MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and twelve months ended 31 December 2011

29 March 2011

SERABI GOLD PLC
Management's Discussion and Analysis
for the three months and twelve months ended 31 December 2011

Introduction

This Management's Discussion and Analysis ("**MD&A**") dated 29 March 2011 provides a review of the performance of Serabi Gold plc ("Serabi" or "the Company"). It includes financial information from, and should be read in conjunction with, the audited annual consolidated statements of the Company for the twelve month period ended 31 December 2011.

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

The Company 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 mineral exploration company based in London, England. The Company's principal focus centres upon the Jardim do Ouro Gold Project located in an area known as the Tapajos region of the State of Para in Brazil, which it holds through its wholly owned subsidiary Serabi Mineraçao S.A.

The Company currently holds either granted or under application approximately 148,400 hectares of Exploration Licenses. The Jardim do Ouro Gold Project (JDO Project) covers approximately 53,000 hectares of this total, and lies on the 50km wide NW-SE trending Tocantinzinho Trend, which is the major controlling structural feature in the Tapajos region. The vast majority of the hard rock mineral resources discovered to date in the Tapajos region lie on this trend. The JDO Project includes the Palito mine (the "Palito Mine") currently on 'care and maintenance' and several areas of exploration interest in close proximity to the Palito Mine. The Palito Mine complex is fully permitted and a mining licence covering 1,150 hectares has been issued. The Company does not currently have any assets or mineral properties in commercial production and has been actively pursuing a programme of mine-site exploration with a view to identifying the potential to increase its existing mineral resource inventory. In January 2012 following an exploration programme that identified two new discoveries, the Company announced that it was undertaking a preliminary economic assessment into the viability of re-establishing underground mining operations at the Palito Mine ("the PEA"). The PEA will focus initially on the existing resources but will include evaluation of the recent mine site discoveries. It will consider a selective mining methodology, focused on maximising grade and initially limited to production levels around 20,000 ounces per annum. 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.

Additional information on the Company, including the Company's most recent Annual Information Form, is available on SEDAR at www.sedar.com.

Corporate Highlights - 2011

- On 30 March 2011 the Company completed an Initial Public Offering ("IPO") and the listing of its Ordinary Shares and Warrants on the TSX and also completed the issue of 9,000,000 units raising gross proceeds of C$4,950,000

- On 1 July 2011 Fox-Davies Capital Ltd was appointed in the UK as Broker to the Company.

- Q3 2011, the Company announced that drilling results and further geophysics confirmed the potential structural and mineralized continuity between Palito gold deposit and Currutela target to the south east, a potential strike length of over 3km.

- During September 2011 the Company announced results from the IP survey at the Piaui prospect which indicated the possibility that the initial 300 metre strike length could extend up to 1,400 metres in length. This new 1,100 metre extension lies to the south-east of the original 300 metre long discovery made in March 2011.

- Q4 2011, the Company announced completion of its Phase 1 discovery drill programme with 36 exploration drill holes totaling 8,200 metres, targeting nine anomalies. The drilling encountered gold mineralisation in seven of the nine anomalies and the Company confirmed two new discoveries, Piaui and Currutela which provided the potential for additional commercial resources in the exploration areas near the Palito Mine.

- Q4 2011, the Company commenced a Phase 2 shallow drill programme on the Piaui prospect and, following the drilling success and discovery at Currutela and the high potential for structural continuity between Palito Gold deposit and Currutela, the strike length between the two, now referred to as 'Palito South,' would also be tested with a shallow drill programme.

- November 2011, the Company announced the results of its 'Eastern Block' induced polarization (IP) ground geophysical survey in the Jardim do Ouro project. Results indicate a number of IP chargeability anomalies coincident with airborne electromagnetic (VTEM) geophysical anomalies obtained in the 2008 and 2011 surveys.

- November 2011, the Company announced preliminary results from its Phase 2 follow up drill programmes at Piaui and Palito South. The 43 drill-hole programme, totaled 4,392m. Of the 43 holes, 20 were drilled into Palito South and highly encouraging preliminary analytical results from shallow extension drilling were recorded, with Bonanza grade gold and high grade copper results returned. The Company also reported preliminary positive results from the remaining 23 holes, all shallow infill and step out holes, into the Piaui prospect. The drilling, undertaken over two areas of 600 metres and 350 metres strike within the overall 1,400 metre potential strike length of the prospect, continued to intersect broad zones of intense chlorite/silica/sulfide alteration zones in excess of 40 metres.

- January 2012, the Company reported external and final assay results for the 43 hole Phase 2 follow up Phase 2 drill programme at the Palito South and Piaui prospects. The external assay results for the same intersections highlighted in the November 2011 announcements, showed an average improvement of 8% and 14% respectively, which is consistent with historical findings that demonstrate the Palito internal assaying produces conservative gold grades.

- January 2012, the Company announced the placement of 27,300,000 Units at a price of 10.0 pence per Unit, plus a further 4,549,998 Warrants. The proceeds, of £2.73 million (before expenses), will be used for general working capital and to fund the expenses associated with a Preliminary Economic Assessment of the viability of recommencing underground operations at Palito (the "PEA"). The study will focus initially on the existing resources before embarking on the next stage of evaluation and exploration activity.

History

The Company currently holds, either granted or under application approximately 148,400 hectares of Exploration Licences all located within the Tapajos Gold Mining Province, within the states of Para and Amazonas, Northern Brazil. These licences are divided into four project areas, namely the Jardim do Ouro, Sucuba, Modelo and Pizon projects. The Company does not have any assets or mineral properties in commercial production, however, the JDO Project does incorporate the Palito Mine which has been in production under Serabi's management in the past, and currently is under care and maintenance. In January 2012 the Company announced that it was undertaking a preliminary economic assessment into the viability of re-establishing underground mining operations at the Palito Mine ("the PEA"). The PEA will focus initially on the existing resources but will include evaluation of the recent mine site discoveries. It will consider a selective mining methodology, focused on maximising grade and initially limited to production levels around 20,000 ounces per annum. The Sucuba Project, located in the state of Para, comprises a single exploration licence, currently in application, of 10,815 hectares. The Modelo Project lies in the state of Para, with some 40,000 hectares in five exploration permits, four granted and one in application. The Pizon Project, located in the state of Amazonas, represents 44,703 hectares, in five exploration licenses, one granted and four in application. The Company has not engaged in any exploration activity in the Sucuba, Pizon or Modelo projects over the past 12 months, and has currently not budgeted for any exploration activity over the next 18 months. All activity budgeted at this time will focus on the JDO Project area.

Jardim do Ouro Project

The JDO Project originally acquired by the Company in 2001, covers a total area of 52,945 hectares, and is comprised of one mining licence granted on October 23, 2007 covering an area of 1,150 hectares, four exploration licences and five applications for exploration licences covering an aggregate of 51,795 hectares. 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 Palito Mine and infrastructure itself lies some 4.5km south of the village of Jardim do Ouro and approximately 15km via road. Jardim do Ouro lies on the Transgarimpeira Road some 30km WSW of the town of Moraes de Almeida, located on the junction of the Transgarimpeira and the BR 163 (the Cuiabá - Santarém Federal Highway). Moraes de Almeida is approximately 300km south south-east by road of the municipal capital, and similarly named city, of Itaituba.

Within the JDO Project area is the Palito Mine, a high grade, narrow vein underground mine which was operated by the Company from late 2003 until the end of 2008, when the underground mining operation was placed on care and maintenance. In 2004, the Company undertook an upgrade of the Palito plant to process sulphide ores from the underground operation and in December 2004, the first shipment was made of a copper/gold/silver concentrate to a European smelter. Since that time until the end of 2008, the Company processed a total of 480,000 tonnes of ore through the plant at an average gold head grade of 6.76 g/t. Average gold recovery during the period was 90%, with copper recovery around 93% providing total production over this period of 110,097 gold equivalent ounces.

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

Following a Change of Mine Plan report filed to the Departamento Nacional de Produção Mineral ("DNPM") in December 2008, and a subsequent amendment to the Company's PAE (Plano de Aproveitamento Economico), the Company maintained some minor surface oxide ore production, through which some 7,200 ounces of gold was produced up to June 2010.

In December 2010 the Company released a technical report prepared by its consultants, NCL Brasil Ltda, (the NI 43-101 Technical Report for the Jardim do Ouro Project, Para State, Brazil). The report estimated, in accordance with Canadian Securities Administrators National Instrument 43-101 ("NI 43-101"), a compliant Measured and Indicated mineral resource of 224,272 ounces (gold equivalent) and Inferred mineral resources of 443,956 ounces (gold equivalent).

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

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

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

The infrastructure at the Palito Mine remains intact and includes a process plant comprised of flotation and carbon-in-pulp ("CIP") gold recovery circuits capable of treating up to 600 t/day (200,000 t/year) of ore, a camp for over 200 employees and maintenance and workshop facilities. The site is supplied with mains power sourced from a 25 mW hydroelectric generating station located approximately 100 km north east of the town of Novo Progresso on the Curuá (Iriri) River.

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

Since that time, the Company has focused on mine-site exploration, primarily airborne and ground geophysics and geochemistry, followed by a recently completed 12,000m discovery and follow-up diamond drilling into advanced targets. The exploration objective has been to identify two or more Palito style and size deposits in close proximity to the Palito Mine and processing infrastructure. The Company defined nine drill targets within three kilometres of the Palito Mine, each of which it considered, based on its exploration results to date, had the potential to yield a Palito style and size deposit. This exploration effort was divided into two phases, a Phase 1 discovery programme, where each of the nine drill targets were drill tested, followed by and subject to the levels of available funding, a Phase 2 follow-up drill programme programme, where positive successful Phase 1 drill targets would be subject to further drilling.

The Phase 1 exploration programme began in Q4 2010, with a budget of approximately US$8 million.

The key points in the programme were:

Phase 1

- 'Head-frame' exploration with the objective to discover more Palito style deposits
- To drill 8,100 metres over nine high priority targets within three kilometres of the plant
- A further airborne geophysical electromagnetic (VTEM) survey - 14,000 hectares now covered
- Follow-up ground geophysics in the form of 55 line kilometres of Induced Polarisation (IP) on the remaining geophysical anomalies within the 14,000 hectare tenement that has been flown

The Phase 1 programme is considered by management to have been very successful. Gold mineralisation was identified within seven of the nine geophysical anomalies confirming the viability of the Company's exploration approach of using airborne and ground based geophysics alongside more traditional gold exploration techniques to screen areas prior to drill testing. Of the seven mineralised areas management considers that two of these, Piaui and Currutela, are potentially of sufficient size and gold grades to be commercial discoveries and therefore warrant further evaluation. In addition, the Company has determined that there is a very high likelihood that the "corridor" between the Palito Mine and the Currutela discovery has structural and mineralised continuity along its 2 kilometre length. The Company undertook an exploratory drill hole some 900 metres to the north-west of Currutela following the potential strike extension between Palito and Currutela. This single drill hole in this Espeto prospect area intersected gold mineralisation and the bulk mineralised zone returned **17.06 metres @ 1.17g/t Au** from 84.25 metres down-hole depth, including **0.88 metres @ 5.25 g/t Au** and **0.61 metres @ 10.90 g/t Au**. This hole was intended to test the predicted continuity of the Palito host structure along a south-east trending strike towards the Currutela prospect. Again multiple zones of hydrothermally altered granite similar to Palito and Currutela were encountered. Espeto lies to the south east of the Palito mine and some 750 metres from the south eastern limit of Palito's current 224,000 ounce Measured and Indicated (gold equivalent) and 444,000 Inferred (gold equivalent) resource.

Phase 2

Following completion of Phase 1, two discoveries of note had been made, at Piaui and Currutela. A follow up Phase 2 drilling programme was then executed during Q4 2011, concentrating on shallower holes to test near surface potential on the Piaui prospect and a potential southern extension of the current Palito resource limit. For simplicity the zone between the Palito deposit and Currutela is referred to as Palito South. The Phase 2 programme comprised 43 holes totalling 4,392m and was completed by year end. All drill locations focused on infill and step out drilling of the discoveries made to date, with a total of 2,760 metres being drilled at Piaui and 1,632 metres at Palito South.

At Palito South there had been limited drilling undertaken seeking to extend the southerly limit of the existing Palito resource during 2008 and the 2011 programme continued to infill the area towards Espeto. High-grade intersections were recovered from a number of the holes including **0.72m @ 8.91g/t Au, 0.90m @ 21.6 g/t Au, 1.40m @ 43.2 g/t Au, 0.81m @ 8.79g/t Au and 0.93m @ 34.75 g/t Au**. At Piaui, the drilling continued to intersect broad zones of intense chlorite/silica/sulphide alteration over a cumulative strike length of 700 metres and the results indicate a significant mineralised system which remains open at depth.

The exploration programme was completed early December, with all drilling contractors and exploration personnel retrenched.

Since 2008, and most notably over the past 12 months, a number of changes have occurred for the better in the region. Most significantly, accessibility has improved considerably. The main BR163 trunk road, which runs from Cuiba in the south to Santerem in the north, and passes 30km from the Palito site, is in the process of being paved. The hydro-electric power supply that is distributed along that road has continued to develop, along with a general influx of population into the towns along the road. However, most significantly, the gold price has virtually doubled in value since the mine was placed on care and maintenance back in 2008 at which time the gold price averaged around US$870. The Company has pursued its stated objective of organic resource growth over the last 18 months and the Board has been pleased with the exploration success the Company has achieved during this period, namely two discoveries from the initial nine mine site targets in very close proximity to the Palito deposit and process plant. Management consider that these discoveries place the Company well on its path to meeting its longer term resource growth objective. The continued strong gold price, along with the fact the Company has maintained its current production licences and process plant at Palito, has led to the decision by the Board to commission a preliminary economic assessment of the viability of recommencing underground operations at Palito (the "PEA"). The study will focus initially on the existing resources, but will include evaluation of recent mine site discoveries, but excludes immediate exploration activity. The PEA will consider a selective mining methodology, focused on maximising grade and initially limited to production levels around 20,000 ounces per annum. With the improved gold prices and a return to selective high grade mining rather than deploying bulk mining methods, initial internal assessments demonstrate potentially attractive returns. Furthermore, the Palito plant can accommodate considerably more capacity than the initial throughputs being considered, and the general development of the region and elevated gold prices have in turn generated additional nearby high grade gold feed opportunities potentially available for processing at Palito. The Company is therefore considering additional opportunities which can enhance throughputs at Palito. The strong indications of near term resource growth only further support the decision.

Background to Exploration Strategy

Palito and near mine mineralised zones are characterised by quartz-sulphide and massive sulphide veins. The vast bulk of the ore mined from the underground Palito mine was hosted in quartz-sulphide veins, with higher grade bonanza shoots existing in small diameter, plunge continuous, massive sulphide pods or shoots.

The nature of the quartz and sulphide content of the ore zones lends itself to detection via electrical geophysical methods, due to the conductivity in the sulphides and the resistivity provided by the quartz. Historically ground electrical geophysical exploration methods such as electromagnetics (“EM”) and Induced Polarisation (“IP”) have yielded good results in the Palito area reinforcing their importance as primary exploration tools for identifying these types of mineralisation.

In 2006, Serabi conducted a trial of ground EM surveying at Palito. The positive results led to Serabi commissioning during 2008 the helicopter-borne Magnetic and Electro-magnetic (VTEM) geophysical survey over the Palito Deposit and surrounding 6,000 hectare area. The benefit of the EM technique is that it can highlight the massive sulphide component of the Palito style of mineralization, and therefore immediately provides a focal point for exploration within the dense vegetation surrounding Palito. The 2008 airborne VTEM survey identified 47 discrete anomalies and 19 anomalous complex conductive zones. These geophysical targets were then integrated with the other geological datasets including soil geochemistry, drilling data, lineament analysis and geology for the project. As a result 18 "target areas" were defined for further follow-up exploration. These 18 targets provided the focal point for discovering potential mineralised zones.

Bearing in mind that the bulk of Palito ore was sourced from quartz-sulphide vein material and not massive sulphide, the VTEM survey represented the first step in the identification of additional resources whilst the application of IP should help delineate the quartz-sulphide veins. It is expected that the combination of both EM and IP and the subsequent 3D modeling will provide a direct focus for drilling activities and the subsequent potential expansion of resources at the JDO Project. Fifteen of the targets are within three kilometres of the mine and of these fifteen, seven are situated within the Company’s existing mine licence. The remaining targets are all located within the Company’s surrounding exploration licences.

The Company has since undertaken a further 8,000 hectares of similar airborne geophysics, which means the Company has now covered 14,000 hectares of its 53,000 hectare tenement at Jardim do Ouro.

RESULTS OF OPERATIONS

Exploration and technical programmes executed during the fourth quarter 2011.

The Company’s results of operations for the three month period ended 31 December 2011 were comprised solely of the activities related to the results of operations of the Company’s 100% owned subsidiary Serabi Mineraçao S.A.

Property Highlights:

- Q4 2011 Phase 1 drilling of 36 exploration drill holes totaling 8,214 metres was completed. The drilling confirmed two discoveries, Piaui and Currutela, which provided the potential for additional commercial resources in the exploration areas near the Palito Mine.

- Q4 2011 - Following the drilling success and discovery at Currutela, and the high potential for structural continuity between Palito Gold deposit and Currutela, the Company began to test the two kilometre strike length between the two, now referred to as 'Palito South'. A single discovery drill hole into the Espeto prospect returned a drill result of **17.06 metres @ 1.17g/t Au** (as detailed in the Company's news release dated 15 July 2011) whilst the Currutela prospect has returned a number of drill results including **2.14 metres @ 12.92g/t Au**, **0.76 metres @ 5.30g/t Au**, **1.20 metres @ 6.39g/t Au** and **1.03 metres @ 5.10g/t Au** (as detailed in the Company's news releases of 13 June 2011 & 11 July 2011).

- November 2011, the Company announced the results of its 'Eastern Block' induced polarization (IP) ground geophysical survey in the Jardim do Ouro project. Results indicate a number of IP chargeability anomalies coincident with airborne electromagnetic (VTEM) geophysical anomalies obtained in the 2008 & 2011 surveys.

- November 2011, the Company announced preliminary results from its Phase 2 follow up drill programmes at Palito South. From this 20 hole programme totaling 1,632 metres, the Company announced encouraging preliminary analytical results from shallow extension drilling into the south-eastern strike extension of Palito, named 'Palito South' with bonanza grade gold and high grade copper result returned. Eight shallow infill and step out drill holes totaling 937metres targeting interpreted high grade ore shoots on the strike extension of the Palito Main Zone returned high grade intersections. Intersections **included 0.72m @ 9.3g/t Au, 0.90m @ 20.6 g/t Au, 1.40m @ 48.1 g/t Au, 0.81m @ 6.89g/t Au and 0.93m @ 34.75 g/t Au**. The results were categorized as preliminary assays as the Palito laboratory was used. All samples were also submitted to the Company's primary laboratory at ALS in Vancouver. The results of this final analysis were released in January 2012 (see below).

- November 2011, the Company also reported preliminary positive results from a 2,600 metre shallow diamond drilling programme comprising 23 drill holes into the Piaui prospect. The drilling, undertaken over two areas of 600 metres and 350 metres strike respectively within the overall 1,400 metre potential strike length of the prospect, continued to intersect broad zones of intense chlorite/silica/sulphide alteration zones in excess of 40 metres. Intersections **included 0.72m @ 3.63 g/t Au, 5.21m @ 3.25 g/t, 3.40m @ 5.88g/t Au, 0.94m @ 16.69g/t Au, 4.80m @ 2.01g/t Au, 0.89m @ 8.59g/t Au, 2.0m @ 7.00 g/t Au and 1.08m @ 10.22 g/t Au**. The assay results were considered preliminary results reported were those provided by the Company's own laboratory at site.following delays in getting results from the Company's primary laboratory at ALS in Vancouver. All samples were also submitted to the Company's primary laboratory at ALS and final results from ALS were reported in January 2012 (see below).

- January 2012, the Company reported external and final assay results for 1,632 metres of the Phase 2 drill programme at the Palito South prospect mentioned above. The external assay results for the same intersections highlighted in November were **0.72m @ 8.91g/t Au, 0.90m @ 21.6 g/t Au, 1.40m @ 43.2 g/t Au, 0.81m @ 8.79g/t Au and 0.93m @ 34.75 g/t Au**. An average grade improvement of 8% was seen overall.

- January 2012, the Company reported external and final assay results for 2,600 metres of the Phase 2 drill programme into the Piaui prospect mentioned above. The external assay results for the same intersections highlighted in November recorded **0.72m @ 4.17 g/t Au, 5.21m @ 3.73 g/t, 3.40m @ 6.49g/t Au, 0.94m @ 17.90g/t Au, 4.80m @ 2.72g/t Au, 0.89m @ 9.48g/t Au, 2.0m @ 8.91 g/t Au and 1.08m @ 12.25 g/t Au.** These external results showed substantial overall grade improvement over the internal Palito laboratory results of approximately 14%.

- Throughout the period Serabi's management has continued to pursue exploration and development opportunities primarily in the Tapajos Region of Brazil which would add value to the company strategy. The Company also sought to divest or joint venture non-core assets during the year.

The Company's focus during the fourth quarter of 2011 has been to complete the Phase 1 and Phase 2 drill programmes at its Jardim do Ouro The cornerstone of this mine-site exploration effort has been the 2008 and 2011 airborne VTEM (Electromagnetic and Magnetic) Surveys, which cumulatively, cover a 14,000 hectare area within our 53,000 hectares of JDO tenements, enveloping the Palito deposit and immediate surrounding area.

Progress during the quarter and twelve months ended December 31st 2011

The Company completed its Phase 1 discovery drill programme during Q4 2011, with 36 holes drilled totalling 8,214m. The purpose of the programme was to test 9 mine site targets, all within 3km of the Palito infrastructure, with the objective of discovering additional gold deposits which in turn could expand the JDO Project geological resources to 1.5 million ounces. During the third quarter of 2011, with the early success of the Piaui and Currutela/Espeto discoveries, the decision was taken to launch a follow-up Phase 2 programme concentrating on shallower holes to test near-surface potential. The Phase 2 drill programme comprising of 43 holes was completed in November 2011. 23 of the 43 holes were drilled into the Piaui prospect, with the balance drilled into the area which lies between Currutela and Palito now referred to as Palito South. Palito South has now been confirmed as being hosted in the same structural zone as both the Palito deposit and Currutela, which results in a prospective strike length of some two kilometres.

The Phase 1 drilling was planned over the 9 mine-site targets namely; Piaui, Pan Handle, and Currutela (3 targets), Lazaro, Pele, Tatu and Copper Hill, the locations of which are shown in Figure 1 that also shows the overlying alluvial garimpo channels (in paler colour):

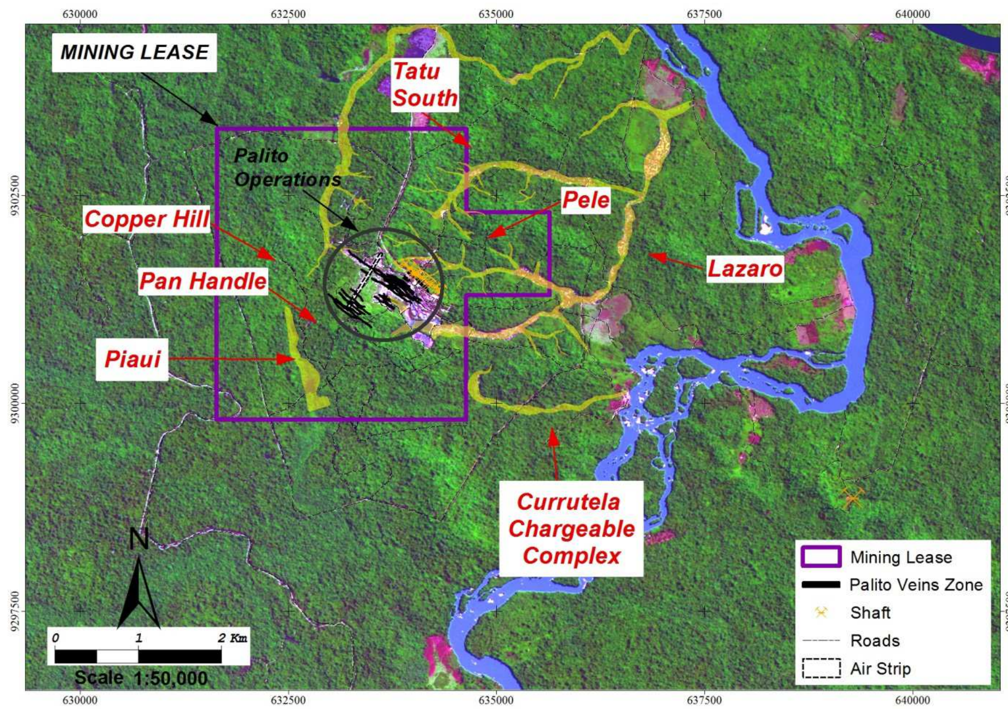

Figure 1 – plan showing drill targets, past areas of alluvial mining activity and the mining lease

The Phase 1 programme generated two discoveries, Piaui, and Currutela, which management consider to be of sufficient size and grade to have the potential to be commercial discoveries and therefore warrant further evaluation. In the case of Currutela management have also concluded that this forms part of a continuous structural and mineralised zone running south east from the existing resources limit of the Palito mine and forms part of a larger 'Palito South' zone which has a potential strike length of some two kilometres. Whilst gold mineralisation was encountered at Tatu and Pele the potential size of these anomalies and the grade recovered does not in the opinion of management justify additional follow-up drilling.

A Phase 2 drill programme comprising 4,392 metres was also completed at Piaui and Palito South, with 43 holes drilled, targeting shallow near surface potential.

The mine-site targets and the drill-hole locations along with the Induced Polarisation (IP) geophysical survey results undertaken throughout 2011 can be seen in Figure 2 which also demonstrates their close proximity to the existing Palito infrastructure. All of the mine-site targets were within exploration leases held by the Company, and all nine either lie within or are in very close proximity to the mining lease.

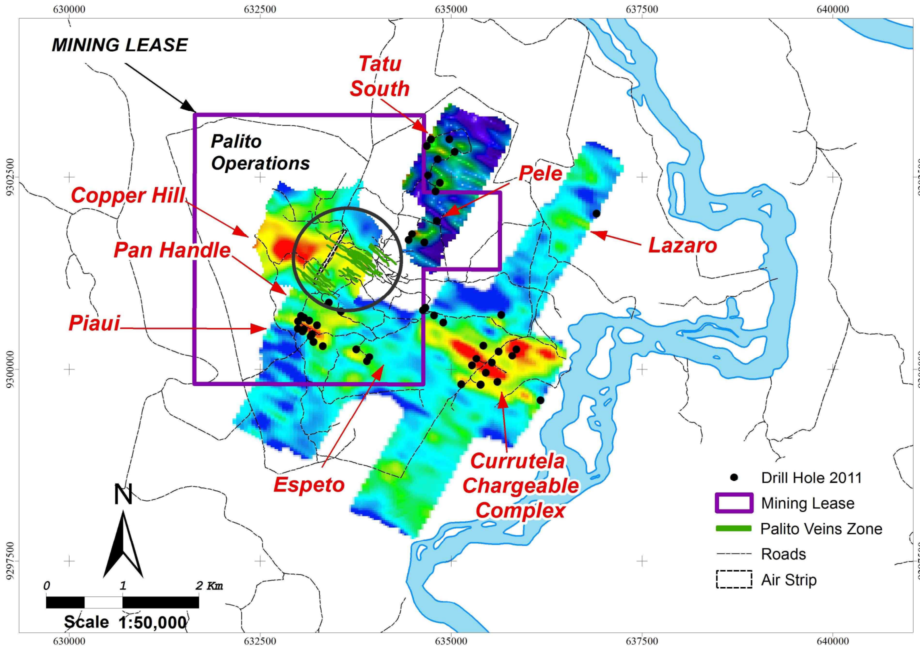

Figure 2 – IP survey results with drill-hole locations shown

In January 2011, the Company completed an additional 8,000 hectare airborne electromagnetic VTEM survey immediately to the east and west of the original 2008 mine site survey area. As a result the total airborne geophysical coverage within the 53,000 hectare JDO tenement is now 14,000 hectares. The results were released in May 2011, and are shown in Figure 3 alongside the contoured (aero magnetics) 2008 VTEM survey area:

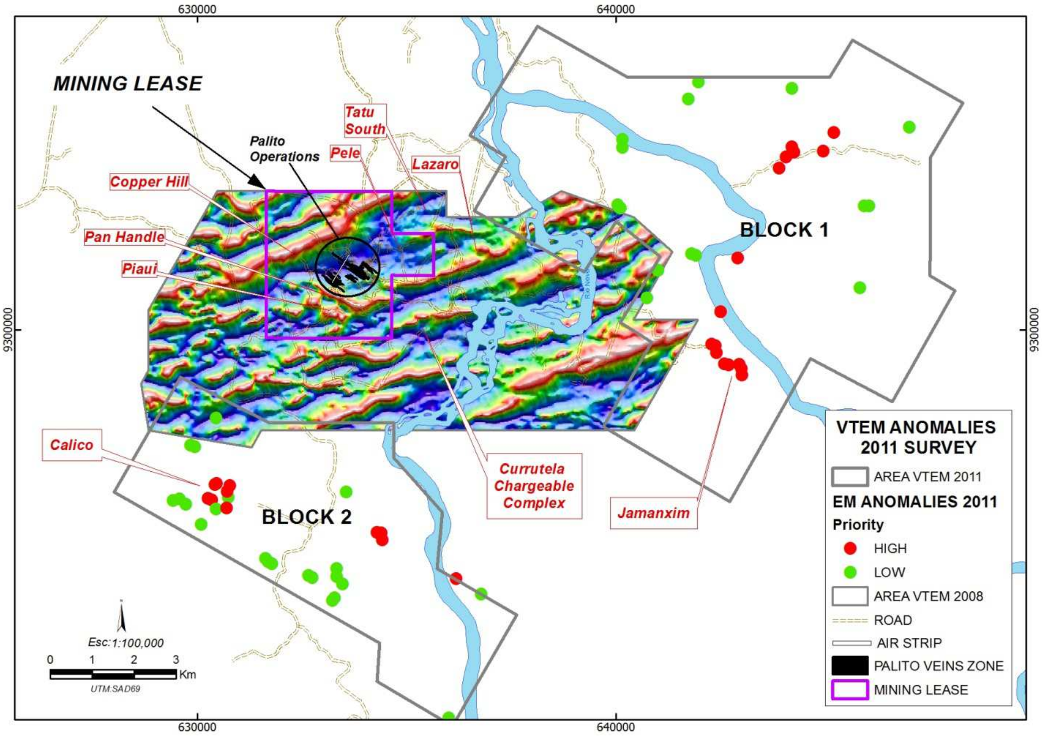

Figure 3 – Areas covered by airborne VTEM surveys showing contoured aero magnetic data

The additional 8,000 Ha of airborne geophysics identified three areas in particular of geophysical anomalism. One of the main areas, Jamanxim, along with the area between Currutela and Palito/Piaui formed the basis of the ground geophysics programme undertaken in Q3 2011.

The Company was advised in February 2011 that its appeal to the Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renovaveis ("IBAMA") against the original penalty of Brazilian Reals 3,597,300 (~US2.2 million) assessed by IBAMA in June 2010 was successful and the fine cancelled with immediate effect.

In the same month the Company announced positive geochemical results from trenching over the Piaui drill target. The Piaui target at that time was a 500m strike length anomaly. This initial trenching tested the Piaui prospect, perpendicular to strike via a 240 metre long trench to a depth of five metres. Results included mineralised zones of three metres averaging 16.16g/t and one metre averaging 33.6 g/t. The Piaui target has subsequently been drilled at depth and significant gold intersections recorded and in April 2011 the Company released details of the assays for the first five drill-holes into the Piaui target. The drilling tested a 200m strike length of the 500m long target, and intersections demonstrated a broader width mineralization to mineral resources identified to date at Jardim do Ouro, and Palito in particular.

In May 2011 the Company announced the results of the 8,000 hectare VTEM survey undertaken in January 2011. Ranking the priorities using the same parameters used to assess the 2008 survey results, indicated no Priority 1 anomalies but 47 Priority 2 and Priority 3 anomalies were defined including some clustered results indicative of the presence of some very prospective structural corridors. Some of the areas of interest identified were the subject of a follow-up ground geophysics programme which was undertaken between August 2011 and October 2011.

Initial results of the first three drill holes into the Currutela target were announced in June 2011, which highlighted the presence of multiple zones of high grade gold bearing mineralization. The mineralisation appeared to be hosted in alteration zones of very similar nature to those that host the Palito gold resource some two kilometres to the north-west. Results for the Pan Handle target were also released.

Assay results from a further five holes drilled at the Currutela target were announced in July 2011, reporting that drilling had continued to intersect gold mineralisation in hydrothermal alteration zones. These results further supported the view, that the Currutela mineralisation was not confined to one or two structures, but multiple zones of high grade gold mineralisation.

The Company also undertook a complete reprocessing of all the available aeromagnetic data and announced the findings of this work in July 2011. As a result the Company determined that the potential existed for a structural continuity between the Currutela prospect and the existing Palito gold resource extending over some two kilometres. This potential was further enhanced by the intersection (as detailed in the Company's news release dated 15 July 2011) of multiple zones of hydrothermally altered granite in a drill hole located in the Espeto area approximately midway between Palito and Currutela. The drill hole recorded multiple zones of hydrothermally altered granite, similar to previously reported Palito and Currutela intercepts, at down-hole depths between 84 metres and 102 metres, grading **17.06 metres @ 1.17g/t Au**, The result was indicative of both structural and mineralized continuity between the Palito resource and the Currutela target with the potential for a mineralised zone extending over three kilometres in total. The Currutela prospect itself has returned a number of drill results including **2.14 metres @ 12.92g/t Au**, **0.76 metres @ 5.30g/t Au**, **1.20 metres @ 6.39g/t Au** and **1.03 metres @ 5.10g/t Au** (as detailed in the Company's news releases of 13 June 2011 & 11 July 2011).

Results to date demonstrate that a continuous chargeable zone exists between the Currutela and Espeto, some 900m apart. More significantly, the structural modelling supported by drill intercepts, airborne magnetic surveying and this recent induced polarization data also strongly indicate the main ore zone of the Palito gold deposit itself, the 'Palito Main Zone' (PMZ), is also hosted on the same structural mineralised zone, which has a strike length of over 3.5 km when measured from the most westerly end of the Palito mineralisation to Currutela in the east.

During the third quarter the Company announced plans to undertake further drilling on this target area between Currutela and Espeto following the earlier drilling success, but intended to first obtain additional ground geophysical data using IP over the area in order to complement its existing geological database with a view to enhancing target definition. The IP would be part of a larger survey of some 55 line kilometres, which also included testing the south-east extension of the Piaui Prospect, the south-east extension of the Currutela Prospect, as well as some of the remaining untested 2008 VTEM anomalies. It would also include the first of three new anomalies identified in the 2011 airborne survey, namely the Jamanxim target. This work commenced August 2011, and was completed during October 2011. The IP surveyed areas are shown in Figure 4.

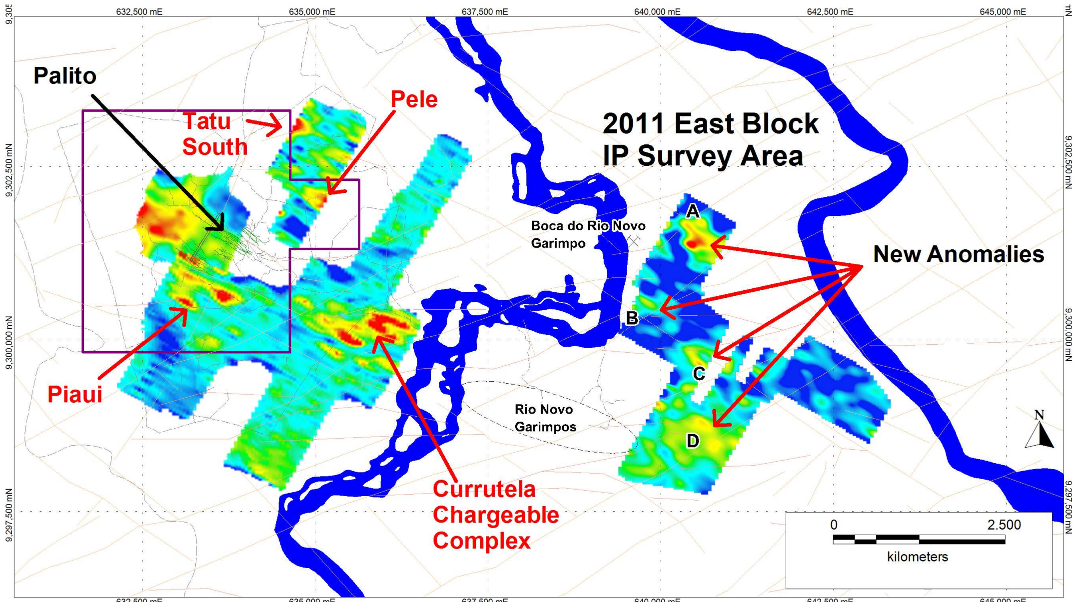

Figure 4 – Plan view showing 2010 and 2011 ground IP surveys results, plus mining lease area.

By the end of the third quarter of 2011, some initial results from the 2011 IP survey had been received. These results were from the first part of the survey undertaken closest to the mine site area, namely the potential strike length extension of the Piaui prospect, and the potential of the area between Currutela, Espeto and the Palito Gold Mine deposit itself, now referred to as 'Palito South'.

During September 2011 the Company announced that results from the IP survey at Piaui indicated the possibility that the Piaui discovery, initially limited to a 300 metre strike length, could extend up to 1,400 metres in length. The new 1,100 metre extension lies to the south-east of the original 300 metre long discovery made in March 2011. This initial discovery which included intersections of **1.9 metres @ 22.86g/t Au**, **2.5 metres @ 6.22g/t Au**, **9.1 metres @ 2.24g/t Au**, **10.7 metres @ 1.17g/t Au** and **4.5 metres @ 2.75g/t Au** was further supported by a coincidental 300ppb Au soil anomaly and a high priority electromagnetic anomaly from the 2008 airborne geophysical survey.

During the fourth quarter the Company commenced the Phase 2 drill programme into two of the new discovery areas, namely Piaui and Palito South. From this 43 hole programme, the Company announced encouraging preliminary analytical results from shallow extension drilling into the south-eastern strike extension of Palito, (Palito South) with bonanza grade gold and high grade copper result returned. Eight shallow infill and step out drill holes totaling 937m targeting interpreted high grade ore shoots on the strike extension of the Palito Main Zone returned high grade intersections. Intersections included **0.72m @ 9.3g/t Au, 0.90m @ 20.6 g/t Au, 1.40m @ 48.1 g/t Au, 0.81m @ 6.89g/t Au and 0.93m @ 34.75 g/t Au**. These results were categorized as preliminary assays as the Palito laboratory was used. Duplicate samples for all drill holes were also submitted to the Company's primary laboratory at ALS in Vancouver. The results of this final analysis were released January 2012 (see below).

The Company reported during November 2011 preliminary positive results from the 2,600 metre shallow Phase 2 diamond drilling programme comprising 23 drill holes into the Piaui prospect. The drilling, undertaken over two areas of 600 metres and 350 metres strike within the overall 1,400 metre potential strike length of the prospect, continued to intersect broad zones of intense chlorite/silica/sulfide alteration zones in excess of 40 metres. Intersections included **0.72m @ 3.63 g/t Au, 5.21m @ 3.25 g/t, 3.40m @ 5.88g/t Au, 0.94m @ 16.69g/t Au, 4.80m @ 2.01g/t Au, 0.90m @ 8.59g/t Au, 2.0m @ 7.00 g/t Au and 1.1m @ 10.22 g/t Au**. Delays in receiving results from the Company's primary laboratory, ALS in Vancouver meant that these reported results were those produced by the Company's own on-site laboratory facility. Duplicate samples were nonetheless still sent to ALS and final results from ALS were reported in January 2012 (see below).

In January 2012, the Company reported external and final assay results for the 1,632 metres of the Phase 2 drill programme at the Palito South prospect mentioned above. The external assay results for the same intersections highlighted in November were **0.72m @ 8.91g/t Au, 0.90m @ 21.6 g/t Au, 1.40m @ 43.2 g/t Au, 0.81m @ 8.79g/t Au and 0.93m @ 34.75 g/t Au**, an average improvement of 8%. The Company also reported external and final assay results for the 2,600 metres Phase 2 drill programme into the Piaui prospect mentioned above. The external assay results for the same intersections highlighted in November recorded **0.72m @ 4.17 g/t Au, 5.21m @ 3.73 g/t, 3.40m @ 6.49g/t Au, 0.94m @ 17.90g/t Au, 4.80m @ 2.72g/t Au, 0.90m @ 9.48g/t Au, 2.0m @ 9.91 g/t Au and 1.1m @ 12.25 g/t Au**. These external results showed substantial grade improvement over the internal Palito laboratory results of approximately 14%.

Throughout the period Serabi's management continued to evaluate other exploration and development opportunities primarily in the Tapajos Region of Brazil which might add value to the company strategy. The Company continues also to seek to divest or joint venture non-core assets.

Exploration expenditures on the JDO Project for the 12 month period ending 31 December 2011 totalled US$8.7 million with US$5.8 million spent on direct exploration costs including US$2.7 million on diamond drilling, US$0.5 million on geophysics, US$0.6 million on land rentals and DNPM payments, US$1.0 million on exploration labour costs and approximately US$0.4 million on exploration consumables, assays, and travel expenses. US$2.9 million has been spent on other site G&A costs, including the non-direct exploration staff costs, care and maintenance activities and regional support expenditures.

Outlook

With the completion of its 8,214m Phase 1 exploration programme together with its follow up 4,392 metre Phase 2 drill programme, the Company has now suspended exploration activity for the immediate future. The Phase 2 drilling was in the form of shallow, infill holes into the Piaui, and Palito South targets both of which lie less than one kilometre from the Palito process plant. The objective of the 2011 programme has been to make mine-site gold discoveries which in turn can increase the mineral resource to a sufficient level to support a meaningful and sustainable level of production. The board has been pleased with the exploration success the Company has achieved during this period, and as a result, we remain greatly encouraged that the discoveries made will be advanced and will place us well on our road to resource growth.

In addition to this positive note, it can be said that since 2008, and most notably over the past 12 months, a number of changes have occurred for the better in the region. Most significantly accessibility has improved considerably, the main BR163 trunk road which runs from Cuiaba in the south to Santerem in the north, which passes 30km from the Palito site is in the process of being paved. The hydro-electric power supply that is distributed along that road has continued to develop, along with a general influx of population into the towns along the road. However, most significantly, the gold price has virtually doubled in value since the mine was placed on care and maintenance back in 2008. During this time, the Company has been successful in its pursuit of its stated objective of organic resource growth. That success, combined with the continued strong gold price, plus the fact the Company has maintained its current production licences and process plant at Palito, has led to the decision by the Board to commission a Preliminary Economic Assessment of the viability of recommencing underground operations at Palito ("PEA"). The funds recently obtained by the Company (announced January 24 2012) will bring much needed working capital into the company over the next 9 months, with the main milestone being the completion of the PEA. The study will focus initially on the existing resources, but will include evaluation of recent mine site discoveries, but excludes immediate exploration activity. The PEA study will consider a selective mining methodology, focused on maximising grade and initially limited to production levels around 20,000 ounces per annum. With improved gold prices, a return to selective high grade mining rather than returning to bulk mining methods, initial internal assessments demonstrate potentially attractive returns. Furthermore, the Palito plant can accommodate considerably more capacity than the initial throughputs being considered, and the general development of the region and elevated gold prices have in turn generated additional nearby high grade gold feed opportunities potentially available for processing at Palito. The Company is therefore considering additional opportunities which can enhance throughputs at Palito. The strong indications of near term resource growth only further support the decision.

Activity over the next quarter:

- To appoint a contractor to undertake the PEA, and commence the study during Q1 2012. The study will consume much of the company's resources over the coming months.
- The Palito underground mine will remain on care and maintenance, with running costs in Brazil and corporately having been reduced wherever practical.
- Seek JV partners/buyers with respect to the non-core assets

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 (IFRS) 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.

Selected Annual Information

The data included in the selected annual information table below is taken from the Company's annual audited financial statements.

	2011 US$	2010 US$	2009 US$
Revenues	3,807	1,229,551	5,512,804
Net loss	(5,935,823)	(5,980,011)	(9,990,502)
Net loss per share (basic and diluted)	(10.01)cents	(15.21)cents	(61.55)cents
Total current assets	3,309,822	11,174,647	7,030,342
Development and deferred exploration costs	16,648,884	9,797,406	6,880,038
Property plant and equipment	28,266,092	33,951,140	35,327,788
Total assets	48,224,798	54,923,193	49,238,168
Total liabilities	4,940,318	10,571,375	6,033,451
Equity shareholders' funds	43,284,480	44,351,818	43,204,717

Results of Operations

Financial year ended 31 December 2011 compared to the financial year ended 31 December 2010

For the twelve month period ended 31 December 2011 the Company showed a 1% reduction in its net loss and recorded a net loss of US$5,935,823 (10.01 US cents per share) compared to a net loss of US$5,980,011 (15.21 US cents per share) for the comparative period last year

For the twelve months to 31 December 2011 there has been an increase in administration costs of US$619,795 in comparison with the 2010 financial year which has been offset by the recovery of US$540,000 of prior period costs following settlement of a claim against one of the Company's suppliers. As already noted mining operations which had been taking place for the first six months of 2010 were suspended at the end of June 2010 since which time all mining operations have remained suspended. A gross loss of US$1,187,195 was incurred in the twelve months ended 31 December 2010 relating to costs associated with the maintenance of the Palito Mine site and equipment which compares to a gross loss for the current twelve month period ended 31 December 2011 of US$567,705. These costs that have been expensed during the year relate primarily to operating costs of the crushing plant as the company has been crushing old waste rock stockpiles for use in rehabilitation and remediation of the mine site. In addition the company has generated some US$450,000 of income from the sale of some of this material for use in road construction projects in the near vicinity. All other areas of the plant have remained on care and maintenance and other site costs are directly related to the exploration activity that was being undertaken at Palito during the period and accounted for as exploration expenditure.

At the corporate level administration costs have increased primarily as a result of higher staffing charges which account for US$285,000 of the increase. This increase reflects the higher remuneration for executive management compared with 2010, including a bonus relating to performance in 2010, of which two thirds was settled by the issue of shares paid in the first quarter and the remuneration of the new non-executive directors who were appointed at the end of March 2011.

The company also incurred additional costs in the areas of professional fees, investor relations and travel in 2011 compared to 2010. These reflect a combination of factors but notably the initial public offering of the Company's shares on the TSX, increased investor marketing and attendance at investor shows, the increased exploration activity of the Company during the calendar year and the creation of the new website. These expenditures account for a further US$208,000 of the year on year costs increases.

A provision of US$142,438 has been recorded against the recoverability of certain state taxes representing 20% of the total amount due. The company has also recorded a provision of US$129,264 in respect of past tax liabilities which whilst not assessed could become payable.

In Brazil administration costs for the twelve months to 31 December 2011 overall have remained in line with those of the 2010 financial year notwithstanding the increase in exploration activity levels that has occurred during the year.

The Company also incurred as unrealised exchange loss of US$5.0 million during the twelve month period ended 31 December 2011 compared with an unrealised exchange gain of US$1.6 million in the corresponding period for 2010. These unrealised losses or gains arise from the need to translate the accounts of the Company's Brazilian subsidiary, which are maintained in Brazilian Reais, into US Dollars using prevailing period exchange rates. As a result of the relative weakness of the Brazilian Real as at 31 December 2011 at which time the exchange rate against the US Dollar was 1.8758 compared with the period end rate at 31 December 2010 of 1.6662, this has resulted in notional exchange losses being incurred particularly in respect of the Fixed and Deferred Assets held by that subsidiary. Since 31 December 2011 the Brazilian Real has fluctuated against the US dollar and having been a low as 1.70 the exchange rate is currently around 1.80 to the US Dollar.

Three month period ended 31 December 2011 compared to the three month period ended 31 December 2010

For the three month period ended 31 December 2011 the Company recorded a net loss of US$1,890,862 (2.96 US cents per share) compared to a net loss of US$2,005,738 (4.48 US cents per share) for the comparative period last year. The decreased loss of US$114,876 results primarily from reduced operating expenses at the Palito Mine which were down to US$103,429 for the quarter end 31 December 2011 compared with US$511,257 for the corresponding period in 2010. Overall administration costs were also reduced by US$89,994 from US$863,506 in the quarter ended 31 December 2010 to US$773,512 in the quarter ended 31 December 2011.

The company has incurred an increased level of finance related costs which have increased to US$432,312 for the quarter ended 31 December 2011, compared with US$58,207 in the corresponding quarter of 2010. Of this increase however US$334,637 represents the finance related element of an increase in the provision for rehabilitation upon eventual abandonment of the Palito site. Of this charge US$367,203 relates to changes in inflation and timing assumptions a change in the discount factor used has reduced the overall charge by US$32,566. Whilst no changes have been made to the underlying costs estimates which are prepared in Brazilian Reais, the provision has been increased by US$100,000 resulting from a combination of the discount factors and exchange rates used to compute the required financial provision in accordance with International Accounting Standard 37. The movement in the provision resulting from exchange rate movements has been accounted for as a movement in the Translation Reserve. The operating loss (before interest and foreign exchange) was US$1,554,525 for the

3 month period ended 31 December 2011 compared with a loss of US$1,951,616 for the corresponding period in 2010.

Mining operations which had been taking place for the first six months of 2010 were suspended at the end of June 2010 since which time all mining operations have remained suspended. A gross loss of US$453,614 was incurred in the three months ended 31 December 2010 relating to costs associated with the maintenance of the Palito Mine site and equipment which compares to a gross loss for the current three month period ended 31 December 2011 of US$103,429. The costs for the fourth quarter of 2011 have primarily related to the operating costs of the crushing plant. All other areas of the plant have remained on care and maintenance and other site costs are directly related to the exploration activity that was being undertaken at Palito during the period and accounted for as exploration expenditure.

Administration costs for the quarter ended 31 December 2011 decreased from US$863,506 in 2010 to US$773,512 for the corresponding quarter in 2011, a reduction of US$89,994. There has been a significantly reduced level of provision required for settlement of employment claims, down from $374,000 in the quarter to 31 December 2010 to only US$11,000 in the corresponding quarter for 2011 which has in part been offset by a provision of US$142,438 that the Company has recorded in respect of indirect taxes recoverable from the State of Para. At a corporate level administration costs for the three months ending 31 December 2011 increased by about US$100,000 compared with the same quarter in 2010. Consistent with prior quarters the company has experienced a higher level of staff costs since its TSX listing but costs of the last quarter also reflected expenditures associated with the new corporate name, building of the new website and an increased level of investor relations activity including presentations at investor conferences in North America which in turn also contributed to an overall increase in travel costs compared with the same quarter in 2010.

A foreign exchange gain for the quarter of US$95,975 was recorded reflecting in part a reversal of the exchange loss experienced in the preceding quarter ended 30 September 2011.

The Company incurred an unrealised exchange loss of US$0.54 million during the three month period ended 31 December 2011 compared with an unrealised exchange gain of US$0.65 million in the corresponding period for 2010. These unrealised losses or gains arise from the need to translate the accounts of the Company's Brazilian subsidiary, which are maintained in Brazilian Reais, into US Dollars using prevailing period exchange rates. As of 31 December 2011 the exchange rate was 1.8758 between the Brazilian Real and the US Dollar. Subsequent to the end of the year the Brazilian Real has fluctuated and has been as low as 1.70 though as 28 March 2012 the rate is around BrR$1.80 = US$1. It should therefore be expected that for the quarter ended 31 March 2012, an unrealised exchange gain will arise which would have the effect of increasing the Net Assets as reflected in the Balance Sheet of the Company as at that date.

Summary of quarterly results

	Quarter ended 31 December 2011 US$	Quarter ended 30 September 2011 US$	Quarter ended 30 June 2011 US$	Quarter ended 31 March 2011 US$
Revenues	(99)	2,843	1,063	–
Operating expenses	(103,429)	(152,001)	(132,260)	(183,822)
Gross loss	(103,528)	(149,158)	(131,197)	(183,822)
Administration expenses	(773,512)	(745,990)	(701,818)	(665,387)
Settlement of supplier claim	–	–	–	540,441
Provision for indirect taxes	(129,264)	–	–	–
Option costs	(77,151)	(92,399)	(63,740)	(30,571)
Gain / (loss) on asset disposals	38,803	(5,204)	11,178	(13,515)
Depreciation of plant and equipment and provisions	(509,873)	(580,845)	(593,796)	(567,336)
Operating loss	(1,554,525)	(1,573,596)	(1,479,373)	(920,190)

	Quarter ended 31 December 2011 US$	Quarter ended 30 September 2011 US$	Quarter ended 30 June 2011 US$	Quarter ended 31 March 2011 US$
Exchange	95,975	(168,309)	(44,988)	187,297
Finance costs	(432,312)	2,221	(38,274)	(9,749)
Loss before taxation	(1,890,862)	(1,739,684)	(1,562,635)	(742,642)
Loss per ordinary share (basic and diluted)	(2.96) cents	(2.72) cents	(2.44) cents	(1.65) cents
Development and deferred exploration costs	16,648,884	15,122,184	14,785,541	11,679,390
Property, plant and equipment	28,266,092	29,132,327	34,843,749	34,088,905
Total current assets	3,309,822	6,376,759	10,897,744	13,933,052
Total assets	48,224,798	50,631,270	60,527,034	59,701,347
Total liabilities	4,940,318	5,302,581	6,076,157	5,603,473
Shareholder’s equity	43,284,480	45,328,689	54,450,877	54,097,874

	Quarter ended 31 December 2010 US$	Quarter ended 30 September 2010 US$	Quarter ended 30 June 2010 US$	Quarter ended 31 March 2010 US$
Revenues	57,643	22,909	308,360	840,639
Operating expenses	(511,257)	(411,103)	(732,613)	(761,773)
Gross profit/(loss)	(453,614)	(388,194)	(424,253)	78,866
Administration expenses	(863,506)	(561,015)	(444,757)	(397,634)
Option costs	–	–	(25,102)	(25,102)
Write-off of past exploration expenditures	(28,569)	–	–	–
Gain / (loss) on asset disposals	(8,379)	(25,103)	49,874	(54,568)
Impairment	–	(111,106)	–	–
Depreciation of plant and equipment and provisions	(597,548)	(497,439)	(507,509)	(509,949)
Operating loss	(1,951,616)	(1,582,857)	(1,351,747)	(908,387)
Exchange	4,085	241,092	(271,393)	(1,180)
Finance costs	(58,207)	(44,325)	(11,444)	(44,032)
Loss before taxation	(2,005,738)	(1,386,090)	(1,634,584)	(953,599)
Loss per ordinary share (basic and diluted)	(4.48) cents	(3.10) cents	(4.70) cents	(2.91) cents
Development and deferred exploration costs	9,797,406	8,558,842	7,475,863	7,058,548
Property, plant and equipment	33,951,140	34,280,250	33,024,475	33,917,842
Total current assets	11,174,647	8,412,810	10,198,256	6,290,130
Total assets	54,923,193	51,251,902	50,698,594	47,266,520
Total liabilities	10,571,375	5,586,203	5,870,534	5,821,027
Shareholder’s equity	44,351,818	45,665,699	44,828,060	41,445,493

Liquidity and Capital Resources

The Company had a working capital position of US$625,602 at 31 December 2011 compared to US$2,793,046 at 31 December 2010. The working capital position at 31 December 2011 includes cash and cash equivalents of US$1,406,458 (31 December 2010: US$8,598,755). The Company does not have any asset backed commercial paper investments. There has been a decrease in cash balances, reflecting that the Company receives cash only in discrete tranches through the issue of new shares and utilises this cash over a period of time to fund its exploration and development activities. Excluding the reduction in cash of US$7,192,297 there would otherwise appear to have been an improvement in the working capital position compared with 31 December 2010. This has arisen principally through the exercise during the quarter ended 31 March 2011 of the Special Warrants issued by the Company on 2 December 2010. The value attributed to these Special Warrants had been shown at 31 December 2010 as a current liability and excluding this liability, the working capital position at 31 December 2010 would have been US$7,853,041. As the Company has no source of revenue and is dependent on the issue of additional securities to raise additional cash when it is required, the Company's cash position at any time will be dependent upon the timing of raising new finance and timing and levels of its exploration and development activity.

During the twelve month period ended 31 December 2011, the Company issued 9,124,470 Ordinary Shares and 4,500,000 Warrants for net cash proceeds of US$4,462,844, of which 9,000,000 Ordinary Shares and 4,500,000 Warrants were issued pursuant to the IPO on the Toronto Stock Exchange completed on 30 March 2011.

The placement comprised the issue of 9,000,000 units where each unit consists of one Ordinary Share and one half of a Warrant whereby each whole Warrant entitles the holder to subscribe for one Ordinary Share at a price of C$0.75 at any time before 2 December 2012.

At the same time a further 10,070,000 Ordinary Shares and 5,035,000 Warrants were issued upon the automatic exercise of the Special Warrants issued by the Company on 2 December 2010. Each of the Special Warrants comprised a unit which in turn was comprised of one Ordinary Share and one half of a Warrant whereby each whole Warrant entitles the holder to subscribe for one Ordinary Share at a price of C$0.75 at any time before 2 December 2012.

The Company has during the twelve month period ended 31 December 2011, incurred costs of US$8,663,471 on mineral property exploration, US$119,974 on asset purchases and used cash of US$3,212,765 on its operating activities. Further details of the exploration activity conducted during the year are set out elsewhere in this MD&A.

On 31 December 2011, the Company's total assets amounted to US$48,224,798 which compares to a value of US$54,923,193 recorded as at 31 December 2010. Total assets are mostly comprised of property, plant and equipment, which as at 31 December 2011 totalled US$28,226,000 (December 2010: US$33,951,000), and deferred exploration and development cost which as at 31 December 2011 totalled US$16,649,000 (December 2010: US$9,797,000), of which US$15,293,000 relates to capitalized exploration expenditures at, or in close proximity to, the Palito Mine. The Company's total assets also included cash holdings of US$1,406,000 (December 2010: US$8,599,000).

Receivables of US$87,000 as at 31 December 2011 have decreased by US$9,000 compared to the receivables balance of US$96,000 as at 31 December 2010. The receivables as of 31 December 2011 are primarily deposits paid by the Company. Prepayments as of 31 December 2011 were US$702,000 compared with US$1,062,000 as at 31 December 2010, a decrease of US$360,000. The prepayments primarily represent prepaid taxes in Brazil of US$616,000, of which the majority is federal and state sales taxes which the Group expects to recover either through offset against other federal tax liabilities or through recovery directly. The amount due is stated net of a provision of US$127,000 against the future recoverability of indirect state taxes.

The Company's total liabilities at 31 December 2011 of US$4,940,000 (December 2010: US$10,571,000) included accounts payable to suppliers and other accrued liabilities of US$3,193,000 (December 2010: US$3,874,000). The total liabilities include US$274,000 (December 2010: US$249,000) attributable to the £300,000 loan from a related party, which has a repayment date of 31 October 2014 subject to the right of the holder at any time, on one or more occasions, on or before the repayment date, to convert any of the outstanding amounts owed by the Company to Ordinary Shares at a price of 15 pence per Ordinary Share. It also includes the amount of US$1,451,000 (December 2010: US$1,389,000) in respect of provisions including US$1,155,000 (December 2010: US$1,055,000) for the cost of rehabilitation of the current Palito Mine site at the conclusion of operational activity.

On 24 January 2012 the Company completed a placing of 27.3 million Units whereby each unit comprised one Ordinary Share of 5 pence par value and one sixth of a share purchase warrant. The proceeds raised from this placing of Units were UK£2.73 million before expenses. These funds are to be utilised for working capital and to enable the Company to complete a Preliminary Economic Assessment on the re-opening of the Palito Mine. Subject to adequate funding being raised management believes that work on the re-commencement of mining operations at the Palito Mine could commence during the 2012 calendar year. Management believes that the Company, subject to the raising of this additional funding during 2012, will have adequate working capital to undertake all of its currently planned exploration and development programmes for the remainder of 2012 in relation to the Company's existing mineral properties and to cover administrative expenses for the same fiscal year.

Contractual Commitments

The Company has operating leases in respect of office premises in London and Belo Horizonte.

The Company holds certain exploration prospects which require it to make certain payments under rental or purchase arrangements allowing the Company to retain the right to access and undertake exploration on these properties. Failure to meet these obligations could result in forfeiture of any affected prospects. Management estimates that the cost over the next twelve months of fulfilling the current contracted commitments on all the properties in which the Group has an interest will be US$164,945.

On 9 November 2009 (as further detailed in note 16 of the Company's 2011 annual financial statements) the Company entered into a Convertible Loan Stock agreement with Greenwood Investments Limited ("Greenwood") whereby Greenwood made available to the Company a loan of UK£300,000 repayable on 31 October 2014. Greenwood has the right at any time, on one or more occasions, on or before the repayment date to convert any of the outstanding amounts owed by the Company to Ordinary Shares at a price of UK£0.15 per share. The loan was drawn down on 14 December 2009 and interest will accrue at the rate of 1 percent per annum and is compounded. In January 2012 Greenwood assigned its interest in the Convertible Loan Stock to Anker Holding AG.

	Payments due by period				
Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
	$	$	$	$	$
Long term debt	296,122	–	296,122	–	–
Capital Lease Obligations	–	–	–	–	–
Operating Leases	90,490	83,105	7,385	–	–
Purchase Obligations	–	–	–	–	–
Other Long Term Obligations	–	–	–	–	–
Total Contractual Obligations	**386,612**	**83,105**	**303,507**	–	–

Transactions with related parties of the Company

The Company paid, during the twelve month period ended 31 December 2011, UK£3,000 to a company controlled by one of its former directors in respect of fees receivable by that director for the provision of his services to the Company.

Financial and Other Instruments

The Company's financial assets at 31 December 2011 which comprise trade and other receivables and cash, are classified as loans and receivables. All of the Company's financial liabilities which comprise trade and other payables, accruals and interest bearing liabilities, are classified as liabilities measured at amortised cost.

The Company has not entered into any derivative transactions and it is not currently the Company's policy to undertake trading in financial instruments.

The main financial risks arising from the Company'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 and whilst the Company may only produce very limited revenue, the Company is potentially exposed to fluctuations in commodity prices and in particular the price of gold and copper as these could affect its ability to raise further finance in the future, its future revenue levels and the viability of its projects. It is not currently the Company's intention to enter into any arrangements to protect itself from changes in the prices of these commodities. The Company does however closely monitor the prices of these commodities and will consider the use of hedging contracts, where appropriate, in future.

At the end of the three and twelve month periods ended 31 December 2011 and at the end of the financial year ended 31 December 2010, the Company had no unsold or part-paid production and accordingly the results for the year and the equity position of the Company is not affected by any change in commodity prices subsequent to the end of the year.

Interest rate risk

The Company currently finances its operations through equity financing and has a convertible loan of £300,000 which bears interest at the rate of 1% per annum compounded and has a repayment date of October 2014.

There is not considered to be any material interest rate risk. The Company's policy is to retain surplus funds as short-term deposits, of up to 32 days duration, at prevailing market rates and to pay trade payables within their credit terms.

The fair value of all financial instruments is approximately equal to book value due to their short-term nature.

Liquidity risk

To date the Company has relied on shareholder funding and, in prior years, short-term trade finance and fixed rate finance leases to finance its activities. The Company has also drawn down on a convertible loan stock instrument which is repayable in 2014, but otherwise does not have any other borrowing or credit facilities. The Company'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 increase in value of the Company for the benefit of shareholders. In establishing its capital requirements the Company will try to take account of the risks inherent in its plans and proposed activities and prevailing market conditions. During the twelve month period ended 31 December 2011, the Company raised new funds through the issue of new shares. Continued development of the Company's projects will be dependent on the ability to attract additional funding, through joint ventures, asset disposals, new equity or debt. There is no guarantee that the Company will be able to secure adequate funding in the future or that the terms of such funding will be acceptable.

Currency risk

Although the Company is incorporated in the United Kingdom its financial statements and those of the group are denominated in US Dollars.

Share issues have been priced in Sterling with the exception of the issue of Special Warrants undertaken in December 2010 and the issue of new Ordinary Shares and Warrants on 30 March 2011 which were both 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 but also in US Dollars, Sterling, and Canadian Dollars.

The Company's main subsidiary operates in Brazil with its expenditure being principally in Brazilian Real and its financial statements are maintained in that currency. The Company's policy for dealing with exchange differences is outlined in the statement of Significant Accounting Policies in its 2011 Annual Report and Accounts under the heading "Foreign currencies".

The Company 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 Company 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.

The Company considers book value to equal fair value.

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

	31 December 2011 $	31 December 2010 $
US Dollar	439,739	1,708,548
Canadian Dollar	586,986	5,238,373
Sterling	245,742	1,634,450
Australian Dollar	134	3,059
Brazilian Real	133,857	14,326
Total	1,406,458	8,598,755

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

Credit risk

The Company's exposure to credit risk is limited to its cash and cash equivalents and trade and other receivables amounting to US$2,196,000 as at 31 December 2011 (31 December 2010: US$9,757,000). It is the Company's policy to only deposit surplus cash with financial institutions that hold good credit ratings and to provide credit in respect of receivables only with parties that themselves have good credit history or otherwise to hold some form of lien pending settlement.

Subsequent Events

On 24 January 2012 the Company completed a placing of 27.3 million units at a price of UK£0.10 per unit and whereby each unit comprised one Ordinary Share of 5 pence par value ("Ordinary Share") and one sixth of a share purchase warrant. Each whole share purchase warrant entitles the holder to subscribe for one new Ordinary Share at a price of UK£0.15 at any time prior to 24 January 2014. The proceeds raised from this placing of Units were UK£2.73 million before expenses. These funds are to be utilised for working capital and to enable the Company to complete a Preliminary Economic Assessment on the re-opening of the Palito Mine.

Changes in Accounting Policies

The Company has not adopted any standards or interpretations in advance of the required implementation dates. There has been no significant measurement impact on the consolidated financial statements from new standards or interpretations effective in 2011.

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

Off Balance Sheet Arrangements

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

Critical Accounting Estimates

The preparation of financial statements requires management to make judgements and assumptions about the future in the use of accounting estimates. These will, by definition, seldom equal the related actual results and adjustments will consequently be necessary. Estimates are continually evaluated, based on experience and reasonable expectations of future events.

Accounting estimates are applied in 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, apart from those involving estimations (see below), 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 goodwill and other assets

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Further disclosure is provided in note 19 regarding the key assumptions made in arriving at the value in use.

Provisions

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

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 Company 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 Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

As at December 31, 2011, 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 Company's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as at December 31, 2011.

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 December 31, 2011, 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 Company'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 December 31, 2011, using the criteria, having taking account of the size and nature of the Company, put forward by the Turnbull Guidance on best practice of Internal Controls for UK listed companies.

The Company'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 Company's internal controls over financial reporting during the year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Disclosure of Outstanding Share Data

The Company has an authorised capital of UK£30,000,000 comprised of 333,735,776 Ordinary Shares of 5 pence each and 140,139,065 Deferred Shares of 9.5 pence each.

The Company had the following Ordinary Shares, Deferred Shares, Stock Options and Warrants outstanding at 28 March 2012

Ordinary Shares	91,268,529
Stock Options	6,020,785
Tradeable Warrants	9,535,000
Other Warrants	7,135,398
Fully diluted ordinary shares outstanding	113,959,712

The above table does not include 2,100,123 Ordinary Shares being the maximum number of Ordinary Shares that the Company calculates it would be obliged to issue in satisfaction of the Convertible Loan, being the principal owed of £300,000 and the accumulated interest over the life of the Convertible Loan of £15,018.42.

Fratelli Investments Limited holds 17,616,000 Ordinary Shares in the Company and 3,625,833 warrants. Following the placing of units on 24 January 2012 whereby Fratelli acquired 13,625,000 units, Fratelli has entered into an orderly marketing agreement on 24 January 2012, whereby Fratelli has agreed not to dispose of any of its shares in the Company (save in certain agreed circumstances) prior to 24 January 2013.

Qualified Persons Statement

The technical information contained within this Management Discussion and Analysis has been reviewed and approved by Michael Hodgson, CEO of the Company. Mr Hodgson is an Economic Geologist by training with over 25 years' experience in the mining industry. He holds a BSc (Hons) Geology, University of London, a MSc Mining Geology, University of Leicester and is a Fellow of the Institute of Materials, Minerals and Mining and a Chartered Engineer of the Engineering Council of UK, recognizing him as both a Qualified Person for the purposes of Canadian National Instrument 43-101 and by the AIM Guidance Note on Mining, Oil and Gas Companies dated March 2006.

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

Risks and Uncertainties

In addition to the other information set forth in this report, you should carefully consider the risk factors below which could materially affect the Company's business, financial condition and/or future results. These risks are not the only risks facing the Company. Additionally risk and uncertainties not currently known to the Company or that management currently deems to be immaterial, may also materially affect the Company's business, financial condition and/or future results.

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

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

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

There is no guarantee that any application for additional exploration licenses may be granted by the DNPM. The DNPM may refuse any application. Persons may object to the granting of any exploration license and the DNPM may take those objections into consideration when making any decision on whether or not to grant a license.

If and when exploration licenses are granted, they will be subject to various standard conditions including, but not limited to prescribed license conditions. Any failure to comply with the expenditure conditions or with any other conditions, on which the licenses are held, can result in license forfeiture. Generally, the licenses are granted for a term of three years and further renewal of an exploration license is at the discretion of the DNPM and on such conditions as the DNPM may in its discretion impose. Renewal conditions may include increased expenditures and work commitments or compulsory relinquishment of areas of the licenses comprising the Company's properties. The failure of the DNPM to renew the Company's exploration licences or the imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Company.

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

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

Failure to obtain sufficient financing will result in a delay or indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of a property interest. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders. Failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition and results of operations.

The Company faces numerous exploration, development and operating risks.

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation. Whether a mineral deposit will be

commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices that are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.
There is no certainty that the expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries of commercial quantities of ore.

The Company is considered to be a development stage company and although it generated revenue from mining operations in the past continuous commercial operations have been discontinued. There can be no assurance that the Company will re-commence commercial production, generate any revenues or be able to operate profitably.

The development of the Company's properties will require the commitment of substantial resources to complete exploration programs and to bring the properties into commercial production. There can be no assurance that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as needed consultants, personnel and equipment associated with advancing exploration, development and commercial production of its properties are added. The amounts and timing of expenditures will depend on the progress of ongoing development, the results of consultants' analysis and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Company's acquisition of additional properties and other factors, some of which are beyond the Company's control.

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

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

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

Exploration for gold is highly speculative in nature. The Company's exploration activities in Brazil involve many risks, and success in exploration is dependent upon a number of factors including, but not limited to, quality of management, quality and availability of geological expertise and the availability of exploration capital. The Company cannot give any assurance that its current or future exploration efforts will result in the discovery of a mineral reserve or new or additional mineral resources, the expansion of current resources or the conversion of mineral resources to mineral reserves.
As well, mineral deposits, even though discovered, may be insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by additional factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment and other factors, which may make a mineral deposit unprofitable to exploit.
The Company's mineral properties are in the exploration stage and are without known bodies of mineral reserves, although a mineral resource has been established at the Jardim do Ouro Project. Development of such properties will only follow upon obtaining satisfactory exploration results and the completion of feasibility or other economic studies.

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

Mining and processing operations involve many risks and hazards, including among others: environmental hazards; mining and industrial accidents; metallurgical and other processing problems; unusual and unexpected rock formations; flooding and periodic interruptions due to inclement or hazardous weather conditions or other acts of nature; mechanical equipment and facility performance problems; and unavailability of materials, equipment and personnel. These risks may result in: damage to, or destruction of, the Company's properties or production facilities; personal injury or death; environmental damage; delays in mining; increased production costs; asset write downs; monetary losses; and legal liability.
The Company cannot be certain that its insurance will cover the risks associated with mining or that it will be able to obtain or maintain insurance to cover these risks at affordable premiums. The Company might also become subject to liability for pollution or other hazards against which it cannot insure or against which the Company may elect not to insure because of premium costs or other reasons. Losses from such events may increase costs and decrease profitability.

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

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

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

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

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

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

existing material environmental liabilities, it cannot guarantee that no such liabilities currently exist or will occur in the future.
Changes in environmental laws, new information on existing environmental conditions or other events may increase future compliance expenditures or otherwise have a negative effect on the Company's financial condition and results of operations. In addition to existing requirements, it is expected that other environmental regulations will likely be implemented in the future with the objective of further protecting human health and the environment. Some of the issues expected to be under future review by environmental agencies include reducing or stabilizing air emissions, mine reclamation and restoration, and water quality. Other changes in environmental legislation could have a negative effect on production levels, product demand, product quality and methods of production and distribution. The complexity and breadth of these issues make it difficult for the Company to predict their impact. The Company anticipates capital expenditures and operating expenses will increase as a result of compliance with the introduction of new and more stringent environmental regulations. Failure to comply with environmental legislation may result in the issuance of clean up orders, imposition of penalties, liability for related damages and the loss of operating permits. While the Company believes it is now in material compliance with existing environmental legislation, it cannot give assurances that it will at all future times be in compliance with all federal and state environmental regulations or that steps to bring the Company into compliance would not have a negative effect on its financial condition and results of operations.
Government approvals and permits are currently, or may in the future be, required in connection with the Company's operations. To the extent such approvals are required and but are not granted, the Company may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties.

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

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

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

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

The Company is currently subject to 4 known claims under Brazilian labour legislation by former employees in respect of alleged unpaid compensation. The average monthly salary of the claimants was below R$8,000 while the claims range between R$100 and R$1,282,310. The total of current claims is R$1,324,193. Based on previous experience, it is the Company's belief that settlement will be no more than 15% of the claimed figure and will be settled in instalments over a 12 to 18 month period.
If some or all of the foregoing labour claims are successful or are not settled on the basis anticipated by the Company, there could be material adverse impact on the financial condition of the Company.

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

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

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

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

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

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

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

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

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

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

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, additional key financial, administrative and mining personnel as well as additional operations staff will be required. Although the Company believes it will be successful in attracting, training and retaining qualified personnel, there can be no assurance of such success. If the Company is not successful in attracting, training and retaining qualified personnel, the efficiency of operations may be affected.

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

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