

## 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) <sup>(1)</sup>	Contained Gold Equivalent (Ounces) <sup>(2)</sup>
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 (Irirí) 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 Mine – process plant to left and mine entrance and ROM stockpiles to right.

