

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.