SERABI GOLD

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and twelve month periods ended 31 December 2019

8 April 2020

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Introduction

This Management's Discussion and Analysis ("MD&A") dated 8 April 2020 provides a review of the performance of Serabi Gold plc ("Serabi", the "Company" or the "Group"). It includes financial information from, and should be read in conjunction with, the Group's annual report and audited consolidated financial statements for the twelve month period ended 31 December 2019.

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

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

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

Overview

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

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

The Palito operation is fully permitted and has a mining licence, issued in October 2007, covering 1,150 hectares. Remediation work commenced in October 2012, developing the existing underground mine and renovating the process plant. Commissioning of the process plant started in December 2013 with the first consignments of copper/gold concentrate transported from the Palito Mine in February 2014. On 23 July 2014, the Group declared that the Palito Mine had achieved commercial production with effect from 1 July 2014.

The gold at Palito is associated with occurrences of copper and iron and is hosted in quartz veins with bonanza gold grades associated with massive chalcopyrite-pyrite blowouts within the quartz veins. Gold recovery is undertaken by crushing and grinding prior to passing the ore through a flotation plant producing a copper/gold concentrate which can account for up to approximately 60 per cent to 70 per cent of the gold recovered from the Palito orebody. The residual tailings from the flotation process, which also recovers up to 90 per cent of the copper content of the ore, are then passed to a conventional Carbon in Pulp ("CIP") plant which can recover approximately 65 per cent to 70 per cent of the residual gold. Overall gold recovery from the Palito orebody is approximately 90 to 92 per cent.

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

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

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

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

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

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

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

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

- The Base Case project payback is estimated to occur within 2.25 years of first gold production;
- Average Life of Mine ("LOM") All-In Sustaining Cost ("AISC") of US$852[1] per ounce including royalties and refining costs using the Base Case gold price;
- Average gold grade of 8.34 g/t gold producing a total gold production of 288,000 ounces;
- Typical annual production once the project is in full operation averages 38,000 ounces per year[2];
- Initial capital requirement of US$24.7 million prior to sustained positive cash-flow;
- Sustaining capital expenditures of US$9.2 million to be funded from project cash-flow;
- Indicated mineral resource inventory of 125,000 ounces of gold, supported by a further Inferred Resources of 178,000 ounces of gold from a total geological resource of 195,000 indicated ounces of gold and 346,000 inferred ounces of gold, to be produced by underground open stoping using a cut-off grade of 6.00 g/t gold;
- Total Life of Mine of approximately 9 years;
- The Base Case includes a 20 per cent contingency on both operating and capital costs;
- Subject to permitting approvals and project financing, management expects that mine development start-up could occur before the end of 2020, with initial processing of ROM feed set to commence approximately nine months later.

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

Serabi has made two payments to Anfield in respect of the Acquisition each of US$5 million in cash. A final payment of US$12 million in cash was due 24 months from the date of Closing representing the remaining "Deferred Consideration". The total proposed consideration for the acquisition amounts to US$22 million in aggregate. On 20 December 2019, Anfield and Serabi agreed to extend the final payment date for a further three months to 31 March 2020. The Company agreed that it would pay interest on the amount of the Deferred

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

[2] For the first five full years of production

Consideration outstanding at the rate of 10 per cent per annum. As a result of the uncertainty caused by the Coronavirus, a further extension was agreed on 31 March 2020, whereby the date for the payment of the Deferred Consideration was extended until such time as there are no international travel restrictions imposed by the Brazilian authorities and also no travel restrictions within or into the State of Para, Brazil, (the "Travel Restriction Condition"). Under the terms of the extension the Group will start to make instalment payments in respect the Deferred Consideration of US$500,000 per month payable on each of 1 May 2020, 1 June 2020 and 1 July 2020 which will increase to US$1 million per month thereafter until such time as the Travel Restriction Condition is satisfied. The balance outstanding of the Deferred Consideration is expected to be settled within six weeks of the Travel Restriction Condition being satisfied.

On 21 January 2020, the Group entered into a subscription deed for the issue of US$12 million of Convertible Loan Notes ("the Loan Notes") by Greenstone Resources II LP ("Greenstone") the proceeds of which were to be applied inter-alia to settle a payment of US$12 million due to Equinox Gold Corp ("Equinox") representing a final payment for the acquisition of the Coringa gold project (the "Coringa Acquisition Payment"). The subscription deed was subject to shareholder approval and certain other conditions being fulfilled at the time of initial drawdown.

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

The Group is in advanced discussions with Greenstone to amend the Loan Note subscription deed (the "Subscription Deed") to allow for partial subscriptions in respect of the Loan Notes in individual amounts of US$500,000 (the "Amended Subscription Deed"). If the Amended Subscription Deed is entered into by the Company and Greenstone, the partial subscriptions would then provide funds to the Group that could be applied to pay the monthly instalments to Equinox, during the Deferral Period, until such time as any remaining balance of the Coringa Acquisition Payment can be satisfied in full. In addition, Greenstone and the Company anticipate that shortly after the Travel Restriction Conditions have been satisfied, they would be able to satisfy all the other conditions required to close the issue and subscription for the remaining portion of the Loan Notes and allow the Group to settle any remaining balance of the Coringa Acquisition Payment in accordance with the terms of the revised arrangements with Equinox. The Amended Subscription Deed is expected to include certain covenants and undertakings that are in accordance with normal market practice for these types of arrangement. These are expected to include an undertaking that at each month end (i) the cash position of the Group should be at least US$3 million and (ii) the Group should have positive working capital (excluding the value of the Loan Notes) of at least US$2.5 million.

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

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

Key Financial Information

SUMMARY FINANCIAL STATISTICS FOR THE THREE AND TWELVE MONTHS ENDING 31 DECEMBER 2019

	12 months to 31 Dec 2019 US$	**3 months to 31 Dec 2019 US$**	12 months to 31 Dec 2018 US$	3 months to 31 Dec 2018 US$	12 months to 31 Dec 2017 US$
Revenue	**59,948,092**	**16,008,582**	43,261,743	10,037,906	48,449,868
Cost of Sales	**(37,203,445)**	**(9,541,572)**	(31,101,016)	(7,447,624)	(32,965,498)
Gross Operating Profit	**22,744,647**	**6,467,010**	12,160,727	2,590,282	15,484,370
Administration and share based payments	**(5,524,320)**	**(1,354,697)**	(5,867,918)	(1,792,903)	(5,711,046)
EBITDA	**17,220,327**	**5,112,313**	6,292,809	797,379	9,773,324
Depreciation and amortisation charges	**(8,857,203)**	**(2,520,390)**	(9,004,411)	(2,856,127)	(10,465,283)
Operating profit/(loss) before finance and tax	**8,363,124**	**2,591,923**	(2,711,602)	(2,058,748)	(691,959)
Profit/(loss) after tax	**3,832,984**	**983,643**	(5,754,541)	(3,023,431)	(2,397,903)
Earnings per ordinary share (basic)	**6.51 cents**	**1.67 cents**	(11.20 cents)	(5.13 cents)	(6.86 cents)
Earnings per ordinary share (diluted)	**6.28 cents**	**1.64 cents**	(11.20 cents)	(5.13 cents)	(6.86 cents)
Average gold price received	**US$1,376**	**US$1,475**	US$1,258	US$1,213	US$1,244

	As at 31 December 2019	As at 31 December 2018	As at 31 December 2017
Cash and cash equivalents	**14,234,612**	9,216,048	4,093,866
Net assets	**69,733,388**	69,110,287	60,770,712

Cash Cost and All-In Sustaining Cost ("AISC")

	12 months to 31 December 2019	12 months to 31 December 2018	12 months to 31 December 2017
Gold production for cash cost and AISC purposes	**40,101 ozs**	37,108 ozs	37,004 ozs
Total Cash Cost of production (per ounce)	US$832	US$821	US$799
Total AISC of production (per ounce)	US$1,081	US$1,093	US$1,071

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

Key Operational Information

		SUMMARY PRODUCTION STATISTICS FOR 2019 AND FOR 2018									
		Qtr 1 2019	Qtr 2 2019	Qtr 3 2019	Qtr 4 2019	**Total 2019**	Qtr 1 2018	Qtr 2 2018	Qtr 3 2018	Qtr 4 2018	**Total 2018**
Gold production (1) (2)	Ounces	10,164	9,527	10,187	10,233	**40,101**	9,188	9,563	8,101	10,256	**37,108**
Mined ore – Total	Tonnes	42,609	44,784	44,757	44,092	**176,243**	39,669	36,071	42,725	44,257	**162,722**
	Gold grade (g/t)	7.47	6.72	7.14	6.69	**7.00**	7.49	8.12	6.23	7.45	**7.29**
Milled ore	Tonnes	43,451	43,711	45,378	44,794	**177,335**	43,145	38,155	41,405	45,548	**168,253**
	Gold grade (g/t)	7.69	6.72	6.84	6.81	**7.02**	7.04	7.71	6.11	7.39	**7.06**
Horizontal development – Total	Metres	1,868	2,419	2,433	2,908	**9,628**	2,353	2,744	2,814	2,460	**10,371**

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

(2) Gold production totals for 2019 include treatment of 29,976 tonnes of flotation tails at a grade of 4.52 g/t (2018 full year: 16,466 tonnes at 3.71g/t)

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

Financial Highlights

- Cash Cost for the year of US$832 per ounce.
- All-In Sustaining Cost for the year of US$1,081 per ounce.
- EBITDA of US$17.2 million (2018: US$6.3 million).
- Post tax profit of US$3.83 million reflecting higher level of gold sales realised during the period compared with 2018 as well as higher average gold prices in 2019 when compared with 2018.
- Earnings per share of 6.51 cents for 2019.
- Net cash generated in the year of US$5.0 million resulting in cash holdings of US$14.23 million at 31 December 2019 (31 December 2018: US$9.2 million).
- Average gold price of US$1,376 received on gold sales in 2019
- Agreement with Greenstone Resources II LP to subscribe for US$12 million Convertible Loan Stock.
- Agreement reached with Equinox Gold Corp. allowing the Company to pay in monthly instalments the remaining US$12 million consideration for purchase of Coringa, until travel restrictions caused by Coronavirus are lifted.

Operational Highlights

- Fourth quarter gold production of 10,223 ounces of gold, resulting in total annual gold production within guidance for the year of 40,101 ounces, a seven per cent improvement over 2018.
- Total ore mined for the year of 176,243 tonnes an increase of over eight per cent compared with 2018 at an average grade of 7.0 grammes per tonne (“g/t”).
- 177,335 tonnes of run of mine (“ROM”) ore were processed through the plant from the combined Palito and Sao Chico orebodies, with an average grade of 7.02 g/t of gold an improvement of over five per cent compared with 2018.
- 9,628 metres of horizontal development completed during 2019.
- New ore sorter is now fully operational. Commissioning finished in early 2020 following completion of installation between the crushing and the milling sections before the end of 2019.
- Scrubber unit installed in early 2019 has resulted in 8 per cent increase in processing of historic tailings generating over 3,000 ounces of gold.

Exploration and Development Highlights

- A 5,700 metre surface drilling programmes at Coringa resulted in a 44 per cent increase in mineral resources.
- Positive results of Preliminary Economic Analysis of Coringa gold project with Post Tax IRR at US$1,450 of 46%, Capital Requirement of US$25 million and AISC of US$852 per ounce.
- The public hearing for the Coringa gold project held on 6 February 2020 passed off well and the Company is now awaiting a final decision of State Environmental Council for award of the Preliminary License.
- Drilling at Palito has identified a northerly extension of Compressor vein and a 500 metre northerly extension and a 250 metre southerly extension of the Ipe and Mogno vein sets.
- Step out surface diamond drilling at Sao Chico has identified westerly extension for 300 metres with mineable widths and grades and for over 200 metres to the east.
- Underground drilling at Sao Chico has continued to test the depth extension with an intersection reported of over 25g/t over 4.08 metres at a depth of over 200 metres below the current mine workings.
- Approximately 6,700 metres of stream sediment, rock and soil geochemistry and field mapping of the electro-magnetic ("EM") geophysical targets generated in 2018, has resulted in the identification of 10 new anomalous multi-element geochemical areas, each exhibiting signatures associated with known gold deposit in the region.

Key Objectives for 2020

- implement measures to minimise short term impacts of Coronavirus ("CV-19") on current operations and provide a safe and responsible work environment for staff during the crisis.
- complete the licencing process for Coringa and complete all desktop planning activity.
- secure financing package for the Coringa project to fund plant erection and other site developments.
- complete, as soon as practical, exploration programmes at Sao Chico to expand the resource with a view to producing a new resource estimation.
- complete exploration drilling programme over geophysical anomalies around Sao Chico.
- complete acquisition of Coringa gold project.

OPERATIONS

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

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

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

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

Summary of production results for 2019

Total gold production for the 2019 of 40,101 ounces is an eight per cent increase in total production compared with 2018 when production was 37,108 ounces.

Total mining rates over the Palito Complex are, for 2019, approximately 8% above those for 2018, whilst milling rates at 177,335 tonnes for the year are approximately 5.4% higher than for 2018. The Company was however able to process approximately 30,000 tonnes of historic flotations tailings during the 12 month period representing an 87 per cent increase compared to 2018.

Mining

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

Mined grades achieved for 2019 averaged 7.00 g/t, a four per cent reduction compared with the average grade achieved for the same period in 2018, and is slightly below the average reserve grade for the two orebodies of just over 8.0 g/t, estimated by SRK in the Palito Complex Technical Report issued in January 2018. Whilst the operation tries to maintain an even grade as much as possible, the various blocks of the different veins being mined at any time give rise to monthly and therefore quarterly variation. Management considers that this variation reflects slightly higher levels of mining dilution and is constantly looking at its mining methods to minimize dilution whilst maintaining planned production levels. Whilst mined grades are below the average levels for 2018, the mined tonnage has increased by 8.3 per cent resulting in an overall increase in the contained gold being mined and therefore available for processing of 4.0 per cent.

Plant operations

Total gold production for 2019 was 40,101 ounces of gold, generated from the processing of ROM ore from the Palito and Sao Chico orebodies, combined with the surface coarse ore stockpiles and includes 3,394 ounces produced from the stockpiled flotation tailings accumulated from the initial processing of Palito Mine production in 2014.

A total of 177,335 tonnes from the Palito and Sao Chico orebodies with an average grade of 7.02 g/t of gold (twelve months to 31 December 2018: 168,253 tonnes at 7.06 g/t of gold) were processed. ROM ore processed in 2019, compared with the prior year, was higher by 5.4 per cent or approximately 9,100 tonnes, and during the same period a total of 29,976 tonnes of reprocessed tailings were passed through the plant, an increase of approximately 13,500 tonnes compared with 2018.

Plant performance has been excellent throughout the year, averaging approximately 570 tonnes per day (including reprocessed tailings) an improvement of 16 per cent compared with 2018. Mill feed is predominantly crushed ROM and is topped up with coarse ore stock and some stockpiled flotation tailings. The Company still has approximately 2,000 tonnes of coarse ore stockpiled on surface and sufficient stockpile of flotation tails to allow processing at current rates for 2020 (with an average grade of around 3.0 g/t of gold). Since the operations began, plant capacity has limited the ability to run down the surface ore stocks, a legacy of the fact that mine production began six months before the ore processing.

At the start of 2019 the Group successfully commissioned a 'scrubber', an item of equipment that allows easier processing of the stockpiled flotation tailings. During 2018 the Group had, with limited success, tried to feed these flotation tailings into the plant trialling a variety of feed mechanisms. The scrubbing plant is dedicated to classifying and cleaning this material, removing impurities and allowing it to be fed directly into the plant post milling. This equipment was commissioned in the first quarter of 2019 and, after some minor adjustments, the throughput rates are now approximately 100 tonnes per day, in line with planned rates and with 9,422 tonnes processed in the fourth quarter of 2019, this represents a significant improvement compared with the first quarter of 2019, when the volume processed was only 3,136 tonnes.

An encouraging recent development has been the test work undertaken by the Group on ore sorting of the Palito ore. With the veins at Palito being typically 0.5 to 0.7 metres wide, the current mining operations employ the most selective methods possible but, even with a minimum mining width of 1.0 metre, they inevitably result in a significant amount of granite waste still entering the ore-stream. Having undertaken test work in Brazil and subsequently at the manufacturer's facilities in Poland, excellent results have been achieved using X-ray scanning on the Palito ore using relative atomic densities to physically separate crushed sulphide bearing ore and granite waste. The contrast and results have been quite remarkable. Following the completion of installation at the end of 2019, commissioning work has been on-going during the first quarter of 2020 and, as a result, the production benefits are only expected to be seen from the second quarter onwards. Whilst the unit will initially be dedicated to the processing of Palito ore, a colour scanner unit has been be added. Management will use the unit to assess and test the amenability of both Sao Chico and Coringa ores to ore sorting and are hopeful of successful results.

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

Palito Complex Licensing

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

In February 2014, the Final Exploration Report ("FER") for the Sao Chico gold project was completed and submitted to the Departamento Nacional de Produção Mineral ("DNPM"), who issued notification of their approval of this report in November 2014. This represented the first part of the process of transforming the Sao Chico exploration licence into a full mining licence. As the next major step in the conversion procedure, Serabi submitted, in September 2015, the Plano Approvimiento Economico, a form of economic assessment prepared in accordance with Brazilian legislation. Additionally, the Group engaged MDM from Belem, an Environmental Consultancy to complete a full socio-economic analysis and Environmental Impact Assessment ("EIA") for Sao Chico. This is now complete, however SEMAS, the state Environmental Agency informed Serabi in the latter half of 2018 that, in reference to the already submitted Coringa EIA, they could not process two EIA's from the same company simultaneously. It is hopes that SEMAS will assess the Sao Chico EIA during 2019. With the public hearing for Coringa, which was convened by SEMAS, having now taken place in February 2020, the Company hopes that they will now be in a position to undertake their assessment of the Sao Chico EIA during 2020.

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

EXPLORATION

In 2019 exploration continued to focus on 'headframe' exploration, but also importantly the regional exploration maintained the momentum of screening the geophysical anomalies developed from the 2018 regional surveys.

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

Recent exploration activities fall into four categories;

- **Diamond Drilling:** surface diamond drilling programme of approximately 9,000 metres, focusing on extensions of known veins the Palito, Sao Chico and Coringa orebodies,
- **RC Drilling:** surface reverse circulation (RC) drilling of regional targets developed from the 2016 and 2018 induced polarization surveys in the Sao Chico region of approximately 500m.
- **Geochemistry**: Follow-up soil geochemical programmes over near mine-site anomalies adjacent to the Palito and Sao Chico orebodies ,
- **Regional**: Approximately 6,700 stream sediment, rock and soil geochemistry samples were collected and field mapping of the electro-magnetic ("EM") geophysical targets generated in 2018, all of which covered parts of the JDO tenement holdings that had not received any previous exploration.

Drilling

A planned surface drill programme, which commenced in late August 2019 was divided between both the Palito and Sao Chico orebodies in the later part of the year.

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

The key outcomes of the 2019 Palito programme have been

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

Drill intersections on the Compressor north area show the vein continuing north approximately 140 metres from the most northerly exposure underground. Diamond drilling on the Ipe/Mogno vein sets intersected economic mineable widths and grades located 250 metres to the south and over 500 metres to the north of the current underground workings.

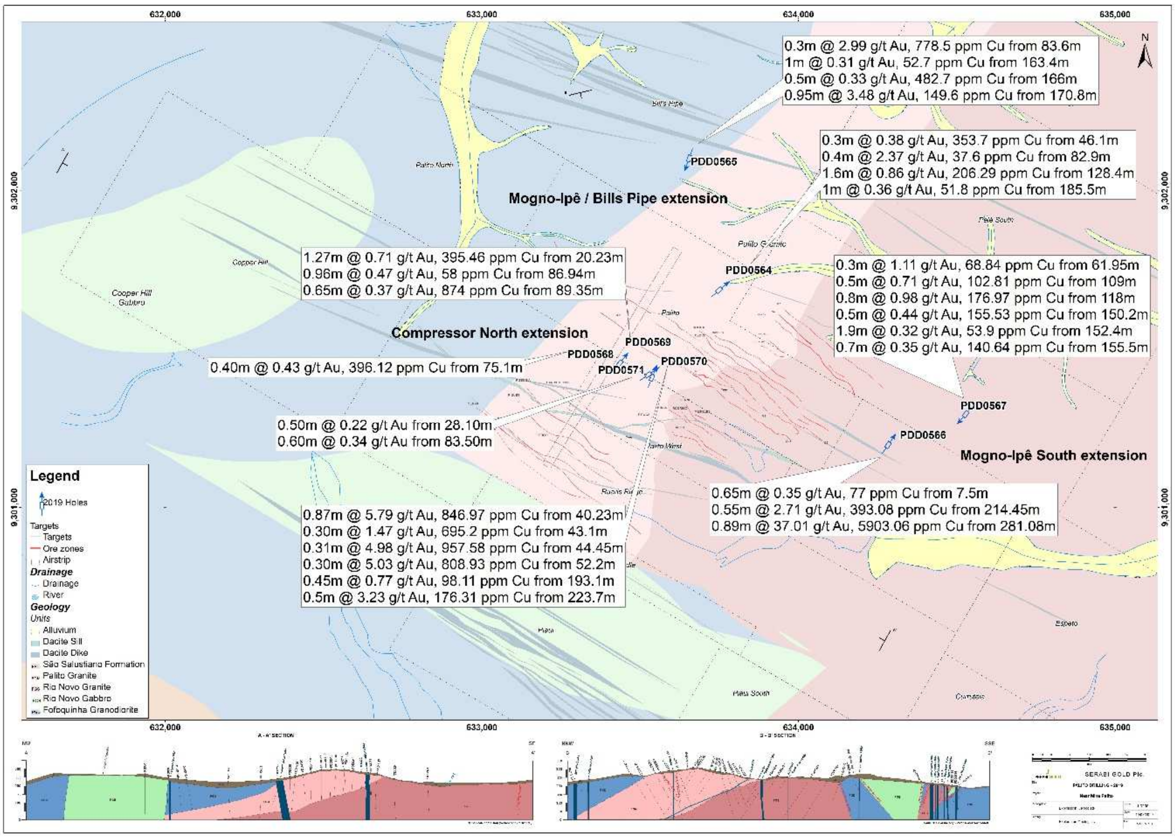


Image of the Palito Drilling completed during 2019

At the Sao Chico orebody, the surface drilling initially focussed on the Sao Chico mineralisation in the Highway Zone. This drilling targeted data gaps in the shallow portion of the deposit and the down-dip extensions of the Principal Vein. The drilling successfully intersected significant mineralised intercepts and extended the shallow Highway Zone to over 250 metres vertical depth, an extension of some 120 metres below the current limit of the mining in the Highway Zone.

In addition, a single hole was completed on the West Vein area. Part of a larger drilling program initiated at the end of the reporting year, this drill hole intersected mineralisation on both the Principal Vein and the Julia Vein.

Drilling is ongoing in 2020 and has continued to report positive results in step out drilling both to the east and west, intersecting the continuation of the Sao Chico orebody with both mineable grades and widths. To the west, drilling has been undertaken 300 metres beyond the current western limit of the mine, and the intersections are indicative of being able to extend this mine limit. Management anticipates that these results will contribute to a significant expansion of the current mineral resource. The Company will continue stepping-out 100 metres at a time, and management expect that continued success will expand the mineral resource further.

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

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

The drilling campaign was planned to continue until mid-2020 following which the Company intended to undertake a new mineral resource estimate during the second half of the year. Whilst the Company is assessing the impact of Coronavirus on its operations and cash flow, this campaign has been suspended but will be restarted as soon as circumstances allow. Results from the remainder of the drilling campaign will be issued as they become available and as the Group continues to build on the geological information outside the immediate mine limits.

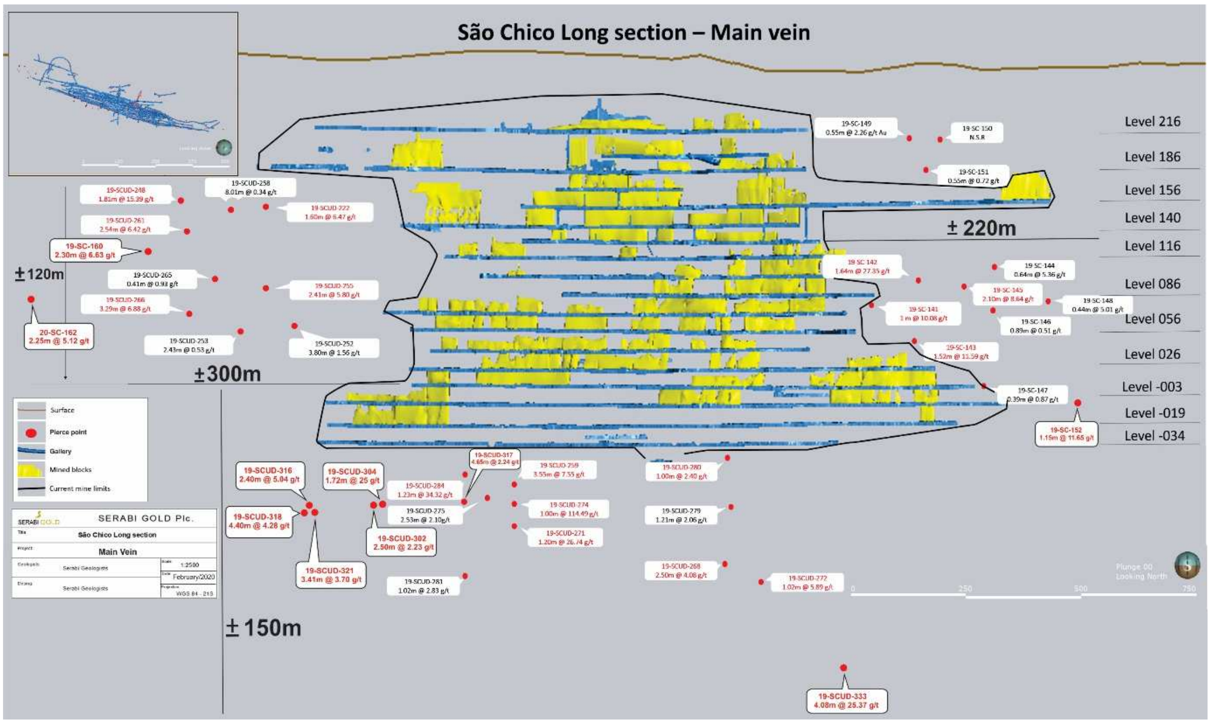


Image illustrating a long section of the orebody with location of drilling intercepts and key results

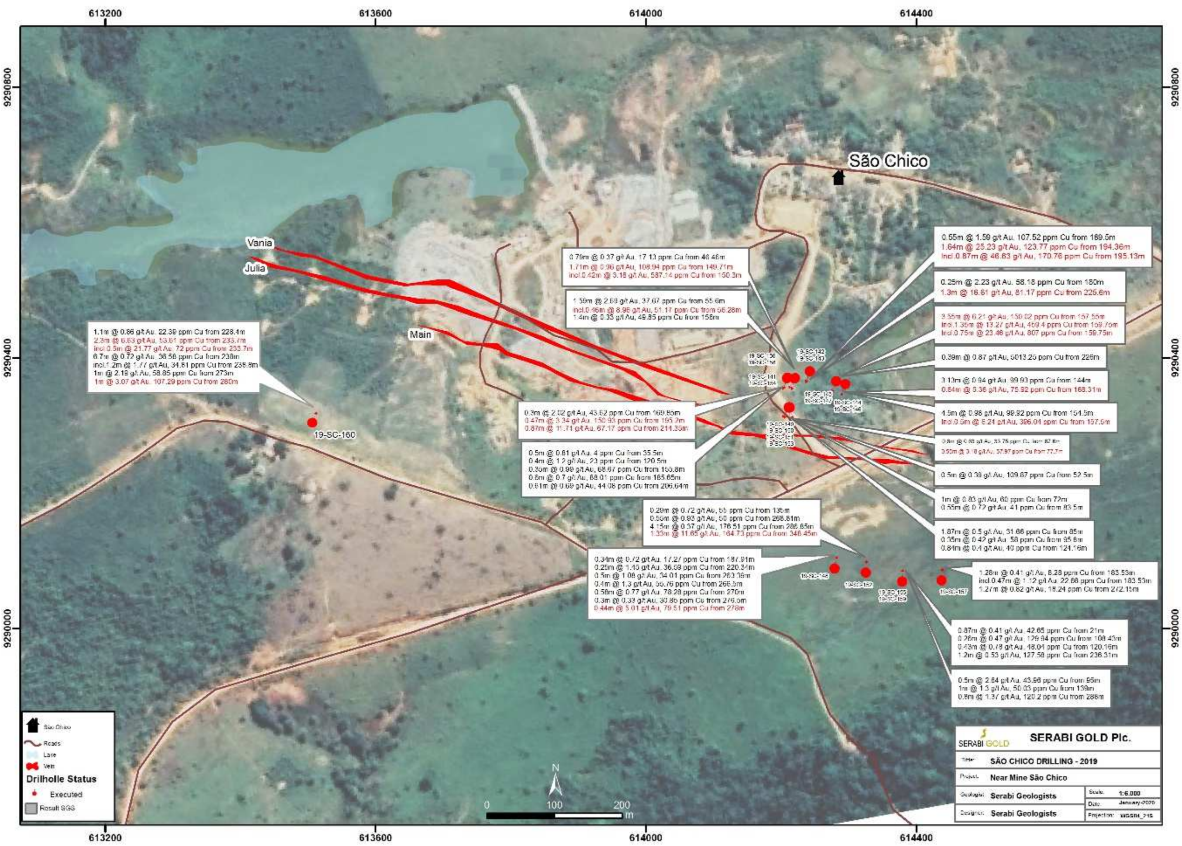


Image of Sao Chico mine site showing location of drilling and key results for 2019

In December a Reverse Circulation drill rig commenced a 10,000m program to follow up on targets generated from the 2018 terrestrial Induced Polarisation ("IP") geophysical surveys. By year end, two drill holes had been completed on the West Ridge area, a cluster of IP anomalies lying approximately 2.5km north west of the Sao Chico deposit. Additional RC drilling will target in Cinderella geophysical/geochemical anomalies in 2020, although at this time, this programme has also been suspended whilst the Company assesses the impact of the Coronavirus on its operations.

Ground Geophysics and Geochemistry

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

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

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

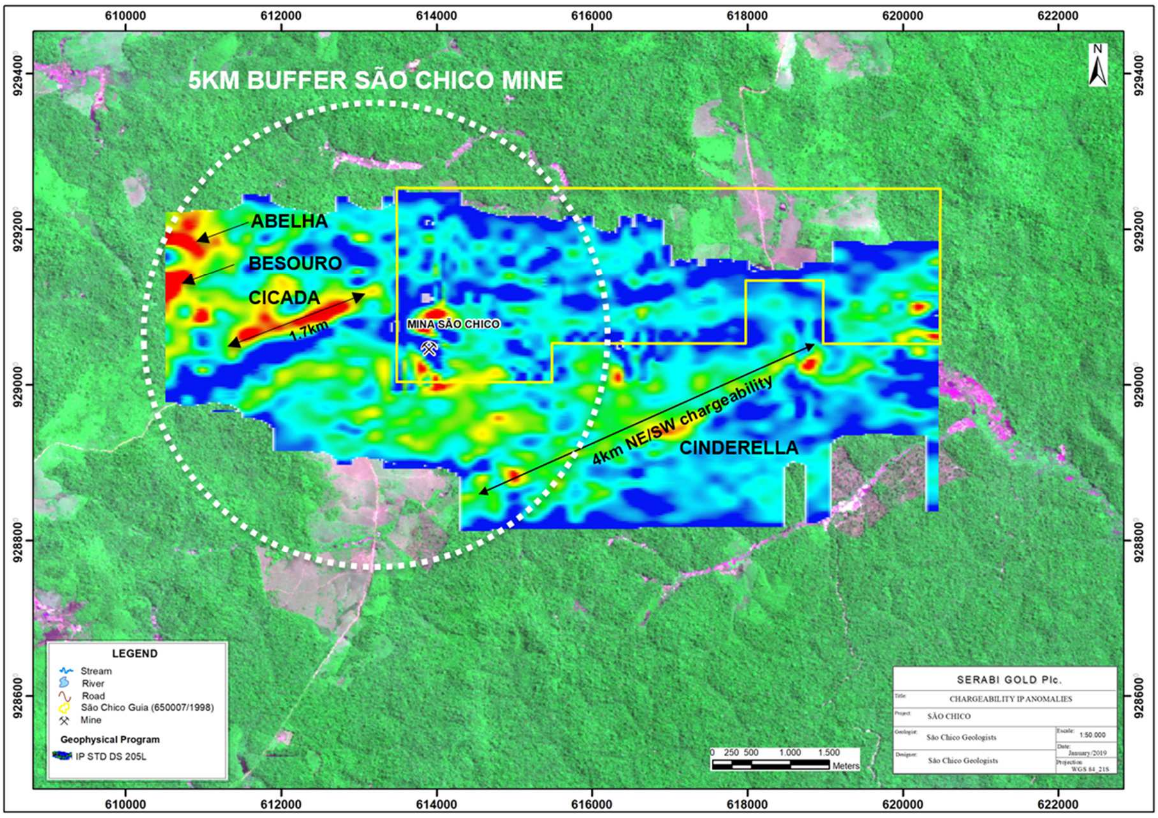


Image showing current IP results at Sao Chico and location of the Cinderella zone

<u>*Key to zones marked on image*</u>

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

BESOURO anomaly - An elongate chargeability anomaly, parallel to Abelha and lying on the western edge of the survey area.

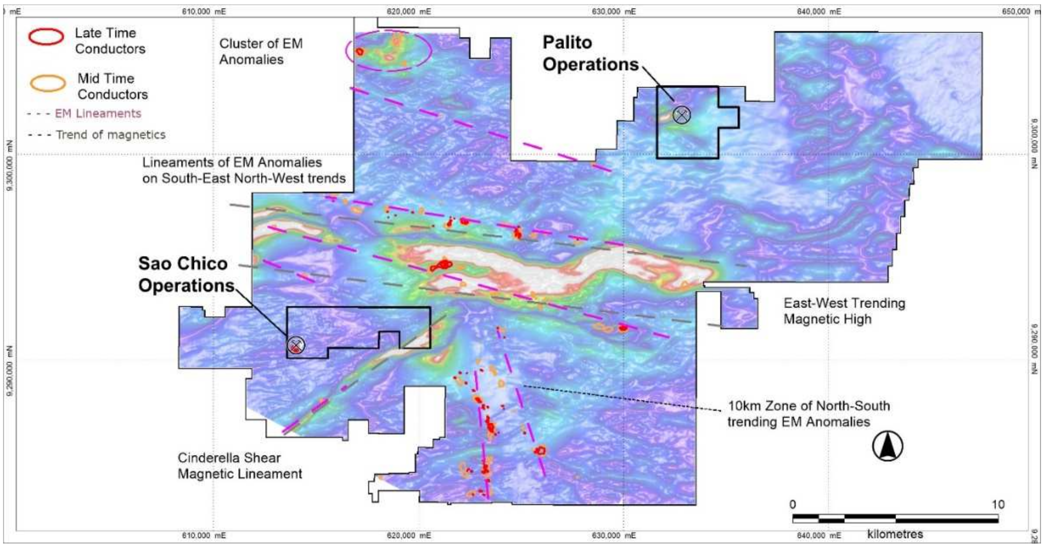
CICADA anomaly - A cluster of chargeability anomalies located in the northwest of the survey area and lying within the Sao Chico strike corridor.

<u>Regional Exploration</u>

The JDO Project Area covers a total area of over 54,000 hectares, incorporating the Palito and Sao Chico mining licence areas and the Sucuba prospect area. In addition to the tenements that incorporate the Palito and Sao Chico ore-bodies, the remainder of the tenement area comprises exploration licences either granted or in application. The JDO Project is located in the Tapajós Mineral Province in the south east part of the Itaituba Municipality in the west of Pará State in central north Brazil.

In 2018, the Company completed an airborne 4,300 line kilometre airborne electro-magnetic ("AEM") geophysical survey, covering approximately 25,000 hectares of the JDO tenement holdings. The survey supplemented the two AEM surveys completed in 2008 and 2010 providing ~90% coverage of the prospective geology. From these surveys the Group identified several geophysical anomalies which it considers worthy of further investigation.

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



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

During the year the Company commenced stream sediment and soil geochemistry surveys over a number of the high priority AEM anomalies identified from the recent survey. As a result, the Company has undertaken the collection of approximately 6,400 soil and 35 stream sediment geochemistry samples along with surface mapping and outcrop sampling programs, including the collection of some 223 rock samples for geochemical analyses and petrographic studies.

Key results included the identification of a number a significant gold and supporting multi-element anomalies.

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

CORINGA PROJECT DEVELOPMENT AND LICENCING

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

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

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

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

The Coringa PEA was very positive and using a base case gold price of US$1,275 per ounce projected a post tax IRR of 31% and a post tax NPV at a five per cent discount rate of US$47.3 million.

- The Base Case project payback is estimated to occur within 2.25 years of first gold production;

- Average Life of Mine ("LOM") All-In Sustaining Cost ("AISC") of US$852[3] per ounce including royalties and refining costs using the Base Case gold price;
- Average gold grade of 8.34 g/t gold producing a total gold production of 288,000 ounces;
- Typical annual production once the project is in full operation averages 38,000 ounces per year[4];
- Initial capital requirement of US$24.7 million prior to sustained positive cash-flow;
- Sustaining capital expenditures of US$9.2 million to be funded from project cash-flow;
- Indicated mineral resource inventory of 125,000 ounces of gold, supported by a further Inferred Resources of 178,000 ounces of gold from a total geological resource of 195,000 indicated ounces of gold and 346,000 inferred ounces of gold, to be produced by underground open stoping using a cut-off grade of 6.00 g/t gold;
- Total Life of Mine of approximately 9 years;
- The Base Case includes a 20 per cent contingency on both operating and capital costs;
- Subject to permitting approvals and project financing, management hopes that, subject to adequate operational cash flow being generated, mine development start-up could occur before the end of 2020, with initial processing of ROM feed set to commence approximately nine to twelve months later.

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

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

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

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

On 23 May 2018, Serabi was informed, following an action brought by the Brazilian Ministério Público Federal ("MPF"), on 27 September 2017, seeking to nullify the operating licence previously granted to Chapleau Brazil by SEMAS, that the court and judge who presided over the hearing on 26 April 2018, denied the MPF any action

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[3] Calculated when the Project has achieved sustained positive cash flow and excludes the initial capital requirements

[4] For the first five full years of production

against SEMAS, the DNPM and Chapleau Brazil and also denied any right to appeal the decision, thus allowing Chapleau to proceed with advancing the project.

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

Coringa Exploration

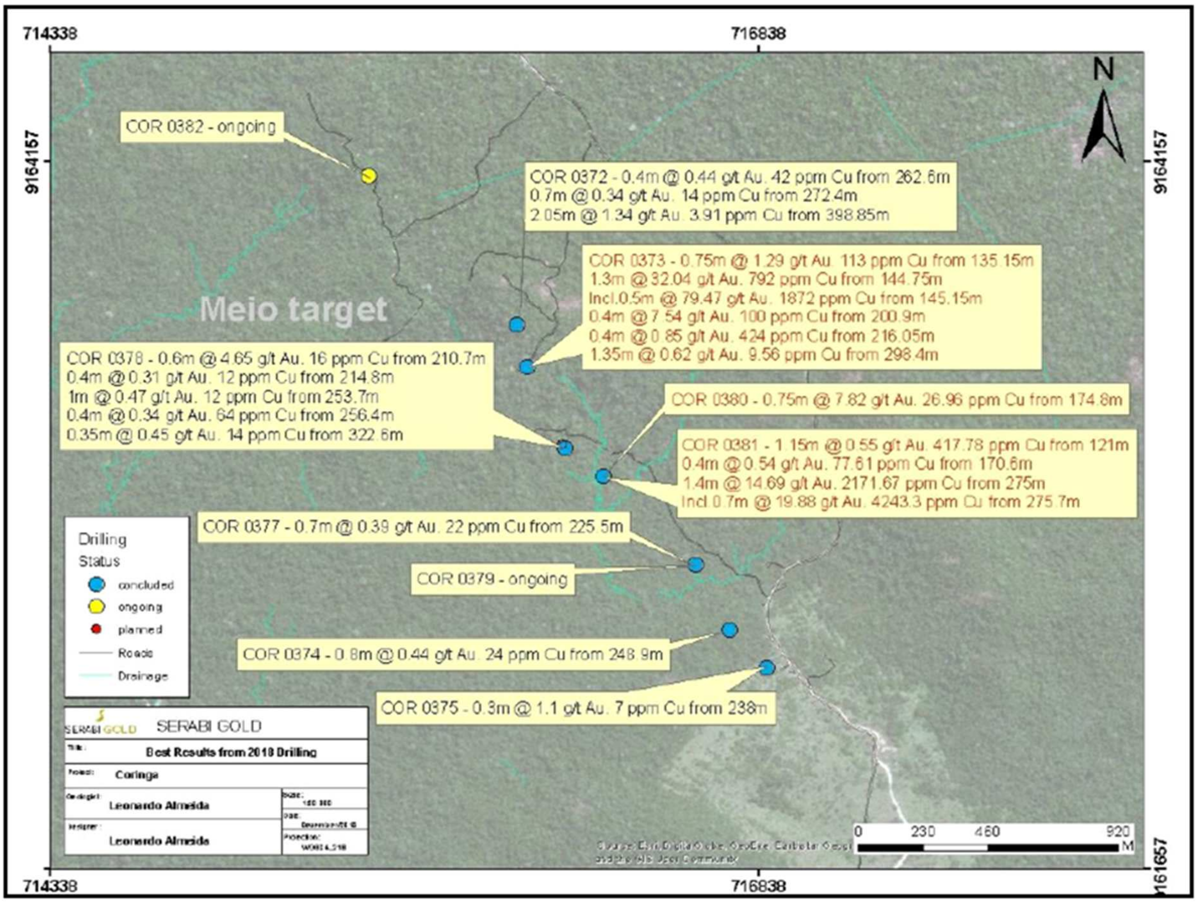
Drilling at the Coringa gold project commenced in 2018 with the program completed in late February 2019. Strike and plunge extensions along the three main ore zones of Meio, Galena and Serra were targeted, with the results returning a series of high grade intersections extending the previously modelled ore zones.

Significant intersections returned included;

- Galena - 2.0m @ 25.02 g/t Au from 141.50m (COR0367) including 1.0m @ 48.18g/t Au
- Serra – 4.0m @ 3.36 g/t Au from 354.0m (COR0370) including 1.28m @7.45g/t Au.
- Meio #2 – 0.35m @15.57 g/t Au (COR0372) from 197.05m
- Meio #2 – 1.3m @ 32.04g/t Au (COR0373) from 144.75m including 0.5m @ 79.47g/t Au
- Meio # 4 – 0.60m @ 4.65 g/t Au (COR0378) from 210.70m
- Meio #4 – 0.75m @ 7.61 g/t Au (COR0380) from 174.8m
- Meio #4 - 1.40m @ 15.82 g/t Au (COR0381) from 275.0m
- Meio #4 - 1.15m @ 9.69 g/t Au (COR0383) from 134.2m including 0.60 m @ 17.74 g/t Au

All of the above results were included in the latest mineral resource estimation that was issued by the Group on 6 September 2019. In addition to new drilling undertaken, the Group also completed, during the first half of 2019, a re-logging and re-sampling programme on historic Coringa drill holes. A total of 179 early Coringa drill holes were reassessed. Re-sampling was completed on 43 of the 179 drill holes honouring geological contacts and quartz vein structures. A total of 92 core samples were analysed and significant grade increases reported in many mineralised intersections, as a consequence of the exclusion of the dilution effects of un-mineralised host wall rocks that the previous owners had included within the sampled intervals.

Together with the additional drilling results, these improved intercepts were used in a latest revision of the geological resource estimate.



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

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

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

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

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

OTHER EXPLORATION PROSPECTS

The Group has three other project areas, although activities on each of these projects have been limited in recent periods.

Sucuba Project

The Sucuba project is located some 10 kilometres to the northwest of Palito and the Company holds two exploration licences applications totalling 10,449 hectares. The Company has conducted exploration work in the past on this area where the main gold anomaly is centred on a small garimpeiro pit. Initial geochemistry highlighted anomalous gold values over an east-west area of 800 metres by 150 metres and a limited historic drill programme returned a number of gold values associated with structural controls including 0.50metres at 20.42g/t Au. The area would appear to potentially host a polymetallic deposit with high lead, silver and zinc values having been returned.

Pizon and Modelo Projects

The Pison and Modelo Projects are isolated sites located approximately 250km and 300km to the west and northwest of the Palito Mine with access being primarily by light aircraft. Serabi submitted final exploration reports and notices of relinquishment and in 2019 the relinquishment of these tenements was approved.

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

BACKGROUND TO THE GROUP'S TAPAJOS GOLD PROJECTS

Palito Gold Project – Para State, Brazil

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

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

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

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

Since 30 June 2017 the Group has extracted, from the Palito orebody, total contained gold of approximately 53,957 ounces, having mined a total of approximately 240,178 tonnes at an average grade of 6.99 g/t.

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

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

Notes to Table 1:

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

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

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

Classification	Quantity	Grade		Contained Metal	
		Gold	Copper	Gold	Copper
	000't	g/t	%	000'oz	T
Underground					
Proven	265	9.77	0.46	83	1,219
Probable	276	7.64	0.39	68	1,076
Surface Stockpiles					
Proven	12	3.15	-	1	-
Tailings					
Proven	60	2.70	-	5	-
Combined					
Proven	337	8.28	0.36	90	1,219
Probable	276	7.64	0.39	68	1,076
Proven and Probable	**613**	**7.99**	**0.37**	**157**	**2,295**

Notes to Table 2:

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

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

Sao Chico Gold Project – Para State, Brazil

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

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

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

Since 30 June 2017 the Group has extracted, from the Sao Chico orebody, total contained gold of approximately 50,247 ounces, having mined a total of approximately 190,632 tonnes at an average grade of 8.20 g/t.

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

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

Notes to Table 3:

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

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

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

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

Notes to Table 4:

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

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

Coringa Gold Project – Para State, Brazil

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

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

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

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

Notes to Table 5:

(1) *Mineral Resources have been rounded. Mineral Resources are not Mineral Reserves and have not demonstrated economic viability. Mineral Resources are reported inclusive of Mineral Reserves. All figures are rounded to reflect the relative accuracy of the estimates. Mineral Resources are reported within classification domains inclusive of in-situ dilution at a cut-off* ***grade of 2.0g/t*** *gold assuming an underground extraction scenario, a gold price* ***of US$1,500/troy oz,*** *an operating* ***cost of $100/t****, metallurgical* ***recovery of 95%.***

(2) *Serabi is the operator and owns 100% of the Coringa gold project such that gross and net attributable mineral resources are the same. The mineral resource estimate was prepared by Global Resource Engineering in accordance with the standard of CIM and Canadian National Instrument 43-101, with an effective date of 31 August 2019 by Mr Kevin Gunesch and Dr Hamid Samari, who are both Qualified Persons under the Canadian National Instrument 43-101.*

SELECTED FINANCIAL INFORMATION

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

Results of Operations

Three month period ended 31 December 2019 compared to the three month period ended 31 December 2018

During the fourth quarter of 2019 the Group produced 10,223 ounces of gold (fourth quarter of 2018: 10,256 ounces) and recognised sales for 10,853 ounces (fourth quarter of 2018: 8,043 ounces).

The gross profit of US$3,897,698 for the financial quarter ended 31 December 2019 (2018: gross loss of US$434,356 can be analysed as follows:

	Three months ended December 2019	Three months ended December 2018	Variance US$
Concentrate sold (Ounces)	1,706	2,162	(456)
Bullion sold (Ounces)	9,147	5,881	3,266
Total ounces sold	**10,853**	**8,043**	**2,810**
	US$	**US$**	
Revenue from ordinary activity			
Gold (in concentrate)	1,384,553	2,484,097	(1,099,544)
Copper (in concentrate)	305,377	354,572	(49,195)
Silver (in concentrate)	19,829	16,192	3,637
Total concentrate sales	**1,709,759**	**2,854,861**	**(1,145,102)**
Gold bullion sales	14,298,823	7,183,045	7,115,778
Total Sales	**16,008,582**	**10,037,906**	**5,970,676**
Costs of sales			
Operational costs	8,232,777	7,073,048	1,159,729
Release of provision for impairment of inventory	–	(200,000)	200,000
Provision for impairment of state taxes receivable	716,522	–	716,522
Shipping costs	222,873	292,873	(70,000)
Treatment and handling charges	127,376	122,895	4,481
Royalties	242,024	158,808	83,216
Amortisation of mine property	2,363,158	1,812,387	550,771
Depreciation of plant & equipment	206,155	1,212,251	(1,006,096)
Total operating costs	**12,110,884**	**10,472,262**	**1,638,622**
Gross (loss)/ profit	**3,897,698**	**(434,356)**	**4,332,054**

Revenue

For the three month period ended 31 December 2019 the Group generated US$16,008,582 (2018: US$$10,037,906) in revenue by selling an estimated 1,706 ounces of gold from the sale of 260 tonnes of copper/gold concentrate

(2017: 2,162 ounces from 340 tonnes) and also recognised revenue for 9,147 ounces of gold bullion generating revenue of US$14,298,823 (fourth quarter of 2018: sale of 5,881 ounces for revenue of US$7,183,045).

During the three months to 31 December 2019 the Group produced 229 wet tonnes of copper/gold concentrate, containing an estimated 1,722 ounces of gold; (three months to 31 December 2018: 291 wet tonnes of copper/gold concentrate, containing 2,312 ounces of gold). The unsold material is held as inventory.

During the three months to 31 December 2019 the Group produced 8,501 ounces of gold in the form of bullion in comparison to 7,944 ounces during the same period of the previous year, an increase of 7 per cent. However, the Group registered sales for 9,147 ounces of bullion during the three months to 31 December 2019 in comparison to 5,881 ounces during the previous year, an increase of 56 per cent. The Group held gold inventory of 3,466 ounces at 31 December 2019 in comparison to 5,807 ounces of at 31 December 2018.

Operating Costs

Operating costs of US$8.23 million (three month period to 31 December 2018: US$7.07 million), comprise all mining costs at both the Palito and Sao Chico mine, plant processing costs, as well as all general site costs incurred on both mine sites during the period in the production of the final sales products as per the table below. The table below shows a breakdown of operating activities and operating costs. During the fourth quarter of 2019 the average exchange rate was BrR$4.12 to US$1.00 compared with an average exchange rate of BrR$3.81 to US$1.00 during the same period of the previous year, a weakening of more than 8 percent.

	Three Months ended 31 December 2019	**Three Months ended 31 December 2018**	**Variance**	**Var %**
Tonnes Mined	44,593	44,257	336	1%
Tonnes Milled	44,794	45,548	(754)	(1%)
Ounces Produced	10,223	10,256	(33)	(1%)
Ounces Sold	10,853	8,043	2,810	35%

	Three Months ended 31 December 2019	**Three Months ended 31 December 2018**	**Variance**	**Variance**
	US$'000	**US$'000**	**US$'000**	**%**
Operating Costs				
Labour	3,458	2,900	558	19%
Mining consumables & maintenance	2,758	2,369	389	16%
Plant processing and consumables	1,194	1,061	133	13%
General site expenses	823	743	80	11%
	8,233	7,073	1,160	16%

During the fourth quarter of 2019, the Group mined 336 more tonnes in comparison to the same period of 2018, however the Group milled 754 less tonnes in comparison to the fourth quarter in 2018. As a result, the Group produced 33 less ounces during the fourth quarter of 2019 in comparison to the same period of the previous year.

However, due to timing differences in the recognition of sales due to the departure dates of vessels carrying the Groups copper/gold concentrate leaving Brazil and the delivery of gold bullion for final sale, the Group sold 35 per cent more ounces during the fourth quarter of 2019 in comparison to the same period in 2018.

Labour
The increase in labour costs of 19 per cent is as a result of the increase in sales recognised of 35 percent offset by the eight per cent weakening of the Brazilian Real in comparison to the US dollar as well as each Brazilian employee receiving a five per cent salary increase in May 2019 as a result of the national collective agreement in Brazil.

Mining Consumables & Maintenance
Mining consumables and maintenance for the three month period ended 31 December 2019 have increased by 16 per cent in comparison to the same three month period of 2018. This is as a result of the increase in sales recognised of 35 per cent offset by the eight per cent weakening of the Brazilian Real in comparison to the US dollar. Maintenance costs of underground equipment has also increased in comparison to 2018 as a result of a larger fleet and the age profile of the mining fleet.

Plant Consumables
Plant costs have increased by 13 per cent for the three month period ended 31 December 2019 in comparison to the same period in the previous year. Again, this is primarily due to the increase in sales recognised of 35 per cent offset by the eight percent weakening of the Brazilian Real in comparison to the US dollar.

General Site Costs
General site costs for the three month period ended 31 December 2019 increased by 11 per cent compared with the same period in the previous year due to the increase in sales being recognised during the fourth quarter of 2019.

Provision for Impairment of State Taxes Receivable
The Group has established a provision of US$0.72 million (BrR$2.83 million) as an estimate of the value of ICMS tax that might not be recoverable by the Group representing approximately 20 per cent of the balance due.

ICMS is a sales related tax, levied and collected by the State in which the enterprise carries out its activities. ICMS is charged on consumable items used in production, packaging, transports costs for production consumables, electric power and plant and equipment purchased for use in production. Enterprises will add ICMS tax to the selling price of the goods and services that they sell. At the end of each reporting period the enterprise will account for and pay-over to the State the net amount of the ICMS that it has collected on sales after deducting the ICMS that it has paid out on its inputs. Exporters, however, are not required to levy ICMS on the sale of their goods and as a result generally find themselves being a net recipient of refunds of ICMS.

Whilst the laws governing ICMS are generally the same across Brazil, the manner in which they are implemented and adhered to varies by State. The State of Para unlike many richer states located in the south of Brazil is not inclined to make regular refunds of ICMS to businesses, although it will allow businesses to offset ICMS that is due to be paid over, against other ICMS liabilities that an enterprise may have. The Company currently projects that it will continue in the near term to accumulate further balances of ICMS that are legally recoverable although may not be repaid promptly. Current legal advice in Brazil is that the amount owed is recoverable but without a clear timeline on when recoverability can be realised.

Schemes have been established and used whereby a party can sell (with the approval of the State tax authorities), their ICMS credits to other companies. The provision that the Company has established reflects the market discount rates at which such transactions have been executed in the past.

Shipping Costs
Shipping costs have decreased by 24 per cent from US$0.29 million for the three month period ended 31 December 2018 to US$0.23 for the same three month period of 2019. Shipping costs include all domestic road and river freight in Brazil from the Palito Mine to the international port at Belem and also international sea freight to the end purchaser as well as air transport and insurance for the bullion sold from the Palito Mine to its final destination in Sao Paulo. The decrease by comparison to the same period in 2018 reflects the 24 per cent decrease in the volume of concentrate shipped with 340 tonnes being shipped in the fourth quarter of 2018 in comparison to 260 tonnes for the same period of 2019.

Treatment Charges
Treatment charges for the fourth quarter of 2019 are roughly in line with the same period of the previous year. Treatment charges relate to the treatment of our copper concentrate, and although 80 less tons were sold during

the fourth quarter of 2019 compared to the same period in the previous year, the reduction in volume has been offset by a global increase in the price of precious metals which has an impact on treatment charges. An increase in the volume of bullion refined prior to being sold has also contributed to the costs incurred in the fourth quarter of 2019.

Royalties

Royalty payments of US$0.24 million have increased by US$0.08 million in comparison to the same period of the previous year. Royalty payments comprise statutory levies payable in Brazil and royalties payable to prior owners of the Sao Chico deposit. Government royalty rates are uniform across all mining operations with a rate of 1.5 per cent being applied to gold production and the royalty on copper production being 2.0 per cent. The increase in royalty payments of US$0.08 million compared with the same quarter in 2018 reflects the increased levels of gold sales realised in the period which have increased by 35 per cent.

Amortisation

Charges for the amortisation of mine property are calculated by reference to the depletion, during the quarter, of the total estimated mineable resource at each of the Palito and Sao Chico orebodies. In each case the base carrying cost of the asset is adjusted to include a provision for future mine development costs for each of these ore bodies. At 31 December 2019, the balance of the provision for future mine development costs was estimated to be BR$51.0 million in comparison to the previous estimate of BR$15.0 million as at 31 December 2018. The increase of BR$36.0 million was made to accurately reflect the life of mine of the Palito ore body. The total amortisation charge relating to the Palito and Sao Chico ore bodies for the fourth quarter of 2019 is approximately US$2.36 million in comparison to BR$1.81 million during the same period of the previous year. The increase is due to the increased provision for future mine development costs. The charge reported in the Income Statement is however adjusted to reflect the level of sales rather than the level of production, with part of the depreciation being carried in inventory and released to the income statement when the goods are sold. The amortisation charge for the fourth quarter of 2019 is in line with the same period of the previous year.

Depreciation

There was also a depreciation charge of US$0.21 million recorded during the fourth quarter of 2019 on plant and equipment used in the mining and processing, (fourth quarter of 2018: US$1.21 million). The decrease is primarily due an accelerated charge of approximately US$500,000 during the fourth quarter of 2018 in respect of items that had reached the end of their useful lives as well as a reduction of approximately US$250,000 during the fourth quarter of 2019 on the annual depreciation charge as a result of over depreciation on certain items of plant and machinery during 2019 and previous years.

Operating Profit

The Group has recognised an operating profit before interest and other income for the three month period ended 31 December 2019 of US$2.59 million compared with an operating loss of US$2.06 million for the same period of the previous year reflective of the increase in the gross profit of US$4.33 million.

Administration expenses for the fourth quarter of 2019 of US$1.29 million are less than the administration expenditure during the same period of the previous year of US$1.67 million. This is primarily due to timing differences of when irregular costs such as due diligence and professional fees are incurred and recorded. During the fourth quarter of 2018, the Group incurred costs related to the evaluation of new opportunities. There were no similar costs incurred during the fourth quarter of 2019.

The Group also incurred costs of US$0.06 million on share-based payments during the fourth quarter of 2019, (2018: US$0.12 million). The deemed value assigned to these share options is amortised over the expected option life and is calculated using the Black Scholes model. The charge for the three months to 31 December 2019 is in respect of options granted between January 2016 and December 2018. There were no share options granted during the twelve months to 31 December 2019.

The Company recorded a foreign exchange gain of US$0.45 million in the three month period to 31 December 2019 which compares with a foreign exchange loss of US$0.30 million recorded for the three months ended 31 December 2018. These foreign exchange gains and losses primarily relate to the settlement of foreign currency liabilities from Brazil and therefore reflect the devaluation of the Brazilian Real and the revaluation of cash holdings of the Company in currencies other than US Dollars as at the period end. The exchange movements on cash holdings do not necessarily reflect actual realised profits or losses. The Company holds funds in certain currencies in anticipation of future expenditures that are anticipated to be settled in those currencies.

Net interest and other finance related costs for the three-month period to 31 December 2019 were US$0.69 million compared with US$0.42 million for the same period in the previous year. An analysis of the composition of these charges is set out in the table below:

	Three Months ended 31 December 2019 US$	**Three Months ended 31 December 2018 US$**
Interest expense on secured loan	(172,339)	(155,334)
Unwinding of discount on the rehabilitation provision	(284,652)	–
Unwinding of discount on outstanding acquisition payment	(189,628)	(261,055)
Expense in respect of non-substantial modification	(39,900)	–
Loss on revaluation of derivatives	–	(222,368)
Amortisation of fair value of derivatives	–	(325,000)
	(686,519)	(963,757)
Gain on revaluation of derivatives	–	–
Unwinding of discount on the rehabilitation provision	–	538,371
Interest income	108	4,306
Net finance expense	(686,411)	(421,080)

The interest on the secured loan of US$172,339 (2018: US$155,334) is the cost of three months of interest paid in relation to funds advanced under the credit agreement with Sprott Resource Lending Partnership. The loan balance at the end of December 2019 was US$6.9 million including the value of the cash settlement due on the gold call options exercised by Sprott in July 2019.

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

The expense of US$189,628 (2018: US$261,055) on the unwinding of the discount on acquisition is as a result of change in the net present value of the final payment due for the acquisition of Chapleau Resources.

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

Twelve month period ended 31 December 2019 compared to the twelve month period ended 31 December 2018

During the twelve month period ended 31 December 2019 the Group produced 40,101 ounces of gold (twelve months to 31 December 2018: 37,108 ounces) and recognised sales for 42,631 ounces (twelve months to 31 December 2018: 33,551 ounces).

The gross profit of US$13.72 million for the twelve months ended 31 December 2019 can be analysed and compared with the gross profit of US$2.88 million for the same period of 2018 as follows:

	Twelve months ended December 2019	Twelve months ended December 2018	Variance
Concentrate sold (Ounces)	8,841	6,745	2,096
Bullion Sold (Ounces)	33,790	26,806	6,984
Total Ounces	**42,631**	**33,551**	**9,080**
Revenue from Ordinary Activity	**US$**	**US$**	**US$**
Gold (in concentrate)	10,663,094	8,214,400	2,448,694
Copper (in concentrate)	1,237,073	1,203,019	34,054
Silver (in concentrate)	74,258	51,917	22,341
Total concentrate sales	**11,974,425**	**9,469,336**	**2,505,089**
Gold bullion sales	47,973,667	33,792,407	14,181,260
Total Sales	**59,948,092**	**43,261,743**	**16,686,349**
Costs of sales			
Operational costs	34,362,790	29,491,414	4,871,376
Release of/provision for impairment of inventory	(500,000)	(400,000)	(100,000)
Provision for impairment of state taxes receivable	716,522	–	716,522
Shipping costs	1,038,205	898,005	140,200
Treatment charges	487,983	432,082	55,901
Royalties	1,097,945	679,515	418,430
Amortisation of mine property	7,233,465	6,180,735	1,052,730
Depreciation of plant & equipment	1,790,379	3,100,652	(1,310,273)
Total operating costs	**46,227,288**	**40,382,403**	**5,844,885**
Gross profit	**13,720,804**	**2,879,340**	**10,841,464**

Revenue

For the twelve-month period ended 31 December 2019 the Group generated US$11,974,425 (2018: US$9,469,336) in revenue by selling an estimated 8,841 ounces of gold from the sale of 1,140 tonnes of copper/gold concentrate (2018: 6,745 ounces from 1,040 tonnes) and also recognised revenue for 33,790 ounces of gold bullion generating total revenue of US$47,973,667 during the twelve months of 2019, (2018: sale of 26,806 ounces for revenue of US$33,792,407).

During the twelve months to 31 December 2019 the Group produced 986 wet tonnes of copper/gold concentrate, containing an estimated 7,839 ounces; (twelve months to 31 December 2018: 1,134 wet tonnes of copper/gold concentrate, containing 7,543 ounces of gold). The unsold material is held as inventory.

During the twelve months to 31 December 2019 the Group produced 32,262 ounces of gold in the form of bullion in comparison to 29,565 ounces during the same period of the previous year. The variation between sales and production of bullion reflects the relative levels of gold held in inventory at the respective period ends. The Group held 5,807 ounces of gold at 31 December 2018 compared with the holdings of 3,466 ounces at 31 December 2019. The Group sold the excess stock during the first quarter of 2019.

Operating Costs

Operating costs for the twelve months ended 31 December 2019 of US$34.36 million (2018: US$29.49 million) comprise all mining costs at both the Palito and Sao Chico Mines, plant processing costs, as well as all general site costs incurred on both mine sites during the twelve month period in the production of the final sales products as shown in the table below. During 2019 the average exchange rate was BrR$3.94 to US$1.00 compared with an average exchange rate of BrR$3.65 to US$1.00 during the same period of the previous year, a weakening of more than eight per cent.

	Twelve months ended December 2019	**Twelve months ended December 2018**	**Variance**	**Variance %**
Tonnes Mined	176,743	162,722	14,021	9%
Tonnes Milled	177,334	168,253	9,081	5%
Ounces Produced	40,101	37,108	2,993	8%
Ounces Sold	42,631	33,551	9,080	27%

	Twelve months ended December 2019	**Twelve months ended December 2018**	**Variance**	**Variance %**
	US$'000	**US$'000**	**US$'000**	
Operating Costs				
Labour	15,291	13,006	2,285	18%
Mining consumables & maintenance	10,652	9,269	1,383	15%
Plant processing and consumables	4,811	4,151	660	16%
General site expenses	3,608	3,064	543	18%
	34,363	29,491	4,872	17%

Labour Costs

Labour costs have increased by US$2.28 million for the twelve month period ended 31 December 2019 in comparison to the same period of the previous year primarily due to the 27 per cent increase in sales recognised offset by the eight per cent weakening of the Brazilian Real. During May 2019, each Brazilian employee received a five per cent increase in salary as a result of the national collective agreement in Brazil. There was also an increase number of operational staff employed during 2019 in comparison to 2018.

Mining Costs

Mining consumables and maintenance for the twelve month period ended 31 December 2019 have increased by US$1.38 million, or 15 per cent, in comparison to the same twelve month period from 2018. This is primarily due to the 27 per cent increase in sales recognised offset by the eight per cent weakening of the Brazilian Real in comparison to the US dollar. Maintenance costs have also increased during the twelve months of 2019 in comparison to the same period of the previous year as the underground fleet increased in size and age profile of the mining fleet.

Plant processing costs

Plant costs have increased by US$0.66 million, 16 per cent, for the twelve month period ended 31 December 2019 compared with the same period in the previous year. Again, this is primarily due to the 27 per cent increase in ounces sold offset by the eight per cent weakening of the Brazilian Real.

General Site Costs

General site costs for the twelve month period ended 31 December 2019 increased by 18 per cent compared with the same period in the previous year due to the increase in ounces sold during 2019 in comparison to 2018 offset by the eight per cent weakening of the Brazilian Real.

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

Provision for Impairment of Inventory

The Group calculates unit costs of mined production on a cost per tonne basis irrespective of grade and has established stockpiles of low grade run of mine ore which are available for processing in the future. The Group has assessed the likely future value of these stockpiles and determined, in light of the expected realisable value of the coarse ore stockpile, that US$0.50 million of the amount previously provided as a potential impairment was no longer required and in the first quarter of 2018 this provision was released back to the income statement. The total stock impairment provision against the carrying value of the coarse ore stockpiles is currently US$0.05 million.

Provision for impairment of state taxes receivable

The Group has established a provision of US$0.72 million (BrR$2.83 million) as an estimate of the value of ICMS tax that might not be recoverable by the Group representing approximately 20 per cent of the balance due.

ICMS is a sales related tax, levied and collected by the State in which the enterprise carries out its activities. ICMS is charged on consumable items used in production, packaging, transports costs for production consumables, electric power and plant and equipment purchased for use in production. Enterprises will add ICMS tax to the selling price of the goods and services that they sell. At the end of each reporting period the enterprise will account for and pay-over to the State the net amount of the ICMS that it has collected on sales after deducting the ICMS that it has paid out on its inputs. Exporters, however, are not required to levy ICMS on the sale of their goods and as a result generally find themselves being a net recipient of refunds of ICMS.

Whilst the laws governing ICMS are generally the same across Brazil, the manner in which they are implemented and adhered to varies by State. The State of Para unlike many richer states located in the south of Brazil is not inclined to make regular refunds of ICMS to businesses, although it will allow businesses to offset ICMS that is due to be paid over, against other ICMS liabilities that an enterprise may have. The Company currently projects that it will continue in the near term to accumulate further balances of ICMS that are legally recoverable although may not be repaid promptly. Current legal advice in Brazil is that the amount owed is recoverable but without a clear timeline on when recoverability can be realised.

Schemes have been established and used whereby a party can sell (with the approval of the State tax authorities), their ICMS credits to other companies. The provision that the Company has established reflects the market discount rates at which such transactions have been executed in the past.

Shipping costs

Shipping costs of US$1.04 million (2018: US$0.90 million) include all domestic road and river freight in Brazil from the Palito Mine to the international port at Belem and also international sea freight to the end purchaser as well as air transport and insurance for the bullion sold from the Palito Mine to its final destination in Sao Paulo. The increase by comparison to the same period in 2018 reflects the increase in the volume of concentrate shipped; twelve months of 2019 being 1,140 tonnes in comparison to 1,040 tonnes for the same period of the previous year.

Treatment charges

Treatment charges have increased by 13 per cent between 2018 and 2019 as the Group sold 100 tonnes more, (10 per cent) of copper concentrate in the twelve month period ended 31 December 2019 in comparison to the same period in 2018. In addition the increased levels of gold bullion sold have resulted in an increased level of refining charges.

Royalties

Royalty payments of US$1.10 million (2018: US$0.68 million) comprise statutory levies payable in Brazil and royalties payable to prior owners of the Sao Chico deposit. Government royalty rates are uniform across all mining operations with a rate of 1.5 per cent being applied to gold production and the royalty on copper production being 2.0 per cent. The increase in royalty payments for the twelve month period ended 31 December 2019 compared with the same period in 2018 reflects the increased levels of gold production and gold sales in the period.

Amortisation

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

At 31 December 2019, the balance of the provision for future mine development costs was estimated to be BR$51.0 million in comparison to the previous estimate of BR$15.0 million as at 31 December 2018. The increase of BR$36.0 million was made to accurately reflect the life of mine of the Palito ore body. The total amortisation charge relating to the Palito and Sao Chico ore bodies for the twelve month period ended 31 December 2019 is approximately US$7.23 million in comparison to BR$6.18 million during the same period of the previous year. The increase is due to the increased provision for future mine development costs.

Depreciation
A depreciation charge of US$1.79 million was recorded during the twelve month period ended 31 December 2019 on plant and equipment used in the mining and processing, (twelve months to 31 December 2018: US$3.10 million). The decrease of 42 per cent is primarily due to an accelerated charge of approximately US$500,000 during the fourth quarter of 2018 in respect of items that had reached the end of their useful lives as well as a reduction of approximately US$250,000 during the fourth quarter of 2019 on the annual depreciation charge as a result of over depreciation on certain items of plant and machinery during 2019 and previous years.

Operating Profit
The Group has recognised an operating profit before interest and other income of US$8.36 million, (2018: operating loss of US$2.71 million) reflective of the higher level of gross profit from operations and after incurring US$5.26 million (2018: US$5.54 million) in administrative expenses as well as US$0.26 (2018: US$0.33 million) on share based payments. The deemed value assigned to these share options is amortised over the expected option life and is calculated using the Black Scholes model. The charge for the twelve months to 31 December 2019 is in respect of options granted between January 2016 and 31 December 2018. The Group also reported a profit of US$0.17 million from the disposal of assets (2018: US$0.27 million).

Administration costs of US$5.26 million for the twelve month period ended 31 December 2019 are at a consistent level to the expense of US$5.54 million incurred during the twelve month period ended 31 December 2018 with the small reduction in administrative costs a result of the eight per cent weakening of the Brazilian Real from an average of BrR$3.94 to US$1.00 for the twelve month period ended 31 December 2019 in comparison to BrR$3.65 to US$1.00 for the same twelve month period of the previous year.

The Company recorded a foreign exchange gain of US$0.21 million for the twelve months ended 31 December 2019 which compares with a foreign exchange loss of US$0.59 million recorded for the twelve months ended 31 December 2018. These foreign exchange gains and losses are primarily incurred in respect of the cash holdings of the Company in currencies other than US Dollars as at the period end and do not necessarily reflect actual realised profits or losses. The Company holds funds in certain currencies in anticipation of future expenditures that are anticipated to be settled in those currencies.

Net interest charges for the twelve month period to 31 December 2019 were US$2.38 million compared with US$1.52 million for the same twelve month period of 2018. An analysis of the composition of these charges is set out in the table below:

	Twelve months ended December 2019 US$	Twelve months ended December 2018 US$
Interest on secured loan	(646,516)	(685,517)
Unwinding of discount on outstanding acquisition payment	(1,002,243)	(999,796)
Unwinding of discount on rehabilitation provision	(284,652)	–
Loss upon revaluation of derivative	(531,910)	–
Amortisation of fair value of derivatives	–	(520,000)
Arrangement fee for secured loan	–	(180,000)
	(2,465,321)	(2,385,313)
Gain on non-substantial modification	79,800	–
Gain on revaluation of derivatives	–	318,279
Unwinding of discount on rehabilitation provision	–	538,371
Interest income	2,325	4,780
Net finance expense	(2,383,196)	(1,523,883)

The interest on the secured loan of US$0.65 million (2018: US$0.68 million) is the cost of twelve months of interest paid in relation to funds advanced under the credit agreement with Sprott Resource Lending Partnership, with the reduction reflecting the lower average levels of loan principal outstanding during the period. On 23 January 2018 the Group increased the existing secured loan of US$5 million to US$8 million. The loan balance at the end of December 2019 was US$6.9 million including the value of the cash settlement due on the gold call options exercised by Sprott in July 2019.

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

The expense on the unwinding of the discount on acquisition is as a result of change in the net present value of the final payment due in December 2019 for the acquisition of Chapleau Resources Ltd.

The loss on the valuation of derivatives of US$531,910 (twelve months to 31 December 2018: gain of US$318,279) represents the loss arising on the derivative value of the gold call options which had been granted to and were exercised by Sprott in July 2019. The initial value of the provision as at 30 June 2017 was US$650,000 which having been revalued to US$709,255 at 31 December 2017 was revalued to US$390,976 as at 31 December 2018 resulting in the gain of US$318,279 for the twelve month period ended 31 December 2018. On 18 July 2019, Sprott exercised all of the 6,109 gold call options resulting in a settlement being due of US$922,886, giving rise to a loss of US$531,910 for the twelve months to 31 December 2019.

In May 2019, the Group agreed revised repayment terms for its secured loan whereby the loan would be repaid in six equal monthly instalments commencing 31 January 2020. In accordance with IFRS 9, whilst the variation in the loan terms was not sufficient to give rise to a derecognition of the existing loan, the Group was required to recognise the effect of a non-substantial modification to the existing loan. Accordingly, the Group has recognised a benefit arising from the modification totalling $172,912 which is being amortised over the remaining life of the loan as a variation in the effective interest rate of the loan. The amount of US$100,112 has been amortised in the period, resulting in net income for the period of US$79,800.

For the twelve months ended 31 December 2018, the amortisation of fair value of derivatives of US$520,000 represents amortisation charge of the fair value ascribed to a gold call option granted to Sprott on 30 June 2017. As part of the US$5 million loan arrangement the Group granted call options to Sprott over 6,109 ounces of gold exercisable at a price of US$1,320 which expired on 31 December 2019. On 30 June 2017, the date these call options were granted, their value was assessed as being US$650,000 and a provision for a derivative financial liability of US$650,000 was recognised in the accounts. On 19 January 2018, and at the same time as taking out an additional US$3 million loan with Sprott, a six month extension to the repayment terms for this US$5 million loan was agreed. Under IFRS9, this variation being more than 10 per cent of the future cash flows was considered a substantial modification to the original US$5 million loan. Accordingly, the original loan under the terms of IFRS 9 was considered to be repaid and a new loan for US$5 million taken out but with no derivative instrument attached to it. As a result, the outstanding fair value of the derivative, totalling US$520,000, attaching to the original US$5 million loan was required to be amortised in full upon the deemed repayment of the original loan. As the fair value of the derivative was amortised in full in 2018, there is no equivalent charge in 2019.

For the twelve months ended 31 December 2018, the arrangement fee of US$180,000 comprises of US$90,000 as a fee paid to Sprott during the first quarter of 2018 for the new US$3 million loan and the revision to the terms of the existing US$5 million loan and a further fee of US$90,000 paid during the third quarter of 2018 for the extension of the new US$3 million loan from its original maturity date of 30 September 2018 to 30 June 2020.

Summary of quarterly results:

The variations in the performance of the Group between quarters is primarily due to variations in sales recognised in each period which is due to timing differences on when the Group recognises its sales of copper concentrate. Quarterly levels of gold production were very consistent throughout the last eight quarters with gold production being between 9,200 and 10,200 ounces per quarter, with the exception of one quarter when gold production was 8,200 ounces. These production movements are the result of normal operational variations. There is no seasonality to the business.

Gold in the form of bullion is sold immediately after it is produced and therefore sales of bullion are generally very consistent between each quarter. However, approximately 21 per cent of gold sales made during 2019, (2018: 20 per cent), were in the form of copper/gold concentrate. Sales of concentrate are recognised only at the time of export and allowing for transportation periods and bulk shipping does result in a lead time between the production of the concentrate and when the sale is recognised. On average during 2019 the Group will register two sales of copper concentrate each quarter, but this can vary as a result of shipping and other transport schedules.

At the end of 2018, the Group held higher than normal levels of inventory, of both bullion for smelting and concentrate, resulting in a higher level of gold sales by volume being recognised in the first quarter of 2019 than for other quarters.

Summary of quarterly results	**Quarter ended 31 December 2019 US$**	**Quarter ended 30 September 2019 US$**	**Quarter ended 30 June 2019 US$**	**Quarter ended 31 March 2019 US$**
Revenues	16,008,582	14,353,771	12,459,699	17,126,040
Operating expenses	(8,825,050)	(8,496,884)	(7,803,002)	(11,861,987)
Provision for impairment of inventory	–	–	–	500,000
Provision for impairment of taxes receivable	(716,522)	–	–	–
Amortisation of mine property	(2,363,157)	(1,707,736)	(1,584,897)	(1,577,674)
Depreciation of plant and equipment	(206,155)	(496,294)	(376,059)	(711,871)
Gross profit / (loss)	3,897,698	3,652,857	2,695,741	3,474,508
Administration expenses	(1,289,212)	(1,174,204)	(1,415,133)	(1,383,831)
Option costs	(65,485)	(65,484)	(65,486)	(65,485)
Gain on disposal of asset	48,922	(8,717)	101,623	24,812
Operating profit / (loss)	2,591,923	2,404,452	1,316,745	2,050,004
Exchange	446,204	(169,113)	(51,486)	(14,617)
Net finance expense	(686,411)	(735,003)	(689,736)	(272,046)
Profit / (loss) before taxation	2,351,716	1,500,336	575,523	1,763,341
Income tax expense	(1,368,073)	(370,635)	(405,845)	(213,379)
Profit / (loss) after taxation	983,643	1,129,701	169,678	1,549,962
Profit / (loss) per ordinary share (basic)	1.67 cents	1.92 cents	0.29 cents	2.63 cents
Profit / (loss) per ordinary share (diluted)	1.64 cents	1.85 cents	0.28 cents	2.49 cents
Deferred exploration costs	30,686,652	28,439,970	29,591,753	28,581,674
Property, plant and equipment	39,594,276	38,807,114	41,228,338	40,766,304
Total current and other assets	27,258,770	28,405,348	28,827,096	27,576,208
Total assets	97,539,698	95,652,432	99,647,187	96,924,186
Total liabilities	27,806,310	28,191,876	28,194,439	26,760,545
Shareholders' equity	69,733,388	67,460,556	71,452,748	70,163,641

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

Liquidity and Capital Resources

Non-Current Assets

On 31 December 2019, the Group's net assets amounted to US$69.73 million, which compares to US$69.11 million as reported at 31 December 2018. The Group has also reported a profit after taxation of US$3.83 million in the twelve month period to 31 December 2019, (2018: loss after taxation US$5.75 million).

Non-current assets totalling US$72.45 million at 31 December 2019 (31 December 2018: US$73.77 million), are primarily comprised of property, plant and equipment, which as at 31 December 2019 totalled US$39.59 million, (31 December 2018: US$42.34 million), including assets acquired as part of the Chapleau acquisition, as well as development and deferred exploration costs with a value of US$30.69 million, (31 December 2018: US$27.71 million), including assets acquired as part of the Chapleau acquisition. The Group has also a provision for a deferred tax asset of US$1.32 million (31 December 2018: US$2.16 million) and a long-term receivable in respect of state taxes due in Brazil of US$0.85 million (31 December 2018: US$1.55 million). The decrease in the long-term receivable is as a result of the write-off off approximately US$0.72 million of prepaid state ICMS taxes which the Group considers that will no longer be able to recover. The weakening of the Brazilian Real from 31 December 2018 when the exchange rate was BrR$3.8742 to US$1.00 to the rate of BrR$4.0301 to US$1.00 at 31 December 2019 has had a negative impact on the net asset position but the main movements are discussed in more detail below.

The Group's property, plant and equipment includes the value of its mine assets relating to the Palito Mining Complex at 31 December 2019 of US$19.58million (2018: US$22.65 million). This includes US$4.48 million of additions in relation to the capital development of the Palito and Sao Chico ore bodies incurred during the year. Assets in construction as at 31 December 2019 and relating to the Palito Mining Complex had a book value of US$11.29 million (2018: US$10.38 million) and includes the provision for mine rehabilitation.

The Group owns land, buildings, plant and equipment with a value of US$8.72 million (31 December 2018: US$9.31 million). During the twelve months of 2019 the Group has acquired additional plant and machinery to the value of US$3.07 million in relation to its ongoing operations at the Palito Mining Complex.

The gross value ascribed to the Palito Mining Complex is now being amortised over the expected recoverable ounces of each orebody. An amortisation charge totalling US$7.10 million has been recorded for the twelve month period to 31 December 2019 (twelve month period to 31 December 2018: US$6.10 million).

Deferred exploration costs as at 31 December 2019 totalled US$30.69 million (31 December 2018: US$27.71 million), which includes to US$17.94 million attributable to the value of the projects acquired as part of the Chapleau acquisition as well as capitalised costs of US$2.25 million (2018: US$4.61 million) on exploration and evaluation expenditure.

Working Capital

The Group had a negative working capital position of US$0.30million at 31 December 2019 compared to US$0.32 million at 31 December 2018, the movement of US$0.61 million being detailed in the table below:

	December 2019 US$	December 2018 US$	Variance US$
Current assets			
Inventories	6,577,968	8,511,474	(1,933,506)
Trade and other receivables	802,275	758,209	44,066
Prepayments	3,473,288	4,166,916	(693,628)
Cash and cash equivalents	14,234,612	9,216,048	5,018,564
Total current assets	**25,088,143**	**22,652,647**	**2,435,496**
Current liabilities			
Trade and other payables	6,113,789	6,273,321	(159,532)
Acquisition payment due	12,000,000	10,997,757	1,002,243
Secured loan	6,903,692	3,636,360	3,267,332
Leases and unsecured loan	48,850	666,438	(617,588)
Derivative financial liabilities	–	390,976	(390,976)
Accruals	319,670	372,327	(52,657)
Total current liabilities	**25,386,001**	**22,337,179**	**3,048,822**
Working capital	**(297,858)**	**315,468**	**(613,326)**
Non-current liabilities			
Trade and other payables	183,043	955,521	(772,478)
Provisions	2,237,266	1,543,811	693,455
Secured loan	–	2,424,246	(2,424,246)
Leases	–	48,850	(48,850)
Total non-current liabilities	**2,420,309**	**4,972,428**	**(2,552,119)**

The weakening of the Brazilian Real from 31 December 2018 when the exchange rate was BrR$3.874 to US$1.00 to the rate of BrR$4.030 to US$1.00 at 31 December 2019, a weakening of 4 per cent, has had a negative impact on the key components which make up the working capital position, however the main movements are discussed in more detail below.

Inventories

The level of inventory held by the Group at 31 December 2019 has decreased by US$1.93 million since 31 December 2018. A breakdown of the Group's inventories at the 31 December 2019 and at 31 December 2018 is set out in the table below:

	31 December 2019 US$	31 December 2018 US$	Variance US$
Stockpile of mined ore	331,775	600,335	(268,560)
Finished goods awaiting sale	1,376,005	3,819,685	(2,443,680)
Other material in process	1,391,302	1,162,157	229,145
	3,099,082	**5,582,177**	**(2,438,095)**
Consumables	3,478,886	2,929,297	549,589
Total Inventory	**6,577,968**	**8,511,474**	**(1,933,506)**

Inventories of consumables (fuel, spare parts, chemicals, explosives etc.) at 31 December 2019 of US$3.48 million (31 December 2018: US$2.93 million) have increased by approximately US$0.55 million. The Group acquires stocks of certain materials including reagents, explosives and other consumables in quantities that are sufficient for up to three to four months' consumption requirements to minimise freight and other logistics costs and improve pricing. The levels of inventory have increased reflecting a requirement to keep on hand higher levels of items related to equipment and plant maintenance.

At 31 December 2018, the Group held a provision against the carrying value of coarse ore stockpiles amounting to US$550,000. Following a reappraisal of the value of these stockpiles at the end of the period, the provision has been reduced to US$50,000 and the movement recognised in the Income Statement.

Notwithstanding the release of US$500,000 of the inventory impairment provision resulting in a positive increase in the stockpile valuation, the value of the stock of surface ore has decreased by forty-five per cent from US$0.60 million (net of the impairment provision) to US$0.33 million. The total coarse ore stockpile tonnage that is subject to valuation has decreased from approximately 8,000 tonnes at 31 December 2018 to approximately 2,200 tonnes at 31 December 2019, a decrease of 72 per cent. The significantly reduced volume together with, the changing unit production costs has more than offset the increase in value resulting from the reduction in the impairment provision.

The value of finished goods awaiting sale at 31 December 2019 of US$1.37 million compares with the value at 31 December 2018 of US$3.82 million an overall decrease in value of 64 per cent. The total value of finished goods held in stock at 31 December 2019 comprises 122 bags of copper/gold concentrate with a value of US$0.76 million (31 December 2018: 236 bags with a value of US$1.45 million) and bullion on hand for smelting which, at 31 December 2019, was estimated at 23,023 grammes valued at US$0.61 million compared to 86,744 grammes at 31 December 2018 valued at US$2.37 million. Whilst there are small variances between the two periods in the unit costs for each of these items, the variance in period end values is largely explained by the variances in volume.

The valuation attributable to gold locked up within the processing plant has increased to US$1.39 million with 84,793 grammes of gold locked up within the processing plant as at 31 December 2019 (31 December 2018: US$1.16 million; 93,861 grammes) reflecting normal operational variances.

Trade Receivables

Trade and other receivables at 31 December 2019 of US$0.80 million have increased by US$0.04 million from US$0.76 million at 31 December 2018.

Prepayments

Prepayments have decreased by US$0.69 million from US$4.17 million at 31 December 2018 to US$3.47 million at 31 December 2019. At the 31 December 2018, the Group had US$0.41 million more in prepaid deposits relating to the importation of underground machinery and plant equipment and no equivalent prepayments as at the 31 December 2019. All other prepayments relate to prepaid taxes, including taxes of ICMS, PIS, COFINS and other federal taxes, that remain to be recovered at the period end.

Cash at Bank

Between 31 December 2018 and 31 December 2019, cash balances have increased by approximately US$5.02 million.

During the twelve months ended 31 December 2019, the Group has generated net cash flow from its operations of US$18.51 million and during the same twelve month period has spent US$2.25 million on exploration activities around the Palito Mining Complex and the Coringa project, US4.48 million on mine development, US$3.07 million on plant and equipment and US$1.63 million on other pre-operating costs for the Coringa project. The group also paid US$1.54 million for the acquisition of an outstanding interest of a third party in the Sao Chico project area.

Current Liabilities

Current liabilities have increased by US$3.05 million from US$22.34 million at 31 December 2018 to US$25.39 million at 31 December 2019. As at 31 December 2019, the total amount of a secured loan of US$6.90 million is now all due within one year whereas at 31 December 2018 US$2.43 million of this loan was due in more than one year so was registered as a long-term liability.

There is also no longer any discount factor applied to the US$12.0 million acquisition payment as this is now due. This has increased to the book value of the liability by US$1.0 million.

Trade Creditors
Trade and other payables amounting to US$6.11 million at 31 December 2019 compared with an amount owed by the Group of US$6.27 million at 31 December 2018, a decrease of US$0.16 million.

At the 31 December 2018, the Group owed a total of US$2.17 million, (current liability: US$1.34 million; non-current liability: US$0.83 million) relating to the acquisition of a historic third party net profits interest in the Sao Chico project. During the twelve month period ended 31 December 2019 the Group repaid a total of US$1.54 million of this historical acquisition payment comprising of an initial repayment of US$0.99 million during April 2019, as well as eight equal monthly instalments of approximately US$0.07 million beginning in May 2019 totalling US$0.55 million. At the 31 December 2019, the Group owed a total of US$0.87 million relating to this acquisition liability.

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

Obligations Under Leases
Lease obligations due in less than one year have decreased by US$0.61 million from US$0.67 million at 31 December 2018 to US$0.05 million at 31 December 2019. During the twelve months ended 31 December 2019, the Group has not entered into any new lease finance arrangements and has made capital repayments totalling approximately US$0.34 million on finance leases. The Group has also repaid approximately US$0.28 million of an unsecured equipment loan. All finance leases are held by Serabi Mineracao SA ("SMSA") in Brazil but are denominated in Euro or US Dollar before being converted to Brazilian Reals, the functional currency for SMSA.

Derivative Financial Liabilities
As a fee for the Group's secured loan arrangements, the Group granted call options to Sprott over 6,109 ounces of gold exercisable at a price of US$1,295 with an expiry date of 31 December 2019. On 30 June 2017, the date these call options were initially granted, their value was assessed as being US$650,000 and a provision for a derivative financial liability of US$$650,000 recognised in the accounts which was amortised in full during 2018. At 31 December 2018, the value ascribed to these outstanding call options was US$0.39 million. Sprott exercised these gold call options on 18 July 2019 resulting in a liability of US$0.92 million. This liability has been added to the secured loan and will be repaid in six monthly instalments commencing 31 January 2020.

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

Acquisition Liability
On 21 December 2017 ("Closing"), the Group finalised the acquisition of Chapleau Resources for a total value of US$22 million, with US$5 million being paid in cash on 21 December 2017. A further US$5 million in cash was paid on 16 April 2018 and a final payment of US$12 million in cash was due on the earlier of either the first gold being produced or 24 months from the date of Closing. The Group has now reached an agreement with the vendor, Equinox Gold Corp., whereby the date for the completion of the final US$12 million payment owed to Equinox for the acquisition of the Coringa Gold project (the "Final Coringa Acquisition Payment") has been extended (the Deferral Period") until such time as there are no international travel restrictions imposed by the Brazilian authorities and also no travel restrictions within or into the State of Para, Brazil, (the "Travel Restriction Condition") where the Group's Palito Complex gold production operations and the Coringa gold project are located. Under the terms of the extension the Group will start to make instalment payments in respect the Final Coringa Acquisition Payment of US$500,000 per month payable on each of 1 May 2020, 1 June 2020 and 1 July 2020

which will increase to US$1 million per month thereafter until such time as the Travel Restriction Condition is satisfied. The balance outstanding of the Coringa Acquisition Payment is expected to be settled within six weeks of the Travel Restriction Condition being satisfied. Interest is payable on the outstanding sum at the rate of 10% per annum and will be settled at the same time as the Final Coringa Acquisition Payment is made.

Non-Current Liabilities

The Group makes provision for the future estimated rehabilitation costs for its mine sites at Palito and Sao Chico. The value of the rehabilitation provision carried by the Group at 31 December 2019 was US$2.24 million. The value at 31 December 2018 was US$1.52 million. The variation is as a result of changes in estimates as well as exchange rate variations between the two periods. The underlying costs and other assumptions are unchanged between the periods. The Group also has a small provision of US$0.02 million (2018: US$0.02 million) for potential employment claims.

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

Non-IFRS Financial Measures

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

Total cash cost and all-in sustaining cost

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

	12 Months ended 31 December 2019 (US$)	12 Months ended 31 December 2018 (US$)
Total operating costs (calculated on a sales basis)	36,986,923	31,501,016
Add/(subtract)		
Finished goods and WIP inventory stock	(2,515,806)	(106,436)
Grossing up of revenue for metal deductions	202,323	346,468
By-product credits	(1,311,331)	(1,268,161)
Total cash cost of production	33,362,108	30,472,886
Corporate G&A	5,262,380	5,359,000
Share-based remuneration	261,940	329,620
Capitalised cost for mine development	4,478,420	4,386,397
All-In Sustaining Cost of production	43,364,848	40,547,903

	12 months ended 31 December 2019 (ounces)	12 months ended 31 December 2018 (ounces)
Gold ounces produced	40,101	37,108

	12 months ended 31 December 2019 (US$)	12 Months Ended 31 December 2018 (US$)
Total Cash Cost of production (per ounce)	US$832	US$821
Total All-In Sustaining Cost of production	US$1,081	US$1,093

Contractual commitments

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

The Group holds certain exploration prospects which require the Group to make certain payments under rental or purchase arrangements allowing the Group to retain the right to access and undertake exploration on these properties. Failure to meet these obligations could result in forfeiture of any affected prospects. Management estimates that the cost over the next 12 months of fulfilling the current contracted commitments on these exploration properties in which the Group has an interest is US$0.59 million (December 2018: US$0.59 million). The increase in comparison to the previous year is due to the acquisition of Chapleau Resources.

		Payments due by period			
Contractual obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
	$	**$**	**$**	**$**	**$**
Acquisition Liability	12,000,000	12,000,000			
Trade Creditors	6,296,832	6,113,789	183,043		
Short term debt	6,903,692	6,903,692	—	—	—
Lease obligations	279,682	276,845	2,837	—	—
Total contractual obligations	**25,480,206**	**25,294,326**	**185,880**	**—**	**—**

Transactions with related parties of the Group

During the period the Company has made loans to subsidiaries of US$1.20 million (2018: US$8.27 million). There were no loans converted into new shares issued by subsidiaries during 2019 (2018: US$Nil).

The Company has loans receivable from subsidiaries totalling US$17,865,936 (2018: US$16,660,987) before any provision for the impairment of these loans.

The Company has purchased, during the year from its subsidiary SMSA, 1,140 tonnes of copper/gold concentrate for a consideration of US$10,189,338 (2018: 1,040 tonnes; US$7,406,175).

Financial and other instruments

The Group's and the Company's financial assets at 31 December 2019 which comprise other receivables and cash, and in the case of the Company include amounts due from subsidiaries, are classified as loans and receivables. All of the Group's and Company's financial liabilities which comprise trade and other payables and interest bearing liabilities are classified as liabilities measured at amortised cost.

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

Commodity price risk

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

Whilst not representing a financial instrument, at 31 December 2019, the Group carried inventory of finished goods and work-in-progress valued at US$3.10 million (31 December 2018: US$5.58 million). All inventory as at 31 December 2019, which is unsold, is subject to future variation in commodity prices and accordingly the results for the period and the equity position of the Group may be affected by any change in commodity prices subsequent to the end of the period.

Interest rate risk

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

Liquidity risk

Historically the Group has relied primarily on funding raised from the issue of new shares to shareholders but has also received short term loans from its shareholders. It has also used floating rate short term trade finance and fixed rate finance leases to finance its activities and on 22 January 2018 increased a secured loan from US$5.00 million to US$8.00 million, of which US$6.90 million remained outstanding as at 31 December 2019.

As at 31 December 2019 the Group owed Equinox Gold Corp. US$12.00 million for the final payment of the acquisition of Chapleau Resources, (the "Final Coringa Acquisition Payment"). However, the Group has now reached an agreement with the vendor, whereby the date for the completion of the final US$12 million payment owed to Equinox for the acquisition of the Coringa Gold has been extended (the Deferral Period") until such time as there are no international travel restrictions imposed by the Brazilian authorities and also no travel restrictions within or into the State of Para, Brazil, (the "Travel Restriction Condition") where the Group's Palito Complex gold production operations and the Coringa gold project are located. Under the terms of the extension the Group will start to make instalment payments in respect the Final Coringa Acquisition Payment of US$500,000 per month payable on each of 1 May 2020, 1 June 2020 and 1 July 2020 which will increase to US$1 million per month thereafter until such time as the Travel Restriction Condition is satisfied. The balance outstanding of the Coringa Acquisition Payment is expected to be settled within six weeks of the Travel Restriction Condition being satisfied. Interest is payable on the outstanding sum at the rate of 10% per annum and will be settled at the same time as the Final Coringa Acquisition Payment is made.

As at 31 December 2019, in addition to the Sprott Facility, the Group had obligations under fixed rate finance leases amounting to US$0.05 million (31 December 2018: US$0.72 million).

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

Currency risk

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

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

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

	Group	
	31 December 2019 US$	**31 December 2018 US$**
US Dollar	9,193,766	3,798,585
Canadian Dollar	26,188	57,953
Sterling	162,585	3,460,533
Australian Dollar	38,947	11,199
Euro	25,576	57,070
Brazilian Real	4,787,550	1,830,708
Total	14,234,612	9,216,048

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

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

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

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

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

Credit risk

The Group's exposure to credit risk is limited to its cash and cash equivalents and trade and other receivables amounting to US$19,360,983 (2018: US$15,696,543). It is the Group's policy to only deposit surplus cash with financial institutions that hold acceptable credit ratings.

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

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

Subsequent events

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

On 31 March 2020 the Group reached an agreement with Equinox whereby the date for the completion of the Coringa Acquisition Payment was extended (the "Deferral Period") until such time as there are no international travel restrictions imposed by the Brazilian authorities and also no travel restrictions within or into the State of Para, Brazil, (the "Travel Restriction Condition") where the Group's Palito Complex gold production operations and the Coringa gold project are located. Under the terms of the extension the Group will start to make instalment payments in respect the Coringa Acquisition Payment of US$500,000 per month payable on each of 1 May 2020, 1 June 2020 and 1 July 2020 which will increase to US$1 million per month thereafter until such time as the Travel Restriction Condition is satisfied. The balance outstanding of the Coringa Acquisition Payment is expected to be settled within six weeks of the Travel Restriction Condition being satisfied.

As of the date of the approval and signing of these financial statements, the Group is in active discussions with Greenstone to amend the Loan Note subscription deed (the "Subscription Deed") to allow for partial subscriptions in respect of the Loan Notes in individual amounts of US$500,000 (the "Amended Subscription Deed"). If the Amended Subscription Deed is entered into by the Company and Greenstone, the partial subscriptions would then provide funds to the Group that could be applied to pay the monthly instalments to Equinox, during the Deferral Period, until such time as any remaining balance of the Coringa Acquisition Payment can be satisfied in full. In addition, Greenstone and the Company anticipate that shortly after the Travel Restriction Conditions have been satisfied, they would be able to satisfy all the other conditions required to close the issue and subscription for the remaining portion of the Loan Notes and allow the Group to settle any remaining balance of the Coringa Acquisition Payment in accordance with the terms of the revised arrangements with Equinox. The Amended Subscription Deed is expected to include certain covenants and undertakings that are in accordance with normal market practice for these types of arrangement. These are expected to include an undertaking that at each month end (i) the cash position of the Group should be at least US$3 million and (ii) the Group should have positive working capital (excluding the value of the Loan Notes) of at least US$2.5 million. During the Deferral Period the minimum cash requirement is expected to be reduced to the higher of US$1 million or 25% of the amount drawn down. Based on the management accounts of the Group, the Group would have been in compliance with these covenants at the end of each calendar month during 2019.

At the date of signing of this report and whilst both Greenstone and the Board of Directors have provided assurances that it is their intention to execute the Amended Subscription Deed, there can be no guarantee that the Amended Subscription Deed will be entered into in the form that the Directors currently anticipate or at all.

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

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

Changes in accounting policies

As of 1 January 2019, IFRS 16 Leases became effective and has been adopted. The effect of implementation has not had a material impact on the financial results of the Group. The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application would be recognised in retained earnings at January 1, 2019. However, the nature of the leases held by the Group was such that there has been no effect on the group's retained earnings at initial recognition. The comparative information presented for 2018 has not required to be restated and is presented, as previously reported, under IAS 17 and related interpretations.

Other Accounting standards that have come into effect as of 1 January 2019 have been

IAS 19: Employee Benefits on plan amendment, curtailment or settlement
IFRS 9: Financial Instruments on prepayment features with negative compensation and modification of financial liabilities
IFRIC 23: Uncertainty over Income Tax Treatments

The adoption of these standards has had no effect on the financial results of the Group.

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

IAS 1 Presentation of Financial Statements
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
IFRS 3 Business Combinations (Amendment – Definition of a Business)

Off-balance sheet arrangements

The Group has no off-balance sheet arrangements

Critical accounting estimates

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

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

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

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

Impairment of mining assets and other property, plant and equipment

An initial judgement is made as to whether the mining assets are impaired based on the matters identified for mining assets in the impairment policy in the Group's 2019 Annual Report at 1 h) relating to IAS 36 impairment.

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

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

As described in note 1(d) (iv) in the Group's 2019 Annual Report, the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

Mineral resources

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

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

Recoverability of deferred exploration expenditure (note 10)

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

Recoverability of debts including recoverable taxes

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

Acquisition of Chapleau

Chapleau Resources Limited was acquired by the group at the end of 2017. An initial judgement was made as to whether to account for this as an asset acquisition or a business combination. If an acquisition is determined to be a business combination then it falls within the scope of IFRS 3, if it does not then it is treated as an asset of group of assets.

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

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

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

Inventory valuation

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

Utilisation of historic tax losses and recognition of deferred tax assets

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

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

Restoration, rehabilitation and environmental provisions

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

Disclosure controls and procedures

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

- material information relating to the Group is made known to the Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the interim and annual filings are being prepared; and

- information required to be disclosed by the Group in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarised and reported within the time periods specified in securities legislation.

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

Internal controls over financial reporting

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

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

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

Changes in internal controls over financial reporting

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

Disclosure of outstanding share data

The Company had the following Ordinary Shares, Stock Options and Warrants outstanding at 8 April 2020:

Ordinary Shares	58,959,551
Stock Options	2,569,250
Fully diluted ordinary shares outstanding	61,528,801

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

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

Qualified persons statement

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

Cautionary statement on forward-looking information

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

Risks and uncertainties

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

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

UNCERTAINTIES CAUSED BY COVID 19

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

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

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

The Group has an outstanding obligation to pay US$12 million to Equinox Gold Corp. ("Equinox") as a final installment for the purchase of the Coringa gold project. It has been now agreed that this debt will start to be paid in monthly installments until such time as certain travel restriction imposed as a result of COVID 19 are lifted following which the full balance would become payable. On 21 January 2020 signed a subscription deed (the "Subscription Deed") with Greenstone Resources II LP ("Greenstone"), one of its major shareholders, for the issue of US$12 million of Convertible Loan Notes (the "Loan Notes"). With the uncertainty surrounding COVID 19 the Company and Greenstone agreed to extend the period for the satisfaction of certain conditions required for the completion of the transaction. As of the date of the approval and signing of these financial statements, the Group is in advanced discussions with Greenstone to amend the Loan Note subscription deed (the "Subscription Deed") to allow for partial subscriptions in respect of the Loan Notes in individual amounts of US$500,000 (the "Amended Subscription Deed"). If the Amended Subscription Deed is entered into by the Company and Greenstone, the partial subscriptions would then provide funds to the Group that could be applied to pay the monthly instalments to Equinox, until such time as any remaining balance of the Coringa Acquisition Payment can be satisfied in full. However, at the date of signing of this report and whilst both Greenstone and the Board of Directors have provided assurances that it is their intention to execute the Amended Subscription Deed, there can be no guarantee that the Amended Subscription Deed will be entered into in the form that the Directors currently anticipate or at all. This will place additional stress on the cash flow that the Group can generate over the coming months and may impact on the ability of the Group to retain the Coringa gold project which is pledged as security to Equinox until the full value of the consideration due for its acquisition is satisfied.

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

Risk	*Comment*	*Mitigation*
Changes in gold prices.	The profitability of the Group's operations is dependent upon the market price of gold. Gold prices fluctuate widely and are affected by numerous factors beyond the control of the Group. Reserve calculations and life-of-mine plans using significantly lower metal prices could result in material write-downs of the Group's investment in mining properties and increased amortisation, reclamation and closure charges.	Management closely monitors commodity prices and economic and other events that may influence commodity prices. The Board will use hedging instruments if and when it considers it appropriate.
Currency fluctuations may affect the costs of doing business and the results of operations.	The Group's major products are traded in prices denominated in US Dollars. The Group incurs most of its expenditures in Brazilian Reals although it has a reasonable level of expenses in US Dollars, UK Pounds and other currencies.	Management closely monitors fluctuations in currency rates and the Board may, from time to time, make use of currency hedging instruments.
Availability of working capital.	The Company is reliant on generating regular revenue and cash flow from its operations on a monthly basis to meet its monthly operating costs, meet debt repayment requirements and to fund capital investment and exploration programmes. It has no overdraft or stand–by credit facilities in place in the event of any operational difficulties or other events that may reduce or delay revenue receipts in the short term.	Management, in designing and planning the Group's operations, incorporates contingency planning. The Group has multiple mining faces to minimise geological and mining risk to operations, it has a modular plant to ensure gold processing can be maintained to the greatest extent possible at all times and deals with customers for its products who have good credit and standing in the industry. Management also manages the Group's commitments and obligations to maximise the level of cash holdings at any time and works closely with existing and potential lenders and other potential financing partners to ensure that, to the greatest extent possible, it can have access to additional cash resources or defer debt repayment obligations should any unexpected need arise.
No guarantee that the Group's applications for exploration licences and mining licences will be granted. ***Existing exploration licences may not be renewed or approved or***	There is no guarantee that any application for mining licences, the renewal of existing exploration licences or the granting of new exploration licences will be approved by the Agencia Nacional do Mineracao ("ANM"). The ANM can refuse any application. Persons may object to the granting of any exploration licence and the ANM may take those objections into consideration when making any decision on whether or not to grant a licence. The exploration licence for the Sao Chico property expired in March 2014. The Group applied for a full mining licence and the application and all supporting	Management maintains on-going dialogue with the ANM and other relevant government bodies regarding its operations to ensure that such bodies are well informed and also to help ensure that the Group is informed at an early stage of any issues of concern that such bodies may have. The Group employs staff and consultants who are experienced in Brazilian mining

Risk	*Comment*	*Mitigation*
converted into mining licences. ***Title to any of the Group's mineral properties may be challenged or disputed***	information and reports have been made in accordance with prescribed regulations. The Group has received no indications that the full mining licence will not be granted. At the current time mining operations at the Sao Chico Mine are carried out under a trial mining licence which was renewed in February 2020 and expires in October 2022. If and when exploration licences are granted, they will be subject to various standard conditions including, but not limited to, prescribed licence conditions. Any failure to comply with the expenditure conditions or with any other conditions, on which the licences are held, can result in licence forfeiture. The Group is in the process of applying for a mining licence in respect of the Coringa gold project. There can be no certainty that a mining licence will be issued or as to the time frame in which it will be issued.	legislation to ensure that the Group is in compliance with legislation at all times.
Other permits and licences required to conduct operations may not be renewed or may be revoked or suspended	The Group requires a number of permits and licences to be able to undertake its operations and these are issued by a variety of agencies and departments. The Group is required to provide regular reports and may be subject to inspections to ensure that it is in compliance with its obligations in respect of any licence or permit. Failure to comply with the obligations can result in fines, obligations to undertake remedial action and in cases where a breach is deemed significant can result in suspension until remedied. Permits and licences are issued for fixed periods and therefore subject to regular renewal. The renewal process may impose additional obligations on the Group that had not been imposed under previous licences and permits.	Management maintains on-going dialogue with the government bodies involved with the granting and control of mining operations to ensure that such bodies are well informed of the Group's activities and plans and also to help ensure that the Group is informed at an early stage of any issues of concern that such bodies may have. The Group employs personnel and consultants experienced in the various aspects of the licensing and permitting process to ensure that it maintains compliance with its obligations.
The Coringa gold project is an advanced stage development project requiring permitting and construction before production can commence	The Group acquired the Coringa gold project in December 2017. Whilst the Group has been awarded a trial mining licences and an initial operating licence, it is still in the early stages of obtaining all the necessary permits and licences required to allow full scale mine development and plant construction to commence and there can be no certainty that it will be granted all the necessary	The Group has been operating in the region for a number of years and in general is dealing with the same government agencies and bodies that have oversight of the operations in the Palito Mining Complex. The Group considers that it has developed good relations and understanding with the government bodies and agencies who will grant these licences and these same bodies

Risk	*Comment*	*Mitigation*
	licences and permits or as to the time frame in which these will be issued.	have been supportive of Serabi's acquisition of the project.