating assets (the Palito Mine and the satellite operation at the Sao Chico Mine). Whilst any mining issues that affect production at one site should not impact production at the other site, the two mining operations share a single process plant and consequently certain issues affecting the operation of this process plant could have a significant impact on the Group's results.	*Low*	Whilst the Group is reliant on a single process plant the design is such that it is not generally reliant on a single element of the process plant to maintain a level of throughput and therefore gold production. Additionally the two ore sources, Sao Chico and Palito, do not share exactly the same process requirements and therefore management considers that a level of gold processing and gold production could be maintained other than in what it considers to be the most exceptional situations.