Co. No. 05131528

Serabi Gold plc
Annual Report 2014

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Contents

Welcome to Serabi Gold plc

Serabi Gold plc is a company engaged in the evaluation and development of gold projects in Brazil. During 2014 it has seen the successful start-up of the Palito gold mine and commenced the development of its the neighbouring high grade Sao Chico gold project, ore from which is expected to start being processed in the second quarter of 2015. The Company anticipates that it will achieve gold production for 2015 of 35,000 ounces, a 90% increase on its 2014 output, with a further increase in 2016 once Sao Chico is in full production.

The Company's projects are located in the Tapajos region of northern Brazil. There has been little systematic exploration in the region which covers an area of approximately 100,000 km² in the southwest of Para state. However, historic production in the region from alluvial and small-scale surface mining operations by local garimpeiros has officially been estimated at up to 10 million ounces whilst actual production is believed to be two to three times higher.

The Palito Mine with a Measured and Indicated Resource of 206,466 ounces of gold at a grade of over 7.5 g/t, is a narrow-vein underground mining operation and reflects the Company's desire to concentrate on high quality projects with low capital costs and early repayment of capital. Palito is a small-scale, high-grade operation using selective mining techniques with an initial production target of around 24,000 ounces per annum. In July 2013 Serabi acquired the Sao Chico gold project located some 25 kilometres by road from Palito and the Company embarked on a successful drilling campaign at Sao Chico during 2013. Management took the decision at the end of 2013 to start the development of Sao Chico as a satellite deposit providing supplemental high grade gold ore to the Palito processing plant to increase the Group's overall gold production. Average resource grades at Sao Chico are in excess of 25 g/t and whilst the current NI43-101 compliant resource is small, management is confident of the potential for this to be expanded. The underground mine will be in development for much of 2015 with the first development ore expected to be trucked to and processed through the Palito gold plant during the second quarter of 2015.

Cash flow from production activities will be used to fund further exploration, focused on further expansion of Sao Chico and three discoveries made by Serabi during 2011 located within three kilometres of the existing Palito deposit. If this exploration is successful it is the Company's objective to expand production further through the future development of these opportunities.

In addition to the Palito Mine and the Sao Chico gold project the Company holds, or has in application, exploration licences over a surrounding 41,000 hectares of highly prospective exploration tenements and holds or is seeking additional exploration holdings in the Tapajos region.

Overview
Why Brazil?

Brazil has a well-developed mining culture. The Tapajos has seen significant artisanal gold production but little systematic exploration of the underlying hard-rock resources.

Brazil's current mining industry traces its roots to the 1670's, when the first alluvial gold discoveries were made in streams not far from present day city of Belo Horizonte. The country is now host to a number of world class deposits across a range of minerals and Brazil today is amongst the largest producers of iron ore, tantalite, manganese and niobium, and a significant producer of several other minerals, such as bauxite, magnesite, copper, tin and zinc, as well as gold. The mining sector in Brazil accounts for about 5% of the country's GDP.

Whilst a major player and having a long mining history, significant potential still exists for new projects as the country has not experienced the same levels of exploration activity relative to other parts of the world; a consequence of restricted access for international mining companies until recent times.

With its history in mining and having been a major beneficiary of the recent commodity boom, the country boasts a well-developed mining culture providing an experienced work force to draw from, and a diverse and established range of support services across all aspects of mining related activity and technological development.

A second major gold rush occurred in the 1970s and 1980s when new hard rock mines were established and artisanal production by garimpeiro's was widespread. During this time the northern state of Para and the Tapajos region, which covers an area of approximately 100,000 km² in the southwest of Para and where the Company's current projects are located, became one of the major centres of this garimpeiro activity. Historic production in the region from alluvial and small scale surface mining operations by these garimpeiros has officially been estimated at up to 10 million ounces whilst actual production is believed to be two to three times higher. The garimpeiros were, however, only able to exploit the relatively shallow oxidised zones and there has been little systematic exploration of the underlying hard-rock resources which remain untouched. Serabi's management believe that significant potential exists within the Tapajos. With one mine now in production and its second mine in development, it is the only Company with a mining licence in the region and considers that it is now well placed to build further on its current production success.

Overview
Our Year in Review

JAN

First full month of ore processing at Palito

FEB

First shipment of copper/gold concentrate from Palito

Submission of Final Exploration Report for Sao Chico to the DNPM

MAR

Completed US$16 million equity placement for development of Sao Chico

APR

MAY

Acquired second ball mill to expand production capacity

JUN

Commercial production declared at Palito

Second ball mill installed and operational

JUL

First stoping ore produced at Palito

2014 Highlights

Gold production
18,452 ounces

Grade mined
9.95 g/t

Tonnes mined
76,500 tonnes

Average gold price achieved
US$1,230 per ounce

Mine portal established at Sao Chico

US$8 million loan facility with Sprott completed

Carbon-in-Pulp leaching circuit commissioned

AUG SEP OCT NOV DEC

First gold pour from the Carbon-in-Pulp plant at Palito

Intersected first development ore at Sao Chico

Cash cost of production
(July to December 2014)

US$793 per ounce

All in Sustaining Costs
(July to December 2014)

US$1,034 per ounce

Strategic Report
Chairman's Statement

2014 has been an exciting and successful year for Serabi and has laid a strong foundation which the Company will continue to build on. The Palito mine and process plant are now fully operational and during the second quarter of 2015 we expect to start processing ore from our second mine at Sao Chico. The Board originally announced its plan to bring the Palito Mine into production in June 2012 and, less than three years later, we will, during 2015, have two mines in operation. It is very rewarding to be a part of a junior mining company that continues to deliver on its plans.

The Palito Mine is operating smoothly and is now consistently producing the tonnages and grades that were projected in the Preliminary Economic Assessment issued back in 2012. Following completion and commissioning of the Carbon-in-Pulp circuit at the end of the third quarter of 2014, the gold recoveries are also now reaching the forecast levels. With Palito settling into a steady routine, we are now switching our attention to the successful development of Sao Chico.

All of the initial indications for Sao Chico are highly encouraging both in the short and longer term. The first intersection of the Main Vein from the mine development, in January 2015, yielded a result of 3.6 metres with a gold grade of over 40 g/t. With more than 70 metres of development now completed to the east and west of this initial intersection we are seeing excellent continuity of the mineralised structures all of which is highly encouraging. This development ore is being stockpiled and will shortly start being transported to Palito for processing. The short term production outlook is therefore very positive. A new drill programme has also just started at Sao Chico and with the discovery of additional veins during the development of the mine portal, the long term potential for Sao Chico and further resource growth is excellent.

Whilst we anticipate that Sao Chico will still be in development for much of 2015, combined gold production from Palito and Sao Chico for the year will almost double from the 2014 production level of 18,452 ounces with a full year 2015 production target of 35,000 ounces. We also expect further growth in 2016 when Sao Chico is in production for a full twelve month period. It is important to note that we are anticipating our All-In Sustaining Costs for 2015 to be below US$950 and with increased production levels anticipated for 2016, we would hope that this will allow the Company to reduce this cost statistic further in 2016.

Whilst the gold price has traded between US$1,145 and US$1,380 over the last 15 months, over that same period the Brazilian Real has fallen in value from around BrR$2.35 to US$1.00 to recent levels in the range of BrR$3.20 to US$1.00, a 26% decline. Our base case economics in 2012 were predicated on a gold price of US$1,400 per ounce equivalent at that time to around BrR$2,800 per ounce. The declining value of the Real has however insulated Serabi's operations against the fall in gold price by bringing down the effective operating costs. We estimate that some 80% of our operational costs are denominated in Brazilian Reais. Whilst the current exchange rate is at a 10 year low, it would appear that the economic woes that have driven this decline in the Real are unlikely to be reversed quickly. Inflation is at 6.5%, local interest rates have recently risen to 12.75% and unemployment rates, which had long been falling, had been a driver in wage growth particularly in the state sponsored public sector and been below 5% for much of 2014, increased in January 2015 to 5.4%. Austerity measures are being introduced and with the economy expected to contract in 2015, it seems likely that the Real will remain weak in the near to medium term.

Compared with many of our peers in Brazil we are now in the fortunate position of generating income and, with much of the capital requirements for Sao Chico being incurred in the first half of 2015, we are expecting to be producing positive cash flow which will allow us to retire our current debt arrangements and start to look for new growth opportunities both organically and potentially through acquisition. We are indebted to our major shareholder, Fratelli Investments, for the strong support that they continue to provide and I am confident that their faith will be rewarded.

Finally I would like to say a huge thank you to all our staff for their continued commitment and diligence. With so many stories of problems arising from cost over-runs, poor management or failure to grasp technical issues, we are fortunate to have assembled a team that has successfully delivered at Palito and I am confident they will deliver the Sao Chico Mine on time and within budget. On behalf of the Board and the Company's shareholders I take this opportunity to express my gratitude to all our staff for their hard work over the past year.

I look forward to a successful and rewarding 2015.

T Sean Harvey
Chairman
30 March 2015

Our Strategic Model

Our Goal

Serabi's objective is to become a pre-eminent junior gold mining company in Brazil, securing future growth through expansion of its existing projects and, taking advantage of its position as a gold producer, to become involved with and successfully develop other carefully selected opportunities within the country.

Focus
Pursue gold mining opportunities in Brazil appropriate to the Company's size and capabilities.

Evaluate
Identify high quality opportunities through exploration or acquisition.

Develop
Plan, finance and build new mines in a timely and cost effective manner.

Operate
Seek continuous operational improvement to maximise value.

Return
Generate value for all stakeholders (investors, government and communities) to encourage the continuation of the cycle.

Strategic Report
2015 Operational Plans

Gold production of 35,000 ounces.

AISC of US$900 to US$950.

New 43-101 resource estimate for Sao Chico.

Process coarse ore stockpile during first 4 months of 2015

Planned mined ore tonnage of circa 90,000 tonnes

Underground drilling to establish parallel veins structures on currently developed levels

2014 **2015**

Process stockpile of flotation tailings through Carbon-in-Pulp plant during 2015

Expected mined grade 8.5 g/t

PALITO

Develop along strike on the first two development levels to establish structural and grade continuity

Continue mine development to access the first two development levels

Limited stoping activity whilst mine is in development

First ore extracted during January 2015

First processing of ore expected during second quarter 2015

Planned ore tonnage of 23,000 tonnes

Complete 5,000 metre drill surface programme in Q2 2015

Expected mined gold grade of 12.0 g/t

SAO CHICO

Strategic Report
The Gold Market and Brazil

The latest statistics show that demand for physical gold remains relatively strong and the fourth quarter of 2014 showed a 6% improvement in demand to 987 tonnes compared with both the previous quarter and the corresponding quarter in 2013. Compared with 2013 overall demand fell in 2014 by around 4% although this was against the backdrop of a significant surge in consumer demand in 2013, which was unlikely to be repeated.

The significant outflows from Exchange Traded Funds ("ETF's") and similar products that were a feature of 2013 has not been repeated in 2014 and whilst there was an overall net outflow it was much reduced compared to 2013. As a result of steadying of market conditions the gold price has shown more recent signs of stabilising into a trading range between US$1,150/oz. and $1,250/oz. although short term volatility around speculation of US interest rate decisions remains.

Mine supply has increased by slightly less than 5% to 3,156 tonnes but overall supply has remained at 2013 levels as mine supply increases have been countered by reduced levels of recycling and 2014 has seen recycling levels at a seven year low, presumably as a result of lower prices. In their 2014 report on gold trends, Gold Fields Mineral Services note that whilst 2014 represents a record level of mine production, the rate of growth has decreased and in the wake of sharp falls in the gold price in 2011 and 2013 which prompted cut backs in development expenditures and a focus on cost cutting and rationalisation they expect mine supply to plateau in 2015. This trend should result in future supply constraints which would be supportive of gold prices in the long term.

Consumer demand continues to be led by China and India and whilst demand in India in the last quarter of 2014 outstripped that from China, for the whole year China remained marginally the biggest consumer. Jewellery continues to be the primary market for non-investment consumption of gold and demand over 2014 was steady and, whilst there will be a small reduction compared with 2013 consumption levels the figures remain above those seen in 2011 and 2012. Whilst ETF's have been net sellers in 2014, the levels (around 159 tonnes) show a significant reduction compared with the 880 tonnes that flowed from ETF's during 2013.

The strengthening of the US economy, the potential for US interest rate growth and the consequent strengthening of the US dollar have reduced the appetite for safe-haven investments but continued geopolitical events surrounding Ukraine, Syria and Iraq can be expected to continue to have a positive effect on some continued safe haven demand in the near term. With economic sanctions in place against Russia and strong rhetoric from President Putin in his question and answer session that was held at the start of the 2015 it remains to be seen how the tensioning of relationships between Russia and the West will play out. Notwithstanding the current cease-fire, the position between the rival factions remains tense and any resumption of hostilities could provide additional demand for gold as a safe haven with the prospect of Ukraine defaulting as its economy continues to struggle in particular in the light of threats from Russia to cease gas supplies. This uncertainty could extend to some of the Russian banks as access to global markets remains restricted and with falling oil prices adding to the pressure that sanctions are already placing on the Russian economy. Reports also indicate strong gold buying by the Chinese and Russian Central Banks in preference to or to replace US treasuries holdings and gold is representing an increasing percentage of their national reserves.

Many of these factors are not new however, and the net result over the last three or so years, has been a continued weakening of the gold price from its highs of 2011.

However, when looked at in currencies other than the US dollar and in particular those of emerging markets, the performance of the gold price has not been nearly so destructive as one might imagine. Over the last 24 months we have seen the gold price decline from almost US$1,700 at January 2013 to levels of around US$1,200 at the end of December 2014 equivalent to a 30% fall. Over the same time the weakening of the Brazilian economy and with it the Brazilian Real had restricted this fall in BrR$ terms to only 12% and in recent months the price of gold in BrR$ terms is higher now than at the beginning of 2013. There are too many factors at work here to assume that this apparent natural hedge position will continue to operate and provide a similar level of protection going forward. However history does suggest that in normal market conditions a level of natural hedge should continue to prevail.

Recent declines in the oil price remain an unknown quantity. Whilst in the short-term prices appear to have stabilised, production in the US continues to increase and stocks levels continue to grow. Observers will no doubt be watching for those weaker production economies that may, with sustained depressed prices, find themselves unable to absorb, or manage their economy within these reduced income streams and as a result find themselves at risk of defaults. One could imagine that such a scenario would provide a further boost to gold as a safe-haven investment.

The longer term outlook for gold would appear to remain strong, but short-term volatility is likely to remain closely linked to the speculation around US policy towards managing the economic recovery in the United States.

These charts cover the period from 1 January 2013 to 26 March 2015.

Strategic Report
Community and Social Responsibility

Serabi has been active in the Tapajos region and the area around the towns of Jardim do Ouro and Moraes d'Almeida in particular for over ten years and during this time has established strong relationships with these local communities.

The town of Jardim do Ouro was a centre of support for garimpo operations in the past but with declining garimpeiro numbers, the presence of Serabi's operations in the region has provided employment and service opportunities to this community.

Serabi provides further support to the welfare and development of this community through assistance with education and health facilities. The Company assisted with the building of a school and continues to provide support through the provision of computers and books. Serabi also makes available its medical facilities and provides weekly clinics at which its resident doctor and dentist are both available to provide diagnosis and treatment as well as providing education on avoiding illness through improvements to hygiene, diet and oral care.

The Company plans to help establish a school at the village of Sao Chico as part of its plans to integrate with the community and to use the medical facilities that it will develop there to provide a similar clinic to assist the Sao Chico community.

Moraes d'Almeida, a larger town at the junction of the BR163 (the main north south highway through the State of Para) and the Transgarimpeiro Highway to the west, is a source of key services as well as personnel. Serabi seeks to maximise the use of service businesses (particularly engineering, construction and fabrication) located here and in the towns of Itaituba to the north and Novo Progresso to the south to maximise the economic benefits to local businesses and individuals and to the State of Para.

COMMUNITY ENGAGEMENT

The Company plans to help establish a school at the village of Sao Chico as part of its plans to develop its integration with the community and to use the medical facilities that it will develop there to provide a similar clinic to assist the Sao Chico community.

SUSTAINABILITY

The Company has established its own small farm at Palito which produces salads and vegetables for our own consumption reducing the need to transport some foodstuffs. It also acts as a seedling nursery for the replanting as part of the remediation process and ensures that indigenous species are used as areas are returned to their native form.

Environmental regulation in Brazil is well developed and whilst overall responsibility for federal regulation and enforcement rests with the Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renovaveis ("IBAMA"), each state also has its own environmental bodies which issue and regulate environmental permits. Serabi seeks to work closely and transparently with Secretaria de Estado de Meio Ambiente ("SEMA"), the environmental agency for the State of Pará, to ensure that its operations are run in compliance with and above the requirements of prevailing legislation. The Company in addition to its on-going environmental monitoring procedures agrees with SEMA annual plans for remediation of areas of the Palito and, in time, the Sao Chico mines. Some of this work will include remediation of damage caused by activities prior to Serabi's involvement. Whilst Serabi does not have legal responsibility for these past activities the Company considers it good practice to recuperate those areas that were subject to past garimpo operations. For example in 2014, whilst the Company undertook significant earthmoving works to establish the underground mine entrance at Sao Chico, it has used this as an opportunity to re-contour the landscape where past artisanal mining activity had resulted in significant numbers of pits and other mine workings that were increasingly unstable and potentially dangerous.

The Company has also established its own small farm at Palito which produces salads and vegetables for our own consumption reducing the need to transport some foodstuffs. It also acts as a seedling nursery for the replanting as part of the remediation process and ensures that indigenous species are used as areas are returned to their native form.

The Company in addition to its on-going environmental monitoring procedures agrees with SEMA annual plans for remediation of areas of the Palito and, in time, the Sao Chico mines.

Strategic Report
Performance Review and KPIs

Performance review

The Group's principal objectives for 2014 were to achieve commercial production at the Palito Mine, complete the construction and commissioning of the Carbon-in-Pulp ("CIP") leaching and gold recovery circuit, complete the mine portal, and commence initial development mining at the Sao Chico Mine. Target production for Palito was set at between 23,000 to 25,000 ounces for the calendar year. These represented the major non-financial key performance indicators ("KPIs") for management.

The Company declared that commercial production had been achieved at Palito effective from the beginning of July 2014 and the CIP leaching and the associated gold recovery circuit was commissioned and operational at the start of the fourth quarter 2014 with the first gold pour being achieved in October 2014.

During 2014 the Company mined a total of 76,500 tonnes with an average gold grade of 9.95 g/t equivalent to contained gold production of 24,470 ounces. Delays with the commissioning of a second ball mill to increase plant throughputs and in the completion of the CIP leaching and the associated gold recovery circuit resulted in the Company only processing 85,987 tonnes of ore and producing 18,452 ounces of gold for sale. However the Company has established a coarse ore stockpile of unprocessed ore and a stockpile of tailings from the initial flotation recovery circuit and management consider that had the processing of these stockpiles during 2015 will recover much of the production shortfall compared with the initial target for 2014.

In October 2014, the Company completed the excavation of the mine portal at Sao Chico having spent some six months removing the top 25 metres of weathered saprolite material to expose the underlying bedrock. By the end of December 2014 some 90 metres of underground development had been completed and in January 2015 the underground development intersected the Main Vein which currently represents the principle known mineralised structure at Sao Chico. Mine development is continuing and the first ore is now being stockpiled. This material will be transported to the Palito Mine where the ore will be processed.

Further details regarding the operational performance during 2014 are set out in the Operational Review on pages 16 to 23.

Financial performance review

Whilst the Company started generating revenue from sales of copper/gold concentrate during the first quarter of 2014, the mine and process operations were still in a ramp-up phase and prior to the declaration of commercial production effective 1 July 2014 all of the revenues and mine operating costs were being capitalised as a Project in Construction. During this time the key financial KPIs monitored by the Board focused on levels and usage of cash, the monthly costs compared with forecasts and the capital development expenditures associated with the development of the Sao Chico project and the completion of the gold process plant at Palito.

With the declaration of commercial production from 1 July 2014 the Board introduced additional financial KPIs by using industry standard metrics such as Cash Costs and All-In Sustaining Costs to review the performance of the operations on a monthly basis.

Management of cash resources is key to the success of any mining operation and the Company has secured during the year financing facilities that have provided working capital to finance the sale of copper/gold concentrate which is currently the principal product and revenue stream for the Company and secured additional development capital to complete the development and commissioning of the Sao Chico Mine and allow production from this new mining operation to commence in the second quarter of 2015.

Further details regarding the financial performance during 2014 are set out in the Financial Review on pages 24 to 35.

Strategic Report
Principal Risks and Uncertainties

Economic Risks			
Risk	**Comment**	**Business Impact**	**Mitigation**
Changes in gold prices.	The profitability of the Company'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 Company. Reserve calculations and life-of-mine plans using significantly lower metal prices could result in material write-downs of the Company's investment in mining properties and increased amortisation, reclamation and closure charges.	High	Management closely monitors commodity prices and economic and other events that may influence commodity prices. The Board will use hedging instruments if and when it considers it appropriate.
Currency fluctuations may affect the costs of doing business and results of operations.	The Company's major products are traded in prices denominated in US dollars. The Company incurs most of its expenditures in Brazilian Reais although it has a reasonable level of expenses in US Dollars, UK Pounds and other currencies.	Medium	Management closely monitors fluctuations in currency rates and the Board may, from time to time, make use of currency hedging instruments.
Operational Risks			
Risk	**Comment**	**Business Impact**	**Mitigation**
Future exploration may not result in increased mineral resources.	Mineral exploration involves significant risks over a substantial period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. Even if the Company discovers a valuable deposit of minerals, it may be several years before production is possible and during that time it may become economically unfeasible to produce those minerals.	Medium	Management undertakes exploration only following careful evaluation of opportunities and designs programmes that seek to ensure that expenditure is carefully controlled and can be ceased at any time that management considers that the exploration prospect is unlikely to be commercially viable and does not warrant further evaluation.
No guarantee that the Company's applications for exploration licences and mining licences will be granted. Existing exploration licences may not be renewed or approved or converted into mining licences. Title to any of the Company's mineral properties may be challenged or disputed.	There is no guarantee that any application for additional exploration licences will be granted by the Departamento Nacional do Produção Mineral ("DNPM"). The DNPM can refuse any application. Persons may object to the granting of any exploration licence and the DNPM may take those objections into consideration when making any decision on whether or not to grant a licence. The exploration licence for the Sao Chico property expired March 2014. The Company has begun the process of applying for a full mining licence and has received no indication that provided that the content and form of the application is made in accordance with prescribed regulations that a mining licence would not be granted. 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.	High	Management maintains on-going dialogue with the DNPM and other relevant government bodies regarding its operations to ensure that such bodies are well informed and also to help ensure that the Company is informed at an early stage of any issues of concern that such bodies may have. The Company employs staff and consultants who are experienced in Brazilian mining legislation to ensure that the Company is in compliance with legislation at all times.
The Company is in the process of developing and starting mining operations at the Sao Chico gold project located close to the Company's Palito Mine but there is no certainty that the Company will be able to establish a commercially viable long term operation at Sao Chico.	Sao Chico has a small NI 43-101 compliant Measured and Indicated Resource and Inferred Resource and the Company has commenced development mining activity, with a view to establishing mine production operations to augment gold production levels for the Company. There is however no NI 43-101 compliant technical report commissioned to date to demonstrate whether or not this resource can be mined on a commercial scale or that any mining activities that might be undertaken will be profitable in the future.	High	Management has made its own assessment of the Sao Chico gold project and concluded that the commencement of development mining is the most appropriate next stage of evaluation having considered all the current available information. Management is confident, based on its experience and knowledge, that the Sao Chico project will be a commercially viable mining operation.

Strategic Report
Principal Risks and Uncertainties continued

Operational Risks continued

Risk	Comment	Business Impact	Mitigation
Exploration and development of the Company's other properties, including continuing exploration and development projects, and the construction of mining facilities and commencement of mining operations, will require substantial additional funding.	Whilst the Company anticipates that it will use cash flow generated from operation at Palito and Sao Chico to finance further exploration and development activities on the Company's other properties, any cash flow that the Company generates may not be sufficient to meet these future exploration and development activities. Failure to obtain sufficient financing will result in a delay or indefinite postponement of exploration, development or production on any of the Company's other properties or even a loss of a property interest.	Low	Management of capital resources is a high priority for the Company and prior to taking any development decision the Company will seek to ensure, to the greatest extent possible, that the development is fully funded and will manage the development budgets and programmes to minimise and anticipate any potential budget over-runs.
The Company may experience higher costs and lower revenues than estimated due to unexpected problems and delays.	New mining operations often experience unexpected problems during the development and start-up phases and such problems can result in substantial disruption to operations. Delays in construction or reaching Commercial Production in connection with the Company's development of its Sao Chico mine would increase its operating costs and delay revenue growth.	Medium	Management is experienced with similar mining operations and has gained valuable operational experience at Palito. Given the current stage of development of Sao Chico management considers that the risks of any significant delay or cost over-runs are limited.
Environmental legislation.	All phases of the Company's operations are subject to environmental regulation in Brazil. There is no assurance that existing or future environmental regulation will not materially adversely affect the Company's business, financial condition and results of operations.	Low	Environmental regulations are constantly changing and governed by both local and global concerns and initiatives. Management seeks to ensure that it adopts sound and compliant environmental principles. The operations of the Company are relatively small and management does not consider the scale of the operations to have a material environmental impact on its surroundings.
Exposure to mining hazards.	The Company is exposed to a number of risks and hazards typically associated with mining operations including environmental hazards; mining and industrial accidents; metallurgical and other processing problems; unusual and unexpected rock formations; flooding and periodic interruptions due to inclement or hazardous weather conditions or other acts of nature; mechanical equipment and facility performance problems; and unavailability of materials, equipment and personnel. These risks may result in: damage to, or destruction of, the Company's properties or production facilities; personal injury or death; environmental damage; delays in mining; increased production costs; asset write downs; monetary losses; and legal liability.	Medium	The Group's operational teams regularly monitor mining risks, and report to the CEO who in consultation with the Board is responsible, on behalf of the Board, for ensuring appropriate measures are in place for anticipating, and responding to, such matters.
If mineral resource estimates are not accurate, production may be less than estimated which would adversely affect the Company's financial condition and results of operations.	Mineral resource estimates are imprecise and depend on geological analysis based partly on statistical inferences drawn from drilling, and assumptions about operating costs and metal prices, all of which may prove unreliable. The Company cannot be certain that the resource estimates are accurate and cannot guarantee that it will recover the indicated quantities of metals. Future production could differ dramatically from such estimates for the following reasons: mineralisation or formations at the properties could be different from those predicted by drilling, sampling and similar examinations.	Medium	The Groups mineral resource estimates are prepared by either in-house staff or third party consultants who have considerable experience and as appropriate are certified in accordance with recognised international standards.

Operational Risks continued

Risk	Comment	Business Impact	Mitigation
The Company is required to obtain and renew governmental permits and licences in order to conduct mining operations, which can be a costly and time-consuming process.	In the ordinary course of business, the Company will be required to obtain and renew governmental permits and licences for the operations and expansion of existing operations or for the commencement of new operations. Obtaining or renewing the necessary governmental permits is a complex and time-consuming process. The duration and success of the Company's efforts to obtain and renew permits and licences are contingent upon many variables not within its control including the interpretation of applicable requirements implemented by the permitting or licencing authority. The Company may not be able to obtain or renew permits and licences that are necessary to its operations or the cost to obtain or renew permits and licences may exceed what the Company expects.	Low	The Group maintains good relationships with the appropriate licencing authorities and management are responsible for ensuring that conditions are adhered to and that renewals are submitted in a timely and complete manner.
The mining industry is intensely competitive in all of its phases and the Company competes with many companies possessing greater financial and technical resources than itself.	Competition in the precious metals mining industry is primarily for mineral rich properties that can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and the capital for the purpose of funding such properties. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties.	Low	The Company anticipates that it will be in a position to generate positive cash flow and have re-paid debt by the end of 2015 increasing its relative strength to attract and retain employees and to acquire and develop new properties and projects.

Country Risks

Risk	Comment	Business Impact	Mitigation
The Company's operations are conducted in Brazil and, as such, the Company's operations are exposed to various levels of political, economic and other risks and uncertainties.	The government of Brazil has been seeking to introduce a new Mining Code for some time and the matter continues to be area of debate. Any new legislation could result in all current applications being cancelled and require applicants to make new applications under the terms of and in compliance with the new Mining Code. Whilst only being re-elected in October 2014, the current government is losing support, the country is struggling economically and the Brazilian Real has fallen by over 35% against the US Dollar since May 2013. Against this backdrop the government may seek to reduce state subsidies on certain goods or, increase taxes and or royalties to boost state income.	Medium	The mining industry in Brazil is dominated by a small number of influential local companies and the interests and needs of smaller mining operations can be limited. The Company is affiliated with groups who help promote and lobby for the needs of smaller mining enterprises.

Other Risks

Risk	Comment	Business Impact	Mitigation
Finance risk.	Many of the Group's assets at the Palito and Sao Chico mines have been pledged as security to Sprott Resource Lending, with whom the Company signed a US$8 million credit arrangement during 2014. The Company is therefore reliant on meeting its loan obligations with Sprott in order to avoid the potential loss of these assets which could arise from the enforcement of this security.	Low	The Company is in compliance with its obligations under the loan agreements with Sprott and at the current time anticipates meeting the on-going debt servicing obligations.
Portfolio risk of having a single operating asset.	The Company is reliant on a single revenue-generating asset (the Palito gold mine). Any factors that affect production at Palito will consequently have a significant impact on the Group's results.	Medium	The commencement of operations at Sao Chico is providing a second source of ore for the Group. The Group remains reliant however on a single process plant although it has some optionality to maintain some production should medium to long term failures be experienced in certain elements of this plant.

By order of the Board

Clive Line
Company Secretary
30 March 2015

Management Discussion and Analysis
Operational Review

Palito has shown steady rates of increasing gold production during 2014 with the fourth quarter being the best as all elements of the process plant became operational. Mine tonnage and grades achieved for 2014 both exceeded budget.

At Sao Chico five previously unidentified veins were identified in the cut-back and a further three in the ramp all exhibiting mineable widths and grades and all of which lie outside the current geological resources. The initial intersection of the Main Vein orebody confirmed a payable intersection with a true width of 3.6 metres and a gold grade of 42.0 g/t. Development of the Main Vein is continuing along strike.

10,000 ounces

produced in the last four months of 2014

35,000 ounces

of gold production forecast for 2015 with an AISC of US$900 to US$950

Post Period Highlights

- Current forecast for combined gold production from Palito and Sao Chico in 2015 is approximately 35,000 ounces with All-In Sustaining Costs ("AISC") of between US$900 and US$950 per ounce.
- Monthly gold production at Palito during the first two months of 2015 has been maintained at the same monthly levels achieved in the fourth quarter of 2014.
- The Company commenced a surface drilling programme at Sao Chico during March 2015, and intends to release an updated resource estimation before the end of the third quarter of 2015.
- In January 2015, the underground development at Sao Chico reached the principal vein, where a 4.7 metre wide sub-vertical mineralised zone has been intersected recording gold assays of over 40 g/t over a 3.6 metre wide interval. Over 70 metres of development has now been completed and where results have been obtained, the zone continues to exhibit similar widths to the original intersection and grades in excess of 15 g/t.
- A surface stockpile of some 5,000 tonnes of ore from Sao Chico has been established and processing of this material at Palito will commence in the second quarter of 2015.

Operational Highlights – For three and twelve month periods ending 31 December 2014

Palito

- Gold production for 2014 was 18,452 ounces.(1)
- 7,819 ounces(1) were produced in the fourth quarter, a 42% increase over the third quarter.
- Mine production for the year totaled 76,500 tonnes of ore averaging 9.95 g/t gold, containing 24,400 ounces.
- Mill throughput for the year totaled 85,987 tonnes at 8.84 g/t gold for the year.
- The fourth quarter saw the Carbon-in-Pulp plant ("CIP") fully operational with gold recoveries increasing to over 90% as a result.

Sao Chico

- The mine portal was established at the end of September 2014 and over 90 metres of underground development was completed by the end of 2014.
- The first ore zones were intersected underground before the end of 2014 and a small surface ore stockpile was being generated.
- Five newly discovered gold bearing veins were identified in the excavated cutback and three further veins intersected underground, all exhibiting mineable widths and grades, indicating considerable opportunity for increased levels of ore development at Sao Chico than are currently planned.
- During November 2014, the Final Exploration Report ("FER"), submitted in the first quarter of 2014, was approved by the Departamento Nacional De Produção Mineral ("DNPM").
- An application has been submitted and now successfully protocoled by the DNPM for a new exploration licence immediately to the west of the existing Sao Chico licence area.
- All mining and surface mobile fleet, power generation and other necessary initial site infrastructure required for execution of the 2015 mine plan are at site and operational.

(1) Gold production figures are subject to amendment pending final agreed assays of the gold content of the copper/gold concentrate that is being sold to a refinery.

Outlook and Strategy

Palito

2014 represented the first year of operations at Palito and during the year gold production had shown steady rates of increase each quarter with the fourth quarter of 2014 being the best quarter for gold production as all elements of the process plant became operational. For the first nine months of the year processing had been primarily limited to flotation and it was only in October 2014 that the Carbon-in-Pulp ("CIP") plant came on-stream providing the opportunity to increase gold recoveries to in excess of 90%.

Over the last four months of the year, in excess of 10,000 ounces of gold was produced and during the calendar year approximately 24,000 ounces of contained gold was extracted from the mine. Mined tonnage and grades achieved for the year both exceeded budget.

The Palito Mine has now reached a relatively steady state of operations with mining activities in a balanced cycle of development and production and expected to generate some 90,000 tonnes of ore at around 8.50 g/t of gold during 2015. The gold production generated from this mined ore will be supplemented during 2015 by the reprocessing of stockpiled tailings accumulated during the first three quarters of 2014 by the flotation process and by running down surface stockpiles of ore that have been established over the first 12 months of operations.

As at the beginning of March 2015 the mine has been developed to the 24 metre relative level ("mRL") and whilst the Company plans to undertake further ramp development during the year to access the next level at -19mRL, significant focus will be given to accessing and mining known parallel vein structures on the existing mine production levels. These include the Chico da Santa zone which lies to the north of the primary G1, G2 and G3 veins. In addition, the Company is planning to introduce a new development access into the Senna structure which is located to the south of the Palito West vein complex and which during 2008 and 2009 produced oxide material of between 2.0 to 3.0 g/t.

The Company has, during 2014 and in the course of its development mining activity, encountered high grade ore shoots as the underground development was driven in the direction of the Palito South area. Development into these ore shoots is ongoing primarily on the 114mRL, where the Company now has on-lode development some 700m beyond any area that has previously been mined. These payable zones indicate depth continuity, similar to that seen elsewhere at Palito and as a result the Company is incorporating into its future mine plans production of ore from these ore shoots in the upper levels which have, to date, never been developed but represent a potential good source of additional ore.

Sao Chico

At Sao Chico, the fourth quarter of 2014 saw the underground development commence and over 250 metres of development has now been achieved. Five previously unidentified veins were intersected in the cutback and a further three in the ramp, with all eight of these previously unknown structures exhibiting mineable widths and grades and all of which lie outside the current geological resource. In January 2015 the ramp development intersected the Main Vein, the principal currently identified structure at Sao Chico, which exhibited visible sulphides. The Main Vein orebody has been fully exposed on the 218 mRL, approximately 30 vertical metres below the portal entrance, by a four metre high and four metre wide gallery, crossing the ore perpendicular to its strike. The initial sampling confirmed a payable intersection with a true width of 3.6 metres and a gold grade of 42 g/t gold. This development has now continued along strike, east and west with some 70 metres of on-lode gallery now completed. Sampling is ongoing.

During 2015, the Main Vein will continue to be developed and evaluated by on-lode development. The vein is sampled with each advance. The deepening of the main ramp, which is being driven at a 12% gradient, is also continuing to the next level, planned at 178 mRL, where the Main Vein will be intersected once again and similarly evaluated by on-lode development. The Company plans to undertake over 750 metres of ramp development and 2,700 metres of ore development at Sao Chico during the course of 2015.

With the notification of the approval of the Final Exploration Report ("FER") being issued in November 2014, the Company is continuing to progress the conversion of the Exploration Licence at Sao Chico to a Mining Licence. As the next major step in the conversion procedure, Serabi is in the process of completing and submitting the Plano Approvimiento Economico, a form of economic assessment prepared in accordance with Brazilian legislation. However, with the Guia de Utilização (a trial mining licence) already in place, all mining operations can continue in parallel. The issuing of the mining licence will also require submissions of a risk assessment and management plan, safety assessments, environmental and social impact studies, closure and remediation plans although the detailed scope of these reports is still to be confirmed by the relevant government bodies.

The Sao Chico Mine, whilst contributing to the Group's gold production during 2015, will be primarily in development and is not expected to achieve its full production potential until 2016. A 5,000 metre diamond drilling programme commenced in March 2015 and the results from this in conjunction with the on-lode development mining that will take place during 2015 will help the understanding of the ore body and facilitate the mine planning for 2016. The results will also be used to calculate a new global resource estimation in accordance with Canadian Securities Administrators National Instrument 43-101 ("NI 43-101"). Serabi hopes to be in a position to issue this new NI 43-101 compliant technical report before the end of the third quarter of 2015.

Management Discussion and Analysis
Operational Review continued

2015 Production Guidance
The Company is currently forecasting gold production for 2015 of approximately 35,000 ounces with an All-In Sustaining Cost of between US$900 and US$950 per ounce.

Longer Term Growth Opportunities
As well as the potential that exists to grow resources at Sao Chico, the Palito South, Currutela and Piaui prospects still provide excellent opportunities for identifying additional resources which could both enhance current production levels as well as extend the mine life. With the exception of the planned 2015 drilling programme that is underway at Sao Chico, no drilling or other exploration activity is currently planned on the other three discoveries. However once adequate cash flow is being generated the Company will step up its exploration activity and will be looking to add to its resource base and production potential through establishing additional satellite high-grade gold mines in relatively close proximity to Palito which will be a centralised processing facility. In this way the Company expects to be able to grow its production base at low capital cost, avoid the need for major infrastructure improvements to be in place for new operations to be commercially viable and have low environmental impact.

Management has and will continue to evaluate other opportunities within Brazil that it considers could increase the resource base and longer term production potential of the Company as well as having the potential to be value enhancing for its shareholders.

Palito Gold Mine – Para State, Brazil
History
The Palito gold mine is wholly owned by the Company, through its 100% owned subsidiary Serabi Mineração S.A. The Palito Mine and infrastructure lies some 4.5km south of the village of Jardim do Ouro and approximately 15km via road. Jardim do Ouro lies on the Transgarimpeira Road some 30km 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 300km south-east by paved road of the city of Itaituba which is also the municipal capital.

Palito is a high-grade, narrow vein, underground mine which was operated by the Company from late 2003 until the end of 2008. Between the beginning of 2005 until the end of 2008 the Company processed a total of 480,000 tonnes of ore through the plant at an average gold head grade of 6.76 g/t. Average gold recovery during the period was 90%, with copper recovery around 93%, providing total production over this period of approximately 100,000 ounces of gold.

In December 2010 the Company released a technical report (the NI 43-101 Technical Report for the Jardim do Ouro Project, Para State, Brazil) prepared by its consultants, NCL Brasil Ltda ("NCL"). The report estimated an NI 43-101 compliant Measured and Indicated mineral resource of 206,466 ounces of gold and Inferred mineral resources of 392,817 ounces of gold.

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

(1) Mineral resources are reported at a cut-off grade of 1.0 g/t.
(2) Equivalent gold is calculated using an average long-term gold price of US$700 per ounce, a long-term copper price of US$2.75 per pound, average metallurgical recovery of 90.3% for gold and 93.9% for copper.
(3) Addition errors arise through rounding differences.

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

In January 2012, the Company commissioned NCL to undertake a Preliminary Economic Assessment ("PEA") in compliance with NI 43-101 into the viability of re-establishing underground mining operations at the Palito Mine. The results of the PEA were announced by the Company on 13 June 2012 and the complete NI 43-101 compliant technical report was issued on 29 June 2012. On 17 January 2013 a placement of new shares raising gross proceeds of UK£16.2 million was completed to finance the development of the project in line with the plans and scope outlined in the PEA.

Palito Operational Review for 2014

By the end of December 2013 the Company had established a run-of-mine ("ROM") stockpile of ore of approximately 25,000 tonnes with an average gold grade of over 8.00 grams per tonne ("g/t"). Initial commissioning of the gold process plant commenced on 13 December 2013. For the first quarter of 2014 the operation was in a planned ramp-up phase and during the second quarter the Company continued to build upon this successful start-up targeting long-term plant throughput rates of 7,500 tonnes per month. On 23 July 2014 the Company announced that the Palito Mine had achieved commercial production with effect from 1 July 2014. The total resource at Palito comprises 25 high-grade, sub-vertical, narrow vein ore-bodies, of which eight are in the current mine plan. These eight veins are split between the Palito Main zone and the Palito West sectors. The veins are accessed and developed by a series of lode drives on levels set approximately 30 vertical metres apart. The highly competent ground conditions allow open-stope mining to be used.

During the first quarter of 2014 ore production from stopes began with mining from the first three stopes and three more in preparation. During the second quarter the preparation of these additional three stopes was completed and ore production from stopes slowly increased as the swell was drawn off. At the end of June 2014, management was satisfied that mine development was sufficiently advanced, with a number of future production stopes accessible, that it could from that time maintain an optimal balance between continued mine development and ore production from stopes. For the first six months of 2014 development ore had generated over 70% of the mined ore tonnes with a significant shift in the production balance occurring in the second half of 2014 with stoping now contributing the majority of the mined ore tonnage.

Underground development mining has continued well with more than 6,200 metres of horizontal development completed to the end of December 2014, with 1,348 metres coming in the fourth quarter, representing 21.6% of the annual total. Of this 1,348 metres, 36% (481 metres), was in ore development. Production activity is now in eight mining areas, three sectors in the Palito West area and five sectors in the Palito Main Zone. The main ramp has continued to be deepened and has now reached the 24mRL some 200 metres below the portal.

Mining operations during the fourth quarter were slightly below plan as a result of reduced equipment availability during December, with 25,308 tonnes being mined at an average grade of 9.28 g/t compared with a plan for the quarter of 27,000 tonnes at an average grade of 9.45 g/t. However for the year in total mined tonnages have exceeded planned levels with an aggregate of 76,500 tonnes having been mined at an average grade of 9.95 g/t compared with a plan of 68,300 tonnes at an average grade of 9.00 g/t. The improvements reflect better rates of productivity per employee and improved payability of the ore zones that were in development and production during the quarter. As a result of the higher rates of mine production the surface stockpiles of ore have not been depleted as much as was expected and the surface stockpile of coarse ore totalled approximately 11,000 tonnes at the year end.

In the plant, processing rates throughout 2014 have continued to improve having averaged approximately 9,600 tonnes per month during the fourth quarter. Throughput rates have shown consistent improvement having averaged 4,700 tonnes per month during the first quarter, increasing to an average of over 6,200 tonnes in the second quarter and approximately 8,000 tonnes in the third quarter. The Company deliberately elected to process lower grade stockpiled material during the initial months of the first quarter of 2014 whilst the plant was being commissioned and from mid-March feed grades were increased. Feed grades for the fourth quarter averaged 8.95 g/t and averaged 8.84 g/t over the calendar year. Gold production for the fourth quarter was 7,819 oz[(1)] an increase of 42% over the preceding quarter, which itself had been a 54% improvement over the second quarter of 2014. For the first nine months of 2014 the gold recovery process had been limited to flotation and gravity concentration only and as a result gold recoveries for the whole of 2014 are below the longer term expectations for the Palito operation. The tailings from flotation and gravity processing have been stockpiled for further processing through the CIP plant during 2015.

The majority of gold production from the processing of Palito ore is in the form of a copper/gold concentrate which is then shipped to smelters for further processing and sale. During the fourth quarter of 2014, 493 tonnes of concentrate were produced with average gold grades of approximately 388 g/t of concentrate and an average copper grade of approximately 24%. A total of 1,467 tonnes of concentrate was produced during 2014.

Management Discussion and Analysis
Operational Review continued

The commissioning of the CIP plant was completed shortly before the end of the third quarter, a delay of about a month compared with management's previous expectation. The first batch of gold loaded carbon was withdrawn from the circuit during mid-October and the first elution and gold pour was completed on 31 October 2014. The introduction of the CIP plant will allow the operation to increase gold recoveries and the Company anticipates, based on past performance and test-work, that over the life of the mine, gold recoveries in excess of 90% will be achieved.

A second ball-mill acquired in March 2014 became operational during the second half of July 2014 following a period of remediation. It was purchased in anticipation of establishing a second process line for ore from the Sao Chico operation. However, in the near term it is providing additional milling capacity to process some of the stockpiled material and maximise short-term production.

Summary production statistics for the twelve months to 31 December 2014

		Quarter 1	Quarter 2	Quarter 3	Quarter 4	FY 2014
Horizontal development	Metres	1,491	1,804	1,594	1,348	6,237
Mined ore	Tonnes	9,666	9,072	32,454	25,308	76,500
	Gold grade (g/t)	5.03	10.55	11.77	9.28	9.95
Milled ore	Tonnes	13,766	18,929	24,533	28,759	85,987
	Gold grade (g/t)	7.43	8.33	9.88	8.95	8.84
Gold production (1)	Ounces	1,882	3,236	5,515	7,819	18,452
Average realised price	US$	–(2)	–(2)	1,199	1,220	1,230

		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Average July to December 2014
Total cash cost of production (per ounce)	US$	–(2)	–(2)	908	712	793
Total all-in sustaining cost of production (per ounce)	US$	–(2)	–(2)	1,192	922	1,034

(1) Gold production figures are subject to amendment pending final agreed assays of the gold content of the copper/gold concentrate that is being sold to a refinery.
(2) The Company only declared commercial production to be effective from 1 July 2014 and data for these first two quarters is therefore not presented.

As 2014 has been the first year in which the plant has been operational there is no comparative information available for any equivalent period of 2013. The fourth quarter is only the second quarter of operation following the declaration of commercial production effective from 1 July 2014.

The mining fleet at Palito is relatively new and comprises three 20 tonne trucks, three underground drill rigs and four underground loaders. A fourth 20 tonne truck is deployed at Sao Chico on the preparatory works involved in the development of this deposit. The Company also owns various other mobile equipment including three front end loaders, a bulldozer and other smaller vehicles. Whilst additional equipment purchases are planned during 2015 these will primarily be dedicated to Sao Chico and from time to time the Company will transfer equipment between the two locations to supplement capacity as required.

Sao Chico Gold Project – Para State, Brazil

History

Sao Chico, acquired by the Company in July 2013 as part of the acquisition of Kenai Resources Ltd ("Kenai"), is represented by a single exploration licence area (AP 12836). Sao Chico is a small but very high grade gold deposit some 25km to the south west, along the Transgarimpeiro Highway, from Palito. The Sao Chico exploration licence was in force until 14 March 2014 and the Company, 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 which expired on 22 April 2014, and the Company is also in the process of extending this licence for a further period.

Sao Chico is a historic garimpo mining operation but exploration over the area has been limited. Prior to the acquisition of the project by the Company, the most significant recent exploration was a 22 hole programme extending to about 3,300 metres of diamond drilling conducted by Kenai during 2011. Following this drilling programme, Kenai commissioned Exploration Alliance Limited to produce a NI 43-101 compliant technical report including a mineral resource statement.

The report, issued on 15 October 2012, estimated a NI 43-101 compliant Measured and Indicated mineral resource of 25,275 ounces of gold and Inferred mineral resources of 71,385 ounces of gold. Since the acquisition of the property by Serabi, the Company has undertaken an infill and step out diamond drilling programme totalling 4,950 metres to enhance the existing resource in terms of both resource confidence and size. The drill programme was supplemented by ground geophysics, and a further 1,120 metre diamond drilling to test initial geophysical anomalies. The results from the ground geophysics have established other potential areas of interest within the Sao Chico exploration licence but the Company will undertake other confirmatory exploration work, including geochemistry, over these identified anomalies before embarking on any further drilling activity of these anomalies. The current Sao Chico gold resource which has grades in excess of 26 g/t considers only three vein structures, with a further ten more veins identified.

Mineral Resources	Tonnage	Gold (g/t Au)	Contained Gold (Ounces)
Measured	5,064	32.46	5,269
Indicated	21,423	29.14	20,006
Measured and Indicated	26,487	29.77	25,275
Inferred	85,577	26.03	71,385

- The effective date of the Mineral Resource is 30 May 2012.
- No cut-off grades have been applied to the block model in deriving the Mineral Resource reported above given insufficient drilling data.
- The Mineral Resource Estimate for the Sao Chico Gold Project was constrained within lithological and grade based solids. No optimisation studies have been applied to this high-grade, steeply dipping mineralisation.

Sao Chico Operational Review for 2014

Work commenced during February 2014 on the preparatory earth-works required to expose the bed-rock, and thereafter establish the mine portal. Whilst these earth-works were started during the rainy season it had been anticipated that they would take three months to complete, based on the assumption that the rainy season would, as usual, end in late March. Initial progress was good but the heavy rains continued until early June and as the ground became increasingly saturated, excavation conditions became extremely difficult and significantly worse than had been anticipated. With the onset of hot and dry conditions from early June, the ground rapidly dried out and work, to complete the excavation of the 20 metres of the deep unconsolidated saprolite that overlays the bedrock, was restarted and was completed during the third quarter.

Additional drainage and "water run off" areas have been constructed to ensure the long-term stability of the cut-back and protect the roadway that is the access point to the Sao Chico Mine. These features should help to ensure that a similar period and level of prolonged rainfall will not affect movement around and access to the mine.

Shortly before the end of September 2014, the first excavations to establish the mine portal were completed and the fourth quarter of 2014 saw the underground development commence with 95 metres completed prior to the end of December and a further 160 metres of development had been completed at the end of February 2015. Five veins were intersected in the cutback and a further three in the ramp and at the intersections all appear to be of mineable widths and grades. All eight of these previously unknown structures lie outside the current geological resource. In January 2015 the ramp development intersected the principal Main Vein which exhibited visible sulphides. The Main Vein ore body, which is the principal structure within the current geological resource, has now been fully exposed at the 218mRL, by a four metre high and four metre wide gallery that had crossed the Main Vein perpendicular to its strike. Sampling confirmed that the intersection had an average true width of 3.6 metres with a gold grade of 42 g/t gold. The Main Vein has now been developed on-lode for some 70 metres, with sampling incomplete. However where results have been obtained, the zone continues to exhibit similar widths to the original intersection and grades in excess of 15 g/t.

The decline ramp is being driven at a 12% gradient initially to two development levels, at the 218 mRL and the 178mRL respectively, 30 vertical metres and 60 vertical metres below the surface. The development levels will follow the Main Vein to its strike extents to the East and West. This work will allow the Company to better evaluate the continuity and payability of the mineralisation. The Company plans to undertake over 750 metres of ramp development and 2,700 metres of ore development at Sao Chico during the course of 2015.

With all the mining and fixed fleet required for the 2015 mine plan in place along with the initial workforce, the Company expects to see continued good progress at Sao Chico. Ore transportation to Palito began in February and processing of Sao Chico ore is forecast to commence in the second quarter of 2015.

Management Discussion and Analysis
Operational Review continued

In March 2015, the Company commenced a 5,000 metre drilling campaign which will be a combination of in-fill and step-out drilling and the results from this, in conjunction with the on-lode development mining that will take place during 2015 will help the understanding of the ore body and facilitate the mine planning for 2016 as well as the preparation of a new NI 43-101 compliant global resource estimation for the Sao Chico project.

In February 2014, the Final Exploration Report ("FER") for Sao Chico 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 mining licence. Work is now underway on the preparation of the Plano de Approveimento Economico which is the next major requirement in the conversion process.

Jardim do Ouro Exploration
The Jardim do Ouro exploration area ("JDO Project") covers a total area of approximately 41,000 hectares, incorporating the Palito mining licence granted on 23 October 2007 covering an area of 1,150 hectares, with three exploration licences and five applications for exploration licences covering the remaining area. The JDO Project is located in the Tapajós Mineral Province in the south east part of the Itaituba Municipality in the west of Pará State in central north Brazil.

The recent focus of the Company has been on the identification and development of satellite ore deposits located in close proximity to Palito. The Company completed two air-borne electro-magnetic ("VTEM") surveys in 2008 and 2010 over a total area of 14,500 hectares. From these surveys the Company identified a number of geophysical anomalies which it considers worthy of further investigation. During 2010 and 2011 the Company undertook a 12,000 metre drilling campaign over nine of these anomalies which resulted in the discovery of the Palito South, Currutela and Piaui prospects.

Palito – Near Mine Exploration
The underground development of Palito is being driven towards the Palito South area but the Company has no plans during 2015 to undertake further exploration on either this or the Currutela and Piaui prospects or undertake further investigation of other anomalies. Once adequate cash-flow is being generated from production operations, the Company intends to use some of this cash flow to advance these exploration opportunities.

Sao Chico Exploration
Sao Chico is located in the South West corner of the JDO Project. During 2013 the Company completed a 6,000 metre drilling programme which more than doubled the known 150 metre strike extension of the principal mineralised structure ("the Main Vein") at Sao Chico and confirmed the presence of a number of parallel mineralised structures. The development mining activities planned during 2015 in conjunction with the planned 5,000 metre surface drilling programme will further evaluate the Main Vein and the immediate parallel structures. At this time no additional work is planned in the wider area around Sao Chico, although the Company has identified a number of other prospective zones. Once adequate cash-flow is being generated from production operations, the Company intends to use some of this cash flow to advance these exploration opportunities.

Other Exploration Prospects
The Company has two other project areas, although activity on both of these projects has been limited in recent periods.

The Sucuba Project is located in the state of Para, and the Company has submitted two applications for exploration permits covering an area of 10,815 hectares. The Pizon Project, located in the state of Amazonas, represents 14,712 hectares, in two exploration licences, one granted and one in application. The Company has not engaged in any exploration activity at the Sucuba or Pizon projects during the past twelve months and has currently not budgeted for any exploration activity during the next 18 months.

Mike Hodgson
Chief Executive
30 March 2015

Management Discussion and Analysis
Financial Review

The devaluation of the Brazilian Real has provided a hedge against falling gold prices and the price of gold in Brazilian Real terms is higher now than at the beginning of 2013.

Increased production levels in 2016, when Sao Chico starts to achieve its full production potential, are expected to result in further reductions in unit production costs.

Cash holdings at 31 December 2014
US$9.8 million

Average gold price received
US$1,230 per ounce

Average AISC for July to December 2014
US$1,034 per ounce

Financial Highlights

- Sales since the declaration of commercial production on 1 July 2014 have been 780 tonnes of copper/gold concentrate generating sales of 8,149 ounces of gold.
- Production of gold bullion has been 1,866 ounces of gold.
- Average gold price received through 2014 was US$1,230 per ounce.
- Cash holdings at 31 December 2014 of US$9.8 million.
- Brazilian Real has devalued by approximately 20% since year end, providing potential cost benefits for 2015.
- Impairment provision of US$2.59 million reversed in the year.
- US$8.0 million loan facility completed with Sprott Resource Lending Partnership on 26 September 2014.
- Commercial production at Palito declared with effect from 1 July 2014.

Results of Operations

Three month period ended 31 December 2014 compared to the three month period ended 31 December 2013

The three month period ended 31 December 2014 represents the second financial quarter following the announcement by the Company on 23 July 2014 that the Palito Mine had achieved commercial production effective as of 1 July 2014. As the operation was in a construction phase during the same period in 2013 there were no sales revenues or operating expenses relating to gold production operations reported in the Income Statement for the three month period ended 31 December 2013 and all costs related to the Palito Mine during this three month period ended 31 December 2013 were capitalised.

The Company has recognised a gross loss for the quarter of US$394,542 (three months to 31 December 2013: US$Nil) and an operating gain for the three month period ended 31 December 2014 of US$1,764,972 in comparison to a loss of US$2,440,356 for the three months ended 31 December 2013. The Company recorded total revenue of US$7,374,461 on its Income Statement during the three month period to 31 December 2014 (three months to 31 December 2013: US$Nil).

The gross loss of US$394,542 can be analysed as follows:

Revenue from Ordinary Activity	US$
Gold Concentrate	5,408,194
Gold Bullion	1,275,205
Copper	660,478
Silver	30,584
Total Sales	**7,374,461**

Costs of Operation	
Operational costs	(5,721,922)
Shipping costs	(345,928)
Treatment charges	(186,063)
Royalties	(65,221)
Amortisation of Mine Property	(1,657,307)
Depreciation of Plant & Equipment	207,438
Total Operating costs	**(7,769,003)**
Profit from Operations	**(394,542)**

The Company can only recognise revenues in accordance with IFRS at such time as the risks and rewards of ownership of the goods transfers to the buyer. This is considered to be the date on which the copper/gold concentrate arrives in Hamburg where the Company's designated smelter is located.

During the final quarter of 2014 the Company recognised total sales of US$7,374,461. The sales can be separated between sales of copper/gold concentrate of US$6,099,256 and sales of gold bullion of US$1,275,205. During the three months to 31 December 2014 the Company produced 493 wet tonnes of copper/gold concentrate but revenue has only been recognised for 440 tonnes which had been delivered to the refinery in Hamburg. The unsold material is held as inventory.

Operating costs of US$5,721,922 relate to all mining and plant processing costs, as well as all general site costs incurred at Palito during the period to produce the final product sold. Labour costs for the three month period amounted to approximately US$2.5 million, mining consumables including maintenance costs amounted to US$2.1 million and plant consumables amounted to US$0.87 million. General site costs of approximately US$0.25 million make up the balance of the costs.

Shipping costs of US$345,928 includes all domestic road and river freight in Brazil from the Palito Mine to the international port at Belem and also international sea freight from Belem to Hamburg in Germany.

Treatment Charges of US$186,063 include US$166,096 relating to the treatment of the copper concentrate and levied by the refinery in Hamburg, Germany and US$19,967 for the cost of weighing, sampling and assay analysis carried out by a third party on behalf of the Company.

Royalty payments of US$65,221 comprise statutory levies payable in Brazil. Rates are uniform across all mining operations and currently comprise a 1% royalty on gold production and a 2% royalty on copper production.

The Company has undertaken a full review of all its plant and equipment during the fourth quarter of 2014. As a result of this review it has scrapped certain assets resulting in a book loss of US$90,200. It has also reviewed the depreciation charges calculated to date on each asset and identified overcharges arising in both the prior quarters of 2014 and prior financial years. The write back of depreciation charges on mine and plant equipment during the fourth quarter of 2014 of US$207,438 is the results of the adjustment required to correct these excess depreciation charges arising in earlier periods.

Following the commencement of commercial production on 1 July 2014, the Company has begun to amortise the capitalised value of the Palito Mine property. The cost base for the Mine Property is US$43.345 million, (including a provision for future mine development of US$6.4m), which have given rise to a charge for the period of US$1,657,307 (three months to 31 December 2013: US$Nil). This charge is calculated by reference to the number of mined ounces during the period compared with the total expected recoverable ounces during the currently anticipated life of the Palito Mine.

The gross loss of US$394,542 for the three month period ended 31 December 2014 was offset by a combined decrease against the three month period ended 31 December 2013 of other operating costs totalling US$495,377 comprising a decrease in administration expenses of US$443,317 and a reduction in the value of share based payments of US$52,061.

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Administration costs for the three month period ended 31 December 2014 have decreased by US$443,317 compared with the three month period ended 31 December 2013.

(i) Administration costs incurred in Brazil have increased by US$132,000. During the financial year ended 31 December 2013, whilst the mine site was in remediation and development, the Company treated as a capital cost of the mine certain administrative costs including accounting and IT related personnel costs. For the financial year 2014 and with the start of production operations the Company determined that all costs of administrative personnel not directly located at the Palito Mine, and acting in the functions of accounting, IT, personnel and including the local Country Manager would be treated as an administrative cost of the business.
(ii) This increase in administration expenses in Brazil is offset by a decrease of approximately US$213,000 relating to ICMS, a state sales tax levied in Brazil on products sold. The rates vary between states and the Company must account retrospectively for the increment on the rate charged in the state of supply and the rate levied in the state of consumption. During 2013 the Company did not assign this tax at source and as a result had an unassigned value at the end of 2013 which it treated as an administrative expense. During 2014 the Company has assigned this tax at source and the cost is included within Cost of Sales.
(iii) In July 2013 the Company acquired Kenai Resources Ltd and incurred expenses during the fourth quarter of 2013 relating to the winding down of his company and employment costs and employee terminations. With no similar expenditure in the fourth quarter of 2014 this has generated a saving in administration costs of US$102,000.
(iv) Legal and professional costs during the fourth quarter of 2013 also included costs relating to the acquisition of Kenai Resources Ltd. No similar expense has been incurred in the same period in 2014 resulting in a saving of US$123,000.
(v) During the three months ended 31 December 2014 the Company wrote back professional charges of approximately US$365,000 relating to a credit facility entered into with Sprott Resource Lending for US$8 million. In the preparation of the Company's year-end accounts it was determined that the correct accounting treatment requires that the total costs relating to the negotiation and documentation for this facility should be amortised over the life of the loan. The amortisation charge for the quarter to 31 December 2014 was US$75,000 resulting in a net write-back to administration costs of US$290,000.
(vi) During the fourth quarter of 2014 the cost of the corporate Head Office has increased relative to the fourth quarter of 2013 by approximately US$102,000 as a direct result of the increased activity of the Company. Included are cost increases relating to audit fees (US$30,000), staffing (US$38,000) as well as other general professional costs of approximately US$44,000. The Company has also incurred costs of US$44,000 relating to the evaluation of other projects in the fourth quarter of 2014.

Share-based payments decreased by US$52,061 from US$161,226 for the three month period ended 31 December 2013 to US$109,165 for the three month period ended 31 December 2014. 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 2014 is in respect of options granted between 1 January 2011 and 31 December 2014.

For the financial year ended 31 December 2014, the impairment provision of US$2,590,532 which was first established in 2009 was reversed. The impairment provision was made up of a provision against Mining Property of US$2,123,814 and US$466,718 against Plant and Equipment.

There has also been a write-back of a provision for contingencies of US$298,088 relating to a provision which was held at 31 December 2013 for potential labour settlements which the Company considers to be no longer required.

There was no write-off of deferred exploration costs during the three month period ended 31 December 2014. Deferred exploration expenditure totalling US$1,007,233 was written of during the three month period ended 31 December 2013. This exploration expenditure related to work carried out on the Pizon project located in the Amazonas state and was carried out before 2008. The Board determined that the project is no longer a priority for the Group and no further work is planned in the immediate future.

The Company recorded a foreign exchange gain of US$25,419 in the three month period to 31 December 2014 which compares with a foreign exchange gain of US$36,617 recorded for the three month period ended 31 December 2013. These foreign exchange gains and losses primarily arise 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 finance income for the three month period to 31 December 2014 was US$1,366,995 compared with a net interest loss of US$258,888 for the same period of 2013. An analysis of the composition of these charges is set out in the table below:

	December 2014 US$	December 2013 US$
Fee for provision of short-term loan	–	225,000
Finance cost on Sprott Loan	**120,000**	–
Interest on trade finance facility	**101,862**	–
Other interest and finance expenses	**79,726**	–
Asset finance charges	**24,756**	16,606
Interest expense on convertible loan stock	–	18,083
	326,344	259,689
Finance income	**(218,316)**	–
Gain on revaluation of Sprott derivative	**(123,670)**	–
Gain on revaluation of warrants	**(1,350,827)**	–
Interest income	**(526)**	(801)
	(1,366,995)	258,888

The finance costs relating to the Sprott loan comprise the pro-rated charges for the quarter of the arrangement fees in respect of this transaction and the amortisation charge for the quarter of the fair value ascribed to the call option granted to Sprott over 4,812 ounces of gold at a price of US$1,285 per ounce. The arrangement fees were US$280,000 and the fair value of the derivative was US$320,000. Both are being amortised over the life of the loan which is for a 15 month period expiring 31 December 2015.

The interest on trade finance loans of US$101,862 is the interest charged at source by Auramet Trading LLC who provide a working capital and gold trading facility secured against the debts due to the Company in respect of the sale of copper/gold concentrates.

The interest on the Sprott loan of US$79,726 is the cost of the first three months of interest paid in relation to funds advanced under the credit agreement with Sprott Resource Lending Partnership LLP.

Asset finance charges relate to mining equipment acquired under supplier credit terms. The lease terms are for a three year period and bear interest at the rate of 6.45% per annum. Lease interest charges are reducing as the capital element of the financing is paid down in monthly instalments.

The finance income receivable of US$218,316 relates to the income due to the Company arising from short-term movements in the gold price between the contractual pricing arrangements with the designated refinery and the price ruling when the Company draws down on the trade finance arrangement that it has in place.

The finance income of US$123,670 relates to the gain on the period-end revaluation of the fair value of the call options provided to Sprott Resource Lending Partnership LLP (as noted above).

As part of the share placing completed by the Company on 3 March 2014, the Company issued 100,000,000 warrants at an exercise price of 6 pence. At the date of issue the Company valued these warrants using a Black-Scholes model at US$1.68 million. Warrants are normally considered as part of equity but in this instance because the exercise price of the warrant is denominated in UK Sterling and the functional currency of the Company is US Dollars, under IAS 32 the warrants are not considered to be equity but instead a liability of the Company at the time of issue. At 31 December 2014, the Company has revalued the warrants in accordance with fair value accounting principles and determined that the value of the warrants at 31 December 2014 has reduced to US$332,173. The gain on this revaluation amounting to US$1,350,827 has been recorded as finance income and the liability reduced by the same value.

Twelve month period ended 31 December 2014 compared to the twelve month period ended 31 December 2013

The twelve month period ended 31 December 2014 incorporates the first two financial quarters following the announcement by the Company on 23 July 2014 that the Palito Mine had achieved commercial production effective as of 1 July 2014. As the operation was in a construction phase during the same period in 2013 there were no sales revenues or operating expenses relating to gold production operations reported in the Income Statement for the twelve month period ended 31 December 2013 and all costs related to the Palito Mine during this twelve month period ended 31 December 2013 were capitalised.

The operating loss decreased by US$4,395,931 from a loss of US$5,726,908 for the twelve months to 31 December 2013 to a loss of US$1,330,977 for the twelve month period to 31 December 2014. Whilst the Company has recognised a gross profit of US$296,541 following the commencement of commercial production, this has been offset by a higher level of administrative expenses during the twelve month period to 31 December 2014 compared with the twelve month period to 31 December 2013.

The Company can only recognise revenues, in accordance with IFRS, at such time as the risks and rewards of ownership of the goods transfers to the Buyer. This is generally considered to be the date on which the copper/gold concentrate arrives in Hamburg where the Company's designated refinery is located. In accordance with normal industry practice initial payments from the refinery only occur after specified contractual periods following the arrival of the material with the refinery.

During the year ended 31 December 2014 the Company had produced 1,467 wet tonnes of copper/gold concentrate whilst revenue has been recognised for only those 1,100 tonnes which have been delivered to the refinery in Hamburg. Of this revenue US$4,079,663 received from the sale of 320 tonnes of concentrate has been treated as relating to the period prior to 30 June 2014. As revenue generated prior to the declaration of commercial production this was credited against the development costs relating to the Palito Mine. Revenue of US$12,627,784 is comprised of US$11,019,197 (780 tonnes of copper/gold concentrate) and US$1,608,587 of gold bullion, recognised after 1 July 2014, the date at which commercial production was declared. At 31 December 2014, 120 tonnes of concentrate was in transit from the Palito Mine to the port of Belem, Brazil and a further 160 tonnes of concentrate was in transit from the port of Belem, Brazil to Hamburg, Germany. There was 87 tonnes of finished product held at site. This 367 tonnes of unsold material is held as inventory.

The decrease in depreciation charges of US$235,755 from US$534,491 for the twelve months to 31 December 2013 to US$298,716 for the twelve months ended 31 December 2014 is a result of the adjustment made to prior year depreciation charges on plant and equipment. The Company undertook a full review of all its plant and equipment during the fourth quarter of 2014. As a result of this review it has scrapped certain assets resulting in a book loss of US$90,200. It also reviewed the useful economic lives of assets at the commencement of commercial production and the depreciation charges calculated to date on each asset and identified overcharges arising in each of the previous quarters of 2014 and prior financial years. A write-back of depreciation charges on mine and plant equipment was necessary to correct the excess depreciation charges that had been made in earlier years. This adjustment did not have a material impact on the depreciation charge in the 12 month period ending 31 December 2014.

Following the commencement of commercial production on 1 July 2014, the Company has begun to amortise the capitalised value of the Palito Mine property. The cost base for the Mine Property is US$43.35 million, (including a provision for future mine development of US$6.40 million), which has resulted in a charge for the period of US$2,334,862 (twelve months to 31 December 2013: US$Nil). This charge is calculated by reference to the number of mined ounces during the period compared with the total expected recoverable ounces during the currently anticipated life of the Palito Mine.

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The effect of recording a gross profit of US$296,541 for the twelve month period ended 31 December 2014 was mitigated by comparison to the results for the twelve month period ended 31 December 2013 by an increase in other operating costs totalling US$353,594. This comprised an increase in administration expenses of US$399,759 and a reduction in the value of share-based payments of US$46,166. During the twelve months ended 31 December 2014 there was a write-back of a provision for contingencies totalling US$298,088 and the impairment loss of US$2,590,532 originally established in 2009 was reversed resulting in an overall operating loss of US$1,330,977.

Administration costs for the twelve month period ended 31 December 2014 have increased by US$399,759 compared with the twelve month period ended 31 December 2013.

(i) In July 2013 the Company acquired Kenai Resources Ltd and incurred expenses during the fourth quarter of 2013 relating to the winding down of his company and employment costs and employee terminations. With no similar expenditure in the 2014 financial year this has generated a saving in administration costs of US$263,000.

(ii) Costs relating to the corporate Head Office for twelve month period to 31 December 2014 have increased by approximately US$440,000. This generally reflects the increased level of activity of the Company compared with 2013 as a result of which salaries have increased by US$139,000 reflecting increased staffing levels and audit fees by US$70,000 reflecting the increased complexity of the financial affairs of the Company. The Company incurred in the first quarter costs relating to the securing of a short term loan from a major shareholder and then a share placement that also required compliance and approval of the UK Panel on Takeovers and Mergers. During 2013 the Company incurred legal costs on the acquisition of Kenai Resources Limited but the overall costs relating to the loan and share placing resulted in an overall increase of US$122,000 in 2014 by comparison with the 2013 financial year. The Company has also incurred an arrangement fee of US$50,000 in respect of a trade finance facility relating to advance payments for its sales of copper/gold concentrate and US$44,000 relating to the evaluation of other projects.

(iii) Administration costs incurred in Brazil have increased by US$313,674. During the financial year ended 31 December 2013, whilst the mine site was in remediation and development, the Company treated as a capital cost of the mine certain administrative costs including accounting and IT related personnel costs. For the financial year 2014 and with the start of production operations the Company determined that all costs of administrative personnel not directly located at the Palito Mine and acting in the functions of accounting, IT, personnel and including the local Country Manager would be treated as an administrative cost of the business.

(iv) Costs relating to bonus payments made by the Company to senior management personnel in the twelve month period ended 31 December 2014 have decreased by US$96,000 in comparison to the payments made during the same period of 2013.

Share-based payments decreased by US$46,166 from US$304,764 for the twelve month period ended 31 December 2013 to US$258,598 for the twelve month period ended 31 December 2014. 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 2014 is in respect of options granted between 1 January 2011 and 31 December 2014.

For the financial year ended 31 December 2014, the impairment provision of US$2,590,532 which was first established in 2009 was reversed. The impairment provision was made up of a provision against Mining Property of US$2,123,814 and US$466,718 against Plant and Equipment.

There has been a write-back of a provision for contingencies of US$298,088 relating to a provision which was held at 31 December 2103 for potential labour settlements which the Company considers to be no longer required.

There was no write-off of deferred exploration costs during the twelve month period ended 31 December 2014. Deferred exploration expenditure totalling US$1,007,233 was written of during the twelve month period ended 31 December 2013 (2013 US$Nil). This exploration expenditure related to work carried out on the Pizon project located in the Amazonas state and was carried out before 2008. The Board determined that the project is no longer a priority for the Group and no further work is planned in the immediate future.

The Company recorded a foreign exchange loss of US$33,742 in the twelve month period to 31 December 2014 which compares with a foreign exchange loss of US$170,358 recorded for the twelve months ended 31 December 2013. These foreign exchange losses 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 finance income for the twelve month period to 31 December 2014 was US$1,190,318 compared with US$366,967 for the twelve month period ended 31 December 2013. An analysis of the composition of these charges is set out in the table below:

	December 2014 US$	December 2013 US$
Fee for provision of short-term loan	**-**	225,000
Interest on trade financing loan	**228,510**	-
Interest on short-term loan	**101,782**	26,630
Finance Cost on Sprott Loan	**120,000**	-
Asset Finance charges	**81,501**	55,320
Interest on Sprott Loan	**79,726**	-
Interest expense on convertible loan stock	**75,763**	67,951
Other interest and finance expenses	**-**	(359)
	687,282	374,542
Finance income	**(366,962)**	-
Gain on revaluation of warrants	**(1,350,827)**	-
Gain on revaluation of Sprott derivative	**(123,670)**	
Interest income	**(36,141)**	(7,575)
	(1,190,318)	366,967

The interest on trade finance loans of US$228,510 is the interest charged at source by Auramet Trading LLC who provide a working capital and gold trading facility secured against the debts due to the Company in respect of the sale of copper/gold concentrates.

The interest on the short-term loan of US$101,782 relates to interest paid on the short-term loan provided by Fratelli investments Limited which is documented further in the subsequent section, Liquidity and Capital Resources.

The finance costs relating to the Sprott loan comprise the pro-rated charges for the quarter of the arrangement fees in respect of this transaction and the amortisation charge for the quarter of the fair value ascribed to the call option granted to Sprott over 4,812 ounces of gold at a price of US$1,285 per ounce. The arrangement fees were US$280,000 and the fair value of the derivative was US$320,000. Both are being amortised over the life of the loan which is for a 15 month period expiring 31 December 2015.

Asset finance charges for the year of US$81,501 relate to mining equipment acquired under supplier credit terms. The first instalment was settled in June 2013 when the first item was received in Brazil. The lease terms are for a three year period and bear interest at the rate of 6.45% per annum. Lease interest charges are reducing as the capital element of the financing is paid down in monthly instalments.

The interest on the Sprott loan of US$79,726 is the cost of the first three months of interest paid in relation to the loan provided by Sprott Resource Lending Partnership LLP.

The interest expense relating to the convertible loan represents the amortisation of the fair value of the equity portion of this convertible loan stock prior to its repayment in October 2014. The deemed interest charge calculated under IAS 32 increases annually as the equity portion is amortised and the loan value increased.

The finance income receivable of US$366,962 relates to the income due to the Company arising from short-term movements in the gold price between the contractual pricing arrangements with the designated refinery and the price ruling when the Company draws down on the trade finance arrangement.

As part of the share placing completed by the Company on 3 March 2014, the Company issued 100,000,000 warrants at an exercise price of 6 pence. At the date of issue the Company valued these warrants using a Black-Scholes model at US$1.68 million. Warrants are normally considered as part of equity but in this instance because the exercise price of the warrant is denominated in UK Sterling and the functional currency of the Company is US Dollars, under IAS 32 the warrants are not considered to be equity but instead a liability of the Company at the time of issue. At 31 December 2014, the Company has revalued the warrants in accordance with fair value accounting principles and determined that the value of the warrants at 31 December 2014 has reduced to US$332,173. The gain on this revaluation amounting to US$1,350,827 has been recorded as finance income and the liability reduced by the same value.

The finance income of US$123,670 relates to the gain on the revaluation of the derivative at the period end provided to Sprott Resource Lending Partnership LLP.

The other income received of US$36,140 relates to interest received in both the UK and Brazil on various bank accounts held by the Company and reflects prevailing interest rates and the levels of balances held on short-term deposits.

Summary of financial results for the three most recently completed financial years

	For the year ended 31 December 2014 US$	For the year ended 31 December 2013 US$	For the year ended 31 December 2012 US$
Revenue	**12,627,784**	–	–
Loss from continuing operations	**(174,401)**	(6,264,233)	(4,736,986)
Total assets less current liabilities	**71,537,472**	62,759,262	41,449,694
Total non-current liabilities	**4,618,921**	2,724,555	2,188,693
Distribution of cash dividends	**–**	–	–
Loss per ordinary share (basic and diluted)	**(0.03¢)**	(1.60c)	(5.29c)

As noted in this review, the Company has transitioned over the past three years from an exploration and development company, to become a gold producer in 2014 having declared commercial production at its Palito Mine effective from 1 July 2014. Its losses in the last two years have principally reflected the administrative costs of the business, exploration and development costs that have not been capitalised or past exploration and development costs have been written off. At the beginning of 2013 it embarked on the preparation of a Preliminary Economic Assessment for its Palito Mine and secured access to finance to commence development of the Palito Mining operation during the second half of 2012. The development of the Palito Mine continued during 2013 with commissioning of the major part of the gold processing plant completed in December 2013 and the first shipment of copper/gold concentrate leaving the Palito Mine during February 2014.

The growth in its asset base reflects the raising of capital that has taken place in each year which has primarily been used to finance the development and construction of the Palito Mine and for the acquisition and development of the Sao Chico Mine.

The financial statements have been prepared for each of the last years on a consistent basis and as described in the audited financial statements for each of the last three financial years. The adoption of new accounting standards are not considered to have had any material effect on the financial statements of any prior period had those financial statements been prepared using any new accounting standard.

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Summary of quarterly results

	Quarter ended 31 December 2014 US$	Quarter ended 30 September 2014 US$	Quarter ended 30 June 2014 US$	Quarter ended 31 March 2014 US$
Revenues	7,374,461	5,253,323	–	–
Operating expenses	(6,319,134)	(3,378,532)	–	–
Amortisation of mine property	(1,657,307)	(677,555)	–	–
Depreciation of plant and equipment	207,438	(239,849)	–	–
Gross profit/(loss)	(394,542)	957,387	–	–
Administration expenses	(619,941)	(1,243,580)	(1,482,040)	(911,979)
Depreciation of plant and equipment	–	–	(140,322)	(125,983)
Option costs	(109,165)	(76,006)	(43,840)	(29,587)
Write-back of provision for contingencies	298,088	–	–	–
Write-back of provision for impairment	2,590,532	–	–	
Operating profit/(loss)	1,764,972	(362,199)	(1,666,202)	(1,067,549)
Exchange	25,419	(68,037)	18,794	(9,918)
Net finance income/(cost)	1,366,995	24,806	(21,329)	(180,154)
Profit/(loss) before taxation	3,157,386	(405,430)	(1,668,737)	(1,257,621)
Profit/(loss) per ordinary share (basic)	0.48 cents	(0.06) cents	(0.25) cents	(0.24) cents
Deferred exploration costs	11,799,271	24,888,399	26,508,924	25,607,411
Property, plant and equipment	54,103,898	39,381,145	43,412,368	38,549,235
Total current assets	27,159,740	21,878,828	18,040,230	19,954,894
Total assets	93,062,909	86,148,372	87,961,522	84,111,540
Total liabilities	*26,144,358*	*16,259,911*	10,614,015	6,936,353
Shareholders' equity	66,918,551	69,888,461	77,347,507	77,175,187

Summary of quarterly results

	Quarter ended 31 December 2013 US$	Quarter ended 30 September 2013 US$	Quarter ended 30 June 2013 US$	Quarter ended 31 March 2013 US$
Revenues	–	–	–	–
Operating expenses	–	–	–	–
Gross profit/(loss)	–	–	–	–
Administration expenses	(872,677)	(816,887)	(655,607)	(908,753)
Provision for indirect taxes	(213,220)	(263,250)	(150,026)	–
Option costs	(161,226)	(47,846)	(47,846)	(47,846)
Write-off of past exploration expenditures	(1,007,233)	–	–	–
Depreciation of plant and equipment	(186,000)	(127,850)	(112,974)	(107,667)
Operating loss	(2,440,356)	(1,255,833)	(966,453)	(1,064,266)
Exchange	(36,618)	98,078	23,400	(255,218)
Net finance costs	(268,589)	(44,174)	(14,462)	(39,742)
Loss before taxation	(2,745,563)	(1,201,929)	(957,515)	(1,359,226)
Loss per ordinary share (basic and diluted)	(0.01) cents	(0.27) cents	(0.27) cents	(0.43) cents
Deferred exploration costs	24,659,003	25,950,041	16,375,076	17,696,480
Property, plant and equipment	36,008,318	36,603,692	30,228,704	29,187,365
Total current assets	9,020,774	10,134,384	17,758,039	21,881,077
Total assets	69,688,095	72,688,117	64,361,819	68,764,922
Total liabilities	9,653,388	7,504,716	5,432,817	4,857,524
Shareholders' equity	60,034,707	65,183,401	58,929,002	63,907,398

Liquidity and Capital Resources

On 20 December 2013, the Company entered into a secured loan agreement for a total facility of US$7.5 million with Fratelli Investments Limited ("Fratelli") and at the same time entered into a conditional subscription agreement with Fratelli for the placement of up to 162.5 million units as part of a placement of up to 200 million units to raise up to UK£10 million. As at 31 December 2013, the Company had drawn down US$2.75 million of the US$7.5 million facility. Under the Loan Agreement Fratelli agreed to provide up to US$7.5 million, to be drawn down in three instalments commencing from the date of the agreement, to provide working capital to the Company and the Group during the start-up phase of gold production at Palito and to finance the initial development at the Sao Chico gold project. The loan was to be repaid by the earlier of 30 April 2014 and the date falling seven days after the funds due from Fratelli under the conditional subscription were received and carried interest at a rate of 12% per annum and an arrangement fee of 3% of the facility amount. The loan was secured against (i) the entire share capital of Serabi Mining Limited, a subsidiary of Serabi Gold plc, and the 99.99% shareholder of Serabi Mineração SA, which is the licence holder for the Palito Mine and (ii) the entire share capital of Kenai Resource Ltd, a subsidiary of Serabi Gold plc and the 100% shareholder of Gold Aura do Brasil Mineração Ltda, which is the licence holder for the Sao Chico project. In addition the Company also made a charge in favour of Fratelli over all current and future sums owed by Serabi Mineração SA to Serabi Gold plc. Following completion of the share placing on 3 March 2014, all amounts borrowed by the Company under the loan facility plus accrued interest of US$101,782 were repaid to Fratelli and all security released.

On 3 March 2014, the Company completed a placing of 200 million units at a price of UK£0.05 per unit raising gross proceeds of UK£10 million. The share placement was pursuant to a conditional subscription agreement entered into on 20 December 2013 between the Company and Fratelli Investments Limited ("Fratelli") to subscribe for a minimum of 125 million units and a maximum of 162.5 million units to finance initial development and underground drilling at the Sao Chico project and to provide further working capital to the business during the start-up phase of gold production at Palito. The final form of the investment by Fratelli comprised of (a) a subscription for 125 million units at the Subscription Price of 5 pence per unit; and (b) a further subscription for 27.5 million units at a subscription price of 5 pence per unit. The Company procured third party investment not deemed to be acting in concert with Fratelli for 47.5 million units.

Each unit comprised one new ordinary share and one half of a warrant. Each whole warrant entitles the holder to subscribe for one new ordinary share at a price of UK£0.06 for a period of two years from the date of issue.

On 26 September 2014 Serabi Gold plc entered into a US$8 million credit facility (the "Sprott Facility") with the Sprott Resource Lending Partnership ("Sprott") to be used to provide additional funding for the continued development of the Palito Mine and the Sao Chico gold project, to finance an additional drilling programme at Sao Chico and for general corporate purposes. The Sprott Facility is for a term expiring on 31 December 2015 and carries interest at a rate of 10% per annum.

On 31 December 2014 the Group's net assets amounted to US$66.92 million which compares to US$60.03 million as reported at 31 December 2013. This increase primarily reflects the new capital raised through issue of new shares completed in March 2014 raising gross proceeds of UK£10.0 million (US$16.65 million). This increase in assets has been offset by the reduction in net assets arising from the reported loss for the twelve month period of US$1.53 million and the exchange differences resulting from the translation of the results of foreign operations which have totalled US$7.97 million for the twelve month period to 31 December 2014.

Non-current assets totalling US$65.90 million at 31 December 2014 (31 December 2013: US$60.67 million), are comprised of property, plant and equipment, which as at 31 December 2014 totalled US$54.10 million (31 December 2013: US$36.01 million) of which US$41.07 million is attributable to the Palito Mine property and US$13.03 million attributable to the Sao Chico Mine property. Costs at 31 December 2013 of US$10.8 million which had previously been categorised as Projects in Construction and representing expenditure incurred on the redevelopment of the Palito Mine have been re-categorised during 2014 as Mining Property following the declaration of Commercial Production effective 1 July 2014. Total additions to Mine Asset during 2014 were US$6.14 million. Of this amount US$1.185 million represents capital expenditure on the mine development incurred during the year. This reflects the costs of vertical development within the mine, mainly the deepening of the ramp, or other development activity that will be of economic benefit over the life of the mining operation, such as the installation of long-term ventilation and secondary points of egress and safety refuges. A further US$1.37 million represents an increase in the provision that has been established for the future rehabilitation of the Palito Mine and the wider Palito site at the end of its life. This provision as at 31 December 2014 is US$2.26 million. The remaining additions of US$3.58 million represent the pre-operating costs net of revenues generated in the 6 months to 30 June 2014 which were capitalised prior to the declaration of commercial production which was effective as of 1 July 2014. The total value ascribed to the Mining Property which amounts to approximately US$38.11 million is now being amortised over the expected recoverable ounces, a figure derived from the Preliminary Economic Assessment issued in June 2012.

Following the decision taken by the Company at the end of 2013, to commence development of its Sao Chico gold project, capitalised costs associated with this project which at 31 December 2013 amounted to US$9.81 million were transferred from Deferred Exploration and Development costs to the asset category Projects in Construction. Additional development expenditures of US$2.6 million have been incurred during 2014 of which the majority relates to the salaries and consumable costs incurred on the surface and underground mine development undertaken during the year. However US$0.65 million represents a provision that has been established for the future rehabilitation of the Sao Chico site at the end of its life. This provision is based on the actual estimated costs of the remediation work that is anticipated to be required. This estimated cost is then in accordance with best practice inflated using the prevailing local inflation rate and then discounted back to current value using the local prevailing interest rates. The Company has also made a provision for a property acquisition payment that is due to a past owner of the Sao Chico property valued at US$2.26 million and which the Company will pay by instalments with the first payment being due in 2015.

Management Discussion and Analysis
Financial Review continued

These capitalised costs incurred in the redevelopment of the Sao Chico project will be amortised on a unit of production basis when the project is completed and following an announcement by the Company that commercial production has been achieved.

Deferred exploration costs as at 31 December 2014 totalled US$11.8 million (31 December 2013: US$24.7 million) which relates to capitalised exploration expenditures around the Palito Mine and the wider Jardim Do Ouro project area (US$14.9 million as at 31 December 2013).

The Group had a working capital position of US$5.63 million at 31 December 2014 compared to US$2.09 million at 31 December 2013 the movements being detailed in the table below:

	2014 US$	2013 US$	Variance US$
Current assets			
Inventories	**8,070,215**	3,890,880	4,179,335
Trade and other receivables	**6,772,046**	75,977	6,696,069
Prepayments	**2,503,877**	1,264,654	1,239,223
Cash and cash equivalents	**9,813,602**	3,789,263	6,024,339
Total current assets	**27,159,740**	9,020,774	18,138,966
Current liabilities			
Trade and other payables	**4,601,337**	2,871,546	1,729,791
Interest bearing liabilities	**16,228,220**	3,790,363	12,437,857
Derivative financial liabilities	**528,503**	-	528,503
Accruals	**167,377**	266,924	(99,547)
Total current liabilities	**21,525,437**	6,928,833	14,596,604
Working capital	**5,634,303**	2,091,941	3,542,362
Non-current liabilities			
Trade and other payables	**1,424,798**	410,330	1,014,468
Provisions	**2,829,468**	1,480,665	1,348,803
Interest bearing liabilities	**364,655**	833,560	(468,905)
Total non-current liabilities	**4,618,921**	2,724,555	1,894,366

The increase in the cash balances of US$6.02 million includes US$8 million that has been drawdown under the credit facility provided by Sprott Resource Lending Partnership which is being used for the continued development of the Palito Mine and the Sao Chico gold project, to finance an additional drilling programme at Sao Chico and for general corporate purposes.

During the first quarter of 2014, a placing of new shares was completed on 3 March 2014 raising gross proceeds of UK£10 million. Part of these funds were applied to the repayment of a short-term shareholder loan of US$5.5 million (excluding interest) of which US$2.75 million was included in working capital at 31 December 2013. The remaining funds raised have been used to meet the on-going capital development and working capital expenditures of Palito and the initial development activity for the Sao Chico project.

Whilst the Company has started to generate revenues from the sale of copper/gold concentrate that is produced from the flotation process at the Palito Mine, it can only recognise these revenues, in accordance with IFRS, at such time as the risks and rewards of ownership transfers to the buyer. This is considered to be the date on which the copper/gold concentrate arrives in Hamburg where the Company's designated refinery is located. In accordance with normal industry practice initial payments from the refinery only occur after specified contractual periods following the arrival of the material at the refinery. As at 31 December 2014 the Company had produced 1,467 wet tonnes of copper/gold concentrate of which revenue has been recognised for 1,100 tonnes which had been delivered.

As at 31 December 2014 the Company was owed US$6.20 million in respect of shipments of concentrate that had been made to the refinery but in accordance with the contractual payment terms remained outstanding at that date. Under the terms of the contract the Company receives instalments against the total value of each shipment on pre-determined dates with final settlement only being made once the final metal content has been agreed between the Company and the refinery which may be up to 120 days after the date of arrival.

The levels of inventory held by the Company have increased by US$4.2 million compared with 31 December 2013, primarily due to increases in the levels of inventories of work in progress comprising mined ore, material in the course of processing or product stocks awaiting sale.

At 31 December 2013, the Company valued at US$3.0 million, the stockpile of coarse ore of approximately 25,000 tonnes that had been established on surface in preparation for processing. At 31 December 2014 this coarse ore stockpile had decreased to approximately 10,150 tonnes with a value of US$1.05 million. The valuation of the ore is calculated by reference to the most recent months of activity and unit cost variances from one period to the next will therefore reflect the mix between production ore, development ore and development waste and also the relative rates of productivity. The reduction in the unit values per tonne between December 2013 and December 2014 reflects the higher ratio of ore to waste being mined in the last quarter of 2014. During the first half of the year, the Company continued to prioritise mine development and as a result, of the total material mined, a high proportion was waste and therefore the total mining cost was spread over a relatively low volume of ore. In the third quarter and fourth quarters of 2014 whilst total mined volumes and costs remain broadly consistent, a higher proportion of the material mined is ore and therefore the total mining costs is allocated over a higher tonnage of ore. The mine is now considered to have settled into a steady pattern and it is expected that recent unit costs of inventory should remain relatively constant going forward.

The Company had established by 31 December 2014 a 54,000 tonne stockpile of material that has passed through the flotation processing circuit but retains a gold grade of approximately 2.5 g/t. The Company will be processing these flotation tailings through the CIP plant over the coming months and has ascribed a value of US$2.34 million as the cost of establishing this stockpile. There was no similar stockpile of material at 31 December 2013 as processing operations had not commenced at that time.

The Company also had an additional US$0.17 million worth of material which was in the course of production in its gold processing plant.

At the 31 December 2014, the Company had on hand an inventory of approximately 367 wet metric tonnes of copper/gold concentrate either at Palito (87 tonnes), en route to the port of Belem (120 tonnes) or en route to Hamburg, Germany (160 tonnes). The value of this inventory of copper/gold concentrate awaiting sale was approximately US$3.13 million. There was no similar stockpile of material at 31 December 2013 as processing operations had not commenced at that time.

Inventories of consumables (fuel, spare parts, chemicals, explosives etc.) at 31 December 2014 of US$0.91 million were consistent with the value of the same inventory of consumables at 31 December 2013 (US$0.89 million). The Company acquires stocks of certain materials including reagents and 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. Also, as all consumable stock is valued in Brazilian Reais, the valuation is also subject to exchange rate fluctuations.

The improvement in the Company's cash holdings, its inventory levels and the debts due in respect of sales of copper/gold concentrate are the principal reasons for the improvement in the current asset position of the Company. Other items which have impacted on the Company's improved current asset position include the following.

(i) The level of prepayments has increased by US1.25 million from US$1.26 million at 31 December 2013 to US$2.50 million at 31 December 2014. The prepayments represent:

   a. The Company has incurred transaction costs in respect of the negotiation of a US$8 million loan facility with Sprott Resource Lending. These transaction costs are being amortised over the 15 month life of the loan facility. As at 31 December 2014 the amount remaining to be amortised during 2015 was US$526,000 (31 December 2013: US$Nil).
   b. Prepaid taxes in Brazil amounting to US$1.3 million (31 December 2013: US$1.10 million), of which the majority is federal and state sales taxes which the Company expects to recover either through off-set against other federal tax liabilities or through recovery directly. The amount recoverable has increased by approximately US$0.2 million in comparison to the prior year due to an increase in the level of activity and thus recoverable social taxes the Company expects to recover as at 31 December 2014.
   c. Supplier down-payments reflecting the timing and level of development and construction activity currently being undertaken at the Company's operations to complete the additional works around the gold process plant in readiness for commencing the processing of ore from Sao Chico in the second quarter of 2015. The Company has made advances to suppliers in respect of goods purchased (including down payment on new machinery), items being fabricated and supplies of services of US$0.54 million (31 December 2013: US$0.14 million).

Current liabilities have increased from US$6.93 million at 31 December 2013 to US$21.2 million at 31 December 2014. The two major components of this increase are the short term facility to finance the sale of copper/gold concentrate which at 31 December 2014 was US$7.8 million and the funds advanced under the US$8.0 million credit facility with Sprott Resource Lending. During March 2014 the Company repaid a short term shareholder loan of which US$2.5 million had been advanced at the end of 2013. Excluding the movements in these interest-bearing liabilities other movements in trade and other payables and accruals are relatively low and in particular when considered in the light of the significant increase in the level of operational activity being undertaken by the Company at the end of 2014 compared with the end of 2013.

Trade and other payables amounting to US$4.60 million 31 December 2014 compare with an amount owed by the Company of US$2.87 million at 31 December 2013, an increase of US$1.73 million. The Company has recorded a provision at the end of the 2014 financial year for a property acquisition payment that is due to a past owner of the Sao Chico property valued at US$2.26million and which the Company will pay by instalments with the first payment being due in 2015. Of this amount US$1.09 million is due within one year and the remainder of the payment valued at US$1.17 million will be paid in 36 instalments commencing in 2016. In addition to this liability Trade Creditors have increased by US$0.57 million in comparison to 31 December 2013 of which US$0.36 million reflects the increased levels of operational activity and operating equipment being utilised for mining and gold processing operations. A further US$0.2 million is accounted for by higher levels of creditors at the end of 2014 at the corporate Head Office principally reflecting charges due for the legal costs relating the Sprott loan transaction.

The liability for derivatives of US$0.53 million represents US$0.2 million in respect of the fair value of a call option over 4,812 ounces of gold at a strike price of US$1,285 per ounce, granted to Sprott as part of the US$8 million loan facility. The fair value of this call option is being amortised over the 15 month life of the loan which expires on 31 December 2015. The remaining US$0.33 million relates to the valuation of 100,000,000 warrants with an exercise price of 6 pence, issued as part of the share placing completed by the Company on 3 March 2014. At the date of issue the Company valued these warrants using a Black-Scholes model at US$ 1.68 million. Warrants are normally considered as part of equity but in this instance because the exercise price of the warrant is denominated in UK Sterling and the functional currency of the Company is US Dollars, under IAS 32 the warrants are not considered to be equity but instead a liability of the Company at the time of issue. At 31 December 2014, the Company has revalued the warrants in accordance with fair value accounting principles and determined that the value of the warrants at 31 December 2014 has reduced to US$332,173. The gain on this revaluation amounting to US$1,350,827 has been recorded as finance income and the liability reduced by the same value.

Interest-bearing liabilities due within one year have increased by US$12.44 million from US$3.79 million at 31 December 2013 to US$16.23 million at 31 December 2014. The primary components of this increase are noted above, and in addition there has been a small increase of US$0.12 million in finance lease obligations reflecting an additional lease arrangement entered into by the Company during 2014.

Management Discussion and Analysis
Financial Review continued

To minimise the effect on the working capital of the Company caused by the delay between production of copper/gold concentrate and payments for the material from the refinery, the Company has entered into a facility with a precious metals trading group whereby the Company can obtain an advance payment for the copper/gold concentrate once it has left the port in Belem, Brazil, secured against the debt due from the refinery. As at 31 December the total funds received by the Company under this facility was US$16.21 million of which US$8.44 million has been repaid out of the receipts from the sale of copper and gold following refining, and the remaining sum of US$7.76 million is owed by the Company at the period-end and will be repaid from the sale of the copper and gold extracted from the concentrate when the refining of the unprocessed material is completed. The total amount of monies received of US$16.21 million represents the advance payments of the 1,100 tonnes of recognised sales as well as a further 160 tonnes of copper/gold concentrate which had left the port in Belem en route to Hamburg, but at the end of the period had not yet been recognised as a sale. At 31 December 2013, as the Company had not generated any production of copper/gold concentrate at that time there was no requirement for any similar financing facility.

The Company acquired certain assets during 2013 and 2014 under finance leases. At 31 December 2014 the Company had liabilities under these financial leases of US$0.72 million due within one year (31 December 2013: US$0.60 million). The leases are for a term of three years and carry interest at a rate of 6.45% per annum. (See below for further details on the amounts owed in more than one year).

The Company repaid on 31 October 2014 a convertible loan stock instrument for UK£300,000 (31 December 2013: US$440,083). Non-current liabilities have increased by US$1.89 million from US$2.72 million at 31 December 2013 to US$4.62 million at 31 December 2014 of which US$1.17 million relates the property acquisition payment due to the past owner of the Sao Chico property.

Liabilities under lease finance arrangements have reduced by US$0.58 million and the lease agreements continue to mature whilst long term trade liabilities have reduced by US$0.15 million again as staged payment settlement agreements mature.

The Company makes provision for the future estimated rehabilitation costs for its mine sites at Palito and Sao Chico. The value of the provision carried by the Company has increased from US$1.48 million at 31 December 2013 to US$2.83 million at 31 December 2014. Of the increase US$0.57 million represents the discounted value of the estimated future costs relating to the remediation of the Sao Chico Mine site whilst approximately US$1.21 million is attributable to a re-estimation of the likely future costs required for the remediation of the Palito Mine site. The Company has during the year released US$0.30 million in provisions for other potential liabilities that it now considers are no longer required.

The Company 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 Company 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 of the important components of the Company's production and related costs. In addition, management utilises these and similar metrics as a valuable management tool to monitor cost performance of the Company'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 IRFS.

Total cash cost and all-in sustaining cost

The following table provides 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. Data is only provided for those quarters since the declaration of commercial production which was effective as of 1 July 2014.

	Q3 2014 US$	Q4 2014 US$	Average July to December 2014 US$
Total operating costs (calculated on a sales basis)	3,378,531	6,319,134	9,697,665
Add/(subtract)			
Finished goods and WIP inventory stock adjustment	2,224,434	(485,669)	1,738,765
Grossing up of revenue for metal deductions	–	424,654	424,654
Adjustment for refining, treatment, shipping and royalties on a production basis	178,324	–	178,324
By-product credits	(774,190)	(691,062)	(1,465,252)
Total cash cost of production	5,007,099	5,567,057	10,574,156
Corporate G&A	1,243,580	1,148,179	2,391,759
Share-based remuneration	76,006	109,166	185,172
Capitalised cost for mine development	247,532	385,055	632,587
All-in sustaining cost of production	6,574,217	7,209,457	13,783,674

	Q3 2014 ounces	Q4 2014 ounces	Total to December 2014 ounces
Gold ounces produced	5,515	7,819	13,334

	Q3 2014 US$	Q4 2014 US$	Average July to December 2014 US$
Total cash cost of production (per ounce)	US$908	US$712	US$793
Total all-in sustaining cost of production (per ounce)	US$1,192	US$922	US$1,034

Clive Line
Finance Director
30 March 2015

Governance
Board of Directors

T Sean Harvey
Non-Executive Chairman

Sean spent 10 years working in investment and merchant banking, primarily focused on the basic industry (mining) sector and for the last 14 years has held senior executive and board positions with various mining companies. Sean was President and Chief Executive Officer of Orvana Minerals Corp. from 2005 to 2006. Previously, he was President and Chief Executive Officer of TVX Gold at the time of its sale to Kinross Gold in 2003 and, subsequent to that, was President and Chief Executive Officer of Atlantico Gold, a private company involved in the development of the Amapari Project in Brazil that was sold to Wheaton River Minerals Ltd. (presently Goldcorp Inc.). Sean also currently sits on the Board of Directors of several other mining companies.

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

Mike Hodgson
Chief Executive

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

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

Clive Line
Finance Director

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

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

Aquiles Alegria
Non-Executive

Aquiles has more than 20 years of experience in the mining industry and has acted as exploration manager in a number of mining companies, most recently as Deputy Manager at Antofagasta Minerals. He graduated with a degree in Geology from the Universidad de Chile.

Nicolas Bañados
Non-Executive

Nicolas is Managing Director of Private Equity and attorney-in-fact at Megeve Investments, a non-discretionary portfolio of Fratelli Investments. Formerly, he held the position of Vice President and Portfolio Manager at Megeve Investments, and research analyst at Consorcio Life Insurance in Chile. He has more than 14 years of experience investing in Latin America and serves as Director for several companies including two private mining companies in Chile, Haldeman Mining Company and Minera Las Cenizas, and Colgener, a power company in Colombia.

Nicolas has an MBA from The Wharton School at the University of Pennsylvania and also received a Master degree in Financial Economics from Universidad Católica de Chile.

Eduardo Rosselot
Non-Executive

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

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

Felipe Swett

Non-Executive

Felipe is a Partner and heads the asset management team at Asset Chile, a Chilean-based investment bank. Mr. Swett joined Asset Chile in 2003 as an analyst and as part of the corporate finance team and has led the Asset Management division since 2010.

Felipe holds a degree in Civil Engineering with a Diploma in Environmental Engineering from the Pontificia Universidad Católica de Chile and an MBA from the Kellogg School of Management, Northwestern University.

Melvyn Williams

Non-Executive

Mel Williams was, until June 2011, the Chief Financial Officer and Senior Vice President of Finance and Corporate Development of Brigus Gold. Mr. Williams has over 40 years of financial experience, much of that time spent within the mining industry. From November 2003 through January 2004, Mr. Williams served as Chief Financial Officer of Atlantico Gold, a private Brazilian mining company which held the Amapari gold project, and was sold to Wheaton River Minerals Ltd. in January 2004. From 2000 to November 2003, he served as Chief Financial Officer of TVX Gold Inc., a gold mining company with five operating mines and an advanced development project in Greece. His background also includes services with Star Mining Corporation, LAC North America, Riominas LSDA and Rossing Uranium (both of which are Rio Tinto subsidiaries).

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

Senior Management in Brazil

Ulisses Melo

General Manager

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

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

Governance
Directors' Remuneration Report
For the year ended 31 December 2014

Remuneration Committee
The Remuneration Committee consists of Messrs Williams, Harvey and Bañados and is chaired by Mr Williams. The Remuneration Committee is responsible for determining and agreeing with the Board the framework for the remuneration of the Chief Executive, all other Executive Directors, the Chairman of the Company (if an Executive Director), the Company Secretary and such other members of the Executive Management as it feels appropriate to consider. Furthermore it is responsible for determining the total individual remuneration packages of each Director including, where appropriate, bonuses, incentive payments and share options.

It also considers recommendations from the Executive Directors in respect of proposals for bonuses, incentive payments and share options to be awarded to senior managers within the Group and makes recommendations on the overall remuneration plans adopted by the Company. The remuneration of the Non-executive Directors is a matter that is dealt with by the Board as a whole.

The Remuneration Committee of the Board is responsible for ensuring that the Company has in place an appropriate plan for executive compensation and for making recommendations to the Board with respect to the compensation of the Company's executive officers. The Board ensures that total compensation paid to its executive officers is fair and reasonable and is consistent with the Company's compensation philosophy. The Remuneration Committee has expertise, in among other things, evaluating overall compensation policies, plans and practices, as well as setting compensation for executive officers; overseeing and administering equity compensation plans; and establishing employment, retention and severance arrangements for executive officers.

Compensation plays an important role in achieving short and long-term business objectives that ultimately drive business success. The Company's compensation philosophy is to foster entrepreneurship at all levels of the organisation by making long-term equity-based incentives, through the granting of stock options, a significant component of executive compensation. This approach is based on the assumption that the performance of the Company's share price over the long-term is an important indicator of long-term performance.

The Company's compensation philosophy and objectives are based on the following fundamental principles:

1. Compensation programs align with shareholder interests – the Company aligns the goals of executives with maximising long-term shareholder value;

2. Performance sensitive – compensation for executive officers should be linked to operating and market performance of the Company and fluctuate with the performance; and

3. Offer market competitive compensation to attract and retain talent – the compensation program should provide market competitive pay in terms of value and structure in order to retain existing employees who are performing according to their objectives and to attract new individuals of the highest calibre.

The Company's principal goal is to create value for its shareholders. The Company's compensation philosophy is based on the objectives of linking the interests of the executive officers with both the short and long-term interests of the Company, of linking executive compensation to the performance of the Company and the individual and of compensating executive officers at a level and in a manner that ensures the Company is capable of attracting, motivating and retaining individuals with exceptional executive skills. The executive compensation program is designed to encourage, compensate and reward employees on the basis of individual and corporate performance, both in the short and the long-term. Base salaries are aligned with and judged against corporations of a comparable size and stage of development within the mining industry, thereby enabling the Company to compete for and retain executives critical to the Company's long-term success. Incentive compensation is directly tied to corporate performance. Share ownership opportunities are provided to align the interests of executive officers with the longer term interests of shareholders.

Elements of Executive Compensation

The elements of compensation earned by the executives of the Company for the financial year ended 31 December 2014 consists of a base salary, along with annual discretionary incentive compensation in the form of a performance based bonus, and a longer term incentive in the form of stock options.

This reflects a package consisting of a mix of compensation elements designed to provide executives with an "at risk" component of total compensation that reflects their ability to influence business outcomes and performance, and fixed elements that provide security and enable the Company to attract and retain key employees.

The following table outlines how each element of compensation aligns with the Company's compensation philosophy.

Element of compensation	Payment method	Reward objective
Base salary	Cash	Reward of skills, capabilities, knowledge and experience, reflecting the level of responsibility, as well as the expected level of contribution.
Short-term incentive	Cash	Reflection of individual performance and the contribution to the Company's overall performance within the fiscal period under review.
Long-term incentive	Stock options	Alignment of the interests of the executives and shareholders. Reward for contribution to the long-term performance of the Company and demonstrated potential for future contribution by being linked to fundamental measure of the generation of shareholder value.

Short-Term Compensation

Base salary

The Remuneration Committee approves ranges for base salaries for senior management of the Company based on reviews of market data from peer companies in the global mineral exploration industry. The level of base salary for each employee within a specified range is determined by the level of past performance, as well as by the level of responsibility and the importance of the position to the Company. The Remuneration Committee undertakes its peer review using data gathered from publicly available information and compiles the peer group based on criteria such as market capitalisation, stage of development (currently companies already in small scale production or at a similar stage of development to the Company) and location of operations. The peer group for determining 2014 remuneration levels comprised Orosur Mining Inc, Herencia Resource plc, Mariana Resources Ltd, Minera IRL Limited, Brazil Resources Limited and Magellan Minerals Limited.

The Remuneration Committee's recommendations for such base salaries are then submitted for approval by the Board.

Annual bonus

Employees, including executives, are eligible for an annual discretionary incentive award but this is dependent on the financial position of the Company. Corporate performance, as assessed by the Board, determines the aggregate amount of bonus to be paid by the Company to all eligible senior officers in respect of a fiscal year. The aggregate amount of bonus to be paid will vary with the degree to which targeted corporate performance was achieved for the period. The short-term incentive component is structured to reward not only increased value for shareholders but also performance with respect to key operational factors and non-financial goals important to long-term success.

Individuals are, on an annual basis, set a range of areas in which their performance will be judged. As much as possible measurable criteria are established and each performance area is given a relative weighting. For 2014 performance targets were set for the specific delivery of matters, *inter alia*, relating to the timing and cost control over the Palito Mine development, compliance with all aspects of regulatory control for the Company and its subsidiaries, development of growth opportunities for the Company and relative shareholder returns.

Other compensation

The Company does not provide retirement benefits for its executive directors. Contributions paid are defined contributions to the relevant executive directors' personal retirement schemes.

Governance
Directors' Remuneration Report continued

Long-Term Compensation

Stock options

The Company has no long-term incentive plans other than its incentive stock option plan ("Options"). Options are granted to encourage share ownership and entrepreneurship on the part of directors, senior management and other employees. Options are intended to help the Company attract and motivate an energetic, goal-driven management team, and to build long-term employee loyalty and retention.

The Company believes that this long-term incentive vehicle aligns executives with shareholders by driving growth in the share price and increasing the long-term value of the Company. This is the high risk, high-return component of the executive total compensation program because stock options deliver value to an executive only if the share price is above the grant price.

Options are determined by the Board. In monitoring or adjusting the option allotments, the Board takes into account the level of options granted for similar levels of responsibility and considers each participant based on reports received from management, its own observations on individual performance (where possible) and its assessment of individual contribution to shareholder value, previous option grants and the objectives set for the participants. The scale of options is generally commensurate to the appropriate level of base compensation for each level of responsibility.

In addition to determining the number of options to be granted pursuant to the methodology outlined above, the Board also makes the following determinations:

- the participants who are eligible to participate in the Plan;
- the exercise price for each stock option granted, subject to the provision that the exercise price cannot be lower than the market price on the date of grant as determined in accordance with stock exchange policies;
- the date on which each option is granted;
- the vesting period, if any, for each stock option;
- the other material terms and conditions of each stock option grant; and
- any re-pricing or amendment to a stock option grant.

The Board makes these determinations subject to and in accordance with the provisions of the Company's incentive stock option plan. The Board reviews and approves grants of options throughout the year as deemed appropriate.

Compensation Risk Management

The Company believes that its executive compensation program does not create risk outside the Company's risk appetite. Some of the risk-management initiatives currently employed by the Company are as follows:

- appointing a Remuneration Committee comprised of independent directors to oversee the executive compensation program;
- the use of deferred equity compensation to encourage a focus on long-term corporate performance as opposed to short-term results;
- disclosure of executive compensation to stakeholders;
- use of discretion in adjusting bonus payments up or down as the Remuneration Committee deems appropriate and recommends to the Board; and
- ultimately complete Board accountability.

Non-Executive Remuneration

The remuneration package for Non-Executive Directors is established by the Board as a whole but Non-Executive Directors do not vote on any changes to their own fees.

Remuneration consists of a fixed fee which is set to reflect prescribed time commitments and the relative responsibilities of each Non-Executive Director on the affairs of the Company, fees payable in respect of attendance at meetings and fees payable for service on any formal committees of the Board. Additional consultancy fees are paid if the input required exceeds the anticipated levels. Some of the Non-Executive Directors currently hold share options. Whilst the award of share options by the Company to Non-Executive Directors is contrary to the recommendations of the UK Corporate Governance Code ("The Code"), the Board believes that given the nature and size of the Company and the need to conserve cash resources, it is appropriate that the remuneration of the Non-Executive Directors be aligned with the success and growth of the Company. The Board notes also that it is normal practice for natural resources companies listed on the Toronto Stock Exchange to award Non-Executive Directors share options as part of their remuneration. The Company has therefore concluded that, in order to attract Non-Executive Directors of an appropriate stature and experience, it is obliged to continue to permit its Non-Executive Directors to be involved in its equity participation plans.

Directors and Their Interests

Ordinary Shares and Options

The Directors of the Company, who held office during the year and as of 31 December 2014, had the following interests in the ordinary shares of the Company according to the register of Directors' interests:

	Shares held at 31 December 2014	Shares held at 31 December 2013	**Share options held at 31 December 2014**	Share options held at 31 December 2013	Option price	Exercise period
Michael Hodgson	**441,320**	441,320	**500,000**	500,000	UK£0.15	21 Dec 09 to 20 Dec 19
			600,000	600,000	UK£0.41	28 Jan 11 to 27 Jan 21
			–	250,000	C$0.60	31 May 11 to 20 May 14
			275,000	275,000	UK£0.10	21 May 12 to 20 May 15
			4,200,000	4,200,000	UK£0.061	26 Jan 13 to 25 Jan 16
			4,000,000	–	UK£0.050	07 Apr 14 to 06 Apr 17
Clive Line	**766,653**	766,653	**500,000**	500,000	UK£0.15	21 Dec 09 to 20 Dec 19
			600,000	600,000	UK£0.41	28 Jan 11 to 27 Jan 21
			–	250,000	C$0.60	31 May 11 to 20 May 14
			225,000	225,000	UK£0.10	21 May 12 to 20 May 15
			3,700,000	3,700,000	UK£0.061	26 Jan 13 to 25 Jan 16
			2,800,000	–	UK£0.050	07 Apr 14 to 06 Apr 17
T Sean Harvey	**1,200,000**	1,200,000	–	200,000	C$0.60	31 May 11 to 20 May 14
			1,900,000	1,900,000	UK£0.061	26 Jan 13 to 25 Jan 16
			1,700,000	–	UK£0.050	07 Apr 14 to 06 Apr 17
Melvyn Williams	**295,000**	295,000	–	200,000	C$0.60	31 May 11 to 20 May 14
			950,000	950,000	UK£0.061	26 Jan 13 to 25 Jan 16
			1,400,000	–	UK£0.050	07 Apr 14 to 06 Apr 17
Aquiles Alegria[(2)]	**100,000**	n/a	**1,200,000**	n/a	UK£0.055	30 Sept 14 to 29 Sept 17
Felipe Swett[(3)]	–	n/a	**1,200,000**	n/a	UK£0.055	30 Sept 14 to 29 Sept 17
Eduardo Rosselot	–	–	**1,900,000**	1,900,000	UK£0.061	26 Jan 13 to 25 Jan 16
			1,200,000	–	UK£0.050	07 Apr 14 to 06 Apr 17
Nicolas Bañados[(1)]	**22,443,947**	22,443,947	**1,200,000**	–	UK£0.055	30 Sept 14 to 29 Sept 17
Daniel Kunz[(4)]	**n/a**	5,564,726	**n/a**	127,500	C$0.2941	18 July 13 to 7 June 16
Dr Doug Jones[(4)]	**n/a**	100,000	**n/a**	200,000	C$0.60	31 May 11 to 20 May 14
			n/a	950,000	UK£0.08133	26 Jan 13 to 25 Jan 16

(1) Mr N Bañados was appointed 13 May 2013. Mr. Bañados has a direct interest in 144,282 Existing Ordinary Shares. Mr Bañados is the beneficial owner of 50 per cent of the share capital of Asesorias e Inversiones Asturias Limitada which beneficially owns: (1) directly 159,665 Existing Ordinary Shares; and (2) 25 per cent of the units in Inversiones Villarrica Limitada, a private financial investment fund, which is interested in 22,140,000 Existing Ordinary Shares.
(2) Mr A Alegria was appointed 7 July 2014.
(3) Mr Felipe Swett was appointed 30 September 2014.
(4) Mr Kunz and Dr Jones both resigned from the Board on 24 June 2014.

Governance
Directors' Remuneration Report continued

During the year ended 31 December 2014 the Company's shares have traded between 7.41 pence and 3.50 pence.

Remuneration

Director	Salary US$	Fees as Director US$	Other Fees US$	Bonus US$	Pension US$	IFRS 2 charge for options granted US$	Other US$	**For the year to 31 December 2014 Total US$**	For the year to 31 December 2013 Total US$
Michael Hodgson	266,251	–	–	136,899	61,282	76,307	4,161	**544,900**	482,270
Clive Line	241,206	–	–	68,113	67,048	59,958	3,329	**439,654**	444,792
Aquiles Alegria[1]	–	10,386	–	–	–	4,667	–	**15,053**	–
Nicolas Bañados	–	12,555	–	–	–	5,601	–	**18,156**	–
T Sean Harvey	–	37,844	–	–	–	32,680	–	**70,524**	74,986
Dr Doug Jones[2]	–	14,240	–	–	–	949	–	**15,189**	51,766
Daniel Kunz[2]	–	10,692	–	–	–	9,886	–	**20,578**	9,361
Eduardo Rosselot	–	21,688	60,000	–	–	19,646	–	**101,334**	127,553
Felipe Swett[3]	–	6,682	–	–	–	4,667	–	**11,349**	–
Melvyn Williams	–	32,540	–	–	–	19,800	–	**52,340**	53,118
Total	**507,457**	**146,627**	**60,000**	**205,012**	**128,330**	**234,161**	**7,490**	**1,289,077**	**1,243,846**

Included in remuneration for the year to 31 December 2013 are pension costs of US$82,229.

(1) Mr A Alegria was appointed 7 July 2014.
(2) Mr Kunz and Dr Jones both resigned from the Board on 24 June 2014.
(3) Mr Felipe Swett was appointed 30 September 2014.

Governance
Directors' Report
For the year ended 31 December 2014

The Directors present their report together with the audited financial statements for the year ended 31 December 2014.

Results and dividends
The Group loss for the year after taxation amounts to US$174,401 (2013: loss of US$6,264,233). The Directors do not recommend the payment of a dividend.

The results for the year are set out on page 50 in the Statement of Comprehensive Income.

Principal activities and business review
The principal activity of the Company is that of a holding and gold sales company and a provider of support and management services to its operating subsidiaries. Together with its subsidiaries (see note 10), it is involved in the development of gold and other metals mining projects in Brazil and the operation of the Palito gold mine in the Tapajos region of Brazil.

A detailed review of activities, future developments and the Company's projects is included in the Chairman's Statement, the Management Discussion and Analysis – Operational Review and Financial Review and the Strategic Review.

Substantial shareholdings
As at 27 March 2015 the Company was aware of the following holdings of 3% or more in the Company's issued share capital:

Name	Number of shares held	Percentage
Fratelli Investments Limited	343,613,166	52.35%
Anker Holding AG	49,485,000	7.54%
Drake PIPE Fund	45,976,686	7.00%
Eldorado Gold Corporation	34,090,000	5.19%
FIP Santa Monica	22,443,947	3.42%

Share capital
Details of the share capital and movements in share capital during the period are disclosed in note 17 to the financial statements.

During the period the following issues of share options under the Serabi Mining 2011 Share Option Plan were made to Directors.

Date of issue	Number issued	Price	Expiry
7 April 2014	13,850,000	£0.050	6 April 2017
30 September 2014	3,200,000	£0.055	29 September 2017

Company's listings
The Company's ordinary shares have been traded on AIM since 10 May 2005 and on the TSX since 30 March 2011.

Going concern and availability of project finance
The Group commenced gold production operations at the Palito Mine at the start of 2014 having completed the first phase construction of the gold recovery plant in December 2013. The operations during the first six months of 2014 were in a re-commissioning and ramp-up phase. On 23 July 2014 the Group announced that with effect from 1 July 2014 the Palito mine had achieved Commercial Production. During the three months ended 30 September 2014, the Group has completed work and commissioned the Carbon in Pulp ("CIP") leaching circuit allowing the Group to maximise the potential recovery of gold from the ore processed. The first "gold pour" of gold recovered from the CIP operations took place in October 2014. The Group plans over the first three months of 2015 to complete the initial development of its Sao Chico operation and thereafter during 2015 plans to steadily increase the production ore from Sao Chico for processing using the Palito gold process plant.

On 3 March 2014 the Group completed a share placement raising gross proceeds of UK£10 million which provided additional working capital to the Group during the start-up phase of production at Palito and also to fund the initial development and further evaluation of the Sao Chico gold project. On 26 September 2014 the Group also entered into a US$8 million secured loan facility for the period to 31 December 2015 with the Sprott Resource Lending Partnership ("the Facility") providing additional working and development capital. The first tranche of US$3 million of this Facility was drawdown on 26 September 2014 with the remaining tranches drawn down in full on 28 December 2014. Serabi is and has been in compliance with the terms of the Facility. The Group also makes use of a borrowing facility of US$7.5 million to provide advance payment on sales of copper/gold concentrate. This current facility extends to 31 December 2015.

Governance
Directors' Report continued

Going concern and availability of project finance (continued)
The Directors anticipate the Group now has access to sufficient funding for its immediate projected needs. The Group expects to have sufficient cash flow from its forecast production to finance its on-going operational requirements and to, at least in part, fund exploration and development activity on its other gold properties. However the forecasted cash flow projections for the next twelve months include a significant contribution arising from the Sao Chico development. As noted above, whilst development has commenced commercial production has yet to be declared. There are risks associated with the commencement of any new mining operation whereby unforeseen technical and logistical events result in additional time being required for commissioning or additional costs needing to be incurred, giving rise to the possibility that additional working capital may be required to fund these delays or additional capital requirements. Should additional working capital be required the Directors consider that further sources of finance could be secured within the required timescale. On this basis the Directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis. However there is no certainty that such additional funds either for working capital or for future development will be forthcoming and these conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Directors' responsibilities
The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and in accordance with the rules of the Toronto Stock Exchange.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication
The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Principal risks and uncertainties
The principal risks and uncertainties are outlined in the Strategic Report on pages 13 to 15.

Management of financial risks
Capital management and financial risk disclosures are provided within notes 19 and 23 of the financial statements.

Corporate governance
The Directors give due regard to the principles set out in The UK Corporate Governance Code published in September 2012 by the Financial Reporting Council and comply with those principles that are appropriate given the size and nature of activities of the Group.

Board composition
The Directors who served during the year are shown on page 41.

The Directors have responsibility for the overall corporate governance of the Group and recognise the need for the highest standards of behaviour and accountability. The Directors are committed to the principles underlying best practice in corporate governance and intend to comply with the principles of The UK Corporate Governance Code in such respects as they consider appropriate for a company of its size and nature. The Board has a wide range of experience directly relevant to the Group and its activities and its structure ensures that no one individual or group dominates the decision making process.

The Board consist of two Executive Directors who hold the key operational positions in the Company and six Non-Executive Directors (including a Non-Executive Chairman). The Board meets at least every two to three months and is supplied with appropriate and timely information. In 2014 the Board met 13 times. As appropriate the Board invites external advisers and/or senior management to attend meetings to discuss matters where their expertise may be beneficial.

The Company makes available as require the opportunity for all Directors to have access to independent professional and legal advice to ensure they are able to discharge their duties.

Board Independence

	Position	Appointed	Status	Audit Committee	Remuneration Committee
T Sean Harvey	Non-Executive Chairman	30 March 2011	Independent	Member	Member
Melvyn Williams	Non-Executive Director	30 March 2011	Independent	Chair	Chair
Nicolas Bañados	Non-Executive Director	13 May 2013	Not independent[1]	-	Member
Felipe Swett	Non-Executive Director	30 September 2014	Independent	Member	-
Eduardo Rosselot	Non-Executive Director	20 October 2012	Not independent[2]	-	-
Aquiles Alegria	Non-Executive Director	7 July 2014	Independent	-	-
Michael Hodgson	Chief Executive	1 February 2007	Executive	-	-
Clive Line	Financial Director	14 March 2005	Executive	-	-

(1) Mr Bañados is appointed as a representative of Fratelli Investments and holds the position of Managing Director of Private Equity. He is therefore not considered to be fully independent by virtue of his relationship with the Company's major shareholder. He has never held an executive position with the Company.
(2) Mr Rosselot is appointed as a representative of Fratelli Investments and acts for Fratelli as a consultant on mining matters and investments. He is therefore not considered to be fully independent by virtue of his relationship with the Company's major shareholder. He has never held an executive position with the Company.

Committees
The Company has established an Audit Committee, a Remuneration Committee and an Executive Committee.

Audit Committee
The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported on and monitored, considering and setting appropriate accounting policies and reviewing the Auditor's Report. The Audit Committee comprises Messrs Williams, Harvey and Swett and is chaired by Mr Williams. All of the members of the Audit Committee are considered to be independent. During 2014 the Audit Committee met five times.

Executive Committee
The Board has appointed an Executive Committee to oversee and coordinate the day-to-day running of the Company. It is empowered to make decisions over a number of areas without reference to the full Board and specifically to deal with all matters relating to the daily operation of the Company.

The Executive Committee comprises the Chief Executive and the Finance Director. The Executive Committee is responsible for the daily operation of the Company and for making recommendations to the Board regarding short and medium-term budgets, targets and overall objectives and strategies for the Company.

Governance
Directors' Report continued

Remuneration Committee
The Remuneration Committee is responsible for establishing the policies of executive remuneration and determining the remuneration and benefits of the individual Executive Directors. Full disclosure of the policies can be found in the Remuneration Report on pages 38 to 42.

Share dealing
The Company has adopted a share dealing code for Directors and relevant employees in accordance with the AIM Rules and takes proper steps to ensure compliance by the Directors and these employees.

Internal controls
The Directors acknowledge their responsibility for the Group's system of internal controls and procedures and for reviewing the effectiveness of these and ensuring that management of its subsidiaries review the internal controls and procedures operating in the subsidiaries. Such controls and procedures are designed to safeguard the Company's and the Group's assets and ensure reliability of reporting information, financial and otherwise, for both internal use and external publication. The Company's management has designed internal controls over financial reporting, 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.

Throughout the year the design and operating effectiveness of the Company's internal controls over financial reporting are reviewed and based on these evaluations the Board has concluded that the internal controls over financial reporting were effective as at 31 December 2014, using the criteria, having taken account of the size and nature of the Company, put forward by the Financial Reporting Council in their revised guidance for directors on internal controls for UK listed companies (issued 2005).

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

Key contracts
The Group has contractual arrangements with key suppliers for its operations notably for fuel, power, re-agents and equipment spare parts. It also has a long term sales arrangement for its production of copper/gold concentrate. However, management considers that alternative suppliers and purchasers could be arranged if necessary and do not therefore consider that the Group is unduly reliant on any single contract or supplier.

The Group is reliant in retaining its exploration and mining licences and its operating licences which are subject to compliance with various federal and state regulations and obligations. The Group considers such compliance a high priority in view of this reliance.

Post balance sheet events
Between the end of the financial period and the date of this management discussion and analysis, the Brazilian Real, the national currency of Brazil, has reduced in value in comparison to the US Dollar, the reporting currency of the Company by approximately 20%. On 31 December 2014 the exchange rate for US$1.00 was BrR$2.6556. As at 27 March 2015 the exchange rate for US$1.00 was BrR$3.225. Many of the Company's assets and liabilities and in particular the value attributed to non-current assets are recorded in Brazilian Reais. The value of the Company's net assets and liabilities will have been significantly impacted by this devaluation of the Brazilian Real. The Company sources the majority of its operational consumables in Brazilian Reais and salaries of all its Brazilian employees are denominated and paid in Brazilian Reais and therefore the Company's operating costs are subject to variation as a result of movements in the exchange rate between the US Dollar and the Brazilian Real. With this exception 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 operations of the entity, the results of these operations, or the state of affairs of the entity in future financial periods.

Indemnification of Directors and officers

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and all Executive officers of the Group against liability incurred as such a Director, Company Secretary or Executive officer to the extent permitted under legislation.

Auditor

The auditor, BDO LLP has confirmed its willingness to remain as auditor to the Company. A resolution to appoint BDO LLP will be put to the Annual General Meeting.

Disclosure of audit information

As far as each of the Directors is aware, at the time this report was approved:

(a) There is no relevant available information of which the auditor is unaware; and
(b) They have taken all steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the Board

Clive Line
Company Secretary
30 March 2015

Independent Auditor's Report
To the members of Serabi Gold plc

We have audited the financial statements of Serabi Gold plc for the year ended 31 December 2014 which comprise the statement of comprehensive income, the Group and Company balance sheets, the Group and Company statements of changes in shareholders' equity, the Group and Company cash flow statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the statement of directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2014 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern
In forming our opinion, which is not modified, we have considered the adequacy of the disclosures made in note 1(a) to the financial statements concerning the Group's ability to continue as a going concern. The Group is dependent on its ability to successfully complete development and achieve commercial production at Sao Chico. However, there are risks associated with the commencement of a mining operation and additional working capital may be required to fund delays in the development of the mine should they occur. These conditions, along with the other matters explained in note 1(a) to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Group were unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Stuart Barnsdall (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London, United Kingdom
30 March 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Independent Auditor's Report
In Respect of Canadian National Instrument 52-107 (Acceptable Accounting Principles and Auditing Standards)

In accordance with the requirements contained in Canadian National Instrument 52-107 we also report below on whether our audit has been conducted in accordance with International Standards on Auditing (as issued by the International Auditing and Assurance Standards Board) and whether the financial statements have been prepared in accordance with International Financial Reporting Standards (as issued by the International Accounting Standards Board).

To the Shareholders of Serabi Gold plc

We have audited the accompanying financial statements of Serabi Gold plc for the year ended 31 December 2014 and the year ended 31 December 2013 which comprise the consolidated statement of comprehensive income, the consolidated and Company statements of financial position, the consolidated and Company statements of changes in equity, the consolidated and Company statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information. The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and International Financial Reporting Standards (IFRSs) and, as regards the parent company financial statements, International Financial Reporting Standards as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006.

Management's Responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the applicable financial reporting framework, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (as issued by the International Auditing and Assurance Standards Board). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter – going concern

In forming our opinion, which is not modified, we have considered the adequacy of the disclosures made in note 1(a) to the financial statements concerning the Group's ability to continue as a going concern. The Group is dependent on its ability to successfully complete development and achieve commercial production at Sao Chico. However, there are risks associated with the commencement of a mining operation and additional working capital may be required to fund delays in the development of the mine should they occur. These conditions, along with the other matters explained in note 1(a) to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company and the Group were unable to continue as a going concern.

Opinion

In our opinion:

- the financial statements present fairly, in all material respects, the financial position of Serabi Gold plc as at 31 December 2014 and 31 December 2013 and its financial performance and its cash flows for the years then ended;
- the consolidated financial statements have been properly prepared in accordance with IFRSs; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the Companies Act 2006.

BDO LLP

BDO LLP
London, United Kingdom
30 March 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financial Statements
Statement of Comprehensive Income
For the year ended 31 December 2014

		Group	
	Notes	**For the year ended 31 December 2014 US$**	For the year ended 31 December 2013 US$
Continuing operations			
Revenue		**12,627,784**	-
Cost of sales		**(9,697,665)**	-
Depreciation and amortisation charges		**(2,633,578)**	-
Gross profit		**296,541**	-
Administration expenses		**(4,257,540)**	(3,253,924)
Provision for indirect taxes		**-**	(626,496)
Write-back of provision for contingencies		**298,088**	-
Share-based payments		**(258,598)**	(304,764)
Write-back of impairment provision		**2,590,532**	-
Write-off of past exploration costs		**-**	(1,007,233)
Depreciation charge		**-**	(534,491)
Operating loss	3	**(1,330,977)**	(5,726,908)
Foreign exchange loss		**(33,742)**	(170,358)
Finance expense	4	**(687,282)**	(374,542)
Income/(expense) on financial instruments	4	**1,841,459**	-
Finance income	4	**36,141**	7,575
Loss before taxation		**(174,401)**	(6,264,233)
Income tax expense	5	**-**	-
Loss for the period from continuing operations[1]		**(174,401)**	(6,264,233)
Other comprehensive income (net of tax)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		**(7,965,119)**	(6,164,862)
Total comprehensive loss for the period[1]		**(8,139,520)**	(12,429,095)
Loss per ordinary share (basic and diluted)	7	**(0.03c)**	(1.60c)

(1) The Group has no non-controlling interests and all losses are attributable to the equity holders of the parent company.

Financial Statements
Balance Sheets
As at 31 December 2014

		Group		Company	
	Notes	**2014 US$**	2013 US$	**2014 US$**	2013 US$
Non-current assets					
Development and deferred exploration costs	8	**11,799,271**	24,659,003	**2,040,437**	2,040,437
Property, plant and equipment	9	**54,103,898**	36,008,318	**6,542,252**	5,083,073
Investments in subsidiaries	10	–	–	**69,770,204**	64,261,541
Other receivables	12	–	–	**11,044,894**	11,037,398
Total non-current assets		**65,903,169**	60,667,321	**89,397,787**	82,422,449
Current assets					
Inventories	11	**8,070,215**	3,890,880	**2,173,886**	–
Trade and other receivables	12	**6,772,046**	75,977	**6,553,279**	63,026
Prepayments		**2,503,877**	1,264,654	**561,755**	38,486
Cash and cash equivalents	13	**9,813,602**	3,789,263	**9,234,070**	3,454,296
Total current assets		**27,159,740**	9,020,774	**18,522,990**	3,555,808
Current liabilities					
Trade and other payables	14	**4,601,337**	2,871,546	**1,125,791**	879,882
Interest-bearing liabilities	16	**16,228,220**	3,790,363	**16,095,993**	3,790,363
Derivative financial liabilities	16	**528,503**	–	**528,503**	–
Accruals		**167,377**	266,924	**167,376**	266,923
Total current liabilities		**21,525,437**	6,928,833	**17,917,663**	4,937,168
Net current assets/(liabilities)		**5,634,303**	2,091,941	**605,327**	(1,381,360)
Total assets less current liabilities		**71,537,472**	62,759,262	**90,003,114**	81,041,089
Non-current liabilities					
Trade and other payables	14	**1,424,798**	410,330	–	–
Provisions	15	**2,829,468**	1,480,665	–	–
Interest-bearing liabilities	16	**364,655**	833,560	**203,016**	833,560
Total non-current liabilities		**4,618,921**	2,724,555	**203,016**	833,560
Net assets		**66,918,551**	60,034,707	**89,800,098**	80,207,529
Equity					
Share capital	17	**61,668,212**	60,003,212	**61,668,212**	60,003,212
Share premium reserve		**67,656,848**	54,479,151	**67,656,848**	54,479,151
Option reserve		**2,400,080**	2,330,789	**2,400,080**	2,330,789
Other reserves		**450,262**	789,076	**88,801**	427,615
Translation reserve		**(18,736,292)**	(10,771,173)	–	–
Accumulated losses		**(46,520,559)**	(46,796,348)	**(42,013,843)**	(37,033,238)
Equity shareholders' funds attributable to owners of the parent		**66,918,551**	60,034,707	**89,800,098**	80,207,529

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2015 and signed on its behalf by:

Clive Line
Finance Director
30 March 2015

Company Number 5131528

Financial Statements
Statements of Changes in Shareholders' Equity

For the year ended 31 December 2014

Group	Share capital US$	Share premium US$	Share option reserve US$	Other reserves US$	Translation reserve US$	Accumulated losses US$	Total equity US$
Equity shareholders' funds at 31 December 2012	31,416,993	50,182,624	2,019,782	780,028	(4,606,311)	(40,532,115)	39,261,001
Foreign currency adjustments	-	-	-	-	(6,164,862)	-	(6,164,862)
Loss for year	-	-	-	-	-	(6,264,233)	(6,264,233)
Total comprehensive income for the year	-	-	-	-	(6,164,862)	(6,264,233)	(12,429,095)
Issue of new ordinary shares for cash	21,357,000	4,182,600	-	88,800	-	-	25,628,400
Costs associated with issue of new ordinary shares for cash	-	(327,286)	-	-	-	-	(327,286)
Warrants lapsed in period	-	441,213	-	(441,213)	-	-	-
Issue of new ordinary shares for acquisition	7,229,219	-	-	361,461	-	-	7,590,680
Share option expense	-	-	311,007	-	-	-	311,007
Equity shareholders' funds at 31 December 2013	60,003,212	54,479,151	2,330,789	789,076	(10,771,173)	(46,796,348)	60,034,707
Foreign currency adjustments	-	-	-	-	(7,965,119)	-	(7,965,119)
Loss for year	-	-	-	-	-	(174,401)	(174,401)
Total comprehensive income for the year	-	-	-	-	(7,965,119)	(174,401)	(8,139,520)
Issue of new ordinary shares for cash	1,665,000	13,302,000	-	-	-	-	14,967,000
Costs associated with issue of new ordinary shares for cash	-	(202,235)	-	-	-	-	(202,235)
Convertible loan stock repaid	-	-	-	(260,882)	-	260,882	-
Warrants lapsed in period	-	77,932	-	(77,932)	-	-	-
Share options lapsed in period	-	-	(189,308)	-	-	189,308	-
Share option expense	-	-	258,599	-	-	-	258,599
Equity shareholders' funds at 31 December 2014	**61,668,212**	**67,656,848**	**2,400,080**	**450,262**	**(18,736,292)**	**(46,520,559)**	**66,918,551**

Other reserves comprise a merger reserve of US$361,461 (2013: US$361,461) and a warrant reserve of US$88,801 (2013: US$166,733).

The following is a description of each of the reserve accounts that comprise equity shareholders' funds

Share capital	The share capital comprises the issued ordinary shares of the Company at par.
Share premium	*The share premium comprises the excess value recognised from the issue of ordinary shares at par.*
Share option reserve	Cumulative fair value of options charged to the statement of comprehensive income net of transfers to the profit and loss reserve on exercised and cancelled/lapsed options.
Other reserves	Other reserves comprises of a merger reserve arising on the acquisition of Kenai Resources Limited representing the difference between the nominal value of the shares issued and their fair value and a warrant reserve being the cumulative fair value of warrants issued associated with equity shares issued.
Translation reserve	Cumulative gains and losses on translating the net assets of overseas operations to the presentation currency.
Accumulated losses	Accumulated losses comprise the Group's cumulative accounting profits and losses since inception.

Company	Share capital US$	Share premium US$	Share option reserve US$	Other reserves US$	Accumulated losses US$	Total equity US$
Equity shareholders' funds at 31 December 2012	31,416,993	50,182,624	2,019,782	780,028	(33,870,108)	50,529,319
Loss for the year	–	–	–	–	(3,163,130)	(3,163,130)
Comprehensive income for year	–	–	–	–	(3,163,130)	(3,163,130)
Issue of new ordinary shares	21,357,000	4,182,600	–	88,800	–	25,628,400
Costs associated with issue of new ordinary shares	–	(327,286)	–	–	–	(327,286)
Warrants lapsed in period	–	441,213	–	(441,213)	–	–
Issue of new ordinary shares for acquisition	7,229,219	–	–	–	–	7,229,219
Share option expense	–	–	311,007	–	–	311,007
Equity shareholders' funds at 31 December 2013	60,003,212	54,479,151	2,330,789	427,615	(37,033,238)	80,207,529
Loss for the year	–	–	–	–	(5,430,795)	(5,430,795)
Comprehensive income for year	–	–	–	–	(5,430,795)	(5,430,795)
Issue of new ordinary shares	1,665,000	13,302,000	–	–	–	14,967,000
Costs associated with issue of new ordinary shares	–	(202,235)	–	–	–	(202,235)
Convertible loan stock repaid	–	–	–	(260,882)	260,882	–
Warrants lapsed in period	–	77,932	–	(77,932)	–	–
Share options lapsed in period	–	–	(189,308)	–	189,308	–
Share option expense	–	–	258,599	–	–	258,599
Equity shareholders' funds at 31 December 2014	**61,668,212**	**67,656,848**	**2,400,080**	**88,801**	**(42,013,843)**	**89,800,098**

Other reserves comprise a warrant reserve of US$88,801 (2013: US$166,733).

Financial Statements
Cash Flow Statements
For the year ended 31 December 2014

	Group		Company	
	For the year ended 31 December 2014 US$	For the year ended 31 December 2013 US$	**For the year ended 31 December 2014 US$**	For the year ended 31 December 2013 US$
Cash outflows from operating activities				
Operating loss	**(174,401)**	(6,264,233)	**(5,430,795)**	(2,951,931)
Net financial (income)/expense	**(1,156,576)**	537,325	**(1,186,673)**	286,201
Depreciation – plant, equipment and mining properties	**2,633,578**	534,491	**337,514**	3,173
Write-back of impairment provision	**(2,590,532)**	–	**–**	–
Deferred asset write-off	**–**	1,007,233	**–**	126,750
Share-based payments	**258,598**	304,764	**258,598**	304,764
Write-back of provision for contingencies	**(298,088)**	–	**–**	–
Interest paid	**(343,738)**	(306,590)	**(287,738)**	(306,590)
Foreign exchange	**462,326**	411,860	**130,765**	(324,258)
Finance charges	**(228,510)**	–	**(228,510)**	–
Changes in working capital				
Increase in inventories	**(4,157,262)**	(3,541,962)	**(2,173,886)**	–
(Increase)/decrease in receivables, prepayments and accrued income	**(8,218,764)**	(663,125)	**(6,913,524)**	36,752
Increase in payables, accruals and provisions	**1,153,538**	72,116	**342,693**	185,698
Net cash flow from operations	**(12,659,831)**	(7,908,121)	**(15,151,556)**	(2,639,441)
Investing activities				
Sales Revenues – capitalised	**4,079,663**	–	**4,079,663**	–
Capitalised pre-operating costs	**(7,665,510)**	–	**(5,832,746)**	–
Purchase of property, plant, equipment and projects in construction	**(5,613,297)**	(11,504,538)	**–**	(1,916,882)
Exploration and development expenditure	**(301,723)**	(2,432,871)	**(43,610)**	(6,244)
Capital and loan investments in subsidiaries	**–**	–	**(5,508,663)**	(17,352,492)
Interest received	**36,141**	7,575	**7,228**	7,575
Net cash outflow on investing activities	**(9,464,726)**	(13,929,834)	**(7,298,128)**	(19,268,043)
Financing activities				
Issue of ordinary share capital	**16,650,000**	25,628,400	**16,650,000**	25,628,400
Receipts from short term secured loans	**10,750,000**	2,750,000	**10,750,000**	2,750,000
Repayment of short term secured loan	**(5,500,000)**	(4,500,000)	**(5,500,000)**	(4,500,000)
Repayment of convertible loan stock	**(477,780)**	–	**(477,780)**	–
Payment of finance lease liabilities	**(706,457)**	(719,654)	**(694,803)**	(719,654)
Receipts for short term trade finance	**16,205,212**	–	**16,205,212**	–
Repayment of short term trade finance	**(8,441,166)**	–	**(8,441,166)**	–
Acquisition of subsidiary – cash acquired	**–**	222,211	**–**	222,211
Payment of share issue costs	**(202,235)**	(327,286)	**(202,235)**	(327,286)
Net cash inflow from financing activities	**28,277,574**	23,053,671	**28,289,228**	23,053,671
Net increase in cash and cash equivalents	**6,153,017**	1,215,716	**5,839,544**	1,146,187
Cash and cash equivalents at beginning of period	**3,789,263**	2,582,046	**3,454,296**	2,281,318
Exchange difference on cash	**(128,678)**	(8,499)	**(59,770)**	26,791
Cash and cash equivalents at end of period	**9,813,602**	3,789,263	**9,234,070**	3,454,296

Financial Statements
Notes to the Financial Statements
For the year ended 31 December 2014

1 Significant accounting policies
(a) Basis of preparation
Serabi Gold plc (the "Company") is a public limited company incorporated and domiciled in the United Kingdom, the shares of which are listed on AIM, part of the London Stock Exchange, and the Toronto Stock Exchange. The public registered office and principal place of business are disclosed in the shareholder information section of the Annual Report.

The principal activities of the Group are described in the Directors' Report on page 43.

The financial statements are presented in US Dollars. They are prepared on the historical cost basis or the fair value basis where the fair valuing of relevant assets and liabilities has been applied.

The financial statements have been 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") as 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 Companies Act 2006 applicable to companies reporting under IFRS.

It is not anticipated that the adoption in the future of the new or revised standards or interpretations that have been issued by the International Accounting Standards Board but are not yet effective will have a material impact on the Group's earnings or shareholders' funds. The Company has not adopted any new standards in advance of the effective dates.

Going concern and availability of project finance

The Group commenced gold production operations at the Palito Mine at the start of 2014 having completed the first phase construction of the gold recovery plant in December 2013. The operations during the first six months of 2014 were in a re-commissioning and ramp-up phase. On 23 July 2014 the Group announced that with effect from 1 July 2014 the Palito mine had achieved Commercial Production. During the three months ended 30 September 2014, the Group has completed work and commissioned the Carbon in Pulp ("CIP") leaching circuit allowing the Group to maximise the potential recovery of gold from the ore processed. The first "gold pour" of gold recovered from the CIP operations took place in October 2014. The Group plans over the first three months of 2015 to complete the initial development of its Sao Chico operation and thereafter during 2015 plans to steadily increase the production ore from Sao Chico for processing using the Palito gold process plant.

On 3 March 2014 the Group completed a share placement raising gross proceeds of UK£10 million which provided additional working capital to the Group during the start-up phase of production at Palito and also to fund the initial development and further evaluation of the Sao Chico gold project. On 26 September 2014 the Group also entered into a US$8 million secured loan facility for the period to 31 December 2015 with the Sprott Resource Lending Partnership ("the Facility") providing additional working and development capital. The first tranche of US$3 million of this Facility was drawdown on 26 September 2014 with the remaining tranches drawn down in full on 28 December 2014. Serabi is and has been in compliance with the terms of the Facility. The Group also makes use of a borrowing facility of US$7.5 million to provide advance payment on sales of copper/gold concentrate. This current facility extends to 31 December 2015.

The Directors anticipate the Group now has access to sufficient funding for its immediate projected needs. The Group expects to have sufficient cash flow from its forecast production to finance its on-going operational requirements and to, at least in part, fund exploration and development activity on its other gold properties. However the forecasted cash flow projections for the next twelve months include a significant contribution arising from the Sao Chico development. As noted above, whilst development has commenced commercial production has yet to be declared. There are risks associated with the commencement of any new mining operation whereby unforeseen technical and logistical events result in additional time being required for commissioning or additional costs needing to be incurred, giving rise to the possibility that additional working capital may be required to fund these delays or additional capital requirements. Should additional working capital be required the Directors consider that further sources of finance could be secured within the required timescale. On this basis the Directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis. However there is no certainty that such additional funds either for working capital or for future development will be forthcoming and these conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Financial Statements
Notes to the Financial Statements continued

1 Significant accounting policies (continued)

(b) Basis of consolidation

(i) Subsidiaries and acquisitions

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is recognised where an investor is expected, or has rights, to variable returns from its investment with the investee and has the ability to affect these returns through its power over the investee. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as a "fair value" adjustment. If the cost of the acquisition is less than the fair value of net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

In the Company's balance sheet, investments in subsidiaries includes the investment in Kenai Resources Limited ("Kenai") for the nominal value of the shares issued as consideration for the acquisition of that company. As permitted by the Companies Act 2006, no premium was recorded on the issue of such shares. On consolidation, the difference between the nominal value of the shares issued and their fair value was credited directly to the merger reserve, which is included within other reserves.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group.

(ii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(c) Foreign currencies

The Group's presentational currency is US Dollars and has been selected based on the currency of the primary economic environment in which the Group as a whole operates on the basis that the Group's primary product is generally traded by reference to its pricing in US Dollars. The functional currency of the Company is also considered to be the US Dollar.

Transactions in currencies other than the functional currency of a company are recorded at a rate of exchange approximating to that prevailing at the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in currencies other than the functional currency are translated at the amounts prevailing at the balance sheet date and any gains or losses arising are recognised in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations that do not have a US Dollar functional currency are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rate for the period. Exchange differences arising on the net investment in subsidiaries are recognised in other comprehensive income.

The US Dollar/Sterling exchange rate at 31 December 2014 was 1.5576 (2013: 1.6521). The Brazilian Real/US Dollar exchange rate at 31 December 2014 was 2.6556 (2013: 2.3420).

(d) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (note 1(d) (iv)) and impairment losses (note 1(h)).

Upon demonstration of the feasibility of commercial production, any past deferred exploration, evaluation and development costs related to that operation are reclassified as Assets in Construction. When commercial production commences these expenditures are then subsequently transferred at cost to Mining Properties. They are stated at cost less amortisation charges and any provision for impairment. Amortisation is calculated on the unit of production basis.

(ii) Leased assets

Assets held under leases, which result in the Group bearing risk and receiving benefit of ownership (finance leases), are capitalised as property, plant and equipment at the estimated present value of underlying lease payments.

The corresponding finance lease obligation is included within borrowings. The interest element is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period.

1 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Subsequent costs

Costs relating to maintenance and upkeep of the Group's assets once such assets have been commissioned and entered into commercial operations will generally be expensed as incurred. In the event, however, that the costs demonstrably result in extending the original estimated life of such asset or enhances its value, then such expenditure is added to the carrying value of that asset and amortised over its remaining estimated useful life.

(iv) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Mining assets	
Processing plant	three – seven years
Other plant and assay equipment	two – ten years
Heavy vehicles	eight years
Light vehicles	three years
Land and buildings	ten – twenty years
Mining properties	unit of production
Other assets	
Furniture and fittings	five years
Office equipment	four years
Communication installations	five years
Computers	three years

The Group reviews the economic lives at the end of each annual reporting period.

The residual value, if not insignificant, is reassessed annually. Gains and losses on disposal are determined by comparing proceeds with carrying values and are included in profit or loss.

(v) Commercial production

At the end of the commissioning phase, when the mine is capable of substantially operating in the manner intended by management, capitalisation ceases and the mining assets are amortised over the estimated life of the mineable inventory on a unit of production basis.

Future forecast capital expenditure is included in the unit of production depreciation calculation.

(e) Development and deferred exploration costs

All costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are written off as incurred. Subsequent to the legal rights being obtained all costs related to the exploration of mineral properties are capitalised on a project-by-project basis and deferred until either the properties are demonstrated to be commercially viable (see note 1(d)(i)) or until the properties are sold, allowed to lapse or abandoned, at which time any capitalised costs are written off to the income statement. Costs incurred include appropriate technical and administrative overheads but not general overheads. Deferred exploration costs are carried at cost less any impairment losses recognised.

At such time as commercial feasibility is established and a development decision is reached, the costs associated with that property will be transferred to and re-categorised as Projects in Construction and upon commercial production being achieved re-categorised as Mining Property.

Property, plant and equipment used in the Group's exploration activities are separately reported.

(f) Trade and other receivables

Trade receivables are not interest-bearing and are stated at nominal value at the balance sheet date.

Other receivables are not interest-bearing and are stated at amortised cost at the balance sheet date.

Receivables in respect of sale of gold/copper concentrate are re-valued using metal prices ruling at the balance sheet date (see Revenue policy – note 1(p)).

Trade and other receivables are reviewed for impairment on a regular basis.

Financial Statements
Notes to the Financial Statements continued

1 Significant accounting policies (continued)

(g) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities in current liabilities on the balance sheet.

(h) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered impairment. Prior to carrying out of impairment reviews, the significant cash generating units are assessed to determine whether they should be reviewed under the requirements of IFRS 6 – Exploration for and Evaluation of Mineral Resources or IAS 36 – Impairment of Assets. Such determination is by reference to the stage of development of the project and the level of reliability and surety of information used in calculating value in use or fair value less costs to sell. Impairment reviews performed under IFRS 6 are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise; typically when one of the following circumstances applies:

(i) sufficient data exists that render the resource uneconomic and unlikely to be developed;
(ii) title to the asset is compromised;
(iii) budgeted or planned expenditure is not expected in the foreseeable future;
(iv) insufficient discovery of commercially viable resources leading to the discontinuation of activities.

Impairment reviews performed under IAS 36 are carried out when there is an indication that the carrying value may be impaired. Such key indicators (though not exhaustive) to the industry include:

(i) a significant deterioration in the spot price of gold;
(ii) a significant increase in production costs;
(iii) a significant revision to, and reduction in, the life of mine plan.

If any indication of impairment exists, the recoverable amount of the asset is estimated, being the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. Such impairment losses are recognised in profit or loss for the year.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss for the year.

(i) Share capital

The Company's ordinary shares and deferred shares are classified as equity.

Called up share capital is recorded at par value of 0.5 pence per ordinary share and there are two classes of deferred shares with a par value of 9.5 pence per deferred share and 4.5 pence per deferred share.

Monies raised from the issue of shares in excess of par value are recorded as Share premium. Costs associated with the raising of capital are netted off this amount.

(j) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in profit or loss over the period of the borrowings using the effective interest rate method.

Interest on borrowings used specifically to fund the acquisition of non-current assets is capitalised as part of the acquisition cost of the asset.

1 Significant accounting policies (continued)

(k) Employee benefits

(i) Share-based payment transactions

The Group issues share-based payments to certain employees, which are measured at fair value at date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

(ii) Share options

In accordance with IFRS 2 – Share-Based Payment, the entity measures the goods or services received by measurement of the fair value of the share options. This cost is charged against profit or loss. The Black-Scholes method has been used to calculate this fair value. The expected life of the instrument used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The entity measures the fair value of the services received by reference to the fair value of the equity instruments granted, because typically it is not possible to estimate reliably the fair value of the services received. The fair value is measured at the date of grant. Where the equity instruments granted do not vest immediately but after a specified number of years, the fair value is accounted for over the vesting period.

(iii) Pension costs

The Group does not operate any pension plan for its employees although it does make contributions to employee pension plans in accordance with instructions from those employees. The Company has no contractual commitment as to the ability of those funds to provide any minimum level of future benefit to the individual and is contracted only to make the contributions. Company contributions to such schemes are charged against profit as they fall due.

(l) Provisions, contingent liabilities and contingent assets

Provisions are recognised when:

(i) the Group has a present legal or constructive obligation as a result of past events;
(ii) it is more likely than not that an outflow of resources will be required to settle the obligation; and
(iii) the amount can be reliably estimated.

(m) Restoration, rehabilitation and environmental costs

Provision for environmental remediation and decommissioning of the Group's mining and exploration facilities has been estimated using current prices which are inflated and then discounted for the time value of money. While the provision has been based on the best estimates of future costs and economic life, there is uncertainty regarding the amount and timing of these costs.

(n) Trade and other payables

Trade and other payables that are not interest-bearing are stated at amortised cost. Any interest charges or late payment penalties are recognised only when agreed with the supplying party or it considered probable that they will be levied.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Materials that are no longer considered as likely to be used by the Group or their value is unlikely to be readily realised through a sale to a third party, are provided for.

Materials held for consumption within operations are valued based on purchase price or, when manufactured internally, at cost. Costs are allocated on an average basis and include direct material, labour, related transportation costs and an appropriate allocation of overhead costs.

Gold bullion, copper/gold concentrate, run of mine ore and any other production inventories are valued at the lower of cost and net realisable value. Dependent on the current stage of any product inventory in the process cycle, cost will reflect, as appropriate, mining, processing, transport and labour costs as well as an allocation of mine services overheads required to bring the product to its current state.

Net realisable value is the estimated selling price in the ordinary course of business, after deducting any costs to completion and any applicable marketing, selling, shipping and other distribution expenses.

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1 Significant accounting policies (continued)

(p) Revenue

Revenue represents amounts receivable in respect of sales of gold and by-products. Revenue represents only sales for which contracts have been agreed and for which the product has been delivered to the purchaser in the manner set out in the contract. Revenue is stated net of any applicable sales taxes. Currently all revenue is derived from the sales of copper/gold concentrates produced by the Palito Mine and gold bullion produced from the Palito Mine. The Group anticipates that all future production derived from the Sao Chico Mine will be in the form of gold bullion.

Revenue from the sale of goods is recognised when the risks and rewards of ownership have been transferred to the buyer. Revenues are recognised in full using prices ruling at the date of sale with adjustments in respect of final sales prices being recognised in the month that such adjustment is agreed. Fair value adjustments for gold prices in respect of any sale for which final pricing has not been agreed at any balance sheet date is accounted for using the gold price at that balance sheet date. Any unsold production and in particular concentrate is held as inventory and valued at the lower of production cost and net realisable value until sold.

In the case of the sales of copper/gold concentrates revenue is recognised when in accordance with the terms of the contract the product arrives at the port of delivery. In the case of gold bullion revenue is recognised at the time that gold is delivered to the end purchaser.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

All sales revenue from incidental production arising during the exploration, evaluation, development and commissioning of a mineral resource prior to commercial production are taken as a contribution towards previously incurred costs and offset against the related asset accordingly.

Interest income is recognised on a time-proportion basis using the effective interest rate method.

(q) Expenses

(i) Operating lease payments
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

(ii) Finance lease payments
Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Financing expenses
Financing expenses comprise interest payable on borrowings calculated using the effective interest rate method and interest receivable on funds invested. It also includes charges arising on the unwinding of discount factors relating to the provisions for future charges.

(r) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the year end and any adjustments in respect of prior years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet method.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

(s) Compound financial instruments

Compound financial instruments comprise both liability and equity components. At issue date, the fair value of the liability component is estimated by discounting its future cash flows at an interest rate that would have been payable on a similar debt instrument without any equity conversion option. The liability component is accounted for as a financial liability. The difference between the net issue proceeds and the liability component is the equity component, and is accounted for as equity.

Any transaction costs associated with the issue of a compound financial instrument are allocated in proportion to the equity and liability components.

The interest expense on the liability component is calculated by applying the effective interest rate for the liability component of the instrument. The difference between the interest expense and the interest payments made are included in the carrying amount of the liability.

1 Significant accounting policies (continued)

(t) Segmental reporting

An operating segment is a component of the Group engaged in exploration or production activity that is regularly reviewed by the Chief Operating Decision Maker ("CODM") for the purposes of allocating resources and assessing financial performance. The CODM is considered to be the Board of Directors. The Group has only one primary business activity namely the conduct of gold mining and exploration in Brazil. For management purposes, however, the Group recognises two separate segments, Brazil and UK. Copper/gold concentrate is produced in Brazil and sales routed through the UK. The operating segments are reported in a manner consistent with the internal reporting provided to the CODM.

The Group does not report geographic segments by location of customer as its business is the production of gold which is traded as a commodity on a worldwide basis. Sales are ultimately made into the bullion market, where the location of the ultimate customer is unknown. During the year, 1,100 wet tonnes of copper/gold concentrate were sold to a refinery in Europe.

(u) Investments in subsidiaries

Investments in subsidiaries are recognised at cost, less any provision for impairment.

(v) Financial Instruments

(i) Financial instruments

Financial assets and financial liabilities are recognised on the Company's and Group's balance sheet when the Company and Group has become a party to the contractual provisions of the instrument and are initially measured at fair value, except for financial assets at fair value through profit or loss, which are initially measured at fair value, excluding transaction costs.

(ii) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Financial liabilities include bank loans and overdrafts which are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis.

(iii) Financial assets and liabilities at fair value through profit and loss

Financial assets and liabilities at fair value through profit and loss comprise derivative financial instruments. Subsequent to initial recognition financial assets at fair value through profit and loss are stated at fair value. Movements in fair values are recognised in profit or loss, unless they relate to derivatives designated and effective as hedging instruments, in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship.

(iv) De-recognition of financial assets

De-recognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least annually at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

(w) Leases

Finance leases are recognised as those leases that transfer substantially all the risks and rewards of ownership. Assets held under finance leases are capitalised and the outstanding future lease obligations are shown in liabilities at the fair value of the lease, or if lower at the present value of the lease payments. They are depreciated over the term of the lease or their useful economic lives, whichever is the shorter. The interest element (finance charge) of lease payments is charged to the income statement on a constant basis over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement in the period on a straight-line basis. The Company does not act as a lessor.

(x) Derivatives

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.

(y) Critical accounting estimates and judgements

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.

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1 Significant accounting policies (continued)

(y) Critical accounting estimates and judgements (continued)

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

Determining whether mining assets are impaired requires 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 a single CGU.

As described in note 1(d) (iv), the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Further disclosure is provided in note 18 regarding the key assumptions made in assessing the value in use.

Provisions and contingent liabilities

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

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 Ore Reserves, Measured and Indicated Resources and Inferred Resources. This would in turn affect certain amounts in the financial statements such as depreciation and closure provisions, which are calculated on projected life of mine figures, and carrying values of mining property and plant which are tested for impairment by reference to future cash flows based on projected life of mine figures.

Development and deferred exploration expenditure

The recoverability of exploration expenditure capitalised within intangible assets is assessed based on a judgement about the feasibility of the project and estimates of its future cash flows. Future gold prices, operating costs, capital expenditure and production are sources of estimation uncertainty. The Group periodically makes judgements as to whether its deferred exploration expenditure may have been impaired, based on internal and external indicators. Any impairment is based on a variety of estimates and opinions and may include estimates of future cash flows. In particular, the Group recognises that, if it decides, or is compelled due to insufficient funding, to withdraw from exploration activity at a project, then the Company would need to assess whether an impairment is necessary based on the likely sale value of the property.

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 work 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.

Commercial production

Following the commencement of development and construction work intended to advance a mining project into commercial production, the Board will consider and approve the criteria that they will apply in assessing when that mining project has achieved commercial production. These criteria may be agreed in conjunction with other stakeholders particularly financing parties and lenders. There are no set regulations or standards to be applied but the criteria set will primarily consider the performance of the project compared to projections and generally these criteria will be measured over a continuous period of time. The judgements made and the relative performance measures will be based on the Board's view of the complexity and the relative importance of certain key activity areas in determining the long term commerciality of the mining project.

Restoration, rehabilitation and environmental provisions

Such provisions require a judgement on likely future obligations, based on assessment of technical, legal and economic factors. The ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including the timing of expenditure, the discount, inflation ad foreign exchange rates used in calculating the current value of future expenditures and the projected scale of disturbance that is anticipated at the end of the project life.

2 Segmental analysis

The following information is given about the Group's reportable segments:

The Chief Operating Decision Maker is the Board of Directors. The Board reviews the Group's internal reporting in order to assess performance of the business. Management has determined the operating segments based on the reports reviewed by the Board.

The Board considers the performance of the Group by the geographical location of expenditures, and the division of capital expenditure between exploration and operations.

An analysis of the results for the year by management segment is as follows:

	2014			2013		
	Brazil US$	**UK US$**	**Total US$**	Brazil US$	UK US$	Total US$
Revenue	**1,608,587**	**11,019,197**	**12,627,784**	–	–	–
Operating expenses	**(7,049,565)**	**(2,648,100)**	**(9,697,665)**	–	–	–
Depreciation and amortisation	**(2,201,199)**	**(432,379)**	**(2,633,578)**	–	–	–
Gross (loss)/profit	**(7,642,177)**	**7,938,718**	**296,541**	–	–	–
Administration expenses	**(1,669,279)**	**(2,588,261)**	**(4,257,540)**	(1,378,244)	(2,502,176)	(3,880,420)
Share-based payments	**–**	**(258,598)**	**(258,598)**	–	(304,764)	(304,764)
Deferred asset write-off	**–**	**–**	**–**	(868,691)	(138,542)	(1,007,233)
Depreciation and gain on asset disposals	**–**	**–**	**–**	(524,829)	(9,662)	(534,491)
Write back of provision for contingencies	**298,088**	**–**	**298,088**	–	–	–
Write back prior year impairment	**2,590,532**	**–**	**2,590,532**	–	–	–
Operating (loss)/profit	**(6,422,836)**	**5,091,859**	**(1,330,977)**	(2,771,764)	(2,955,144)	(5,726,908)
Foreign exchange gain/(loss)	**247,503**	**(281,245)**	**(33,742)**	(38,471)	(131,887)	(170,358)
Finance income/(expense)	**28,912**	**1,161,406**	**1,190,318**	–	(366,967)	(366,967)
(Loss)/profit before taxation	**(6,146,421)**	**5,972,020**	**(174,401)**	(2,810,235)	(3,453,998)	(6,264,233)

An analysis of non-current assets by location is as follows:

	Total non-current assets	
	31 December 2014 US$	31 December 2013 US$
Brazil – operations	**54,103,898**	36,001,733
Brazil – exploration	**11,799,271**	24,659,003
UK	**–**	6,585
	65,903,169	60,667,321

An analysis of total assets by location is as follows:

	Total assets	
	31 December 2014 US$	31 December 2013 US$
Brazil	**76,713,805**	66,096,282
UK	**16,349,104**	3,591,813
	93,062,909	69,688,095

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2 Segmental analysis (continued)
During the year, the following amounts incurred by project location were capitalised as deferred exploration costs:

	Group	
	For the year ended 31 December 2014 US$	For the year ended 31 December 2013 US$
Brazil	**258,113**	10,626,954

During the year, the following amounts were capitalised as land and buildings, mine assets, property, plant, equipment and projects in construction:

	Group	
	For the year ended 31 December 2014 US$	For the year ended 31 December 2013 US$
Brazil	**14,301,202**	13,706,957
UK	**–**	6,937
	14,301,202	13,713,894

Revenue
All of the Group's revenue arises from its activities in Brazil.

An analysis of the revenue by reference to the domicile of the entity within the Group that concludes the sale is as follows:

	31 December 2014 US$	31 December 2013 US$
Brazil	**1,608,587**	–
UK	**11,019,197**	–
Total	**12,627,784**	–

An analysis of major customers (accounting for more than 10% of the Group's revenues) is as follows:

	31 December 2014 US$	**31 December 2014 %**	31 December 2013 US$	31 December 2013 %
Customer 1	**11,019,197**	**87.3%**	–	–
Customer 2	**1,608,587**	**12.7%**	–	–
Total	**12,627,784**	**100.0%**	–	–

3 Operating loss

a. Group operating loss for the year is stated after charging the following:

	Group	
	For the year ended 31 December 2014 US$	For the year ended 31 December 2013 US$
Staff costs	**8,126,221**	5,774,825
Depreciation (property, plant and equipment)	**298,716**	534,491
Amortisation of the mine asset	**2,334,862**	-
Operating lease charges	**171,826**	96,123

b. Auditor's remuneration

	Group	
	For the year ended 31 December 2014 US$	For the year ended 31 December 2013 US$
Fees payable to the group's auditor for the audit of the Group's annual financial statements	**116,796**	94,583
Fees payable to the Group's auditor and its associates for other services:		
audit of the Group's subsidiaries pursuant to legislation	**37,228**	24,368
tax compliance services	**5,104**	19,594
audit-related assurance services	**17,746**	45,213

4 Finance expense and income

	Group	
	For the year ended 31 December 2014 US$	For the year ended 31 December 2013 US$
Interest on trade financing loan	**(228,510)**	-
Finance cost on Sprott Loan	**(120,000)**	-
Interest on short-term loan	**(101,782)**	-
Interest payable on finance leases	**(81,501)**	(55,320)
Finance charge re convertible loan stock	**(75,763)**	(67,951)
Other finance-related expenses	**(79,726)**	(251,271)
Interest payable	**(687,282)**	(374,542)
Gain on financial instruments[1]	**1,841,459**	-
Finance income on short-term deposits	**36,141**	7,575
Net finance income/(cost)	**1,190,318**	(366,967)

(1) Gain on financial instruments includes an amount of US$1,350,827 relating to 100,000,000 warrants to subscribe for new ordinary shares issued by the Company on 3 March 2014. The Company accounted for the issue of these warrants in accordance with IAS32 and recorded a liability of US$1.68 million at the date of issue. As at 31 December 2014 the fair value of these warrants was assessed to be US$332,173 and the reduction in fair value has been recognised through the income statement.

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5 Taxation

	Group	
	For the year ended 31 December 2014 US$	For the year ended 31 December 2013 US$
Current tax		
UK tax	**–**	–
Foreign tax	**–**	–
Deferred tax	**–**	–
Total	**–**	–

The tax provision for the current period varies from the standard rate of corporation tax in the UK of 21.50% (2013: 23.25%). The differences are explained as follows:

	Group	
	For the year ended 31 December 2014 US$	For the year ended 31 December 2013 US$
Loss on ordinary activities before tax	**(174,401)**	(6,264,234)
Tax thereon at UK corporate tax rate of 21.5% (2013: 23.25%)	**(37,496)**	(1,456,434)
Factors affecting the tax charge:		
expenses not deductible for tax purposes	**105,839**	104,074
timing differences	**(1,738,086)**	–
income not taxable	**(152,534)**	224,665
higher rate tax overseas	**(216,508)**	(1,067,405)
unrecognised tax losses carried forward	**2,038,785**	2,195,100
Tax charge	**–**	–

Gross deferred tax position	**US$**	US$
Tax losses	**53,527,355**	49,305,702
Timing differences	**(1,738,086)**	–
	51,789,269	49,305,702

Deferred tax asset	**US$**	US$
Tax losses	**14,911,448**	14,332,226
Timing differences	**(590,949)**	–
Total deferred tax asset	**14,320,499**	14,332,226

The deferred tax asset has not been recognised in the financial statements because of uncertainty as to the time period over which the asset may be recovered.

6 Employee information

The average number of persons, including Executive Directors, employed by the Group during the year was:

	For the year ended 31 December 2014 Number	For the year ended 31 December 2013 Number
Management and corporate administration	17	13
Exploration	–	6
Mine operations and maintenance	124	97
Mine management and administration	12	–
Plant and processing	45	–
Total	198	116

	US$	US$
Staff costs		
Wages and salaries	6,092,423	4,377,224
Cost of incentive scheme shares and Director shares vested	234,161	277,198
Social security costs	1,631,192	997,678
Termination costs	40,115	40,496
Pension contributions	128,330	82,229
Total	8,126,221	5,774,825

No company within the Group operates a pension plan for the Directors or the employees. For those Executive Directors and employees who have an entitlement to pension provision, the premiums are paid directly to the personal pension plans selected by the individuals. The Company's obligation is limited to making fixed payments to these individual plans.

Serabi Mineração SA and Gold Aura do Brasil Mineração Ltda contribute via social security payments to the state pension scheme which operates in Brazil and to which all its employees are entitled.

Directors' remuneration

The compensation of the Directors' is:

	For the year ended 31 December 2014 US$	For the year ended 31 December 2013 US$
Salary and other benefits	926,586	884,420
Post-employment benefits	128,330	82,229
Share-based payments	234,161	277,197
Total	1,289,077	1,243,846

The remuneration of the highest paid Director during the year was US$544,900 (2013: US$482,270). The Company made cash contributions to his money purchase pension scheme of US$61,282 (2013: US$4,699) and contribution by way of shares of US$Nil (2013: US$Nil). The remuneration also includes the valuation of options granted in accordance with IFRS 2 of US$76,307 (2013: US$89,079).

During the year ended 31 December 2014, two of the Directors (2013: two) were entitled to accrue retirement benefits under money purchase schemes.

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7 Loss per share

The calculation of the basic loss per share of 0.03 cents (2013 loss per share: 1.60 cents) is based on the loss attributable to ordinary shareholders of US$174,401 (2013: loss of US$6,264,233) and on the weighted average number of ordinary shares of 622,964,546 (2013: 392,693,275) in issue during the period. Diluted loss per share is the same as the basic loss per share because the exercise of share options would be anti-dilutive.

Details of share options that could potentially dilute earnings per share in future periods are set out in note 17.

8 Intangible assets

Development and Deferred exploration costs

	Group		Company	
	31 December 2014 US$	31 December 2013 US$	**31 December 2014 US$**	31 December 2013 US$
Cost				
Opening balance	**24,659,003**	17,360,805	**2,040,437**	2,160,943
Exploration and development expenditure	**258,113**	2,432,871	-	-
Share option charges capitalised	-	6,244	-	6,244
Additions on acquisition of subsidiary (note 24)	-	8,187,839	-	-
Transfer to mining property and projects in construction	**(11,806,834)**	-	-	-
Write-off of past exploration costs	-	(1,007,233)	-	(126,750)
Foreign exchange movements	**(1,311,011)**	(2,321,523)	-	-
Total as at end of period	11,799,271	24,659,003	**2,040,437**	2,040,437

The value of these assets is dependent on the development of mineral deposits.

During the period and following the declaration of Palito having achieved commercial production and Sao Chico being placed in development in advance of production, past costs associated with these projects were transferred to Mining Property and Projects In Construction as appropriate.

The Company has, in the year ended 31 December 2014, not written off any past exploration expenditures.

9 Tangible assets

Property, plant and equipment – Group

2014	Land and buildings – at cost US$	Mining property – at cost US$	Projects in construction – at cost US$	Plant and equipment – at cost US$	Total US$
Cost					
Balance at 31 December 2013	2,910,142	24,570,958	10,829,432	12,451,061	50,761,593
Assets written down	(32,377)	–	–	(963,387)	(995,764)
Additions	378,390	6,144,128	4,917,640	2,861,044	14,301,202
Reallocations	803,646	10,001,886	(10,805,532)	–	–
Transfer from development and deferred exploration costs	–	1,995,102	9,811,732	–	11,806,834
Foreign exchange movements	(480,422)	(4,605,128)	(1,586,948)	(1,378,081)	(8,050,579)
At 31 December 2014	**3,579,379**	**38,106,946**	**13,166,324**	**12,970,637**	**67,823,286**
Depreciation					
Balance at 31 December 2013	(2,910,142)	(3,906,556)	–	(7,936,577)	(14,753,275)
Charge for period	–	(3,275,671)	–	(789,797)	(4,065,468)
Released on assets written down	28,362	–	–	877,219	905,581
Write-back of impairment provision	466,719	2,123,813	–	–	2,590,532
Foreign exchange movements	340,377	532,661	–	730,204	1,603,242
At 31 December 2014	**(2,074,684)**	**(4,525,753)**	**–**	**(7,118,951)**	**(13,719,388)**
Net book value at 31 December 2014	**1,504,695**	**33,581,193**	**13,166,324**	**5,851,686**	**54,103,898**
Net book value at 31 December 2013	–	20,664,402	10,829,432	4,514,484	36,008,318

Additions during the period include US$478,962 in respect of plant and equipment purchased by finance lease (2013: US$2,209,356). The net book value of assets acquired under finance leases at 31 December 2014 was US$2,042,851 (2013: US$1,999,529). Depreciation charged on leased assets for the period was US$466,790 (2013: US$209,827).

In 2009 the Company established an impairment provision against the carrying value of the Palito Mine. The Company has undertaken an impairment review at the end of 2014 and also has determined that Palito and Sao Chico form a single cash generating unit ("the Palito/Sao Chico CGU") given their close proximity and sharing of common services and processing facilities. The impairment review indicated that the carrying value ascribed to the Palito/Sao Chico CGU was significantly below the value in use calculation and therefore the Board has determined that the existing impairment provision is no longer required. Further details regarding the impairment review undertaken by the Company, are set out in note 18.

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9 Tangible assets (continued)

Property, plant and equipment – Group

2013	Land and buildings – at cost US$	Mining property – at cost US$	Projects in construction – at cost US$	Plant and equipment – at cost US$	Total US$
Cost					
Balance at 31 December 2012	3,335,235	27,280,139	1,622,093	10,126,708	42,364,175
Additions	–	2,634	10,069,244	3,642,015	13,713,893
Addition on acquisition of subsidiary	–	321,674	–	–	321,674
Foreign exchange movements	(425,093)	(3,033,489)	(861,905)	(1,317,662)	(5,638,149)
At 31 December 2013	2,910,142	24,570,958	10,829,432	12,451,061	50,761,593
Depreciation					
Balance at 31 December 2012	(3,335,235)	(4,039,744)	–	(8,140,205)	(15,515,184)
Charge for period	–	(12,979)	–	(737,829)	(750,808)
Balance on acquisition of subsidiary	–	(66,812)	–	–	(66,812)
Foreign exchange movements	425,093	212,979	–	941,457	1,579,529
At 31 December 2013	(2,910,142)	(3,906,556)	–	(7,936,577)	(14,753,275)
Net book value at 31 December 2013	–	20,664,402	10,829,432	4,514,484	36,008,318
Net book value at 31 December 2012	–	23,240,395	1,622,093	1,986,503	26,848,991

Property, plant and equipment – Company

2014	Mining property – at cost US$	Projects in construction – at cost US$	Plant and equipment – at cost US$	Total US$
Cost				
Balance at 31 December 2013	2,167,502	1,846,676	2,919,482	6,933,660
Additions	–	43,610	–	43,610
Reallocations	1,846,676	(1,846,676)	–	–
Capitalised pre operating expenses and revenues	1,981,433	–	–	1,981,433
At 31 December 2014	**5,995,611**	**43,610**	**2,919,482**	**8,958,703**
Depreciation				
Balance at 31 December 2013	(1,022,060)	–	(828,527)	(1,850,587)
Charge for period	(109,745)	–	(456,119)	(565,864)
At 31 December 2014	**(1,131,805)**	–	**(1,284,646)**	**(2,416,451)**
Net book value at 31 December 2014	**4,863,806**	**43,610**	**1,634,836**	**6,542,252**
Net book value at 31 December 2013	1,145,442	1,846,676	2,090,956	5,083,073

Additions during the period include US$Nil in respect of plant and equipment purchased by finance lease (2013: US$2,209,356). The net book value of assets acquired under finance leases as at 31 December 2014 was US$1,632,548 (2013: US$1,999,529). Depreciation charged on leased assets for the period was US$451,823 (2013: US$209,827).

9 Tangible assets (continued)

Property, plant and equipment – Company

2013	Mining property – at cost US$	Projects in construction – at cost US$	Plant and equipment – at cost US$	Total US$
Cost				
Balance at 31 December 2012	2,167,502	21,600	618,320	2,807,422
Additions	–	1,825,076	2,301,162	4,126,238
At 31 December 2013	2,167,502	1,846,676	2,919,482	6,933,660
Depreciation				
Balance at 31 December 2012	(1,022,060)	–	(615,527)	(1,637,587)
Charge for period	–	–	(213,000)	(213,000)
At 31 December 2013	(1,022,060)	–	(828,527)	(1,850,587)
Net book value at 31 December 2013	1,145,442	1,846,676	2,090,955	5,083,073
Net book value at 31 December 2012	1,145,442	21,600	2,793	1,169,835

10 Investments held as fixed assets

The Group consists of the following subsidiary undertakings:

Name	Incorporated	Activity	% holding
Serabi Mineração SA	Brazil	Gold mining and exploration	100%[1]
Kenai Resources Ltd	British Columbia, Canada	Investment	100%
Gold Origin Limited	British Virgin Islands	Dormant	96.1%[1]
Gold Aura do Brasil Mineração Ltda	Brazil	Gold mining and exploration	99.9%[1]
Gold Origin Mexico SA de CV	Mexico	Dormant	100%[1]
Serabi Mining Ltd	British Virgin Islands	Investment	100%
Serabi Mining Services Pty Ltd[1]	Australia	Dormant	100%

(1) Indirectly held.
(2) An application for the de-registration of Serabi Mining Services Pty Ltd by the Australian Securities and Investments Commission was approved on 10 March 2015.

	Company	
	31 December 2014 US$	31 December 2013 US$
Cost at start of period	**70,687,475**	17,339,256
Investment during the year	**5,508,663**	11,329,219
Inter-company loans converted to equity	**–**	42,019,000
Cost at end of period	**76,196,138**	70,687,475
Impairment provision balance at start and end of period	**(6,425,934)**	(6,425,934)
Net book value at end of period	**69,770,204**	64,261,541

Inter-company loans with a value of US$Nil were converted into new shares issued by the subsidiaries during the year (2013: US$42,019,000).

The value of these investments is dependent on the development of the Group's mineral deposits in Brazil.

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11 Inventories

	Group		Company	
	31 December 2014 US$	31 December 2013 US$	**31 December 2014 US$**	31 December 2013 US$
Consumables	**911,476**	891,969	–	–
Stockpile of mined ore	**1,054,989**	2,998,911	–	–
Stockpile of flotation tails	**2,342,936**	–	–	–
Other material in process	**168,932**	–	–	–
Finished goods awaiting sale	**3,591,882**	–	**2,173,886**	–
	8,070,215	3,890,880	**2,173,886**	–

12 Trade and other receivables

	Group		Company	
	31 December 2014 US$	31 December 2013 US$	**31 December 2014 US$**	31 December 2013 US$
Current				
Trade receivables	**6,400,206**	–	**6,400,206**	–
Other receivables	**371,840**	75,977	**153,073**	63,026
Trade and other receivables	**6,772,046**	75,977	**6,553,279**	63,026
Non-current				
Amounts owed by subsidiaries	–	–	**22,795,604**	22,788,108
Impairment provision	–	–	**(11,750,710)**	(11,750,710)
Other receivables	–	–	**11,044,894**	11,037,398

13 Cash and cash equivalents

	Group		Company	
	31 December 2014 US$	31 December 2013 US$	**31 December 2014 US$**	31 December 2013 US$
Cash and cash equivalents	**9,813,602**	3,789,263	**9,234,070**	3,454,296

14 Trade and other payables

	Group		Company	
	31 December 2014 US$	31 December 2013 US$	**31 December 2014 US$**	31 December 2013 US$
Current				
Trade payables	**1,928,960**	1,363,500	**648,158**	427,161
Property acquisition[1]	**1,094,838**	–	–	–
Other payables	**541,344**	475,248	–	–
Employee benefits	**305,210**	235,526	**49,581**	–
Other taxes and social security	**730,985**	797,272	**8,516**	33,185
Amounts due to subsidiaries	–	–	**419,536**	419,536
Trade and other payables	**4,601,337**	2,871,546	**1,125,791**	879,882
Non-current				
(Between one and five years)				
Other payables	–	–	–	–
Property acquisition[1]	**1,167,473**	–	–	–
Other taxes and social security	**257,325**	410,330	–	–
	1,424,798	410,330	–	–

(1) Under the terms of an agreement entered into by Gold Aura do Brasil Mineração Ltda ("GOAB") in October 2012, GOAB undertook to acquire from Mr Waldimiro Morais Martins a 30% net profits interest of GOAB (the "NPI") arising from the production of gold and base metals extracted from the Sao Chico mining concession for a consideration of BrR$7.7 million upon GOAB successfully securing the resources and finance for the Sao Chico project. With the intention to start processing of ore from Sao Chico during the second quarter of 2015 the Company considers that this commitment has become due. GOAB will pay to Mr Martins, the sum of BrR$3 million upon execution of the transfer of the NPI to GOAB, waive a debt due to GOAB by Mr Martins of BrR$700,000 and pay the remainder in 36 monthly instalments of BrR$111,111 with the first instalment due within 10 months from the date of the execution of the transfer of the NPI.

15 Non-current provisions

Employment and claims provision

	Group		Company	
	31 December 2014 US$	31 December 2013 US$	**31 December 2014 US$**	31 December 2013 US$
Opening balance	**339,164**	388,706	–	–
Movement in year	**(298,088)**	–	–	–
As a result of exchange variations	**(5,558)**	(49,542)	–	–
Closing balance	**35,518**	339,164	–	–

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15 Non-current provisions (continued)

Environmental rehabilitation provision

	Group		Company	
	31 December 2014 US$	31 December 2013 US$	**31 December 2014 US$**	31 December 2013 US$
Opening balance	**1,141,501**	1,223,392	**–**	–
Provided for in year			**–**	
as a result of cost adjustment	**2,612,858**	80,458	**–**	–
unwinding of discount factor	**(591,729)**	–	**–**	–
as a result of exchange variations	**(368,680)**	(162,349)	**–**	–
	1,652,449	(81,891)	**–**	–
Closing balance	**2,793,950**	1,141,501	**–**	–
Total non-current provisions	**2,829,468**	1,480,665	**–**	–

The employment and claims provision covers claims that may be brought by:

(i) Former employees of Serabi Mineração SA and Gold Aura do Brasil Mineração Ltda against these companies. Brazilian labour law entitles a former employee to lodge within two years of leaving the company claims for alleged unpaid remuneration and compensation in the event of dismissal. The Group whilst contesting each claim has made provision in respect of all known claims.

(ii) Third parties against Serabi Mineração SA and Gold Aura do Brasil Mineração Ltda where sums are claimed over and above contracted amounts. Whilst the Group will contest these claims it has made an additional provision as a best estimate of the potential value of any settlement that could arise based on legal opinion.

The environmental rehabilitation provision has been established to cover any asset decommissioning and rehabilitation obligations for the Palito and Sao Chico mines. Such obligations include the dismantling of infrastructure, removal of residual materials and remediation of disturbed areas. The provision does not allow for any additional obligations expected from future developments. The timing and scope of the rehabilitation is uncertain and is dependent on mine life and quantities extracted from the mine.

Cost estimates are formally reviewed at regular intervals and the provisions are adjusted accordingly.

16 Interest-bearing liabilities

Secured loan facility

On 26 September 2014, Serabi Gold plc and the Sprott Resource Lending Partnership ("Sprott") entered into a US$8 million credit facility (the "Sprott Facility"). The Sprott Facility is for a term expiring on 31 December 2015 and carries interest at a rate of 10% per annum. The Sprott Facility will be used to provide additional funding for the continued development of the Palito Mine and the Sao Chico gold project, to finance an additional drilling programme at Sao Chico and for general corporate purposes.

The Sprott Facility was subject to a number of conditions precedent, including execution of security documentation in favour of Sprott over the assets of the Group. The first Tranche of US$3 million was released on 26 September 2014 concurrent with the closing of the transaction and the remaining funds were released on 29 December 2014 following completion of the registration of all the security arrangements.

Serabi has provided to Sprott certain covenants and undertakings, consistent with normal bank lending arrangements, including an undertaking to maintain at all times working capital in excess of US$4 million and a minimum of US$1 million in unrestricted cash and cash equivalents. The Facility is subject to standard events of default. Serabi has been and remains in compliance with all the terms of the Facility.

Serabi has granted to Sprott a call option over 4,812 ounces of gold at a strike price US$1,285. Sprott has the right to exercise its call option, subject to a minimum of 500 ounces, at any time up to 31 December 2015. The call options when exercised will be settled in cash and at the option of the Borrower may be added to the Facility provided that in so doing this does not cause a breach of the Facility and that the principal balance of the Facility does not exceed US$8 million.

Included within derivative financial liabilities is US$196,330 (2013: US$Nil) relating to the call option granted to Sprott. Initially valued at US$320,000, the fair value was re-measured at the year-end date by reference to active market data with US$123,670 taken to the income statement in the year ended 31 December 2014. The call option is classified in level 1 of the fair value hierarchy.

Serabi may prepay in whole or part any amount of the Facility prior to 31 December 2015 without penalty provided that not less than six months of interest on the amount prepaid, has been paid to Sprott.

	Group		Company	
	31 December 2014 US$	31 December 2013 US$	**31 December 2014 US$**	31 December 2013 US$
Current				
Secured loan facility	**7,744,000**	2,750,000	**7,744,000**	2,750,000
Convertible loan stock	**–**	440,084	**–**	440,084
Obligations under trade finance facility	**7,764,046**	–	**7,764,046**	–
Obligations under finance leases	**720,174**	600,279	**587,947**	600,279
Due in less than one year	**16,228,220**	3,790,363	**16,095,993**	3,790,363
Non-current				
(Between one and five years)				
Obligations under finance leases	**364,655**	833,560	**203,016**	833,560
Due in more than one year	**364,655**	833,560	**203,016**	833,560

	Group		Company	
	31 December 2014 US$	31 December 2013 US$	**31 December 2014 US$**	31 December 2013 US$
Secured loan facility				
Amount drawdown at 31 December 2014	**8,000,000**	–	**8,000,000**	–
Fair value of call options granted	**(320,000)**	–	**(320,000)**	–
Amortisation of call options in period	**64,000**	–	**64,000**	–
Value of secured loan facility at 31 December 2014	**7,744,000**	–	**7,744,000**	–

Each finance lease is secured against the underlying assets that are the subject of that lease.

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17 Share capital

The Companies Act 2006 (as amended) abolishes the requirement for a company to have an authorised share capital and on 3 March 2014 the Company adopted new articles of association to reflect this.

The deferred shares carry no voting or dividend rights or any right to participate in the profits or assets of the Company and all the deferred shares may be purchased by the Company, in accordance with the Companies Act 2006, at any time for no consideration. In the event of a return of capital, after the holders of the ordinary shares have received in aggregate the amount paid up thereon plus £100 per ordinary share, the holders of deferred shares shall receive an amount equal to the nominal value of the deferred shares and thereafter any further surplus shall be distributed amongst the holders of ordinary shares.

On 3 March 2014, shareholders approved a capital reorganisation whereby the existing ordinary shares of 5 pence each were sub-divided and re-classified into one new ordinary share of 0.5 pence and one new deferred share of 4.5 pence. The rights attaching to the new ordinary shares are, save for the change in the nominal value and the entitlement of shareholders in respect of a return of capital or other distribution arising therefrom, identical in all respects to those of the existing ordinary shares.

The new 4.5 pence deferred shares, in common with the existing 9.5 pence deferred shares, have no voting or dividend rights and on a return of capital, the right only to receive the amount paid up thereon after the holders of the ordinary shares have received the aggregate amount paid up thereon plus UK£100 per ordinary share. Any further surplus shall be distributed only amongst the holders of ordinary shares.

	2014		2013	
	Number	**$**	Number	$
Allotted, called up and fully paid				
Ordinary shares of 0.5 pence each				
(2013: 5.0 pence each)	**656,389,204**	**5,263,182**	456,389,204	35,981,817
Deferred shares of 4.5 pence each	**456,389,204**	**32,383,635**	–	–
Deferred shares of 9.5 pence each	**140,139,065**	**24,021,395**	140,139,065	24,021,395
		61,668,212		60,003,212

Movements in issued share capital

	31 December 2014 Number	**31 December 2014 $**	31 December 2013 Number	31 December 2013 $
Ordinary shares				
Opening balance	**456,389,204**	**35,981,817**	91,268,529	7,395,598
Issue of shares for cash	**200,000,000**	**1,665,000**	270,000,000	21,357,000
Share split	–	**(32,383,635)**	–	–
Issue of shares on acquisition of subsidiary	–	–	95,120,675	7,229,219
Closing balance	**656,389,204**	**5,263,182**	456,389,204	35,981,817

	31 December 2014 Number	**31 December 2014 $**	31 December 2013 Number	31 December 2013 $
Deferred shares – 9.5 pence par value				
Opening balance and closing balance	**140,139,065**	**24,021,395**	140,139,065	24,021,395

	31 December 2014 Number	**31 December 2014 $**	31 December 2013 Number	31 December 2013 $
Deferred shares – 4.5 pence par value				
Opening balance	–	–	–	–
Created in year through share split	**456,389,204**	**32,383,635**	–	–
Closing balance	**456,389,204**	**32,383,635**	–	–

Total Share Capital		**61,668,212**		60,003,212

17 Share capital (continued)

The following share issues of ordinary shares occurred during the year:

3 March 2014	Issue of 200,000,000 Units at a subscription price of 5 pence per Unit whereby each Unit comprised one new Ordinary Share and one half of one new warrant. Each new warrant entitles the new warrant holder to subscribe for one new Ordinary Share at a subscription price of 6 pence per new Ordinary Share on or before 2 March 2016.

Warrants to subscribe for ordinary shares

As part of the issue of shares that took place on 3 March 2014, the Company issue 100,000,000 warrants. Each warrant entitled the holder to subscribe for one new ordinary share for each whole warrant held at a subscription price of UK£0.06 per ordinary share at any time up to and including 2 March 2016.

The Company has used the Black-Scholes model to calculate the fair value of each warrant equivalent to US$0.01683 (UK£0.0102) per warrant. In calculating the fair value of the warrants the Company assumed an expected life of 2 years, a volatility rate of its share price of 50% and a risk free interest rate of 0.75%. Warrants are normally considered as part of equity but in this instance because the exercise price of the warrant is denominated in UK Sterling and the functional currency of the Company is US Dollars, under IAS32 the warrants are not considered to be equity but instead a liability of the Company at the time of issue. In accordance with IAS 32 the Company therefore at the date of issue established a liability for these warrants in the amount of US$1,683,000. At 31 December 2014, the Company has revalued the warrants in accordance with fair value accounting principles using an assumed expected life ending 2 March 2016, a volatility rate of its share price of 50% and a risk free interest rate of 0.75% and determined that the value of the warrants at 31 December 2014 has reduced to US$332,173. The gain on this revaluation amounting to US$1,350,827 has been recorded as finance income and the liability reduced by the same value. The warrants are classified in level 3 of the fair value hierarchy.

Options to subscribe for ordinary shares

In 2011 the Company established a share option scheme (the "Serabi 2011 Share Option Plan") the terms of which were re-approved by shareholders at the Annual General Meeting of the Company held on 24 June 2014. With the exception of replacement options issued by the Company pursuant to the acquisition of Kenai Resources Ltd in July 2013, all options granted by the Company since that time have been issued under the Serabi 2011 Share Option Plan. Certain options granted pursuant to other plans operated by the Company prior to the establishment of the Serabi 2011 Share Option Plan remain in issue as at 31 December 2014.

Details of the number of share options and the weighted average exercise price ("WAEP") outstanding under the Serabi 2011 Share Option Plan are as follows:

	31 December 2014 Number	**31 December 2014 WAEP UK£**	31 December 2013 Number	31 December 2013 WAEP UK£
Outstanding at the beginning of the period	**18,585,000**	**0.1173**	3,835,000	0.3286
Granted during the period	**17,050,000**	**0.0512**	14,750,000	0.0623
Expired during the period	**(1,600,000)**	**0.3230**	–	–
Outstanding at the end of the period	**34,035,000**	**0.0745**	18,585,000	0.1173

Details of the number of share options and the weighted average exercise price ("WAEP") outstanding issued as replacement options pursuant to the acquisition of Kenai Resources Ltd are as follows:

	31 December 2014 Number	**31 December 2014 WAEP C$**	31 December 2013 Number	31 December 2013 WAEP C$
Outstanding at the beginning of the period	**2,533,000**	**0.3008**	–	–
Granted during the period	**–**	**–**	2,533,000	0.3008
Outstanding at the end of the period	**2,533,000**	**0.3008**	2,533,000	0.3008

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17 Share capital (continued)

Options to subscribe for ordinary shares (continued)

Details of the number of share options and the weighted average exercise price ("WAEP") outstanding issued under other option arrangements prior to 2011 are as follows:

	31 December 2014 Number	**31 December 2014 WAEP UK£**	31 December 2013 Number	31 December 2013 WAEP UK£
Outstanding at the beginning and end of the period	**2,278,285**	**0.6862**	2,278,285	0.6862

Options granted have no market performance criteria and have been valued using the Black-Scholes model. The fair value of options is charged to the profit and loss account or capitalised as an intangible asset as appropriate over the vesting period. The assumptions inherent in the use of these models are as follows:

Grant date	Vesting period (years)	First vesting date	Expected life (years)	Risk free rate	Exercise price	Volatility of share price	Fair value	Options vested	Options granted	Expiry
30/09/14	2	30/09/14	3	0.75%	UK£0.055	50%	UK£0.0187	1,066,668	3,200,000	29/09/17
07/04/14	2	07/04/14	3	0.75%	UK£0.050	50%	UK£0.0132	4,533,336	13,600,000	06/04/17
07/04/14	1	07/04/14	1	0.75%	UK£0.06665	50%	UK£0.0031	250,000	250,000	06/04/17
18/07/13	0	18/07/13	n/a	n/a	C$0.31176	n/a	n/a	960,500	960,500	01/10/15
18/07/13	0	18/07/13	n/a	n/a	C$0.29411	n/a	n/a	1,572,500	1,572,500	07/06/16
26/01/13	2	26/01/13	3	1%	UK£0.061	50%	UK£0.0176	9,200,002	13,800,000	25/01/16
26/01/13	2	26/01/13	3	1%	UK£0.0813	50%	UK£0.0127	950,000	950,000	25/01/16
21/05/12	2	21/05/12	3	1%	UK£0.15	50%	UK£0.029	500,000	500,000	20/05/15
28/01/11	2	28/01/11	3-5	1%	UK£0.41	50%	UK£0.085	1,285,000	1,285,000	27/01/21
28/01/11	2	28/01/11	3-5	1%	UK£0.37	50%	UK£0.094	450,000	450,000	27/01/21
21/12/09	2	21/12/09	3-5	1%	UK£0.15	50%	UK£0.080	1,700,000	1,700,000	20/12/19
01/04/05	1	10/11/05	2	5.75%	UK£1.50	45%	UK£1.7152	278,360	278,360	01/04/16
01/04/05	1	1/04/06	2	5.75%	UK£3.00	45%	UK£0.9174	274,925	274,925	01/04/16
15/11/07	1	15/11/08	4-6	5.75%	UK£2.64	45%	UK£0.0931	25,000	25,000	14/11/17
								23,046,291	38,846,285	

During the year a charge of US$258,598 (2013: US$311,008) has been recorded in these financial statements in respect of these options of which US$Nil (2013: US$6,244) has been capitalised as deferred exploration expenditures.

The fair value of all options granted under all of the above plans that have lapsed during the period, totalling US$Nil (2013: US$87,286) has been transferred from the Option Reserve to the Accumulated Losses Reserve.

18 Impairment

As detailed in the accounting policies the Directors are required to undertake a review for impairment at least annually where events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In such a situation the asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less cost to sell and value in use).

At the end of 2008, the Group placed the underground mining operations on care and maintenance following difficulties in achieving the required operational performance from the mine which would have necessitated the injection of further capital which at that time was not available to the Group. For the next three years the Group embarked on a programme of identifying additional underground gold deposits in close proximity to the Palito Mine, with a view to enhancing the reserve and resource base of this mineral district and ultimately to be in a position to re-open the Palito underground mine and also to start operations at two or more satellite mines nearby. Following a successful discovery drilling campaign as a result of which the Company made three new discoveries in close proximity to the Palito Mine, the Board commissioned a preliminary economic assessment of the viability of re-commencing mining operations at the Palito Mine. This independent preliminary economic assessment report ("PEA") was published in June 2012. The Company completed a share placement in January 2013 raising gross proceeds of UK£16.2 million which was used to finance the start-up of gold production operations at the Palito Mine. Mining operations commenced during 2013 and the gold recovery process plant was completed and initial testing started in December 2013. Commissioning and the ramp-up of production continued during the first two quarters of 2014 and on 23 July 2014 the Company declared commercial production effective as of 1 July 2014.

In July 2013 the Company acquired the entire share capital of Kenai Resources Ltd, a group which holds the exploration licence for the Sao Chico gold project. On 3 March 2014 the Group completed a share placement raising gross proceeds of UK£10.0 million which has been used to finance initial mine development at Sao Chico and working capital during the start-up of Palito.

The Directors have considered each of the Group's deferred exploration assets and production and development assets on a project-by-project basis. It has considered two potential cash generating units for the purpose of this assessment.

Palito and Sao Chico are considered to be a single cash-generating unit. Whilst the deposits are separately located, they share significant common processing and support infrastructure and will be treated by the Company as a single operating business unit. This single cash-generating unit therefore comprises all of the Palito Mine pre-operating costs, exploration expenditures on establishing the current declared resource base, land and buildings and plant and machinery associated with the mining and gold processing operations together with the acquisition cost of Sao Chico and the exploration and pre-development expenditures incurred by Serabi since acquisition.

The second cash generating unit represents the exploration expenditures on areas within the Palito environs and the wider Jardim do Ouro tenement holdings, but which have not yet been exploited and do not form part of the current declared reserves and resources. The above cash generating units were assessed for impairment indicators in accordance with the accounting policy set out in note 1(h) and the Directors are satisfied that there is no indication of impairment across these projects.

The Palito and Sao Chico mines

The carrying value of the assets relating to the Palito and Sao Chico mines is US$51.8 million before any provision for impairment.

The Company's management have provided to the Directors an assessment of the expected future cash-flows that the Palito and Sao Chico operations can be expected to generate using management's current estimates of mining, processing and capital expenditure plans for a period starting in January 2015 and ending in December 2022. The resulting pre-tax Net Present Value of the project was significantly in excess of the carrying value of US$51.8 million and therefore the Directors also have decided that it is appropriate to write back the impairment provision of US$2.59 million that had been carried in the books of the Group as at 1 January 2014.

In accordance with IAS 36 – Impairment of Assets, any impairment must first be applied against any goodwill allocated to the unit that is impaired and thereafter allocated to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

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18 Impairment (continued)
The carrying value for the Group of the Palito and Sao Chico cash generating unit at 31 December 2014 comprises:

	Carrying value before impairment US$ million	Impairment provision at 1 January 2014 US$ million	Impairment provision written back US$ million	Carrying value at 31 December 2014 US$ million
Mining Property	33.58	(2.12)	2.12	33.58
Projects in Construction	10.90	-	-	10.90
Plant and Equipment	5.85	-	-	5.85
Land and Buildings	1.50	(0.47)	0.47	1.50
	51.84	(2.59)	2.59	51.84

The initial impairment provision against the carrying value of the Palito cash generating unit for the Group, was established in the financial year ended 31 December 2009. The provision was first applied against Goodwill of US$1,752,516 and accordingly the value reported by the Group as goodwill at that time was impaired in full.

The plan presented by management to support the impairment assessment, anticipates total Life of Mine ("LOM") production of 218,000 gold ounces compared with the Group's current inventory of Measured and Indicated mineral resources of 206,000 gold equivalent ounces and Inferred resources of 393,000 gold ounces as estimated at the end of March 2008.

The Net Present Value calculation used the following key assumptions:

Period of operations	1 January 2015 to 31 December 2022
Gold price	*US$1,200 for each year of the plan*
Exchange rate BrR$ to US$	2.6556 for each year of the plan. This was the prevailing exchange rate at 31 December 2014. The rate on 27 March 2015 was BrR$3.225: US$1.00.
Discount factor	10%
Cost estimates	Based on current estimates being used by management for budgetary purposes.
Mine plan	Palito – to operate at levels of approximately 90,000 tonnes per annum and during 2015 running down stockpiles of coarse ore and flotation tailings. Sao Chico – to be in development for 2015 with limited production being generated from stoping and only in 2016 to reach full mine production rates.
Average annual plant throughput rate (2016 onwards)	127,000 tonnes per annum
Average annual LOM gold production (2016 onwards)	42,000 ounces
Production period	Eight years

As required by IAS 36 no benefit has been recognised for any additional value that could be generated from the assets through improving the performance of the assets through additional cash outflows. No recognition has been taken of other mineral resources at Palito.

It is estimated that the effect of changes in key assumptions would result in the following changes in value in use:

	Improvement US$m	Decline US$m
Change in gold price by $100	20.7	(20.7)
Variation of BrR$:US$ exchange rate by 10%	14.0	(17.1)
Variation in discount factor by 1% point	13.6	(13.6)
Variation in cost estimates by 10%	3.4	(3.3)

19 Capital management

The Group has historically sourced capital through share issues on the London Stock Exchange and the Toronto Stock Exchange and the Board had managed the capital structure of the Group and aligned this with the risk profiles of its underlying assets. On 20 December 2013 the Company entered into a conditional subscription agreement with Fratelli Investments Limited ("Fratelli") as part of an overall placement of shares and warrants to raise a minimum of UK£6.25 million and a maximum of UK£10.0 million. At the same time Fratelli agreed to provide a short term secured loan facility of US$7.5 million to provide working capital to the Company and to enable it to commence initial development works at the Sao Chico project. The placing of 200 million units with Fratelli and other subscribers was completed on 3 March 2014 raising gross proceeds of UK£10.0 million and the Company repaid the loan funds which had been advanced as at that date of US$5.5 million plus accrued interest from the proceeds of the placing.

On 26 September, Serabi Gold plc and the Sprott Resource Lending Partnership ("Sprott") entered into a US$8 million credit facility ("the Sprott Facility"). The Sprott Facility is for a term expiring on 31 December 2015 and carries interest at a rate of 10% per annum. The Sprott Facility will be used to provide additional funding for the continued development of the Palito Mine and the Sao Chico gold project, to finance an additional drilling programme at Sao Chico and for general corporate purposes.

The Company anticipates that, whilst it may seek to raise further finance in the future, it now has access to sufficient funding for its immediate needs. Gold production operations at the Palito Mine commenced in January 2014 with commercial production being declared effective as of 1 July 2014 and the Company expects to have sufficient cash flow to finance its on-going operational requirements and to, at least in part, fund exploration and development activity on its other gold properties. 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 Company to satisfy the obligations and undertakings that would be imposed in connection with such borrowings.

The Company's shares are listed on both AIM and the TSX which management consider increases the potential of the Group to raise finance through further issues of shares in the future. Management consider that with cash flow being generated from its operations in the near-term this also enhances the ability of the Group to raise debt finance in the future.

20 Company statement of comprehensive income

A separate statement of comprehensive income for Serabi Gold plc has not been prepared as permitted by Section 408 of the Companies Act 2006. The loss of the Company during 2014 was US$5,430,795 (2013: loss of US$3,163,130).

21 Commitments and contingencies

Capital commitments

The Group holds certain exploration prospects which require the Company to make certain payments under rental or purchase arrangements allowing the Company to retain the right to access and undertake exploration on these properties. Failure to meet these obligations could result in forfeiture of any affected prospects.

Management estimates that the cost over the next twelve months of fulfilling the current contracted commitments on these exploration properties in which the Group has an interest is US$92,000 (2013: US$174,000).

Operating lease commitments

The Company has commitments under non-cancellable operating leases as follows:

	Group		Company	
	31 December 2014 US$	31 December 2013 US$	**31 December 2014 US$**	31 December 2013 US$
Commitments falling due:				
Within one year	**155,729**	89,541	**59,177**	62,779
Between one year and five years	**213,852**	7,847	**157,772**	7,847
Total	**369,581**	97,388	**216,949**	70,626

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21 Commitments and contingencies (continued)

Contingencies

Employment legislation in Brazil allows former employees to bring claims against an employer at any time for a period of two years from the date of cessation of employment and regardless of whether the employee left the company voluntarily or had their contract terminated by the company. The Group considers that it operates in compliance with the law at all times but is aware that claims are made against all companies in Brazil on a regular basis. Whilst not accepting legal liability the Group makes provision or accrues for all known claims further claims may arise at any time.

During 2013, Serabi Mineração SA ("SMSA") was requested by the Tax Authorities for the State of Para, to provide supporting documentation in respect of certain tax reclaims made by SMSA dating back for six years. SMSA has provided all the requested information and the Group considers all claims made were in accordance with prevailing legislation. The total sum of the tax claims that are subject to this review is BrR$586,000, which at the year-end is equivalent to US$221,000.

22 Related party transactions

During the period the Company has made no loans to subsidiaries (2013: US$13,144,998) and the Company did not subscribe for any new capital issued by subsidiaries (2013: US$4,100,000). There were no loans converted into new shares issued by subsidiaries during 2014 (2013: US$42,019,000).

The Company has loans receivable from subsidiaries totalling US$22,795,604 (2013: US$22,788,108) before any provision for the impairment of these loans (see note 12).

The Company has purchased during the year from its subsidiary Serabi Mineração SA ("SMSA") 1,260 tonnes of copper/gold concentrate for a consideration of US$18,803,184.

On 20 December 2013, the Company entered into a secured loan agreement for a total facility of US$7.5 million ("the 2013 Loan Agreement") with Fratelli Investments Limited ("Fratelli") to provide working capital to the Company and to enable the Company to commence initial development works at the Sao Chico project and at the same time entered into a conditional subscription agreement with Fratelli as part of an overall placement of shares and warrants to raise a minimum of UK£6.25 million and a maximum of UK£10.0 million. At that time Fratelli held a 40.5% interest in the issued share capital of the Company. Under the 2013 Loan Agreement Fratelli agreed to provide up to US$7.5 million to be drawn down in three instalments commencing from the date of the agreement to provide working capital to the Company and the Group during the start-up phase of gold production at Palito and to finance the initial development at the Sao Chico project. The loan was to be repaid by the earlier of 30 April 2014 and the date falling seven days after the funds due from Fratelli under the conditional subscription were received and carried interest at a rate of 12% per annum and an arrangement fee of 3% of the facility amount. The loan was secured against (i) the entire share capital of Serabi Mining Ltd, a subsidiary of Serabi Gold plc, and the 99.99% shareholder of Serabi Mineração SA, which is the licence holder for the Palito Mine and (ii) the entire share capital of Kenai Resource Ltd a subsidiary of Serabi Gold plc and the 100% shareholder of Gold Aura do Brasil Mineração Ltda, which is the licence holder for the Sao Chico project. In addition the Company also made a charge in favour of Fratelli over all current and future sums owed by Serabi Mineração SA to Serabi Gold plc. Following completion of the share placing on 3 March 2014, all amounts borrowed by the Company under the loan facility plus accrued interest were repaid to Fratelli and all security released. At the time of repayment a total of US$5.5 million had been advanced under the loan facility. Interest due under the facility was US$101,782 as at the date of the repayment of the loan facility.

On 3 March 2014, the Company completed a placing of 200 million units at a price of UK£0.05 per unit raising gross proceeds of UK£10 million. The share placement was pursuant to a conditional subscription agreement entered into on 20 December 2013 between the Company and Fratelli Investments Limited ("Fratelli") to subscribe for a minimum of 125 million units and a maximum of 162.5 million units to finance initial development and underground drilling at the Sao Chico project and to provide further working capital to the business during the start-up phase of gold production at Palito. The final form of the investment by Fratelli comprised of (a) a subscription for 125 million units at the Subscription Price of 5 pence per unit; and (b) a further subscription for 27.5 million units at a subscription price of 5 pence per unit. The Company procured third party investment not deemed to be acting in concert with Fratelli for 47.5 million units.

Each unit comprises one new ordinary share and one half of a warrant. Each whole warrant entitles the holder to subscribe for one new ordinary share at a price of 6 pence for a period of two years from the date of issue.

22 Related party transactions (continued)

Key management remuneration

Key management comprises the Executive, Non-Executive Directors and country manager only. Their compensation is:

	For the year ended 31 December 2014 US$	For the year ended 31 December 2013 US$
Short-term employee benefits	**1,541,671**	1,321,670
Post-employment benefits	**128,330**	82,229
Share-based payments	**252,666**	300,896
Total	**1,922,667**	1,704,795

23 Financial instruments

The Group's and the Company's financial assets at 31 December 2014 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 Group and the Company have, through its arrangements with Auramet Trading LLC and with Sprott Resource Lending, entered into the following derivative transactions.

Under its arrangements with Auramet it enters into short term hedging of a significant portion (90 to 95%) of its gold sales protecting the ability of the Group against price variations between the date that it secures loan advances from Auramet for a specific shipment and the pricing that it will received under its contractual arrangements with the refinery to whom the gold is finally sold. The arrangements are revalued at fair value at the period end and any income or expense arising taken to the income statement.

The Company granted a call option to Sprott over 4,812 ounces of gold at a price of US$1,285 for a period expiring on 31 December 2015. The fair value at the date of the grant of these options is charged to the income statement over the option period. The option was revalued at the period end and any gain or loss arising on the revaluation has been taken to the income statement. Further details are provided in note 16.

The Company had not entered into any derivative transactions during the 12 months ended 31 December 2013.

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. It is not currently the Group's intention to enter into any arrangements to protect itself from changes in the prices of these commodities. The Group does however 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 the end of the current financial year the Company carried inventory valued at US$7.16 million comprising US$3.59 million of copper/gold concentrate representing 367 tonnes of material awaiting sale and US$3.57 million of material in process. Of the copper/gold concentrate the Company had at the end of the year entered into arrangements fixing prices for approximately 95% of the gold content within 120 tonnes of this material. However all other inventory as at 31 December 2014 which is unsold is subject to future variation in commodity prices and accordingly the results for the year and the equity position of the Group and of the Company may be affected by any change in commodity prices subsequent to the end of the year.

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23 Financial instruments (continued)

Interest rate risk

The Group and Company has historically financed its operations through equity financing. In October 2014 the Company repaid a convertible loan of UK£300,000 which bore interest at the rate of 1% per annum compounded.

During 2013 and 2014 the Group and the Company have taken out fixed rate finance leases for the acquisition of some equipment and have utilised floating rate short term trade finance in respect of sales of copper/gold concentrate production.

At 1 January 2014 the Company had outstanding US$2.75 million plus accrued interest which formed part of a secured loan agreement for a total facility of US$7.5 million with Fratelli Investments Limited ("Fratelli"). A further amount of US$2.75 million was drawn down during the first quarter of 2014. The loan carried interest at a rate of 12% per annum and an arrangement fee of 3% of the facility amount. Following completion of the share placing on 3 March 2014, all amounts borrowed by the Company under the loan facility plus accrued interest were repaid to Fratelli and all security released.

The Company has entered into an agreement with Auramet Trading LLC, for a facility of USS$7.5 million under which Auramet will provide advance payment for shipments of copper/gold concentrate for the period between shipments leaving Brazil and settlement from the refinery. The advance payments bear interest at 3 month US$ LIBOR plus 5%.

Serabi Gold plc has also entered into a US$8 million credit facility (the "Sprott Facility") with the Sprott Resource Lending Partnership ("Sprott") to be used to provide additional funding for the continued development of the Palito Mine and the Sao Chico gold project, to finance an additional drilling programme at Sao Chico and for general corporate purposes. The Sprott Facility is for a term expiring on 31 December 2015 and carries interest at a rate of 10% per annum.

Group

				Fixed interest maturity		
2014	Weighted average effective interest rate %	Non-interest bearing US$	Floating US$	One year or less US$	Over one to five years US$	Total US$
Financial assets						
Cash	0.1%	–	9,813,602	–	–	9,813,602
Receivables	–	8,091,678	–	–	–	8,091,678
Total		**8,091,678**	**9,813,602**	–	–	**17,905,280**
Financial liabilities						
Payables	–	6,358,308	–	–	–	6,358,308
Interest-bearing liabilities	7.57%	–	–	16,228,220	364,655	16,592,875
Total		**6,358,308**	–	**16,228,220**	**364,655**	**22,951,183**

				Fixed interest maturity		
2013	Weighted average effective interest rate %	Non-interest bearing US$	Floating US$	One year or less US$	Over one to five years US$	Total US$
Financial assets						
Cash	0.06%	–	3,789,263	–	–	3,789,263
Receivables	–	1,112,647	–	–	–	1,112,647
Total		1,112,647	3,789,263	–	–	4,901,910
Financial liabilities						
Payables	–	3,281,876	–	–	–	3,281,876
Interest-bearing liabilities	10.22%	–	–	3,790,363	833,560	4,623,923
Total		3,281,876	–	3,790,363	833,560	7,905,799

23 Financial instruments (continued)

Interest rate risk (continued)

Company

2014	Weighted average effective interest rate %	Non-interest bearing US$	Floating US$	Fixed interest maturity: One year or less US$	Fixed interest maturity: Over one to five years US$	Total US$
Financial assets						
Cash	0.1%	–	9,234,070	–	–	9,234,070
Receivables	–	17,598,173	–	–	–	17,598,173
Total		**17,598,173**	**9,234,070**	**–**	**–**	**26,832,243**
Financial liabilities						
Payables	–	1,457,964	–	–	–	1,457,964
Interest-bearing liabilities	7.59%	–	–	16,095,993	203,016	16,299,009
Total		**1,457,964**	**–**	**16,095,993**	**203,016**	**17,756,973**

2013	Weighted average effective interest rate %	Non-interest bearing US$	Floating US$	Fixed interest maturity: One year or less US$	Fixed interest maturity: Over one to five years US$	Total US$
Financial assets						
Cash	0.06%	–	3,454,296	–	–	3,454,296
Receivables	–	11,100,424	–	–	–	11,100,424
Total		11,100,424	3,454,296	–	–	14,554,720
Financial liabilities						
Payables	–	879,882	–	–	–	879,882
Interest-bearing liabilities	10.22%	–	–	3,790,363	833,560	4,623,923
Total		879,882	–	3,790,363	833,560	5,503,805

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23 Financial instruments (continued)
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 also uses floating rate short-term trade finance and fixed rate finance leases to finance its activities.

On 26 September 2014, Serabi Gold plc and the Sprott Resource Lending Partnership ("Sprott") entered into a US$8 million credit facility ("the Sprott Facility"). The Sprott Facility is for a term expiring on 31 December 2015 and carries interest at a rate of 10% per annum. The Sprott Facility will be used to provide additional funding for the continued development of the Palito Mine and the Sao Chico gold project, to finance an additional drilling programme at Sao Chico and for general corporate purposes.

Serabi Gold plc may prepay in whole or part any amount of the Facility prior to 31 December 2015 without penalty provided that not less than six months of interest on the amount prepaid, has been paid to Sprott.

The Company has a trade financing arrangement for up to US$7.5 million with Auramet Trading LLC for the sale of its copper/gold concentrate production which is sold to a European refinery. Under the terms of this financing arrangement Auramet will advance to Serabi Gold plc up to 95% of the gold content of a shipment of copper/gold concentrate secured against the final sale proceeds from the refinery. The period between the date of advance and settlement varies depending on the date of arrival at the refinery but is between 100 and 120 days. Interest is charged at 5.0% above three month US$ LIBOR. The arrangements oblige the Company to fix the price of the gold that is subject to an advance payment and in so doing eliminate the pricing risk between the date of the advance and the contractual settlement terms with the refinery.

As at 31 December 2014, in addition to the Sprott Facility and the Auramet facility, the Company had obligations under fixed rate finance lease amounting to US$1,084,829 (2013: US$1,433,839).

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. Gold production operations at the Palito Mine commenced at the start of 2014 and during the first six months of 2014 the site was in a commissioning and ramp-up phase. On 1 July 2014 the Company commenced Commercial Production. The cash flow generated from gold production operations as well as the financing available from the Sprott credit facility agreement are expected to be sufficient to allow the Company to meet its on-going operational obligations as and when they fall due and to provide working capital to develop other exploration projects that the Company controls. The Company, where 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 Company to satisfy the obligations and undertakings that would be imposed in connection with such borrowings.

The following table sets out the maturity profile of the financial liabilities as at 31 December 2014:

	2014		2013	
	Group US$	**Company US$**	Group US$	Company US$
Due in less than one month	**4,934,049**	**2,877,961**	4,017,563	2,750,000
Due between one month and three months	**5,376,028**	**4,347,302**	2,304,650	1,920,245
Due between three months and one year	**11,047,983**	**10,525,024**	339,696	-
Total due within one year	**21,358,060**	**17,750,287**	6,661,909	4,670,245
Due more than one year	**1,789,453**	**203,016**	1,243,890	833,560
Total	**23,147,513**	**17,953,303**	7,905,799	5,503,805

23 Financial instruments (continued)

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 as 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 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 Reais 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 2014 US$	31 December 2013 US$
US Dollar	**8,586,208**	2,577,709
Canadian Dollar	**106,031**	236,132
Sterling	**361,406**	579,904
Australian Dollar	**29,479**	7,554
Euro	**250,737**	62,686
Brazilian Reais	**479,741**	325,278
Total	**9,813,602**	3,789,263

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 exposure to this risk is managed through the majority of expenditure and cash holdings being denominated in the same currency as the functional currency of individual subsidiaries within the Group. 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 in the same month that the sale is transacted where settlement is with a third party. The following table shows a currency analysis of net monetary assets and liabilities by functional currency of the underlying companies:

	Functional Currency			
Currency of net monetary asset/liability	Brazilian Reais 31 December 2014 US$	Canadian $ 31 December 2014 US$	United States $ 31 December 2014 US$	**Total 31 December 2014 US$**
US Dollar	–	932	192,263	**193,195**
Canadian Dollar	–	110,295	7,172	**117,467**
Sterling	–	–	(708,556)	**(708,556)**
Australian Dollar	–	–	29,479	**29,479**
Euro	(132,227)	–	(540,226)	**(672,453)**
Brazilian Reais	(2,875,801)	–	–	**(2,875,801)**
Total	**(3,008,028)**	**111,227**	**(1,019,868)**	**(3,916,669)**

The above indicates that the Group's and the Company's primary exposure is to exchange rate movements between UK Pounds Sterling and the US Dollar and the Euro and the US Dollar. The table below shows the impact of changes in exchange rates on the result and financial position of the Group and the Company:

	Against Sterling US$	Against Euro US$
10% weakening of US Dollar	41,354	40,443
10% strengthening of US Dollar	(50,544)	(49,431)

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23 Financial instruments (continued)

Currency risk (continued)

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

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$16,585,648 (2013: US$3,865,240). It is the Group's policy to only deposit surplus cash with financial institutions that hold acceptable credit ratings.

The Group currently sells all 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 sells all of its copper/gold concentrate production to a single customer, a publicly quoted major copper smelter located in Europe. 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.

The Company's exposure to credit risk amounted to US$26,832,243 (2013: US$14,554,720). Of this amount US$11,044,894 (net of impairment charge) (2013: US$11,037,398) is due from subsidiary companies, US$9,234,070 represents cash holdings (2013: US$3,454,296) and a significant portion of the reminder represented by trade debtors for the sale of copper/gold concentrate.

24 Acquisition of subsidiary

On 6 May 2013, the Boards of Directors of the Company and Kenai Resources Ltd ("Kenai") announced that they had entered into an acquisition agreement ("the Agreement"), subject to the approval of shareholders of Kenai and other conditions precedent, whereby Serabi the Company would acquire all the issued and outstanding common shares of Kenai ("Kenai Shares") by way of a Plan of Arrangement ("the Arrangement"). Following the approval of Kenai shareholders at a meeting held on 5 July 2013 and the subsequent approval of the Supreme Court of British Colombia, the Arrangement was completed on 18 July 2013, with the Company issuing a total of 95,120,675 new ordinary shares ("Serabi Shares") to acquire all of the issued shares of Kenai.

The Kenai transaction was accounted for using the acquisition method of accounting and Kenai's accounts have been consolidated within the Group financial statements from 18 July 2013, being the effective date of the acquisition.

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group in respect of this acquisition:

	Kenai carrying value US$	Adjustments US$	Fair value US$
Deferred exploration and evaluation costs	7,759,723	428,116	8,187,839
Property, plant and equipment	254,862	–	254,862
Cash and cash equivalents	222,211	–	222,211
Trade and other receivables	111,402	–	111,402
Reclamation bonds	7,878	–	7,878
Trade and other payables	(394,124)	–	(394,124)
Loan repayable	(799,388)	–	(799,388)
Net assets acquired	7,162,564	428,116	7,590,680

24 Acquisition of subsidiary (continued)

Consideration paid and costs incurred	Fair value US$
Satisfied in shares	7,590,680
Total consideration incurred	7,590,680
Cash acquired	222,211
Total net cash inflow	222,211

The fair value of the purchase consideration arises from the issue of 95,120,675 ordinary shares at a price of GB£0.0525 per share being the market price of an ordinary share at the date of acquisition.

25 Post balance sheet events

Between the end of the financial period and the date of this management discussion and analysis, the Brazilian Real, the national currency of Brazil, has reduced in value in comparison to the US Dollar, the reporting currency of the Company by approximately 20%. On 31 December 2014 the exchange rate for US$1.00 was BrR$2.6556. As at 27 March 2015 the exchange rate for US$1.00 was BrR$3.225. Many of the Company's assets and liabilities and in particular the value attributed to non-current assets are recorded in Brazilian Reais. The value of the Company's net assets and liabilities will have been significantly impacted by this devaluation of the Brazilian Real. The Company sources the majority of its operational consumables in Brazilian Reais and salaries of all its Brazilian employees are denominated and paid in Brazilian Reais and therefore the Company's operating costs are subject to variation as a result of movements in the exchange rate between the US Dollar and the Brazilian Real. With this exception 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 operations of the entity, the results of these operations, or the state of affairs of the entity in future financial periods.

Glossary

"Ag"	means silver.
"Au"	means gold.
"assay"	in economic geology, means to analyse the proportions of metal in a rock or overburden sample; to test an ore or mineral for composition, purity, weight or other properties of commercial interest.
"CIM"	means the Canadian Institute of Mining, Metallurgy and Petroleum.
"CIP" or **"Carbon in Pulp"**	means a process used in gold extraction by addition of cyanide.
"chalcopyrite"	is a sulphide of copper and iron.
"Cu"	means copper.
"cut-off grade"	the lowest grade of mineralised material that qualifies as ore in a given deposit; rock of the lowest assay included in an ore estimate.
"deposit"	is a mineralised body which has been physically delineated by sufficient drilling, trenching, and/or underground work, and found to contain a sufficient average grade of metal or metals to warrant further exploration and/or development expenditures; such a deposit does not qualify as a commercially mineable ore body or as containing ore reserves until final legal, technical, and economic factors have been resolved.
"DNPM"	means the Departamento Nacional de Producao Mineral.
"electromagnetics"	is a geophysical technique tool measuring the magnetic field generated by subjecting the sub-surface to electrical currents.
"garimpeiro"	is a local artisanal miner.
"geochemical"	refers to geological information using measurements derived from chemical analysis.
"geophysical"	refers to geological information using measurements derived from the use of magnetic and electrical readings.
"geophysical techniques"	include the exploration of an area by exploiting differences in physical properties of different rock types; geophysical methods include seismic, magnetic, gravity, induced polarisation and other techniques; geophysical surveys can be undertaken from the ground or from the air.
"gold equivalent"	refers to quantities of materials other than gold stated in units of gold by reference to relative product values at prevailing market prices.
"gossan"	is an iron-bearing weathered product that overlies a sulphide deposit.
"grade"	is the concentration of mineral within the host rock typically quoted as grams per tonne (g/t), parts per million (ppm) or parts per billion (ppb).
"g/t"	means grams per tonne.
"hectare" or a **"ha"**	is a unit of measurement equal to 10,000 square metres.
"indicated mineral resource"	is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit; the estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.
"inferred mineral resource"	is that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity; the estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.
"IP"	refers to induced polarisation, a geophysical technique whereby an electric current is induced into the sub-surface and the conductivity of the sub-surface is recorded.
"measured mineral resource"	is that part of a mineral resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit; the estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

"mineralisation"	the concentration of metals and their chemical compounds within a body of rock.
"mineralised"	refers to rock which contains minerals e.g. iron, copper, gold.
"mineral reserve"	is the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study; this study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified; a mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined.
"mineral resource"	is a concentration or occurrence of diamonds, natural solid inorganic material or natural fossilised organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction; the location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.
"mt"	means million tonnes.
"NI 43-101"	means Canadian Securities Administrators' National Instrument 43-101 – Standards of Disclosure for Mineral Projects.
"ore"	means a metal or mineral or a combination of these of sufficient value as to quality and quantity to enable it to be mined at a profit.
"oxides"	are near surface bed-rock which has been weathered and oxidised by long-term exposure to the effects of water and air.
"ppm"	means parts per million.
"saprolite"	is a weathered or decomposed clay-rich rock.
"sulphide"	refers to minerals consisting of a chemical combination of sulphur with a metal.
"tailings"	are the residual waste material that it is produced by the processing of mineralised rock.
"tpd"	means tonnes per day.
"vein"	is a generic term to describe an occurrence of mineralised rock within an area of non-mineralised rock.
"VTEM"	refers to versa time domain electromagnetic, a particular variant of time-domain electromagnetic geophysical survey to prospect for conductive bodies below surface.

Shareholder Information

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Clive Line – Finance Director
Aquiles Alegria – Non-Executive Director
Nicolas Bañados – Non-Executive Director
Eduardo Rosselot – Non-Executive Director
Felipe Swett – Non-Executive Director
Mel Williams – Non-Executive Director

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and twelve months periods ended 31 December 2014

31 March 2015

Management's Discussion and Analysis
for the three month and twelve month periods ended 31 December 2014

Supplementary Information not Disclosed in the Annual Financial Statements

The full text of the Company's MD&A is to be filed on SEDAR on 31 March 2015.

The Overview of the Company, Results of Operations and Financial Review are reproduced within the main body of the Annual Financial Statements under the sections Strategic Report, Operational Review and Financial Review. Many of the other disclosures required to be shown in the MD&A are also contained within the Annual Financial Statements or in the notes to the financial statements.

This section therefore provides extracts from the Company's MD&A of further disclosures that are required solely for the purposes of the MD&A and which have not been presented within the Annual Financial Statements. This section does not form any part of the Annual Financial Statements.

Introduction
This Management's Discussion and Analysis ("MD&A") dated 31 March 2015 provides a review of the performance of Serabi Gold plc ("Serabi" or the "Company") together with its subsidiaries (the "Group"). It includes financial information from, and should be read in conjunction with, the Company's Annual Report and audited consolidated financial statements for the twelve month period ended 31 December 2014.

For further information on the Company, 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 Company's website www.serabigold.com.

Please refer to the cautionary notes set out in the Principal Risks and Uncertainties and contained within the Company's latest AIF.

The Company reports its financial position, results of operations and cash flows in US 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.

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 Company to make certain payments under rental or purchase arrangements allowing the Company to retain the right to access and undertake exploration on these properties. Failure to meet these obligations could result in forfeiture of any affected prospects.

Management estimates that the cost over the next twelve months of fulfilling the current contracted commitments on these exploration properties in which the Group has an interest is US$92,000 (2013: US$174,000).

	Payments due by period				
Contractual obligations	Total $	Less than 1 year $	1-3 years $	4-5 years $	After 5 years $
Long term debt	8,000,000	8,000,000	–	–	–
Capital lease obligations	1,084,829	720,174	364,655	–	–
Operating leases	369,580	155,729	213,852	–	–
Purchase obligations	–	–	–	–	–
Other long term obligations	–	–	–	–	–
Total contractual obligations	**9,454,409**	**8,875,903**	**578,507**	–	–

Changes in accounting policies
The Company has not adopted any standards or interpretations in advance of the required implementation dates. There has been no significant measurement impact on the consolidated financial statements from new standards or interpretations effective in 2014.

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

Off-balance sheet arrangements

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

Disclosure controls and procedures

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

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

During the course of 2014 and as at 31 December 2014, evaluations have been carried out, under the supervision of the Chief Executive Officer and Chief Financial Officer, of the design and operating effectiveness of the Company's disclosure controls and procedures. Based on these evaluations, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as at 31 December 2014.

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.

During the course of 2014 and as at 31 December 2014, evaluations have been carried out under the supervision of the Chief Executive Officer and Chief Financial Officer, of the design and operating effectiveness of the Company's internal controls over financial reporting. Based on these evaluations, the Chief Executive Officer and Chief Financial Officer concluded that the internal controls over financial reporting were effective as at 31 December 2014, using the criteria, having taken account of the size and nature of the Company, put forward by the Financial Reporting Council in their revised guidance for directors on internal controls for UK listed companies (issued 2005).

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

Changes in internal controls over financial reporting

There have been no changes in the Company's internal controls over financial reporting during the twelve month period ended 31 December 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Disclosure of outstanding share data

The Company had the following Ordinary Shares, Stock Options and Warrants outstanding at 30 March 2015:

Ordinary Shares	656,389,204
Stock Options	53,846,285
Other Warrants	100,000,000
Fully diluted ordinary shares outstanding	810,235,489

The Company also has in issue 140,139,065 deferred shares of 9.5 pence each and 456,389,205 deferred shares of 4.5 pence each. These deferred shares were issued following re-organisations of the Company's share capital. The deferred shares carry no voting or dividend rights or any right to participate in the profits or assets of the Company and all the deferred shares may be purchased by the Company, in accordance with the Companies Act 2006, at any time for no consideration. In the event of a return of capital, after the holders of the ordinary shares have received in aggregate the amount paid up thereon plus £100 per ordinary share, the holders of deferred shares shall receive an amount equal to the nominal value of the deferred shares and thereafter any further surplus shall be distributed amongst the holders of ordinary shares.

Fratelli Investments Limited holds 343,613,166 Ordinary Shares in the Company and 76,250,000 Warrants. In anticipation of the placing of new Ordinary Shares which closed on 3 March 2014 and as a result of which Fratelli acquired 152,500,000 shares and 76,250,000 warrants, Fratelli entered into a relationship and orderly marketing agreement on 28 January 2014. Under the terms of this agreement Fratelli has undertaken not to dispose of any of its shares in the Company (save in certain agreed circumstances) prior to 3 March 2015.

Management's Discussion and Analysis continued

Qualified persons statement

The technical information contained within this Management Discussion and Analysis has been reviewed and approved by Michael Hodgson, Chief Executive Officer of the Company. Mr Hodgson is an Economic Geologist by training with over 25 years' experience in the mining industry. He holds a BSc (Hons) Geology, University of London, a MSc Mining Geology, University of Leicester and is a Fellow of the Institute of Materials, Minerals and Mining and a Chartered Engineer of the Engineering Council of UK, 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 Company 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 Company's future growth, results of operations, performance and business prospects and opportunities. Often, but not necessarily always, the use of words such as "anticipate," "believe," "plan," "estimates," "expect," "intend," "budget," "scheduled," "forecasts" and similar expressions have been used to identify these forward-looking statements or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results "may," "could," "would," "might" or "will" be taken, occur or be achieved. These statements reflect management's current beliefs and are based on information currently available to management. Except for statements of historical fact relating to the Company, information contained herein constitutes forward-looking statements, including any information as to the Company's strategy, plans or financial or operating performance. Forward-looking statements involve significant risks, uncertainties and assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause actual results to differ from these forward-looking statements include risks related to failure to define mineral resources, to convert estimated mineral resources to reserves, the grade and recovery of ore which is mined varying from estimates, future prices of gold and other commodities, capital and operating costs varying significantly from estimates, political risks arising from operating in Brazil, uncertainties relating to the availability and costs of financing needed in the future, changes in equity markets, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, uninsured risks and other risks involved in the mineral exploration and development industry. A description of risk factors applicable to the Company can be found in the section "Risks and Uncertainties" in this Management's Discussion and Analysis. Although the forward-looking statements contained in this Management's Discussion and Analysis are based upon what management believes to be reasonable assumptions, the Company cannot assure prospective purchasers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this Management's Discussion and Analysis, and the Company assumes no obligation to update or revise them to reflect new events or circumstances, except in accordance with applicable securities laws. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.