



SERABI MINING PLC



Placing and Admission to AIM
by

**KBC**
Peel Hunt

and

AMBRIAN

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

This document, which comprises an AIM admission document, has been drawn up in accordance with the Public Offers of Securities Regulations as required by with the rules of AIM, a market operated by London Stock Exchange plc. but does not constitute a prospectus pursuant to such regulations and has not been delivered to the Registrar of Companies of England and Wales pursuant to such regulations.

Application has been made for the whole of the ordinary share capital, issued and to be issued pursuant to the Placing, of Serabi Mining plc (the “Company”) to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority.

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with his or her own independent financial adviser.

London Stock Exchange plc has not itself examined or approved the contents of this document.

The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for the Ordinary Shares to be admitted to the Official List of the United Kingdom Listing Authority. It is expected that dealings in the Ordinary Shares will commence on AIM on 10 May 2005.

The Directors of the Company whose names appear on page 5 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The whole of the text of this document should be read. Your attention is particularly drawn to the discussion of risks and other factors which should be considered in connection with an investment in the Ordinary Shares, set out in “Risk Factors” in Part III of this document.

SERABI MINING PLC

**Placing of 26,666,667 Ordinary Shares of 10p each at 30 pence per share
and**

Admission to trading on AIM

by

KBC PEEL HUNT LTD
Nominated Adviser and Joint Broker

AMBRIAN PARTNERS LIMITED
Financial Adviser and Joint Broker

The Placing is conditional, *inter alia*, on Admission taking place on or before 10 May 2005 (or such later date as the Company and KBC Peel Hunt may agree). The Placing Shares will rank *pari passu* in all respects with all other Ordinary Shares in issue on Admission.

KBC Peel Hunt, which is regulated by the Financial Services Authority, is acting as Nominated Adviser and Joint Broker to the Company in connection with the proposed admission of the Company’s Ordinary Shares to trading on AIM. KBC Peel Hunt is acting exclusively for the Company in connection with the Placing and Admission and no-one else and will not be responsible to anyone other than the Company for providing the protections afforded to customers of KBC Peel Hunt, or for advising any other person on the transactions and arrangements described in this document.

Ambrian Partners Limited, which is regulated by the Financial Services Authority, is acting as Joint Broker to the Company in connection with the proposed admission of the Company’s Ordinary Shares to trading on AIM. Ambrian Partners Limited is acting exclusively for the Company in connection with the Placing and Admission and no-one else and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Ambrian Partners Limited, or for advising any other person on the transactions and arrangements described in this document.

This document does not constitute an offer to sell or the solicitation of an offer to buy or subscribe for Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for distribution in or into the United States, Canada, Australia, the Republic of Ireland, South Africa or Japan. The Ordinary Shares have not been and will not be registered under the applicable laws of the United States, Canada, Australia, the Republic of Ireland, South Africa or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

CONTENTS

	<i>Page</i>
Definitions	3
Directors and Advisers	5
Placing Statistics	6
Expected Timetable of Principle Events	6
Key Information	7
PART I Information on the Group	8
PART II Competent Persons' Report	23
PART III Risk Factors	85
PART IV Accountants' Reports	90
PART V Additional Information	110

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise. A Glossary of Technical Terms is also included in Appendix B of Part II on page 80 of this document:

“Act”	the Companies Act 1985
“Admission”	the admission of the Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	AIM, a market operated by London Stock Exchange
“AIM Rules”	the rules published by London Stock Exchange governing admission to, and operation of, AIM
“Ambrian”	Ambrian Partners Limited
“Articles”	the articles of association of the Company
“Business Day”	a day on which banks in the City of London are open for a full range of banking transactions
“Board” or “Directors”	the directors of the Company, whose names are set out on page 5 of this document
“Company”, or “Serabi Mining”	Serabi Mining plc, a company registered in England and Wales with registered number 5131528
“Combined Code”	the code of best practice, including the principles of good governance, titled the “Combined Code on Corporate Governance” published by the Financial Reporting Council in July 2003 and appended to, but not forming part of, the Listing Rules of the UKLA
“CPR”	the Competent Persons’ Report produced by Snowden
“CREST”	the computerised system for holding and trading shares in uncertificated form in the UK operated by CRESTCo
“CRESTCo”	CRESTCo Limited, the operator (as defined in The Uncertificated Securities Regulations 2001) of the system for trading shares in uncertificated form known as “CREST”
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
“Enlarged Issued Share Capital”	the issued share capital of the Company immediately after the Placing
“Executive Directors”	the executive directors of the Company
“Existing Ordinary Shares”	the 76,324,969 Ordinary Shares in the Company in issue at the date of this document
“FSA”	Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000
“Group”	the Company, Moonlight Express and Serabi Mineração

“KBC Peel Hunt”	KBC Peel Hunt Ltd
“London Stock Exchange”	London Stock Exchange plc
“Moonlight Express”	Moonlight Express Holdings Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
“Non-Executive Directors”	the non-executive directors of the Company
“Official List”	the Official List of the UKLA
“Ordinary Shares”	ordinary shares of 10 pence each in the Company
“Palito Main Zone”	a zone of steeply dipping, mineralised veins that form the basis of the current mine plan at Palito
“Placing”	the conditional placing by KBC Peel Hunt of the Placing Shares at the Placing Price pursuant to the Placing Agreement, as described in this document
“Placing Agreement”	the conditional agreement dated 28 April 2005, between the Company, the Directors, KBC Peel Hunt and Ambrian relating to the Placing and Admission, further details of which are set out in paragraph 14 of Part V of this document.
“Placing Price”	30 pence per Placing Share
“Placing Shares”	the 26,666,667 Ordinary Shares to be placed pursuant to the Placing
“POS Regulations”	the Public Offers of Securities Regulations 1995 (as amended)
the “Province”	the Tapajós Gold Province, Brazil
“Serabi Mineração”	Serabi Mineração Ltda, a company incorporated in Brazil and a subsidiary of Moonlight Express
“Serabi” or the “Group”	Serabi Mining plc and its subsidiaries
“Shareholder”	a holder of one or more Ordinary Shares
“Snowden”	Snowden Mining Industry Consultants Pty Ltd
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“£”, “pence”, “sterling” or “pounds sterling”	the lawful currency of the United Kingdom

DIRECTORS AND ADVISERS

Directors	<p>Graham Stuart Roberts, <i>Chairman</i> William McRae Clough, <i>Managing Director</i> Clive Malcolm Line, <i>ACA, Finance Director</i> Richard Lewin Robinson, <i>Non-Executive Director</i> Roger Owen Davey, <i>Non-Executive Director</i></p> <p>all of: Suite 413, Fourth Floor, 78 Cannon Street, London EC4N 6NQ</p>
Registered Office	<p>66 Lincoln's Inn Fields London WC2A 3LH</p>
Secretary	<p>Clive Malcolm Line</p>
Nominated Adviser and Joint Broker	<p>KBC Peel Hunt Ltd 111 Old Broad Street London EC2N 1PH</p>
Financial Adviser and Joint Broker	<p>Ambrian Partners Limited 13th Floor 88 Wood Street London EC2V 7RS</p>
Auditors and Reporting Accountants	<p>PKF Farringdon Place 20 Farringdon Road London EC1M 3AP</p>
English Solicitors to the Company	<p>Farrer & Co 66 Lincoln's Inn Fields London WC2A 3LH</p>
Brazilian legal advisers to the Company	<p>FFA Legal Simples Ltda Rua Everaldo Dayrell de Lima 108 Itanhanga Rio de Janeiro Brazil</p>
Solicitors to KBC Peel Hunt	<p>Addleshaw Goddard 150 Aldersgate Street London EC1A 4EJ</p>
Competent Persons	<p>Snowden Mining Industry Consultants Pty Ltd 87 Colin Street West Perth Australia WA 6005</p>
Bankers	<p>HSBC 18 High Street Reigate Surrey RH2 9AY</p>
Registrars	<p>Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 7NH</p>

PLACING STATISTICS

Placing Price	30 pence
Number of Existing Ordinary Shares	76,324,969
Number of Placing Shares being issued pursuant to the Placing	26,666,667
Number of Ordinary Shares in issue on Admission	102,991,636
Market capitalisation at the Placing Price	£30.9 million
Percentage of enlarged issued share capital subject to the Placing	25.9 per cent.
Gross proceeds of the Placing available to the Company	£8 million
Net proceeds of the Placing available to the Company (exclusive of applicable VAT)	£7 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission and dealings in the Ordinary Shares to commence on AIM	10 May 2005
CREST accounts credited by	10 May 2005
Despatch of definitive share certificates (where applicable) by	24 May 2005

KEY INFORMATION

This information is derived from, and should be read in conjunction with, the full text of this document. In particular, your attention is drawn to the Risk Factors set out in Part III.

- The Company was formed in May 2004 as the indirect holding company of Serabi Mineração, a Brazilian company with an operating gold mine and over 100,000 hectares of gold exploration project interests in northern Brazil.
- Brazil produces over 70 mineral based commodities and Brazilian gold reserves are estimated to be approximately 1,170 tonnes.
- In 2001 the Group acquired the Palito gold project in the Tapajós region of northern Brazil and in 2002 built a new retreatment plant to process the ores extracted from the area. In 2003 the plant produced about 3,000 oz of gold bullion.
- The Palito Gold Mine is a newly commissioned underground mine extracting high-grade gold and copper sulphide ore. Production from the underground mine commenced in late 2003.
- The processing plant at the Palito Gold Mine is currently being upgraded and expanded to have the capability of processing 300 tpd by mid-2005, increasing potential gold production from approximately 25,000 oz in 2005 to in excess of 50,000 oz in 2006.
- The Company also has interests in eight exploration projects in the region surrounding the Palito Gold Mine and a further nine projects elsewhere in the Tapajós region of northern Brazil.
- The Directors believe there is considerable potential to find and exploit further diluted resource across the exploration projects.
- The Company is seeking to raise up to £8 million through the Placing.
- The net proceeds from the Placing will be used to fund the expansion and development of the Company's assets in Brazil, including the expansion of the Palito Gold Mine and the evaluation of the Company's exploration project portfolio.
- Dealings on AIM are expected to commence on 10 May 2005.

PART I

Information on the Group

INTRODUCTION

Serabi Mining is the indirect holding company of Serabi Mineração, a Brazilian company with an operating gold mine and over 100,000 hectares of gold exploration project interests in the Tapajós region of the Para State in northern Brazil. Extending over an area approximately the size of Belgium, the Tapajós region is a major, under-explored mineral province from which artisanal miners (“Garimpeiros”) are thought to have extracted up to 30 million ounces of gold from mostly alluvial and surface weathered bedrock deposits since the 1970s. The original investors in Serabi commenced operating in Brazil in 1999, with the objective of acquiring, evaluating and mining hard rock gold deposits previously unknown or technically too difficult for the Garimpeiros to exploit.

Having evaluated several opportunities, the Group acquired the Palito gold project in 2001. A new carbon-in-pulp (“CIP”) tailings retreatment plant was built by Serabi in 2002 as part of a staged development programme. The plant produced about 3,000 oz of gold bullion in 2003. Underground mining commenced in late 2003 and is now in advanced development. The underground mining is scheduled to achieve 300 tpd of ore by early 2006, with plans to expand production further thereafter. Current mining is based on a series of steeply dipping, high-grade gold and copper bearing veins. The processing plant is currently being upgraded and expanded to have the capability of processing 300 tpd by mid-2005, increasing potential gold production from approximately 25,000 oz in 2005 to in excess of 50,000 oz in 2006.

Serabi’s portfolio of exploration properties includes eight relatively advanced projects in the Jardim do Ouro (“Garden of Gold”) district around the Palito Gold Mine and a further nine projects elsewhere in the Tapajós region, which are at an earlier stage of assessment. Many of the exploration tenements have previously been worked by Garimpeiros. In 2002 Serabi purchased an extensive exploration database from Rio Tinto plc (“Rio Tinto”) which covers most of the Tapajós region. This data is currently being reassessed and is expected to form the basis of further acquisitions.

OPERATIONS

Summary

The Tapajós Gold District, which encompasses an area of about 100,000 km² (350 km by 300 km) in south-west Pará State is approximately 1,300 km south west from the state capital Belém, as shown in Figure 1.1.



Figure 1.1 – Locality plan of the Tapajós Gold Province

The Group's interests comprise a number of projects over 100,000 ha² of land, which include the newly commissioned Palito underground mine and the 17 exploration projects.

The only modern systematic exploration in the Tapajós Gold Province was undertaken by Rio Tinto plc ("Rio Tinto") in the 1990s. While Rio Tinto made some important discoveries, they later decided to exit the area. In October 2002 Serabi acquired access to Rio Tinto's entire Tapajós drill core from this programme, estimated to total approximately 50 km. The Group also has access to the Rio Tinto technical database for the Province, containing extensive exploration information on many of the major Garimpo gold workings in the Tapajós Gold Province. Under this agreement, Rio Tinto has a right to acquire 80 per cent. of any Serabi gold project in the Jutai, Castanheira or Pizan areas in the event that there was a discovery of 5 million oz in such areas where the technical data was a reasonably significant factor in such discovery.

The Palito mine is located near the town of Jardim do Ouro, which is on the Jamanxim River. Access to the Jardim do Ouro operation and Palito mine is by road and air from the nearest large town of Itaituba, 200 km to the north. The roads are unpaved and some delays can occur during the wet season. There is a gravel airstrip on the minesite and at Jardim do Ouro. Both strips are suitable for light aircraft. The site is self sufficient for all services, and stocks of critical consumables and spares are increased ahead of the wet season, typically from January to April. The mine has satellite telephones, high speed internet access, landline telephones and radio communications.

Palito Mine

Background

The Palito Gold Mine is a newly commissioned, underground mine extracting high-grade gold and copper sulphide ore. The mine and a number of nearby areas had been previously worked by Garimpeiros for a number of years, but became unviable as the near surface, oxide ores became depleted.

Following the acquisition of the Palito Gold Mine project in 2001, Serabi's initial development stage in 2002 involved the treatment of high-grade tailings from old Garimpeiro workings using a 10 t/hour capacity plant, consisting of a newly constructed CIP plant and milling equipment acquired as part of the project purchase. The plant produced about 3,000 oz of gold bullion (worth over US\$1 million) in 2003 and provided useful information about operating in the region and technical issues facing the operation.

Underground mining also commenced in late 2003 and has the longest development lead time for the operation to achieve full production. An escalation of underground development will lead to a continuous improvement of plant throughput and the processed ore grade over the course of 2005.

In 2004 gold bullion sales ceased while the plant was upgraded in order to process sulphide ore from the underground mine. This upgrade included the installation of a crushing plant and a flotation circuit, which processed approximately 14,000 t of underground ore at 6.5 g/t Au from August 2004 to November 2004; the low grade reflecting high levels of dilution during the development phase of the mine. From November 2004 to January 2005, the mill head-grade increased from 7 g/t Au to 12 g/t Au. Small gold bullion sales recommenced in August 2004 and the first flotation copper, gold and silver concentrate was shipped to a European smelter in December 2004.

The Directors expect the Palito Gold Mine's production rate will soon reach about 150 tpd, which will then be increased during 2005 to 300 tpd at a mill grade of about 15 g/t by year-end. The Group expects to produce approximately 25,000 oz of gold in 2005 rising to over 50,000 oz of gold in 2006, with the objective of increasing production further in 2007, subject to results and additional detailed mine planning.

Geology

The gold mineralisation of the Palito Main Zone is hosted within the upper levels of a large adamellite granite intrusive associated with felsic volcanics (rhyolites and dacites) and felsic breccias. The gold mineralisation is contained within vertical to sub-vertical, mesothermal quartz-chalcopyrite-pyrite veins filling brittle extensional fault systems. Typically, very high gold grades are associated with semi-massive, chalcopyrite-pyrite blowouts within the quartz veins.

Cut-off grade	Classification	kt	Au grade (g/t)	Cu grade (%)	Au (koz)
0.0 g/t Au	Indicated	115	13.5	0.7	50
	Inferred	1,060	10.7	0.5	365
	Total	1,176	11.0	0.6	416
2.0 g/t Au	Indicated	84	18.2	0.9	49
	Inferred	813	13.6	0.7	355
	Total	897	14.0	0.7	404
5.0 g/t Au	Indicated	68	21.7	1.1	47
	Inferred	536	18.9	0.9	326
	Total	604	19.2	0.9	373

Table 1.2 – Palito Main Zone Mineral Resource estimate

In January 2005, independent consultants Helmann and Schofield completed a resource estimate for the Palito Main Zone. The resource calculations were based on current drill intersections over 900m strike length, to an average depth of approximately 100m and adopting a top-cut of 120 g/t Au and 8.0 per cent. Cu, the Indicated and Inferred resource of 1.176 Mt at 11g/t Au and 0.60 per cent. Cu was calculated at 0.0 per cent. cut-off, producing a total resource of 416,000g or 459,000g if credits for Cu are included. Snowden, as the Competent Person, in applying mining parameters to the geological resource calculated an indicated and inferred diluted resource of 1.268 Mt at 9.7 g/t and 0.49 per cent. Cu at 2 g/t cut off, 866,000 t grading 12.5 g/t and 0.63 per cent. Cu at a 5.0g/t cut-off, or 602,000t grading 15.9 g/t and 0.79 per cent. Cu at a 7.0 g/t cut-off.

Level (mRL)	kt	Aueq (g/t)	No. drill intercepts
305	10	7.3	9
275	71	9.4	17
245	102	13.5	24
215	173	18.3	33
185	174	17.3	35
155	124	13.9	10
125	52	18.7	3
95	24	14.7	1
Total	729	15.5	132

Table 1.3 – Palito Main Zone diluted resource (at a 6.0 g/t Au_{eq} cut-off grade) and the number of drill intercepts by level

Most of the currently drilled diluted resource (79 per cent.) lies within the top 90 m of the level of the established adit drives (approximately 230 mRL) under the Palito Ridge, between 245 mRL and 155 mRL; about 573,000 tonnes with a diluted resource averaging 16.2 g/t.

Most of the current mineralised drill intersections along the Palito Main Zone extend to an average vertical depth of 100 m below surface, while the deepest intersection to date is 200 m below surface. The Directors believe the probability of depth extensions to the Palito Main Zone systems is high.

Experience to date has shown the size of the classified resource is broadly proportional to the density of drill-holes. The Directors expect that as the infill density of drill holes is increased below 155 mRL there will be a corresponding increase in total resource. In addition, the Directors expect a similar increase and upgrade in resources above the 155 mRL depth within the 1km strike of the drilled Palito Main Zone. Furthermore, it is expected that this will be accompanied by an increased proportion converted to a higher JORC reserve category.

While there are several known high-grade veins identified, they have not been included in the current inferred resource because of the lack of drill data. As infill drill density along strike increases a corresponding increase in the total resources is again expected, accompanied by an increased proportion converted to reserve category. Serabi has a target by year-end 2005 for a minimum of 1 million oz of inferred resources (and 20 per cent. to be within a Reserve category) drilled out within the Palito Main Zone and from nearby parallel veins.

The veins of the Palito Main Zone system are typically 20 cm to 40 cm wide but along significant sections of the current inferred resource, mineable widths frequently exceed widths of 1 m. These large “blowouts” of massive to semi-massive sulphide ore shoots often reach over 2 m in width. These features (locally known as “cheroots”) appear to have a consistent plunge of 70° – 80° over significant depths and can be attributed to intersections between two dominant structures. Several of these plunging shoots have been shown to contain significant gold and copper grades, with exceptional grams per tonne of gold.

At a 5.0 g/t Aueq cut-off, approximately 16 per cent. of the diluted resource tonnage is derived from areas where the vein width is less than 0.6 m and more than 50 per cent. of the diluted resource is derived from areas where the vein width (excluding dilution) is greater than 1.0 m as shown in Figure 1.4. Approximately 60 per cent. of the diluted resource is derived from areas where the horizontal width (vein plus dilution) is less than 1.4 m.

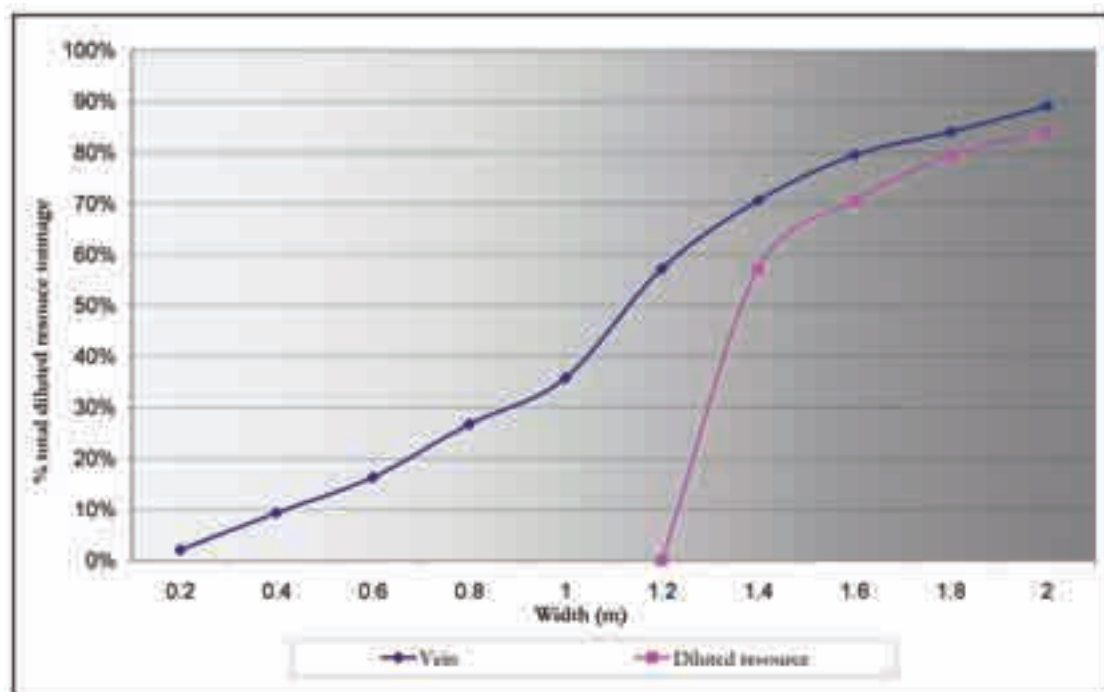


Figure 1.4 – Cumulative % tonnage of diluted resource

Mining

The current underground mine plan has focused on the development of ore production stopes from the establishment of mine adits directly underneath the 75 m high Palito Ridge (from the 230 mRL adit level), which crosses the Palito Main Zone orezone. In addition, development of a shaft to the south east of the adits has started to access areas below the 230 mRL level, from which most long-term production of ore will eventually be obtained. Recently a new adit portal for the development of additional access has also commenced from the north-west side of the Palito Ridge, 20 m below the existing 230 mRL level.

The combination of these developments will allow mine production to be scaled up from mining ore at about 150 tpd, to 300 tpd (approximately 110,000 tpa) by the first quarter of 2006 and, if assumed resources are confirmed, to 450 t/day (approximately 165,000 tpa) by the end of 2006; in

the interim management will further consider the potential to achieve mine capacity of 200,000 tpa, consistent with the observations contained in the CPR.

In the zones immediately above and below the current development drives, a probable ore reserve category has been outlined in the CPR. This reserve of 58,000 t at 17.8 g/t Au and 0.90 per cent. Cu will be accessible in the latter part of 2005.

Based on current drilling only, most of the current reserve is located between 200 mRL and 230 mRL, which will be accessed from the shaft, where mining development is being carried out in both directions along the strike. The Directors believe production from these areas has the potential to lift the average mine grade from the current forecast and, furthermore, in the meantime development of known high-grade oreshoots is expected to have the potential to enhance projected mining grades. As a result there is a possibility that both the resource grade and tonnage may be underestimated.

Currently the Palito Main Zone resource has been calculated in the CPR at an average ore density of 2.69 g/cm³. However, based on average samples, regardless of sulphide content, ore averaging 10 g/t or more, which represents the majority of the resource by tonnes, is likely to have a density higher than 3.00 g/cm³, reflecting the high level of sulphide mineralisation. More extensive measurements of ore density to assess this will be completed in the future.

The Palito Gold Mine stands on the south-east face of a ridge. Most of the 1,400 m of underground development has been established at level 230 mRL, and is accessed to the north west by development drives into the base of the ridge. Currently three active shrinkage stopes have been established on three veins between 230 mRL and 260 mRL and ore stockpiles built. A small ventilation shaft is currently being developed to connect level 260 mRL to 230 mRL.

The geology and resource models from drilling indicate economic continuity of the veins for up to 900 m strike length and a depth of 100 m below surface (mBS), although there are mineralised drill intersections to 200 m depth. The resource remains open along the strike and at depth with mineralised veins identified from drilling and surface trenching up to at least to 1.6 km strike; other features and workings suggest these structures could extend much further.

Mining is being undertaken on vertical or sub-vertical stopes by the shrinkage method within fresh rock. The mineralisation is hosted by a competent granite unit which contributes to favourable ground conditions, with groundwater inflows into the mine low, even during periods of high rainfall.

At the moment mining is predominantly undertaken manually, however, the company is introducing a number of initiatives that will significantly improve productivity during the next 12 months. Furthermore, these initiatives will allow personnel to be redeployed to new development areas and mining teams.

The steeply dipping veins range from approximately 10 cm to 2 m width. The veins show good continuity over strike lengths of +30 m, and can be easily followed in the development and stoping excavations. Veins are occasionally displaced by minor cross-cutting structures, although the maximum displacement is generally less than 5 m. The introduction of underground drill rigs in the second quarter 2005 will further improve mining controls and thus efficiencies. The veins can pinch and swell, with regular intervals expanding to 2m or more width, creating ore shoots or “cheroots” with grades that can be very high.

Processing

The plant currently consists of a crushing circuit and stockpiles to feed the milling section. The milling feeds a flotation circuit which produces a gold-copper concentrate with the flotation tailings reporting to a CIP circuit which produces a gold bullion.

Serabi is currently upgrading the plant to achieve a process rate of 300 tpd by mid-2005 and is assessing a further increase to 450 tpd or more by late 2006.

STAGE-1 (Completed)

Construction of a new cone-crushing circuit in conjunction with the original crushing plant to process 150 t/day.

STAGE 2

An additional primary ball mill and a capacity upgrade of the flotation and leach tank circuit to 300 t/day to be commissioned by mid-2005.

STAGE 3

The commencement of heap leaching of the old Garimpeiro tails and of stored low grade spiral tailings during 2006. Upgrading of the plant to 450 tpd by the end of 2006 by a simple process of equipment duplication. This upgrade assumes that in excess of 800,000 oz at similar grades will be drilled into a mineable resource category.

General

Serabi Mineração employs over 300 people in Brazil. The mine and the process plant are staffed by semi-skilled and skilled Brazilian nationals and managed by professional mining and process engineers. Serabi Mineração's General Manager and Chief Operating Officer (COO) are located at the Itaituba head office. WM Clough Pty Ltd, on behalf of Serabi Mineração has employed a number of Australian and one Zimbabwean staff in the role of COO, project metallurgist, exploration manager, underground mine manager and technical consultants. Some of these expatriate employees are based in Australia, but work extended rosters in Brazil as required. In addition, the Group has engaged consultants to support areas such as geology and resource estimation and environmental compliance.

In Brazil labour costs are relatively low and experienced mining personnel can be recruited. Personnel are skilled in operating and maintaining the standard mining equipment for the shrink-stope mining technique being employed. Maintenance and parts management are carried out on site in basic workshops and a warehouse. There can be long lead times for spare parts. There is a history of fabricating basic mining equipment such as rails, switches and rail cars on site.

Exploration

The hard rock gold potential of the Jardim do Ouro district is mostly under-explored, apart from the Palito Main Zone. The Group's current exploration activities are focussed mainly on the tenements in the Jardim do Ouro district. During 2005 exceptional targets within the Tapajós Gold District will also be further evaluated and drill-tested where considered warranted. The Group's exploration activities can be divided into three areas;

1. Palito Main Zone – the Directors believe this area has the potential to substantially increase its current resource size and category;
2. Jardim do Ouro District – eight relatively advanced projects located near the Palito Gold Mine;
3. Tapajós Gold Province – nine less advanced projects located at old Garimpo operations.

Between the Jardim do Ouro tenements and the nearby Tapajós Regional Projects, Serabi controls a 70 km long strike segment of the geologically important regional Tocantinzinho Shear Zone. The Tocantinzinho Shear Zone extends for hundreds of kilometres to the northwest and southeast of Palito and is believed to control much of the mineralisation in this area of the Tapajós Gold Province. The Palito Main Zone is located within the Tocantinzinho structural zone with the veins' orientated parallel to this trend.



Figure 1.5 – Aerial view of the Palito mine site and nearby exploration projects, looking northwest

Palito West

Located approximately 250 m to the south west of the main Palito vein system, preliminary access to this vein has been established by an adit similar to that of the Palito mine. Near the access portal high grades in excess of 80 g/t were channel sampled within two high-grade shoots several metres long and the down-plunge extension of both remain to be drill-tested.

Chico do Santo

Located approximately 250 m east of the Palito mine site, Chico do Santo contains numerous small shafts and old Garimpo workings. To date, seven drill holes have been drilled at this site, spaced approximately 50 m apart (i.e. 400 m of strike drilled). All the holes drilled intersected vein style mineralisation with widths between 0.40 m and 1.14 m (average 0.74 m wide) and grades (excluding one 1.50 g/t pinch-out) of between 6.75 g/t and 40.5 g/t (average 17.64 g/t). Mineralisation is open along strike in both directions and at depth and will be further tested during 2005.

Antonio's Gossan

Located approximately 600 m to the north-west, along strike from the last section of the Palito Main Zone, Antonio's Gossan has been interpreted to be the strike extension of the Palito Main Zone. This area has been subject to a number of phases of auger sampling and more recently large scale trenching. Initial sampling of the Gossan was by hand dug trench, and gave rock chip samples of up to 17.0 g/t Au. The more recent large scale trenching, to a depth of three metres, has indicated the presence of three distinct veins over a total width of 15 m. Assays of the channel sample from these veins gave a gold value of 0.32 g/t Au and 18 g/t Ag.

Copper Hill

Copper Hill is located approximately 800 m west-north-west of the Palito mine site and marks the location of a major copper and peripheral gold soil anomaly with a large magnetic and induced polarisation (IP) anomalies (approximately 1 km diameter). To date holes have been drilled into this area, both of which intersected a strong magnetite altered, coarse-grained granodiorite, with

zones of abundant disseminated sulphides (pyrite and chalcopyrite) and a number of narrow veins of quartz with sulphides. While current results indicate sub-economic grades, they also demonstrate the existence of a large mineralised system which requires further work.

Bill's Pipe

A target located 1,000 m north-north-west of the Palito mill is the site of a coincident induced polarisation and major gold-in-soil (max Au value 5,900 ppb) auger anomaly. A program of trenching followed by an initial 3 core drill holes spanning the entire width of the anomaly is planned.

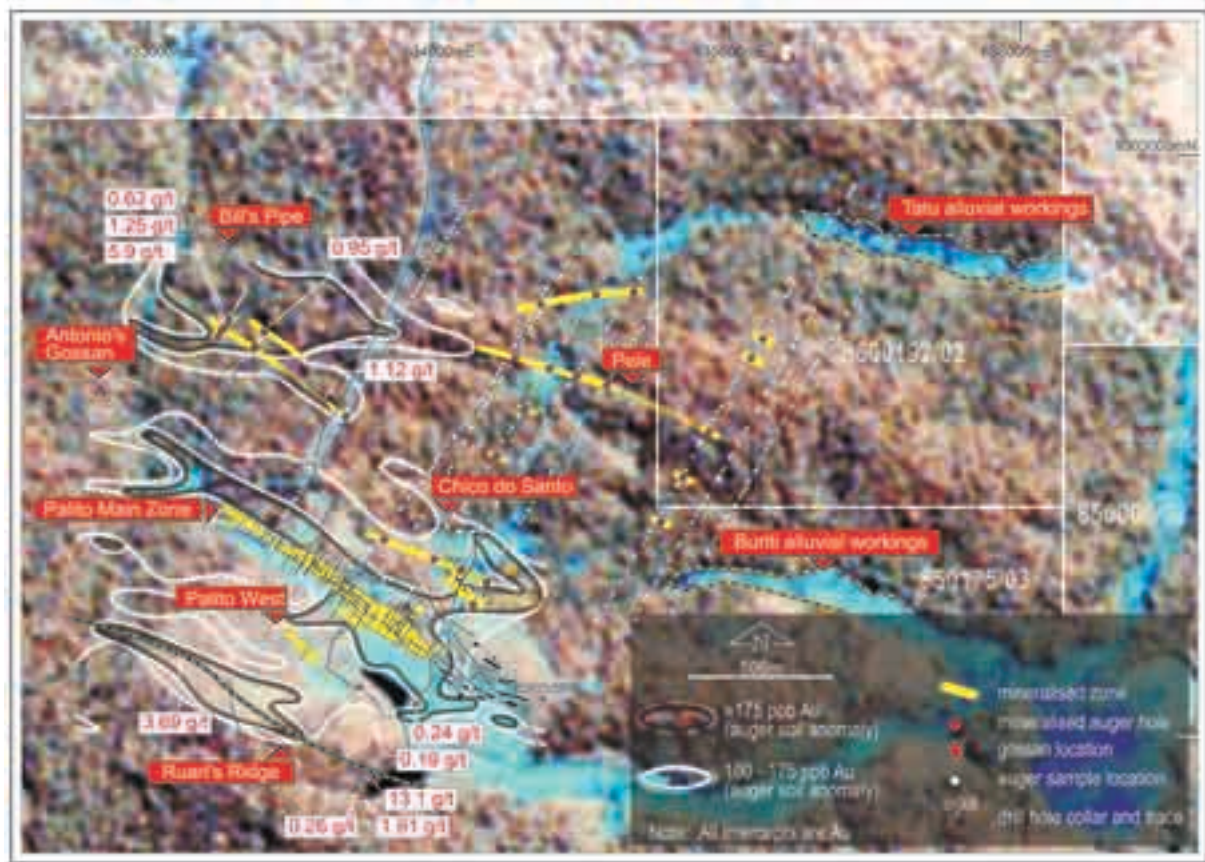


Figure 1.6 – A Landsat Capture of the Location of Bill's Pipe

Tatu

Tatu is located approximately 2.5 km north-east of the Palito mine site and contains extensive Garimpeiro workings over an area of approximately 800 m by 100 m. The mineralisation appears to be associated with a linear shaped valley, corresponding to a common dominant west-east structure. Both shear related and stockwork mineralisation was mapped by Rio Tinto at this location. Sampling taken from a Garimpo's stockpile at Tatu has returned values up to 193 g/t Au from rock chips and 16 g/t Au from Garimpos' tailings.

Pepe

Located in the same area as Tatu, this is a strong gold geochemical anomaly correlated with a major regional structure.

Rio Novo South

The Rio Novo South area is situated 5 km south-east, directly along strike from the Palito mine site. The area contains a large number of Garimpeiro workings along strike (29 shafts over a strike length of 300 m) and the mineralisation appears to be very similar to that of Palito. In 2002 a local

Garimpeiro recorded production of 12 kg of gold in three months down to a maximum depth of 20m. Mining ceased once the oxide zones were depleted being unable to treat the primary sulphide ore. To date, the only work carried out has been preliminary geological mapping, rock chip and auger soil sampling, which produced a number of encouraging geochemical anomalies.

Rauri's Ridge

Rauri's ridge is located 600 m south-east of the Palito mine and is the site of a coincident, strong soil gold anomaly and a strong aeromagnetic high, which is believed to represent magnetite alteration along a sheared contact between the Palito granite and rhyolites to the south-east. Gossan samples from the area returned results of up to 3.69 ppm Au.

Both Chico Do Santo and Palito West represent under-drilled veins with excellent grades, both sites being open along strike and at depth. Copper Hill has the appearance of a large, low-grade gold-copper target with a strong magnetic and induced polarisation expression. Further drilling at this site is expected to improve the geological understanding of how the mineralised zoning will lead to improved identification of potential higher grade zones.

Only basic exploration has been completed at Tatu and Rio Novo South. However, the number and extent of Garimpeiro workings in both areas is indicative of the probability of medium to large scale mineralisation being present.

Tapajós Regional Exploration projects



Figure 1.7 – Serabi Mineração's projects in the Tapajós Gold Province

Jutai

Jutai is located 195 km north-west of Jardim do Ouro and 140 km to the south-west of Itaituba, immediately adjacent to the Transamazonica Highway. Jutai is a bulk, low-grade gold system, previously assessed by Rio Tinto. Rio Tinto completed a soil sampling program followed by twenty-eight, mostly vertical RC drill holes and defined an outline oxide resource of 4.4 Mt at 0.6 g/t Au (unclassified), mostly within the near-surface saprolite zone and over a strike length of approximately 1,600 m.

Castanheira

The Castanheira Garimpo workings are located 150 km south-west of Palito. While the area and its surroundings have extensive Garimpeiro workings on a well defined linear trend, there has been no systematic exploration of the area. The Castanheira mined area can now be easily identified by the

linear distribution of lake pools along the geological strike. The Directors believe this is likely to represent a mineralised vein system. Surface Garimpeiro workings extend over 1 km along the strike. Serabi assess the exploration potential for Castanheira to be high.



Figure 1.8 – Serabi Mineração’s project at Castanheira

Sao Chico and Sucuba

These are a narrow, high-grade quartz-sulphide-gold vein mineralisation within granitoid hosts. Only basic exploration has been completed. However, the Directors believe the amount and extent of Garimpeiro high-grade workings in these areas may be indicative of their prospectivity.

Pizon

Pizon is an isolated site, accessible by light aircraft and 30 km from the nearest barge access. Gold occurs as a wide stockwork system consisting of quartz-mica-sulphide veinlets, with occasional veins reaching between one and two metres in width. Rio Tinto drilled several holes of which one intersected 32 m at 5.32 g/t, with a probable true ore-zone width of about 20 m from near surface, all within an oxide saprolite zone.

Rio Tinto also completed two channel sampling surveys across the two Garimpeiro pits, which yielded 30 m at 3.90 g/t and 26.25 m at 2.10 g/t respectively. The amount and extent of Garimpeiro workings in the area is believed to be indicative of extensive mineralisation. While there was no drilling carried out nearby, the mineralisation remains open in all directions.

Igarape Salustiano and Ornifel-Sucuba

These exploration projects are situated directly along the strike of the Palito mine, and are situated within the Tocantinzinho structural trend. As a result the Directors believe these significant areas of unexplored land provide good exploration potential.

Vale do Aruri

This exploration area is well located, being close to the Jamanxim River and the National Route BR163. Initial grab samples have provided encouraging results.

Modello

Located very close to the Transamazonica Highway. It has significant Garimpo workings but no modern exploration has taken place.

Mining in Brazil

Brazil produces over 70 mineral-based commodities and is a leading producer of aluminium, ferroalloys, gold, iron ore, manganese, steel and tin. Brazilian gold reserves are estimated to be approximately, 1,170 tonnes. representing 1.3 per cent. of the world gold reserves.

Currently, Brazil ranks twelfth in world gold production (second in Latin America) with an output in 2001 at 51 tonnes (1.6 million oz), of which roughly 38 tonnes (1.2 million oz) came from formal mines and the balance from Garimpos worked by Garimpeiros. Traditional gold producing areas are in the States of Pará, Minas Gerais, Bahia, Goiás, and Mato Grosso. Pará State holds 52.3 per cent. of the estimated Brazilian gold resources of which 70 per cent. is located in the Tapajós area.

Gold was first discovered in 1552, but significant production did not begin until after 1700 at alluvial deposits in Minas Gerais, Goiás and Mato Grosso provinces. In 1980, the then high gold price prompted a gold rush of Garimpeiros, who located rich alluvial deposits along the Rio Tapajós and Rio Madeira and in the regions of Cuiaba, Cumaru, Alta Floresta and Serra Pelada. Production peaked at 102 tonnes (3.3 million oz) in 1988, of which 70 per cent. came from Garimpos. The best alluvial deposits were soon worked out and through the 1990s the balance shifted to formal mining as companies such as CVRD Rio Tinto, TVX Gold, and Eldorado Gold developed mines. By 1993 their output exceeded that of the Garimpos. Approximately 90 per cent. of Garimpos production is from the alluvial deposits of Tapajós region.

After the Brazilian government closed Serra Pelada, Tapajós became the largest gold producing region in Brazil. The Tapajós area is situated within the highly gold-productive, Archaean Proterozoic-aged Brazilian Shield that runs from Brazil through Guyana and into Venezuela. The Tapajós is only barely explored but widespread alluvial gold deposits are a strong indicator of the area's exploration potential. Small scale Garimpos gold mining started in 1958 and these methods still produce a high percentage of Brazil's gold production. During the 1970s and 1980s, the area annually produced 30 per cent. to 40 per cent. of Brazil's total gold output. At the end of the 1980s the official reported annual gold production was 800,000 ounces on average and it was estimated that in excess of 500,000 Garimpeiros worked inside the Tapajós District. Nowadays the estimated Garimpeiros population within the Tapajós is estimated to be 50,000, mainly working the gold-rich streams and producing 200,000 ounces of gold annually. Recently, the Brazilian Air Force identified about 500 airstrips and about 2,000 mining operations in the jungle area, a legacy of the historic gold rush. The Garimpeiros' exploitation of alluvial gold in the region is coming to an end as they have not the technical or financial capacity to explore further. The Garimpos have, however, left a mark on the country for the next generation of hard-rock mines to explore.

The legal principles governing the use of mineral resources in Brazil are defined in the Federal Constitution and in Constitutional Amendments. A company that is:

- (a) incorporated under Brazilian law;
- (b) has its main office in Brazil; and
- (c) whose corporate objects are (among others) the exploration and exploitation of mineral resources

is able to obtain authorisation for exploration and mining concessions. No distinction is made between Brazilian and foreign-owned companies. Export taxes do not apply to mineral products and tax on industrial products does not apply to mineral products. In most cases, the basis for assessment of corporate income taxes is the net profit for the fiscal year, with the tax rate between 10 per cent. and 20 per cent. Profits can be repatriated. The constitution states that mining operations must reclaim those areas that have been subject to environmental degradation.

REASONS FOR THE PLACING AND ADMISSION

It is intended that the net proceeds from the Placing will be used to fund the expansion and development of the Company's assets in Brazil, principally to:

- expand the Palito Gold Mine;
- introduce productivity and efficiency measures at the Palito Gold Mine;
- further evaluate the mineral potential of the Palito Gold Mine, with the objective of expanding the resource base;

- further evaluate the Company’s project portfolio at the Palito Mine, Jardim do Ouro and the Tapajós region;
- assess and acquire additional projects in the Tapajós region; and
- help fund the future working capital requirements of the Company.

DIRECTORS AND SENIOR MANAGEMENT

Details of the Directors, their roles and their backgrounds are as follows:

Graham Roberts, BSc, C.Eng, FIMMM, 54 (*Executive Chairman*)

Graham has over 30-years’ international experience in the mining industry and related financial markets, recently working mostly in cross-border finance activities.

Prior to joining Serabi in 2003, Graham worked in financial services for the past 19 years, most recently as Managing Director and Group Head of Investment and Corporate Banking for BMO Nesbitt Burns in London, a wholly owned investment banking subsidiary of the Bank of Montreal. Previously, Graham worked as senior research analyst, then as Director & Head of Mining Research for W.I Carr UK Ltd. Subsequently from 1994 to 1996, he headed up the mining business at the UK merchant bank Hambros, where he was Executive Director of Hambros Equities UK Ltd and, as a director of the bank, provided a full range of cross-border capital markets and advisory services, working with mining companies across the globe.

Before entering the financial services sector, Graham worked at a senior level for 13 years at Consolidated Gold Fields and its subsidiaries in the UK and Africa, in corporate finance, mining and exploration, across a wide range of base metal and precious metal projects and mines.

He has a BSc in Geology and Geography from London University, is a Fellow of the Institute of Materials, Minerals and Mining, a Chartered Engineer and is a Member of the London Association of Mining Analysts.

Bill Clough, BSc(Geol), BCom(Hons), 44 (*Managing Director*)

Bill was the founding investor of Serabi Mineração Ltda and has been active in Brazil since 1999. He assembled a portfolio of exploration interests in the Tapajós Region which culminated in the establishment of Serabi Mineração Ltda in 2001.

Bill is also Chairman of Brazilian based nickel resources company, Mirabela Nickel Limited. He also has significant interests in a number of other ASX and AIM listed and unlisted international exploration and mining companies including Exco Resources Ltd, Sally Malay Mining Limited and Albidon Limited.

In 1984 Bill joined his family’s engineering construction company, Clough Engineering Group, as business development manager. Bill was appointed to the Clough Limited board as a non-executive director in 1994 until December 2002. Clough Limited was listed on the Australian Stock Exchange in 1998.

Clive Line, BA, ACA, 44 (*Finance Director*)

Clive is a Chartered Accountant and has been involved in mining and other natural resources companies since 1987, overseeing all of the financial and legal issues for a variety of 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 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 trading on AIM in 1996. Most recently he has worked within one of the world’s largest marketing services companies as UK Finance Director for Initiative Media, where he oversaw the merger with Western International Media as well as the doubling of the company’s annual turnover over a 5 year period to £450 million.

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

Richard Robinson, BSc (Hons), MSc, 52 *(Non-Executive Director)*

Richard has 29 years' experience in the mining and smelting industry. He has had extensive involvement with the gold, base metal, platinum and coal mining and smelting industries, their international markets and national and industry organizations, such as the World Gold Council through various directorships and other executive positions held over the last 21 years. He is currently a director of companies in the base metals mining, smelting and recycling industry and in refining and advanced technologies in the precious metals industry. Richard was also previously the Managing Director of LaSource SAS in Paris.

Prior to moving to Europe in 1998 he was Chief Executive Officer of Gold Fields Limited and previously an Executive Director of Gold Fields of South Africa Ltd, with responsibility for the group's gold operations. From 1993 he directed the international expansion of Gold Fields exploration and operations.

He has an Honours degree in Computer Science, a Masters degree in Mineral Economics from Queens University in Canada and has attended the Senior Executive Programs at The Management College at Henley-on-Thames, England and at INSEAD at Fontainebleau, France.

Roger Davey, ACSM, MSc., C.Eng., Eur.Ing., MIMMM, 59 *(Non-Executive Director)*

Roger is a Chartered Mining Engineer with over thirty years' experience in the mining industry. He is presently an Assistant Director and the Senior Mining Engineer at N M Rothschild (London) in the Mining and Metals project finance team. Prior to this his experience covered the financing, development and operation of both underground and surface mining operations in gold and base metals at senior management and Director level in South America, Africa and the United Kingdom.

Previous positions held include Director, Vice president and General Manager of Minorco/AngloGold subsidiaries in Argentina; Operations Director of Greenwich Resources plc, London; Production Manager for Blue Circle Industries in Chile; and various production management roles in Gold Fields of South Africa.

Roger is a graduate of the Camborne School of Mines, England, with a Master of Science degree in Mineral Production Management from Imperial College, London University. He is a Chartered Engineer (C.Eng.), a European Engineer (Eur. Ing.) and a Member of the Institute of Materials, Minerals and Mining (MIMMM).

Senior Management

Sergio Aquino, 54 *(General Manager – Brazil)*

Sergio has undertaken Gold exploration programmes throughout South America, including the Amazon area. He previously worked as chief of diamond exploration for Rio Tinto in Brazil and was exploration manager for Amazon gold exploration for TVX. He is president of Itaituba's Municipality Environmental Counsel and a board member of the Tapajós Gold Miners Association.

Ruari McKnight, BSc(Geol Hons), BCom, 37 *(Chief Operating Officer)*

Ruari worked in gold and base metal exploration for Mt Isa Mines Exploration Pty Ltd (MIMEX) and Western Mining Corporation (ASX: WMR) from 1993 to 1996 throughout Australia, where he gained experience in geological mapping, geophysical interpretation, data processing and co-ordination of drilling programmes before moving to South America where he has become fluent in Portuguese and Spanish.

He commenced work with Serabi in 2003 to assess the financial status of the Palito Mine Project and associated project portfolio including the setting up of a business protocol and supporting information technology. As Chief Operating Officer, Ruari oversees the management of the project including exploration planning, plant commissioning and project generation.

He has an Honours degree in Geology and graduated with a Commerce degree in Accounting and Finance.

CORPORATE GOVERNANCE

Board composition

The Board currently consists of an Executive Chairman, Managing Director, Finance Director and two Non-Executive Directors. The terms of the Company's constitution relating to the appointment, election and retirement of Directors are set out paragraph 9 of Part V of this document.

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 Combined Code in such respects as they consider appropriate for a company of its size and nature.

Committees

The Company has established an Audit Committee and a Remuneration Committee.

The Audit Committee comprises two Non-Executive Directors and the Finance Director, Clive Line. It is responsible for ensuring that the financial performance of the Group is properly reported on and monitored and for reviewing the auditor's reports relating to accounts and internal control systems.

The Remuneration Committee comprises two Non-Executive Directors. It is responsible for determining and agreeing with the Board the framework for the remuneration of the Managing Director, 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 is designated to consider. It is furthermore responsible for determining the total individual remuneration packages of each director including, where appropriate, bonuses, incentive payments and share options.

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

EQUITY PARTICIPATION

Following the Placing, the Directors will be interested, in aggregate, in 45,641,118 Ordinary Shares, representing 44.3 per cent. of the issued ordinary share capital of the Company. Further details of the interests of the Directors in the Ordinary Shares and in options over Ordinary Shares are set out in Paragraph 6 of Part V of this document. In addition, the Executive Directors will be interested in a further 816,666 Ordinary Shares, representing 0.79 per cent. of the Share Capital of the Company under contracts more particularly described in paragraph 6 of Part V of this document.

OPTIONS

The Directors believe that the success of the Company depends to a high degree on the future performance of the management team. The Directors also recognise the importance of ensuring that all key employees are incentivised and identify closely with the profitability of the Company.

Accordingly the Company has entered into option agreements with certain Directors, Group employees and consultants granting options over Ordinary Shares representing 10 per cent. of the issued share capital on Admission.

As part of the Company's incentivisation strategy going forward, the Company intends to establish a long term incentive plan (the "Plan") within 3 months of Admission, under which options can be granted over Ordinary Shares, at the discretion of the Remuneration Committee, to selected Directors, employees or consultants providing services to the Group.

It is intended that at any time, the aggregate number of Ordinary Shares which have been issued under options granted under the Plan may not exceed that number of Ordinary Shares which is equal to 10 per cent. of the Company's issued share capital over 10 years. Consequently, the aggregate number of Ordinary Shares which may be issued under options granted either (a) under the agreements with certain Directors as described above or (b) under the Plan, will not exceed that number of Ordinary Shares which is equal to 20 per cent. of the Company's issued share capital.

Further details of the Plan are set out in paragraph 10 of Part V of this Document.

LOCK IN ARRANGEMENTS

The Directors and McRae Investments Pty Ltd have agreed that they will not dispose of any further interests in the Company's share capital for a period of one year from Admission and not more than 50 per cent. of their holdings in the second year following Admission, except in certain strictly limited circumstances. In addition, the Directors have agreed that no sale of their respective Ordinary Shares (whether before or after the time limits described above have expired) will take place whilst KBC Peel Hunt is the Company's Nominated Adviser except through KBC Peel Hunt.

DETAILS OF PLACING AND ADMISSION

KBC Peel Hunt and Ambrian, as agents for the Company, have jointly conditionally placed 26,666,667 new Ordinary Shares with investors at 30 pence per share. The Placing, which is not underwritten, is conditional, *inter alia*, upon the admission of the Company's Ordinary Shares to trading on AIM by 10 May 2005, or such later time as KBC Peel Hunt, Ambrian and the Company agree. The Placing Shares will rank *pari passu* in all respects with the existing Ordinary Shares including the right to receive all dividends and other distributions declared, paid or made after the date of their issue.

The Placing is intended to raise £8 million for the Company, before expenses. After the expenses of the Placing and Admission, estimated in total at £1 million (excluding VAT), the Placing is intended to raise £7 million.

Further details of the Placing Agreement are set out in paragraph 14 of Part V of this document.

DIVIDEND POLICY

The Directors intend that the Company will initially retain any distributable profits and cash flows to contribute towards the expansion and development of the Company's assets in Brazil. The Directors will consider the Company's dividend policy further once the Company has begun generating sufficient distributable profits to pay dividends after financing further exploration activities or to meet other capital requirements of the Company.

FURTHER INFORMATION

Your attention is drawn to the additional information in Parts II to V of this document.

PART II

Competent Persons' Report



87 Colin Street West Perth WA 6005
PO Box 77 West Perth WA 6872
Telephone +61 8 9481 6690
Facsimile +61 8 9322 2576
perth@snowdengroup.com.au
www.snowdengroup.com
Snowden Mining Industry Consultants Pty Ltd

Registered No: ABN 99 083 319 562

Perth, Brisbane, Vancouver, Johannesburg, London

24 March 2005

The Directors
KBC Peel Hunt Ltd
111 Old Broad Street
LONDON
EC2N 1PH

The Directors
Serabi Mining Plc
66 Lincoln's Inn Fields
LONDON
WC2A 3LH

Dear Sirs

COMPETENT PERSONS' REPORT ON THE MINERAL ASSETS OF SERABI MINING PLC

At your request, Snowden Mining Industry Consultants (Snowden) has prepared a Competent Person's Report on the Mineral Assets of Serabi Mining Plc (Serabi). Snowden understands that this report will be included in an Admission Document to accompany Serabi's listing on the Alternative Investment Market of the London Stock Exchange.

Serabi's principal asset is a 99.98% interest (held through its wholly owned subsidiary, Moonlight Express), in Serabi Mineração Ltda (Serabi Mineração), which owns several mineral concessions in the Tapajós Gold Province in Para State, Brazil. The Province has a extensive history of primarily alluvial gold production, but to date, remains relatively under-explored. Serabi's Mineração's main operating asset is the 100% owned Palito mine where underground mining is currently being undertaken to extract gold and copper from veins along the Palito Main Zone. Ore is processed using a combined flotation and CIP, with a gold-rich copper concentrate being sold into Europe and gold bullion sold in Brazil.

Serabi Mineração also has over 100,000 ha of gold exploration project interests in the Province that are in various stages of assessment. Serabi Mineração proposes a three fold upgrade to the mining and processing capacity at the Palito mine and an exploration drilling programme to increase the confidence and size of the Palito Main Zone Mineral Resource estimate. In addition, a number of exploration programmes are proposed over the adjoining concession area and the Tapajós Regional project area.

Serabi Mineração's Palito mine production schedule includes approximately 110,000 t of diluted Inferred Resource. Conversion of the Inferred Resource to an Ore Reserve will be dependant on the results from the proposed drilling programmes and will also be governed by factors such as geological continuity, grade continuity and continued good ground conditions. The longer term success of the mining operations will be dependent on the successful commissioning of new mining equipment and the skills of the management team and workforce to achieve a budgeted production target which is three times higher than that currently being achieved. In Snowden's opinion, there is a good likelihood that a portion of the Inferred Resource will be converted to Ore Reserve during the third quarter, 2005.

Snowden has based its review on the various mineral assets upon information known to us as at 31 January 2005, including:

- a site visit to the Palito mine in November 2004;
- discussions with key company personnel and consultants;
- a review of technical information supplied; and
- Snowden's experience with mining operations of this type.

All costs in this report are in US dollars (\$). A draft version of this report has been provided to the Directors of Serabi for comment in respect of omission and factual accuracy. Snowden is satisfied that this review was undertaken in an environment of full disclosure. Serabi has warranted that all material information in its possession has been fully disclosed and has agreed to indemnify Snowden from any liability arising from its reliance upon information provided or for information not provided.

Snowden has not independently verified the ownership and legal standing of the mineral rights subject to this report and is not qualified to make legal representations in this regard. Rather, Snowden has prepared this report on the understanding that all Serabi Mineração's mineral rights are currently in good standing.

Snowden is an independent firm providing specialist mining industry consultancy services in the fields of geology, exploration, resource estimation, mining engineering, geotechnical engineering, risk assessment, mining information technology and corporate services. The company, with its principal office at 87 Colin Street, West Perth, Australia, also operates from offices in Brisbane, Johannesburg, London and Vancouver and has prepared independent expert reports and competent persons' reports on a variety of mineral commodities in many countries.

This report was prepared by Mr Allan Earl (Manager Mining Division) and Mr David Princep (Hellman and Schofield Pty Ltd), who was responsible for the geology, resource estimation and exploration sections of the report, and was reviewed by Mr Phillip Retter (Manager Corporate Services).

Neither Snowden nor Hellman and Schofield have any material interest in Serabi or in the mineral properties considered in this report. Snowden is remunerated for this report by way of a professional fee determined according to a standard schedule of rates which is not contingent on the outcome of this report.

We confirm that we have given our written consent for the inclusion of our report and to references to our report contained in Part II of the Admission Document and to our name in the Admission Document in the form and context in which they appear and have not withdrawn our consent and we authorise the contents of the report for the purpose of regulation 13(1)(g) of the Public Offers of Securities Regulations 1995 and the Companies Act 1985 and accept responsibility for it.

Yours faithfully



Mr Allan Earl AWASM FAusIMM
Manager Mining Division



Mr Phillip Retter BSc (Hons), MAIG
Manager Corporate Services

Competent Persons' Report on the Mineral Assets of Serabi Mining Plc
Project No. 4969

March 2005

Prepared by A Earl
AWASM, FAusIMM
Manager – Mining Division and
Manager Mining Division & Principal Mining Engineer

Reviewed by P Retter
BAppSc (Hons), MAIG
Manager Corporate Services

Office Locations

Perth

87 Colin Street
West Perth WA 6005

PO Box 77
West Perth WA 6872
AUSTRALIA

Tel: +61 8 9481 6690
Fax: +61 8 9322 2576
ABN 99 085 319 562
perth@snowdengroup.com

Brisbane

Level 5, 82 Eagle Street
Brisbane QLD 4000

PO Box 2207
Brisbane QLD 4001
AUSTRALIA

Tel: +61 7 3231 3800
Fax: +61 7 3211 9815
ABN 99 085 319 562
brisbane@snowdengroup.com

Vancouver

Suite 550
1090 West Pender Street
Vancouver BC V6E 2N7
CANADA

Tel: +1 604 683 7645
Fax: +1 604 683 7929
Reg No. 557150
vancouver@snowdengroup.com

Johannesburg

Technology House
Greenacres Office Park
Cnr. Victory and Rustenburg Roads
Victory Park
Johannesburg 2195
SOUTH AFRICA

PO Box 2613
Parklands 2121
SOUTH AFRICA

Tel: + 27 11 782 2379
Fax: + 27 11 782 2396
Reg No. 1998/023556/07
johannesburg@snowdengroup.com

London

Abbey House
Wellington Way
Weybridge
Surrey KT13 0TT, UK

Tel: + 44 (0) 1932 268 701
Fax: + 44 (0) 1932 268 702
london@snowdengroup.com

Internet

<http://www.snowdengroup.com>

This report has been prepared by Snowden Mining Industry Consultants
('Snowden') on behalf of Serabi Plc.

© 2004

All rights are reserved. No part of this document may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of Snowden.

1	Summary	30
1.1	Jardim do Ouro Operations	30
1.2	Tapajós Regional	33
1.3	Work programme	33
1.3.1	Jardim do Ouro Operations	33
1.3.2	Tapajós Regional	34
1.4	Serabi Mineração's budget	34
2	Overview of Brazil	37
2.1	Introduction	37
2.2	Political and economic climate	37
2.3	Mining tenure in Brazil	37
2.4	Historic gold production in Brazil	38
2.4.1	Background	38
2.4.2	Tapajós Gold Province	38
2.5	Serabi Mineração's operations in Brazil	39
3	Jardim do Ouro Operations	41
3.1	Background	41
3.2	Project development	42
3.3	Jardim do Ouro project geology	43
3.3.1	Setting	43
3.3.2	Palito Main Zone	43
3.3.3	Palito West	44
3.3.4	Bill's Pipe	44
3.3.5	Copper Hill	46
3.3.6	Chico do Santo	46
3.3.7	Antonio's Gossan	47
3.3.8	Ruari's Ridge	47
3.3.9	Tatu	47
3.3.10	Rio Novo South	49
3.4	Palito Main Zone Mineral Resource estimate	49
3.4.1	Data	49
3.4.2	Geological interpretation and block model	49
3.4.3	Estimation parameters	50
3.4.4	Estimation details	50
3.4.5	Results	52
3.4.6	Reconciliation	52
3.4.7	Snowden's review of the resource block model	52
3.4.8	Diluted resource	54
3.5	Palito Main Zone Ore Reserve estimate	55
3.6	Palito mining and processing	57
3.6.1	Mining method	57
3.6.2	Historic production	60
3.6.3	Mine production capacity	60

3.6.4	Future mining studies required.....	60
3.6.5	Processing	61
3.7	Stage 1 process plant and mine upgrade.....	62
3.8	Mine infrastructure and management	63
3.9	Environmental considerations	64
3.10	Exploration programme.....	65
3.10.1	Resource definition.....	65
3.10.2	Project evaluation	66
3.11	Exploration potential.....	66
4	Tapajós Regional	68
4.1	Pizon.....	68
4.2	Jutai.....	69
4.3	Castanheira	69
4.4	Sao Chico.....	69
4.5	Sucuba, Garimpo Ornifel–Sucuba and Igarape–Salustiano	69
4.6	Vale do Aruri.....	70
4.7	Prospect generation	70
5	Serabi Mineração's work programme and budget	71
5.1	Mine production schedule	71
5.2	Capital upgrade programme	71
5.2.1	Stage 2.....	71
5.2.2	Stage 3.....	72
5.3	Capital cost estimate	72
5.4	Exploration budget	73
5.5	Operating costs.....	73
5.6	Corporate overheads.....	74
5.7	Sensitivity.....	74
5.8	Opinion.....	74
6	Declaration by Snowden Mining Industry Consultants	76
6.1	Independence.....	76
6.2	Qualifications	76
7	Bibliography.....	78
Tables		
Table 1.1	Palito Main Zone Mineral Resource estimate.....	31
Table 1.2	Palito resource diluted to a minimum mining width of 1.2 m.....	31
Table 1.3	Palito mine sensitivity analysis - average cash operating cost (\$/oz).....	35
Table 3.1	Channel sample results, Palito West	46
Table 3.2	Drill results Chico Do Santo	47
Table 3.3	Palito Mineral Resource estimate	52
Table 3.4	Palito resource diluted to a minimum mining width of 1.2 m.....	55
Table 3.5	Palito diluted resource estimate	56

Table 3.6	Palito diluted resource tonnage (at a 6.0 g/t Au _{eq} cut-off grade) and the number of drill intercepts by level.....	56
Table 3.7	Palito Main Zone Probable Ore Reserve estimate by vein (6.0 g/t Au _{eq} cut-off)	57
Table 3.8	Palito Probable Ore Reserve estimate by level (February 2005) based on a 6.0 g/t Au _{eq} cut-off grade	57
Table 5.1	Serabi Mineração's capital budget for the Palito mine (\$,000).....	73
Table 5.2	Serabi Mineração's exploration budget (\$,000)	73
Table 5.3	Serabi Mineração's operating cost budget (\$,000)	74
Table 5.4	Palito mine budget, sensitivity analysis - average cash operating cost (\$/oz)	74

Figures

Figure 2.1	Locality plan of the Tapajós Gold Province.....	39
Figure 2.2	Serabi Mineração's projects in the Tapajós Gold Province.....	40
Figure 3.1	Aerial view of the Palito mine site and nearby exploration projects, looking northwest	41
Figure 3.2	Tatu and Rio Novo South exploration projects.....	42
Figure 3.3	Palito Main Zone No. 1 vein surface expression	44
Figure 3.4	Plan view of Palito Main Zone and current development, and the nearby exploration prospects	45
Figure 3.5	Plan view of auger sampling anomalies and magnetic IP anomalies at Palito.....	48
Figure 3.6	Long section of the Palito Main Zone drill intercepts and recent assay results, existing development and a three-dimensional view of the resource wireframes	51
Figure 3.7	Long section of the Palito Main Zone showing gram*metre contours.....	53
Figure 3.8	Cumulative % tonnage of diluted resource.....	54
Figure 3.9	Shrinkage stoping layout	59
Figure 3.10	Process plant flowsheet following the Stage 1 upgrade.....	63
Figure 3.11	Plan view showing auger drilling results.....	67
Figure 4.1	Garimpiero workings, Pizon	68

Appendices

Appendix A	Serabi Mineração's Concessions (December 2004)
Appendix B	Glossary of Technical Terms

1 Summary

Snowden Mining Industry Consultants Pty Ltd (Snowden) has prepared a Competent Persons' Report (CPR) on the mineral assets of Serabi Mining Plc (Serabi). Serabi's principal asset is a 99.98% interest in Serabi Mineração Ltda (Serabi Mineração), which owns mineral assets in the Tapajós Gold Province in Para State, Brazil. Snowden understands that this report will be included in an Admission Document to accompany Serabi's listing on the Alternative Investment Market of the London Stock Exchange. The person responsible for the preparation of the geology, Mineral Resource estimate and exploration sections of this report was David Princep, Consulting Geologist, Hellman and Schofield Pty Ltd (H&S).

Serabi Mineração's projects are located in the Tapajós Gold Province, which has a rich history of gold production with official estimates up to 1993 of 7 million to 10 million ounces, mainly from shallow mines (Garimpos) worked by artisanal miners (Garimpeiros). By the end of the 1980s over 500,000 people were working in the Province producing over 800,000 ounces per annum. Approximately 50,000 Garimpeiros, mainly working gold-rich streams, now produce 200,000 ounces annually. The Garimpeiros exploitation of alluvial gold is coming to an end due to the exhaustion of superficial deposits. The under-capitalised Garimpeiros have neither the technical background nor the financial capacity to explore further, or to establish hard rock mines below their alluvial workings. The only modern, systematic exploration in the Province was undertaken by Rio Tinto in the 1990s and Serabi Mineração now has exclusive access to the Rio Tinto drill core and database, which contains the location of all major Garimpos in the Province.

Serabi Mineração has established itself as a "go to" company for Garimpeiros who wish to sell their mining leases and has progressively acquired mineral concessions over 103,000 ha in the Province and is continually reviewing options for further acquisitions. Serabi Mineração's mineral concessions are divided into two broad areas; the Jardim do Ouro Operations and the Tapajós Regional.

1.1 Jardim do Ouro Operations

The Jardim do Ouro Operations cover an area of 24,000 ha and comprise the operating Palito mine and a number of advanced exploration projects within 5 km of the mine. The Palito process plant was originally built to process 10 t per hour of tailings from former artisanal workings and in turn recovered approximately 3,000 ounces of gold in 2003. The plant was modified in 2004 by adding additional equipment to process 150 t per day of primary gold-chalcopryrite-pyrite material from the nearby Palito mine, which was established to exploit high grade veins in the Palito Main Zone. To January 2005, the modified process plant has produced approximately 2,500 ounces of gold. The current throughput rate averages 120 t per day.

1,300 m of development adits and three shrinkage stopes have been excavated at the Palito mine where mining is currently being undertaken using pneumatic rock drills and airlegs. Rock haulage is undertaken manually, with small rail cars being loaded by hand shovels and pushed to tipping points at the entrance to the adit. A number of shafts and an adit are being excavated to access the lower levels.

The veins in the Palito Main Zone have been identified over a strike distance of 1,600 m and have been shown to be mineralised over a distance of more than 900 m. The veins have not been closed off along strike or at depth, where the deepest ore grade intersection is 200 m below surface. The veins are typically 20 cm to 40 cm wide but large blow-outs of massive to semi-massive sulphides can reach over 2 m in width.

In January 2005, H&S completed a Mineral Resource estimate for the Palito Main Zone in accordance with the JORC Code (2004) as summarised in Table 1.1. The resource estimate was based on diamond drill core and underground channel samples, which were used to construct twenty, three-dimensional wireframes or “domains”. Based on the distribution and number of data points and the thickness of the wireframes, ordinary kriging (OK) was used for grade estimation. A top-cut value of 120 g/t was applied to the gold dataset and 8.0% to the copper dataset.

Table 1.1 Palito Main Zone Mineral Resource estimate

Cut-off grade Au (g/t)	Classification	Tonnes (kt)	Au grade (g/t)	Cu grade (%)	Au ounces (koz)
0.0	Indicated	115	13.5	0.7	50
	Inferred	1,060	10.7	0.5	365
	Total	1,176	11.0	0.6	416
2.0	Indicated	84	18.2	0.9	49
	Inferred	813	13.6	0.7	355
	Total	897	14.0	0.7	404
5.0	Indicated	68	21.7	1.1	47
	Inferred	536	18.9	0.9	326
	Total	604	19.2	0.9	373

Snowden modified the H&S resource estimate to generate a diluted resource estimate that reflects a minimum mining width of 1.2 m and Serabi Mineração's intention to use a combination of manual waste sorting and a spiral circuit to upgrade low grade sulphides. An gold equivalent (Au_{eq}) formula that allows the value of Cu to be described in terms of Au was determined by Snowden as follows: Au_{eq} (g/t) = Au (g/t) + 1.9 x Cu (%). The resulting diluted resource is summarised in Table 1.2 for cut-off grades of 2.0 g/t Au_{eq}, 5.0 g/t Au_{eq} and 7.0 g/t Au_{eq}.

Table 1.2 Palito resource diluted to a minimum mining width of 1.2 m

Cut-off grade (g/t) Au _{eq}	Classification	Tonnes (kt)	Au grade (g/t)	Cu grade (%)	Au _{eq} grade (g/t)	Au ounces (koz)
2.0	Indicated	108	13.8	0.7	15.1	47
	Inferred	1,160	9.32	0.5	10.2	348
	Total	1,268	9.7	0.5	10.6	395
5.0	Indicated	85	16.8	0.9	18.6	46
	Inferred	801	12.05	0.6	13.2	310
	Total	886	12.5	0.6	13.7	356
7.0	Indicated	73	18.8	1.0	20.7	44
	Inferred	529	15.50	0.8	16.9	264
	Total	602	15.9	0.8	17.4	308

Snowden estimated a Probable Ore Reserve, depleted for mining to January 2005, by applying a mining recovery of 85% and a cut-off grade of 6.0 g/t Au_{eq}. The

Probable Ore Reserve (derived from the Indicated Resource only) as at 31 January 2005 was estimated by Snowden to be 58,000 t at 17.8 g/t Au and 0.9% Cu.

The Palito mine has the potential to achieve production rates in the range 150,000 t to 200,000 t per year with the introduction of mechanised loading and hauling equipment. Shrinkage stoping has been successfully used at the mine and it is an efficient method, suitable for the extraction of the high grade veins, and is suited to the mining conditions and skills of the local labour force.

The Jardim do Ouro Operations area is relatively unexplored, with only 96 diamond drill holes completed to date. The Palito Main Zone is open to the southeast and to the northwest and at depth. The current drilling around the Palito mine extends to an average vertical depth of 100 m below surface with the deepest intersection being only 200 m below surface. The probability of depth extensions to the Palito Main Zone is assessed by Serabi Mineração as high.

Serabi Mineração proposes to undertake an exploration infill drilling programme targeted at increasing the quantity of the Probable Ore Reserve. This programme will utilise two existing diamond drill rigs to drill 30 m x 30 m spaced holes adjacent to the current Palito mine workings. Two underground diamond drill rigs will be purchased in 2005 to assist with the infill drilling programme. The first stage of the infill drilling programme will be completed by the third quarter 2005 and will be followed by detailed mine planning studies. A third diamond drill rig will be purchased to drill exploration drill holes to test the down-dip and strike extensions of the Palito Main Zone to target an increase in the size of the overall resource.

The Jardim do Ouro Operations also include the following exploration prospects:

- Palito West, which is located 250 m west of the Main Zone and consists of a single vein that has been exposed by underground development over 70 m;
- Chico do Santo, located 500 m east of the Main Zone, where seven diamond drill holes have intersected Palito-style veins over a strike length of 200 m;
- Antonio's Gossan is located 600 m northwest of the Palito mine and probably represents a strike extension of the Main Zone;
- Ruari's Ridge, located 600 m southwest of the Palito mine, which is the site of a coincident strong soil geochemical anomaly (peak value 404 ppb Au) and a strong aeromagnetic lineament, related to magnetite alteration along a sheared lithological contact. Gossan sampling in this area has produced values up to 3.69 ppm Au;
- Copper Hill located is approximately 800 m west of the Palito mine, which is the site of a coincident Au and Cu soil anomaly and a large circular aeromagnetic and induced polarization (IP) anomaly;
- Bill's Pipe, located 1 km north-northwest of the Palito mine, which is the site of a coincident IP and a 1,100 m x 600 m gold-in-soil (max 5,900 ppb Au) auger anomaly;
- Tatu, located 2.5 km northwest of the Palito mine, containing extensive Garimpos, with the highest assays from rock spoil of 193 g/t Au and the highest assays from tailings of 16 g/t Au; and
- Rio Novo South, located 5 km southeast of the Palito mine, containing 29 Garimpeiros shafts over 300 m of strike where, over a 3 month period, Garimpeiros recovered over 12 kg of gold. The shafts reach a maximum depth of 20 m, where sulphide material was exposed that the Garimpeiros were unable to process.

Both Chico Do Santo and Palito West prospects represent relatively under-drilled moderate to high grade vein targets. Both sites remain open along strike and at depth. Copper Hill, which has a strong magnetic and IP expression, represents a large low grade gold-copper target. Only limited exploration work has been completed at Tatu and Rio Novo South. An initial programme of reconnaissance drilling, magnetometer ground traverses, trenching and auger soil sampling is proposed for these prospects.

1.2 Tapajós Regional

The areas that make up Serabi Mineração's Tapajós Regional are:

- Pizon is a very isolated site, with the only access being by light aircraft, as the nearest road is 110 km away or by barge to within 30 km. Gold occurs as a stockwork system with occasional veins reaching up to one to two metres in width. While there has been little previous exploration at Pizon, the amount and extent of Garimpos in the area is indicative of medium to large tonnage targets being present. Serabi Mineração assesses the potential of this site to be high.
- Jutai is located 195 km northwest of the Palito mine and 140 km to the southwest of Itaituba, immediately adjacent to the Transamazonica Highway. Jutai represents a very large gold soil anomaly, which has had limited drilling, with much of the anomaly untested. Drilling has produced a number of shallow, high grade intersections including drill hole JTP01 (9.0 m at 10.0 g/t Au from 25 m). The exploration potential of this target is assessed by Serabi Mineração as moderate.
- Castanheira is located 150 km southwest of the Palito mine and is a narrow, high grade quartz-sulphide vein mineralised system within a haematite altered granitoid. Serabi Mineração assesses the exploration potential for Castanheira to be high.
- Sucuba is located 10 km west of the Palito mine on the Transgarimpeiro Highway. It is believed to be a narrow, high grade quartz-sulphide vein mineralised system within a haematite altered granitoid, similar to the Palito Main Zone. The area has very extensive Garimpos and Serabi Mineração assesses the exploration potential for Sucuba to be high.
- Aruri is located 100 km due north of Palito on the Santarem to Cuiaba Road. Little is known of the style of mineralisation, however extensive Garimpos attest to the areas prospectivity.
- Sao Chico and Sucuba are narrow, high grade quartz-sulphide vein target hosted within a haematite altered granitoid. Only limited exploration has been completed at this site, however the extent of Garimpos is indicative of a medium to large scale target. Serabi Mineração regards the potential of this area to be high.

1.3 Work programme

1.3.1 Jardim do Ouro Operations

Serabi Mineração's work programme for the Jardim do Ouro Operations over an 18-month period commencing April 2005 comprises the following activities

- the processing of 154,000 t from underground mining and stockpiles;

- an infill drilling programme to upgrade Inferred Resource to Indicated Resource and increase the amount of Probable Ore Reserve;
- an exploration drilling programme targeted to increase the amount of Inferred Resource along strike and down dip extensions in the Palito Main Zone;
- a programme of reconnaissance drilling, magnetometer ground traverses, trenching and auger soil sampling for the nearby exploration prospects;
- a further two stage upgrade of the process plant to a capacity of 450 t per day;
- refocusing of “exploration” style development and trial stoping into routine production from high grade areas identified by resource modeling;
- geotechnical data collection and analysis, and detailed mining studies for the Palito mine following completion of the infill exploration drilling programme;
- a progressive increase in underground production rates to 350 t per day by mid 2006 with purchase of mechanised loading and haulage equipment and the upgrading of operating and maintenance skills at the mine; and
- continuous systems improvement and training of mine technical staff in areas such as data collection, QA/QC systems and mine reconciliation.

1.3.2 Tapajós Regional

While the main exploration work programme in 2005 will be focused in and around the Jardim do Ouro Operations, data compilations and reconnaissance field visits will be carried out in the Tapajós Regional during 2005 as deemed necessary to fulfill concession expenditure conditions. Drilling programmes are planned for all Tapajós Regional projects starting in quarter 3 2006, following completion of data compilation and assessment.

1.4 Serabi Mineração's budget

Snowden reviewed Serabi Mineração's budget for the Jardim do Ouro Operations and the Tapajós Regional for an 18-month period commencing April 2005. All costs are in US dollars (\$). The key physical and financial indicators for Serabi Mineração's budget are:

- total tonnage mined is 154,000 t at 13.3 g/t Au, 0.7% Cu and 7 g/t Ag, over 70% of this material will be sourced from a diluted Inferred Resource;
- total production from flotation of 52,000 oz Au, 1,000 t Cu and 10,000 oz Ag at an average recovery of 80% Au, 90% Cu and 30% Ag;
- the payable value of metal in concentrate after smelting and refining equivalent to 97% of the contained metal value in concentrate;
- concentrate transport and refining charges equivalent to 6% of the payable metal value in concentrate;
- total bullion production from the flotation tailings to CIP of 9,000 oz Au and 14,000 oz Ag at an average recovery of 70% Au and 60% Ag;
- a total of 94% of Au is budgeted to be recovered to concentrate and bullion;
- a total mine cash operating cost of \$12.2 M, equivalent to an average cost of \$89/t processed or \$202/oz Au; and
- total capital cost of \$5.4 M, an exploration budget of \$2.3 M and Brazilian corporate overheads of \$0.9 M.

Analysis was undertaken to assess the average cash operating cost (\$/oz) for a $\pm 10\%$ and $\pm 20\%$ change in grade and operating cost at the Palito mine for the budget period. The results are summarised in Table 1.3.

Table 1.3 Palito mine sensitivity analysis - average cash operating cost (\$/oz)

		% change in operating costs				
% change		-20%	-10%	0%	10%	20%
% change in mining grade	-20%	212	236	260	284	308
	-15%	198	221	243	265	288
	-10%	186	207	228	249	270
	-5%	174	194	214	235	255
	0%	164	183	202	221	240
	5%	155	173	191	209	228
	10%	147	164	181	199	216
	15%	139	156	172	189	205
	20%	132	148	164	180	196

Snowden has concluded from its review of Serabi Mineração's mineral assets in Brazil following a site visit, discussions with key project staff and management, a review of the available technical data and a sensitivity analysis of Serabi Mineração's budget that:

- the H&S resource block model provides a fair representation of input Au and Cu grades;
- the processing flowchart for the primary gold-chalcopyrite-pyrite material is appropriate;
- a shrinkage stoping method has been successfully implemented at the Palito mine. Shrinkage stoping is an efficient stoping method, suitable for the extraction of the high grade veins, and is suited to the mining conditions and skills of the local labour force;
- by mid-2005, the mining focus at the Palito mine will have changed from exploration development to routine production from targeted higher grade veins;
- the Probable Ore Reserve at Palito is 58,000 t at 17.8 g/t Au and 0.9% Cu, which can be easily accessed from existing mine development. There is a total diluted Inferred Resource of approximately 300,000 t at 14 g/t Au that is readily accessible from existing levels;
- the current mine plan for Palito is conceptual in nature. Serabi Mineração proposes an infill drilling programme to be completed during the third quarter of 2005, which will provide a sound basis for detailed mine planning;
- the Palito mine schedule includes approximately 110,000 t of diluted Inferred Resource. Conversion of Inferred Resource to an Ore Reserve will be dependant on the results from the proposed in-fill drilling programme and will also be governed by factors such as geological continuity, grade continuity and continued good ground conditions. The ultimate success of the Palito mine will be dependent on the successful implementation of new processing and

mining infrastructure and equipment and the skills of the management team and workforce to achieve production targets which are approximately three times higher than those currently being achieved. In Snowden's opinion, there is a good likelihood that a portion of the diluted Inferred Resource will be converted to Ore Reserve in the third quarter of 2005;

- the Palito mine has the potential to achieve production rates in the range 130,000 t to 200,000 t per year with the introduction of mechanised loading and hauling equipment;
- the major capital equipment costs have been derived from supplier quotations or budget estimates, plus a 15% contingency. Snowden believes these capital costs to be realistic in the context of Serabi Mineração's stated production objectives;
- mine, processing and fixed operating costs are based on conceptual mining studies and have been derived for a 150 t per day operation and factored up for higher production rates. A 10% contingency has been allowed. In Snowden's opinion, the accuracy of these costs is in the range -10% to +35%;
- operating costs (\$/t and \$/oz) trend downwards over time and reflect increased production rates, improved productivities in the mine and process plant and the commissioning of mains power, and increased head grades;
- the heap leach operation is untested at an operational level, however there is a small revenue contribution of \$0.2 M from heap leach in the budget, beginning in January 2006;
- no Mineral Resource estimate or detailed costs have been prepared to support the heap leach production forecast in Serabi Mineração's budget. The success of the heap leach operation will be dependant on the successful trialing of the method and the identification of sufficient heap leach Ore Reserves by early 2006;
- Serabi Mineração is in possession of the approvals, permits and licenses necessary to undertake the proposed work programme, and that appropriate environmental planning has been undertaken;
- a concentrate off take agreement is in place with an European smelter; and
- Serabi has retained the services of skilled expatriates to assist the Brazilian management and staff and there are sound security management procedures in place at the mine.

2 Overview of Brazil

2.1 Introduction

By far the largest and most populous country in South America, Brazil is currently the continent's leading economic power and a regional leader, exploiting its vast natural resources and a large labour pool.

The country has an estimated population of 185 million people (2001) with an average age of 27 years. The national language is Portuguese. English is commonly taught at schools and is used in business circles but is not generally well understood outside of the major population centres. Approximately 80% of Brazilians are Roman Catholic.

The country covers a land area of 8.5 million km², extending from latitudes of 1°N to 30°S and has a mostly tropical climate, but is more temperate in the south. Only 7% of the land area is considered as arable.

2.2 Political and economic climate

Brazil is a federative republic with the President presiding as both chief of state and head of government. The cabinet is appointed by the President. The bicameral National Congress consists of the Federal Senate and the Chamber of Deputies. The judiciary consists of the Supreme Federal Tribunal and the Higher Tribunal of Justice.

Brazil has well-developed agricultural, mining, manufacturing and service sectors and the economy outweighs that of all other South American countries. From 2001-03 real wages fell and Brazil's economy grew, on average, only 1.1% per year, as the country absorbed a series of domestic and international economic shocks due to the resiliency of the economy and economic programmes put in place by the government. The GDP (2004 estimate) was \$1.375 trillion and the GDP real growth rate was -0.2%. GDP per capital was \$7,600. Approximately 22% of the population lives below the poverty line.

Brazil is one of the world's most important mining countries. Key factors in terms of offering a favourable climate for investors are keeping inflation under control, coming to grips with the fiscal deficit, providing stable rules for capital repatriation and profit remittance, and reducing tax burdens, tariffs and non-tariff barriers. The three pillars of the Brazilian economic programme are a floating exchange rate, an inflation-targeting regime, and tight fiscal policy, which have been reinforced by a series of IMF programmes. The currency depreciated sharply in 2001 and 2002, which contributed to a dramatic current account adjustment. In 2003, Brazil ran a record trade surplus and recorded the first current account surplus since 1992. While economic management has been good, there remain important economic vulnerabilities. The most significant are debt-related. The government's largely domestic debt increased steadily from 1994 to 2003, straining government finances, while Brazil's foreign debt (a mix of private and public debt) is large in relation to Brazil's modest (but growing) export base. Another challenge is maintaining economic growth over a period of time to generate employment and make the government debt burden more manageable.

2.3 Mining tenure in Brazil

The principles governing the use of mineral resources in Brazil are defined in the Federal Constitution and in Constitutional Amendments. Every company

incorporated under Brazilian laws, with main office and administration in Brazil, and whose corporate objective, among others, is the exploration and exploitation of mineral resources, is able to obtain authorisation for exploration and mining concessions. No distinction is made between Brazilian and foreign-owned companies. Export taxes do not apply to mineral products and tax on industrial products does not apply to mining activities. In most cases, the basis for assessment of corporate income taxes is the net profit for the fiscal year, with the tax rate ranging from 10% to 20%. Profits can then be expatriated. The constitution stipulates that mining operations must reclaim areas that they have environmentally degraded.

2.4 Historic gold production in Brazil

2.4.1 Background

Brazil produces over 70 mineral-based commodities and continues to be a leading producer of aluminium, ferroalloys, gold, iron ore, manganese, steel and tin. Brazil's large mineral resources constitute one-third of the Latin American economy. The Brazilian gold reserves are estimated to be approximately 1,170 tonnes representing 1.3 % of the world gold reserves. Gold deposits are mainly hosted in greenstone belts in Brazil's extensive Archaean shield, which are similar to those in Australia, Canada and South Africa. Currently, Brazil ranks twelfth in world gold production (second in Latin America) with an output in 2001 at 51 tonnes (1.6 million oz), of which roughly 38 tonnes (1.2 million oz) came from formal mines and the balance from artisanal miners.

Traditional gold producing areas are in the States of Pará, Minas Gerais, Bahia, Goiás and Mato Grosso. Pará State holds 52.3% of the estimated Brazilian gold reserves of which 70% is located in the Tapajós Gold Province.

Gold was first discovered in 1552, but significant production did not begin until after 1700 at alluvial deposits in Minas Gerais, Goiás and Mato Grosso Provinces. Output was around 16 tonnes (0.5 million oz) by 1750, making Brazil the world's largest producer, but then declined. In 1835 the Mineração Morro Velho mine opened in Minas Gerais. It is the world's oldest continually worked mine, now owned by AngloGold. Apart from Morro Velho and limited alluvial output in the Amazon basin, output did not rise above 10 tonnes per year (0.3 million oz) until 1980. Then the high gold price prompted an immense gold rush of Garimpeiros, who located rich alluvial deposits along the Rio Tapajós and Rio Madeira and in the regions of Cuiabá, Cumaru, Alta Floresta and Serra Pelada. Production peaked at a record 102 tonnes (3.3 million oz) in 1988, of which 70% came from Garimpos.

The best alluvial deposits were soon exhausted and production shifted to mining companies such as CVRD, Rio Tinto, TVX Gold and Eldorado Gold. By 1993 their output exceeded Garimpos. Approximately 90% of garimpo production was from the alluvial deposits of the Tapajós Gold Province.

2.4.2 Tapajós Gold Province

Serabi Mineração's mining operations and exploration projects lie within the Tapajós Gold Province, which encompasses an area of about 100,000 km² (350 km by 300 km) in southwest Pará State, approximately 1,300 km southeast from the state capital, Belém (Figure 2.1). The Province is situated within the highly gold-productive, Archaean-Proterozoic aged Brazilian Shield that extends from Brazil through Guyana and into Venezuela. The Province is barely explored but widespread alluvial gold deposits are a strong indicator of the area's exploration potential. The Province has a rich history of alluvial gold production with official estimates up to 1993 at between 7 million and 10 million ounces of alluvial gold, although actual production is believed to be two to three times higher. During the

1970s and 1980s, the Province produced 30% to 40% of Brazil's annual gold output. By the end of the 1980s official gold production was 800,000 ounces per annum with in excess of 500,000 Garimpeiros working inside the Province.

Figure 2.1 Locality plan of the Tapajós Gold Province



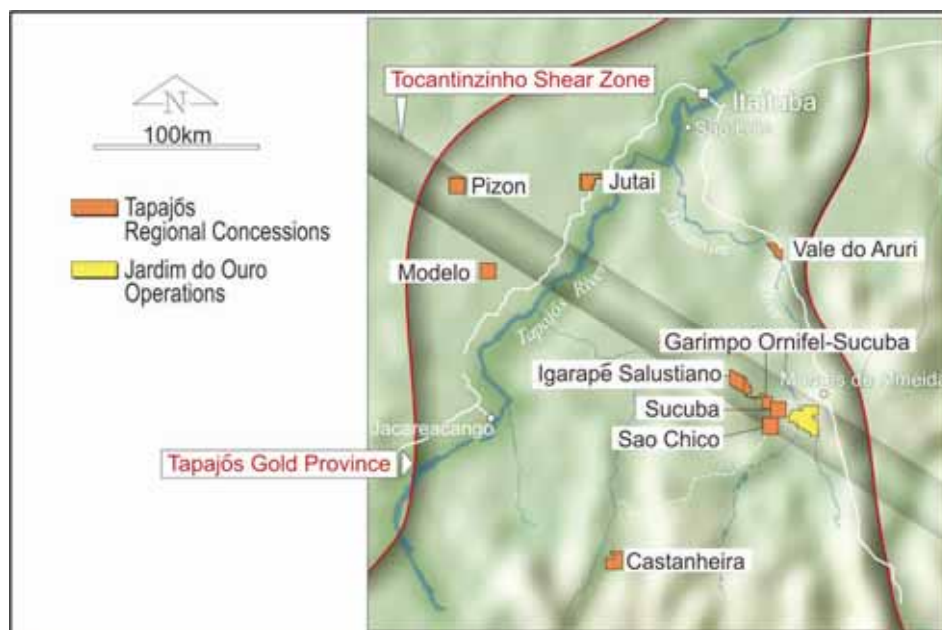
There are now approximately 50,000 Garimpeiros, mainly working the gold-rich streams in the Tapajós Province, who produce 200,000 ounces of gold annually. The Garimpeiros exploitation of alluvial gold in the region is coming to an end due to exhaustion of the superficial deposits and environmental damage caused by the unregulated Garimpeiros mining. The under-capitalised Garimpeiros have neither the technical background nor the financial capacity to explore further or establish hard rock mines. The Garimpos have, however, left a mark on the country for the next generation of miners to explore. Recently, the Brazilian Air Force identified about 500 airstrips and 2,000 mining operations in the Province, a legacy of the historic gold rush.

2.5 Serabi Mineração's operations in Brazil

In 1999, Serabi Mineração established itself in the Tapajós Gold Province and has become the “go to” company for Garimpeiros who wish to sell their mining concessions. In 2001, Serabi Mineração acquired a 100% interest in the Palito mine and a number of nearby exploration projects and has progressively acquired other mineral interests in the Province. Serabi is continuously reviewing options for acquisition and is in advanced discussions with a number of parties that may lead to the acquisition of additional project areas.

Serabi Mineração's concessions and operations shown in Figure 2.2 are divided into two groups; the Palito mine and the nearby concession areas of the Jardim do Ouro Operations and the Tapajós Regional, which include all other exploration projects within the Province. The Palito mine is located near the town of Jardim do Ouro on the Jamanxim River. Access to Palito is by road and air from the nearest large town of Itaituba, 200 km to the north, which is regularly serviced by road, air and barge.

Figure 2.2 Serabi Mineração's projects in the Tapajós Gold Province



Serabi Mineração's concession areas covering the Jardim do Ouro Operations and the Tapajós Regional total 24,000 ha and 79,000 ha respectively as summarised in Appendix A. Between the Jardim do Ouro concessions and the nearby Tapajós Regional projects, Serabi Mineração controls a 70 km long strike segment of the important "crustal scale" Tocantinzinho Shear Zone (Figure 2.2). The Tocantinzinho Shear Zone extends for hundreds of kilometers to northwest and southeast of the Palito mine and is believed to control much of the mineralisation in this area of the Tapajós Gold Province.

The only modern systematic mineral exploration in the Province was undertaken by Rio Tinto during the 1990s. Serabi Mineração has exclusive access to Rio Tinto's Tapajós Gold Province drill core library, which is stored in the regional centre of Itaituba. Serabi Mineração also has exclusive access to Rio Tinto's database for the Province, which contains extensive written geological information, drilling, rock chip and soil sampling data, and maps showing the location of all major Garimpos in the Tapajós Gold Province.

3 Jardim do Ouro Operations

3.1 Background

The Jardim do Ouro Operations can be sub-divided into three areas:

- the Palito mine, which is an operating mine extracting high grade sulphide material from three veins in the Palito Main Zone;
- the nearby exploration project areas of Palito West, Chico do Santo, Antonio's Gossan, Ruari's Ridge, Bill's Pipe and Copper Hill which are within 800 m of the Palito mine and represent potential deposits that are easily accessed from the Palito mine site; and
- the exploration projects of Tatu and Rio Novo South, which are located 2 km and 5 km respectively from the Palito mine.

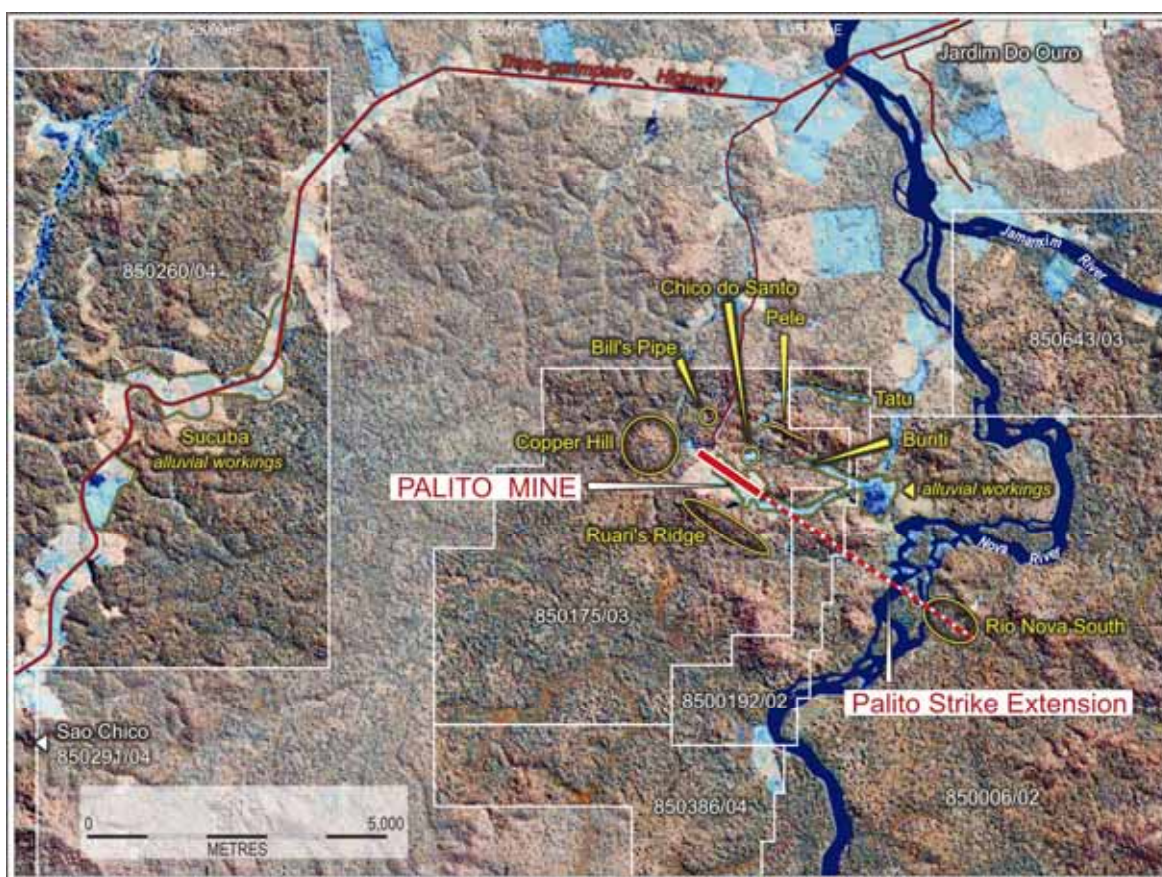
The Palito mine site lies on the southeast face of a steep ridge. Figure 3.1 is an aerial view of the Palito mine site and shows the relative position of the mine infrastructure and nearby exploration projects. The surface has been disturbed by numerous Garimpos and tailings dams. Serabi Mineração has developed a number of adits and shafts into the ridge to carry out underground mining of the high grade veins along the Palito Main Zone. The process plant, workshops, accommodation blocks and offices have been established further down the ridge.

Figure 3.1 Aerial view of the Palito mine site and nearby exploration projects, looking northwest



Figure 3.2 is a landsat image, which shows the locations of the Palito mine and the nearby exploration projects, and the Tatu and Rio Novo South exploration projects.

Figure 3.2 Tatu and Rio Novo South exploration projects



3.2 Project development

The Palito mine and a number of nearby areas have been worked by Garimpeiros for a number of years. More recently these areas have become unviable as the near surface oxide ores were depleted. In 2002, Serabi Mineração began to test the various prospective ore types at Palito. The initial concept was to treat tailings from old garimpeiro workings using a 10 t/hour capacity pilot plant consisting of a conventional CIP plant and second hand crushing and hammer milling equipment (acquired as part of the purchase). The plant produced over 3,000 oz of gold bullion in 2003 and provided useful information relating to the various ore types, including recovery, reagent consumptions as well as throughput bottlenecks in the plant.

At the completion of this programme, a spiral plant was constructed to test the amenability of the low grade oxide material to upgrading by spiral concentration and hydro-cyclone desliming. Test work was undertaken by Ammtec in Perth, Australia to investigate the treating of high grade primary gold-chalcopyrite-pyrite material from the Palito Main Zone veins by flotation.

The pilot plant was upgraded to a capacity of 150 t per day in 2004 to process sulphide material from the underground mine. This upgrade consisted of using the original Garimpeiros' hammer mills in conjunction with a crushing plant with the milled product reporting to a flotation circuit and the flotation circuit tailings reporting to the CIP plant. The upgraded plant processed approximately 14,000 t at 6.5 g/t Au between August 2004 and January 2005. The plant was progressively commissioned during the second half of 2004 using low grade material. From

November 2004 to January 2005, the milled head grade increased from 7 g/t Au to 12 g/t Au. The first flotation concentrate was sold into Europe in December 2004.

The plant is currently achieving throughput rates of 120 t per day. Serabi Mineração is currently upgrading the crushing plant to replace the hammer mills with a secondary and tertiary cone crusher and to add additional flotation cells to achieve a capacity of 300 t per day. The upgrade will be completed in March 2005. Serabi Mineração now proposes to progressively upgrade the process plant to a capacity of 450 t per day by late 2005.

Approximately 2,000 m of underground development has been completed in the mine to date, which has exposed individual veins over a combined strike length of 1,400 m. Three shrinkage stopes have been mined and have demonstrated the suitability of this method. Ground conditions underground are very good. The capacity of the underground is approximately 100 t per day and Serabi Mineração proposes to increase the capacity of the underground to 350 t per day by mid 2006.

3.3 Jardim do Ouro project geology

3.3.1 Setting

The Jardim do Ouro Operations are contained within the craton-scale Tocatinzinho Shear Zone, which extends 100s of kilometres across the Tapajós Gold Province in a northwest-southeast direction.

3.3.2 Palito Main Zone

Veins in the Palito Main Zone are orientated parallel to the Tocatinzinho Shear Zone and extend over a known northwest-southeast trending strike distance of approximately 1,600 m. The veins have been shown to be mineralised over at least 900 m of strike by diamond drilling and underground development. The system has not been closed off along strike or at depth and drill holes at both ends of the system contain mineralisation of similar tenor to the central portion. The deepest ore grade intersection is approximately 200 m below surface.

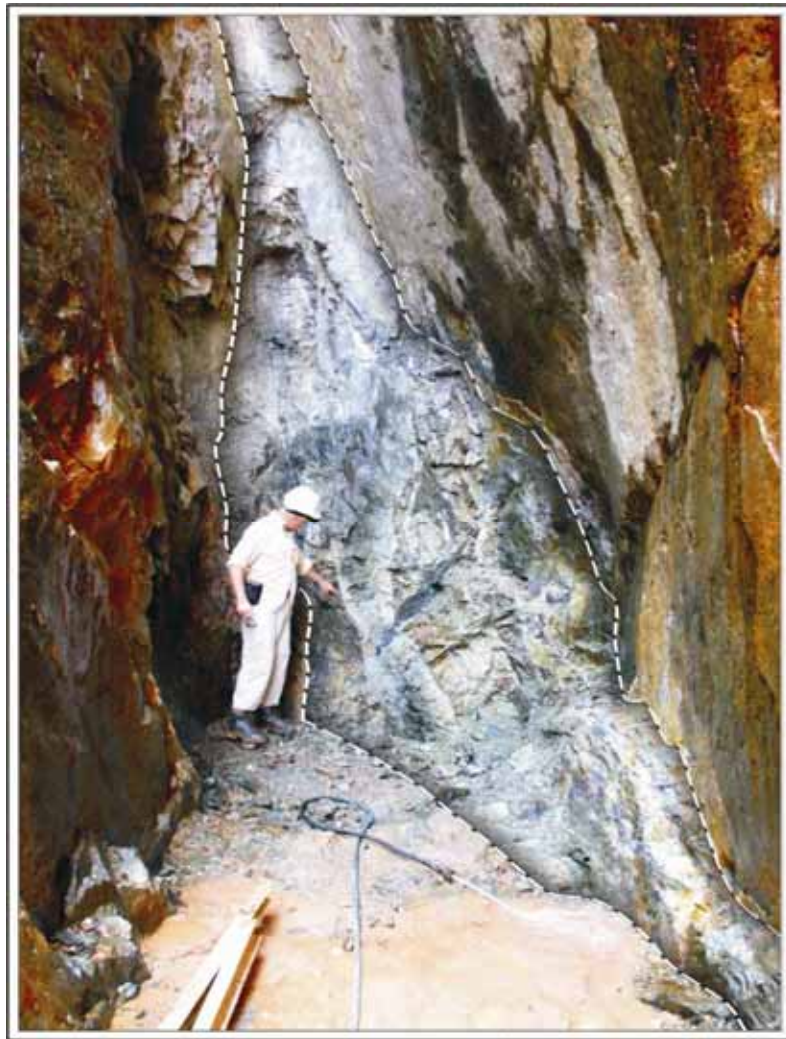
The gold mineralisation of the Palito Main Zone is intimately associated with vertical to sub-vertical mesothermal quartz-chalcopyrite-pyrite veins and massive chalcopyrite-pyrite veins filling brittle extensional fault systems. Very high gold grades are associated with semi massive chalcopyrite-pyrite blow-outs within the quartz veins.

All drilling at Palito to date has been diamond core, with the drill core being stored in locally constructed trays within a purpose built core storage facility. The drill core has been selectively sampled (cut to half core) across all mineralised intervals and their selvages, with further cutting to quarter core where re-assaying has been required. All drill core is routinely photographed prior to cutting.

The veins (principally three, numbered 1 to 3 from west to east) of the Palito Main Zone are typically 20 cm to 40 cm wide as shown in the foreground of Figure 3.3. However large blow-outs of massive to semi-massive sulphide can reach over 2 m in width as shown in the background of Figure 3.3. These blow-outs appear to have a consistent plunge of between 50° and 60° over significant lengths and are attributed to intersections between D1 and D2 structures. These plunging shoots have significant gold grades associated with them.

Figure 3.4 is a plan view of the Palito Main Zone showing the general trend of the high grade veins, the location of existing drill holes, proposed infill drill holes, the position of underground development and shafts and the relative location of the nearby exploration prospects.

Figure 3.3 Palito Main Zone No. 1 vein surface expression



3.3.3 Palito West

Palito West is located approximately 250 m to the southwest of the Palito Main Zone (Figure 3.4) and comprises two intersecting veins hosted by Palito granite. The main vein at Palito West trends parallel to the Palito Main Zone, extends for over 40 m along strike and is well mineralised. To the northwest, the vein intersects a weakly mineralised D2 structure trending east-northwest.

This main vein has been exposed from an adit in the southeast face of the ridge. Development was discontinued by the weakly mineralised D2 structure where the vein had been displaced. The main vein is interpreted to reappear to the northwest. Assay results from sampling of the backs of the ore drive are summarised in Table 3.1. These results cover a strike length of approximately 70 m. Drill hole SER062 (0.5 m at 8.5 g/t Au and 0.7% Cu and 0.62 m at 4.3 g/t Au) intersected the vein a further 100 m to the northwest to give a total apparent strike length of 170 m.

3.3.4 Bill's Pipe

Bill's Pipe (Figure 3.2), located 1 km north-northwest of the Palito mine, is the site of a coincident IP and major gold-in-soil (maximum value of 5,900 ppb Au) auger anomaly over an area of 1,100 m x 600 m.

Figure 3.4 Plan view of Palito Main Zone and current development, and the nearby exploration prospects

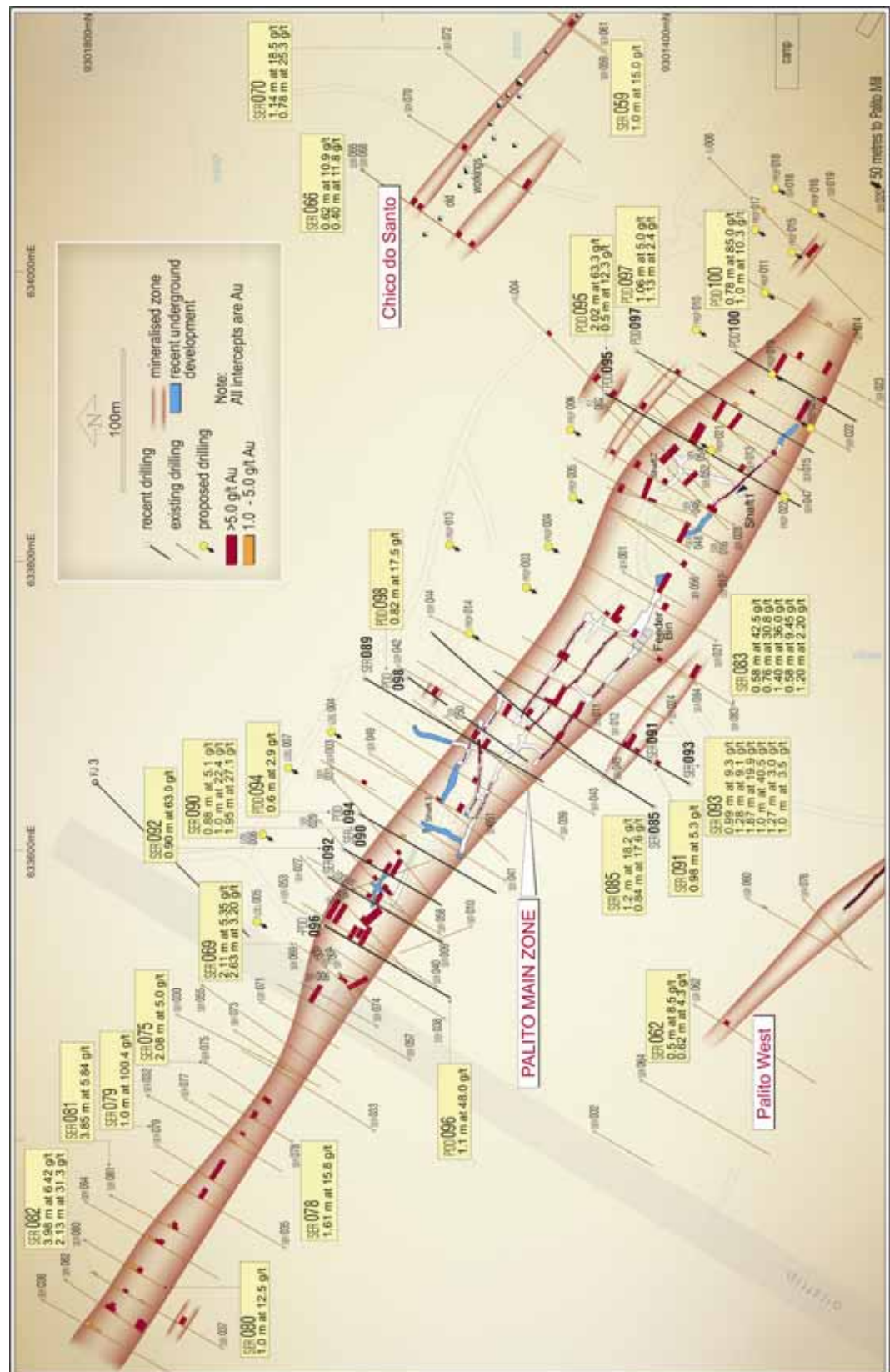


Table 3.1 Channel sample results, Palito West

Sample No.	Width (m)	Au grade (g/t)	Cu grade (%)
F5 G1 13	0.35	33.5	0.7%
F5 G1 14	0.58	17.5	2.0%
F5 G1 15	1.0	23.9	1.1%
F5 G1 16	1.35	3.9	0.5%
F5 G1 17	1.18	14.6	0.5%
F5 G1 18	1.57	4.4	0.3%
F5 G1 19	0.82	18.1	0.6%
F5 G1 20	0.80	1.1	0.1%
F5 G1 21	0.84	13.9	0.2%
F5 109	0.95	1.2	0.0%
F5 110	1.4	4.4	0.2%
F5 111	1.30	6.8	0.1%
F5 112	0.90	85.4	0.5%
F5 115	0.40	8.7	0.3%
F5 116	1.5	45.2	0.7%

3.3.5 Copper Hill

Copper Hill is located approximately 800 m west of the Palito mine site and is the site of a coincident copper and gold soil anomaly and a large circular aeromagnetic and IP anomaly. To date, two diamond holes have been drilled into this area; PG01 in the centre of the anomaly and PG02 along the northeast margin.

Both of these two holes intersected a strongly magnetite-altered, coarse grained granodiorite with zones of abundant disseminated sulphide mineralisation (both pyrite and chalcopyrite). These two drill holes also intersected narrow sulphide quartz veins, similar in style to the main Palito Main Zone. Only low-order anomalous gold and copper values were returned from these drill holes.

3.3.6 Chico do Santo

Located approximately 500 m east of the Palito mine site (Figure 3.4), Chico do Santos contains numerous small shafts and Garimpos. To date, five diamond drill holes have been drilled at this site, spaced approximately 50 m apart and aligned on an azimuth of approximately 215°. All holes intersected vein style mineralisation with widths varying between 0.4 m and 1.14 m (Table 3.2).

All intercepts define a zone of continuous mineralisation comprising two parallel veins approximately 50 m apart over a strike length of 200 m. The mineralisation remains open along strike in both directions and at depth.

Table 3.2 Drill results Chico Do Santo

Hole No.	Width (m)	Au grade (g/t)	Cu grade (%)
SER066	0.4	11.8	0.3
SER066	0.62	10.9	0.4
SER068	0.46	40.5	0.5
SER068	1.0	6.8	0.2
SER070	1.14	18.5	0.6
SER070	0.78	25.3	0.6
SER072	0.37	1.5	-
SER063	0.5	12.5	-
SER059	1.0	14.9	3.5

3.3.7 Antonio's Gossan

Antonio's Gossan (Figure 3.1) is located approximately 600 m to the northwest along strike of the Palito Main Zone (600 m from hole SER036). This area has been subject to a number of phases of auger sampling and more recently large scale trenching. The soil profile shown in recent trenching is at least 3 m deep and consequently auger sampling may not have intersected any bedrock. Initial sampling of the gossan was by hand dug trench, which returned rock chip samples of up to 17.0 g/t Au. The more recent large scale trenching, to a depth of three metres, has indicated the presence of three veins over a width of 15 m. Assays results from rock chip samples of these veins returned gold values up to 0.32 g/t Au. Two holes have been drilled under the trench and have produced the following results:

- 1.0 m at 0.75 g/t Au and 18.0 g/t Ag from 68.9 m down hole; and
- 7.6 m at 0.35 g/t Au and 13.9 g/t Ag from 74.3 m down hole.

The drilling intersected a number of Palito-style, quartz-sulphide veins hosted within a magnetite altered granodiorite, very similar to veins intersected in hole SER036 at the northwest extremity of the Palito Main Zone.

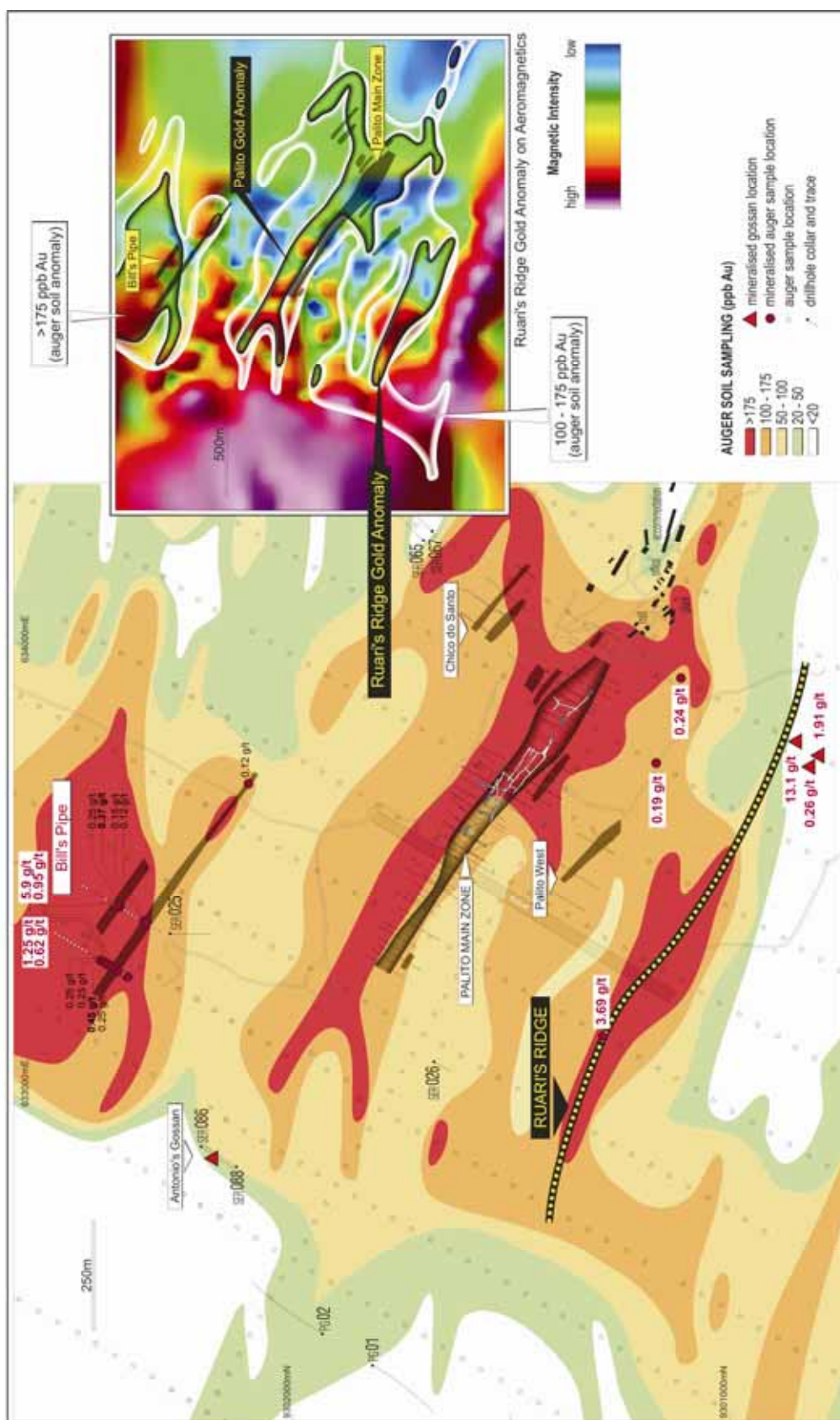
3.3.8 Ruari's Ridge

Ruari's Ridge (Figure 3.1) is located 600 m southeast of the Palito mine and is the site of a coincident, strong soil-in-gold anomaly (peak value 404 ppb) and a strong aeromagnetic high as shown in Figure 3.5. The aeromagnetic high is believed to represent magnetite alteration along a sheared contact between the Palito granite and rhyolites to the southeast. Gossan samples from the area returned results of up to 3.69 ppm Au.

3.3.9 Tatu

Tatu is located approximately 2.5 km northeast of the Palito mine site (Figure 3.2) and contains extensive Garimpos over an area of approximately 800 m by 100 m. The mineralisation appears to trend sub-parallel to the Palito Main Zone and is hosted along a sheared contact between an altered, medium grained granitoid and an amphibolite body associated with strong magnetite alteration. Both shear-related and stockwork mineralisation was mapped by Rio Tinto. Rock chip and tailings samples collected from a Garimpos stockpile returned values up to 193 g/t Au from rock chips and 16 g/t Au from Garimpos tailings.

Figure 3.5 Plan view of auger sampling anomalies and magnetic IP anomalies at Palitito



3.3.10 Rio Novo South

The Rio Novo South area is situated 5 km southeast and directly along the main structural strike from the Palito mine site (Figure 3.2). The area contains 29 Garimpeiros shafts over a strike length of 300 m, where over a 3 month period, Garimpeiros recovered over 12 kg of gold. The shafts reach a maximum depth of 20 m, where sulphide material was exposed that the Garimpeiros were unable to process. The mineralisation appears to be very similar in style to that of Palito in that it is hosted in the same granite and contains the same major structures. To date, the only work carried out at this project has been geological mapping, rock chip and auger soil sampling. This work produced a number of encouraging gold geochemical anomalies.

3.4 Palito Main Zone Mineral Resource estimate

In January 2005, H&S prepared a geological model and Mineral Resource estimate for the Palito Main Zone

3.4.1 Data

The drilling data was validated by H&S to demonstrate consistency between collar, survey and assay information. H&S also compared gold and copper assays from the onsite Palito laboratory with results from Australian Laboratory Services' (ALS) laboratory in Vancouver, Canada. Serabi Mineração routinely samples mineralised intervals and does not include any intervening unmineralised portions of core. These unsampled intervals vary from 0.1 m to 0.6 m in down hole intervals. In the H&S resource estimate unsampled unmineralised intervals were conservatively assigned gold and copper grades of 0 g/t and 0% respectively. Underground channel samples have been collected from the backs of ore drives, covering the perceived ore zone and any surrounding alteration halo.

The database contains a limited amount of assay information for each drill hole, and in some cases, down hole intervals which were deemed to lie within a mineralised zone have not been completely sampled. Sampling procedures have now been amended to include a more comprehensive sampling protocol, involving sampling of the vein separate to the adjacent (approximately 1 m wide) alteration halo, as well as any other mineralisation not contained within the vein. All core is currently stored on site in purpose built storage trays. Core recovery is high due to the good ground conditions. Mineralised intervals are cut to half core and bagged. The sample is crushed on site and split into two portions; one is assayed at the onsite laboratory and the other by ALS in Vancouver. Intervals of the original Rio Tinto drill core, in holes FJO001 to FJO006, were cut from the existing half core and re-assayed for comparison with the original assays.

Underground channel samples were crushed and split at the Palito laboratory and submitted to both the onsite laboratory for gold and copper analysis by atomic absorption spectroscopy following digestion by aqua regia, and to the ALS laboratory in Vancouver for gold analysis by fire assay and inductively coupled plasma (ICP) copper analysis. Scatter plots of Palito and ALS Au results (for 314 paired samples) indicate acceptable correlation, although there is a consistent positive bias towards the ALS results, particularly for gold values above 200 g/t. Although there is a tendency for the Palito laboratory to underestimate high grade results, primarily ALS results (approximately 75% of the total samples) were used in the resource estimate and the Palito results were only used to provide continuity.

3.4.2 Geological interpretation and block model

Twenty, three-dimensional wireframes were constructed by H&S to represent the veins within the Palito Main Zone using a combination of local deposit geology and drill hole assay information. These wireframes were used to code the resource block

model and the current mine development outlines are shown in the lower part of Figure 3.6. In this report, mine development is named by level. The 230 m level (mL) is the lowest adit in the mine, and the 200 mL is the lowest level developed from the shaft. Levels numbering is based on an arbitrary datum, where 0 mL between 250 m to 300 m below surface.

3.4.3 Estimation parameters

The drill hole and channel sample database was intersected with the mineralisation wireframes in order to extract the appropriate samples for estimation. The samples thus extracted were coded with the appropriate domain codes, one per wireframe. The true sample widths for the intersection of each drill hole with the appropriate mineralisation wireframe were calculated from the down hole sample interval which intersected each wireframe and the corresponding drill hole dip and azimuth at the mid-point of the intersection of each drill hole or channel. A top cut value of 120 g/t was applied to the gold dataset and a value of 80,000 ppm (8%) was applied to the copper dataset. Both top cut figures are equivalent to a cumulative probability quantile of 98% and resulted in the adjustment of 10 and 12 samples respectively.

The spatial continuity model for the deposit was derived from those areas that contain the highest density of information. Variograms, which model spatial continuity, were constructed using lag distances appropriate to these areas, principally 4 m along strike (bearing 306°), 10 m across strike (bearing 36°) and 8 m vertically. A number of different variogram models were constructed and used in the estimation process prior to the selection of final models; although H&S noted that the resource tonnage and grade was not sensitive to the model chosen.

The Mineral Resource estimate was prepared using Surpac mine planning software. The block size of 5 m³ was chosen to comply with Serabi Mineração's minimum mining parameters, although no kriging analysis was carried out to verify that this block size was optimal. Blocks within the Surpac model were coded with their appropriate domain value from the wireframes. A volumetric comparison between the mineralised wireframes and the corresponding block volumes showed a close match, particularly given the relatively narrow width and resulting small volume of some of the wireframes.

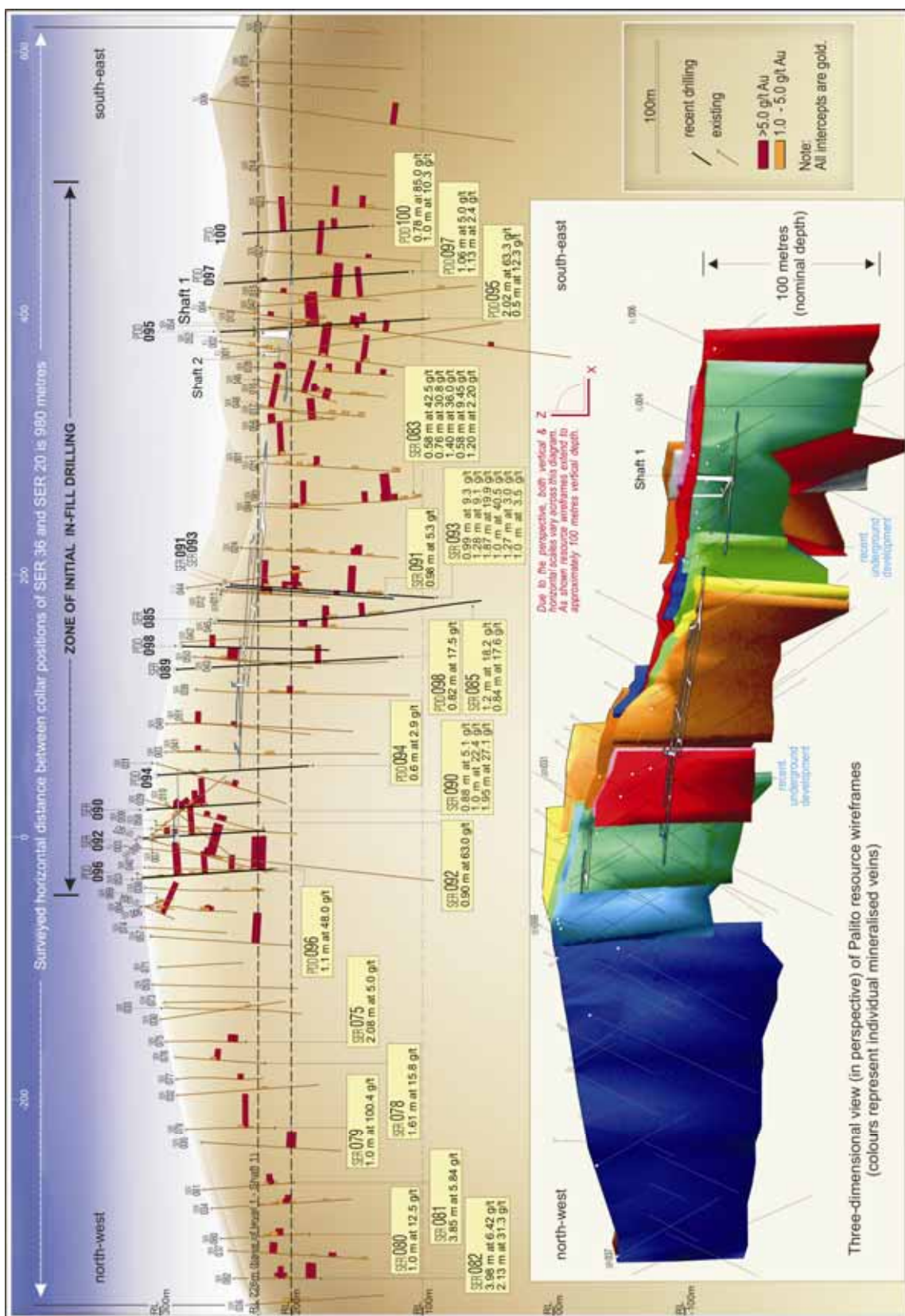
The wireframe width for modelling was derived using the Surpac partial percentage estimation function. A minimum width of 0.1 m was applied to blocks which had an estimated width less than 0.1 m. A global bulk density of 2.69 g/cm³ was applied, based on the average of 309 samples, regardless of sulphide content. At present, it is not possible to classify the different ore types by sulphide content as the core log information is not sufficiently detailed for incorporation into a computer database. Where the core logs have been appropriately coded, the zone of high sulphide ore (>20% sulphide) was able to be identified and the correct density assigned. As the high sulphide ore is generally very high grade (>30 g/t Au) there is a possibility that both the resource tonnage and grade may be underestimated.

3.4.4 Estimation details

In view of the distribution and number of data points, thickness of wireframes and target block size it was deemed by H&S and Snowden that ordinary kriging (OK) would be the most appropriate method of grade estimation. The primary search ellipse orientation was along the strike of the predominant mineralisation trend, at a bearing of 290° and a dip of 80° to the north.

To aid in the Mineral Resource classification process a number of estimation passes were performed through the resource block model with increasing search distances. The passes were characterised by increasing size and decreasing numbers of samples required to estimate a block.

Figure 3.6 Long section of the Palito Main Zone drill intercepts and recent assay results, existing development and a three-dimensional view of the resource wireframes



The various estimation passes were used to allocate the resource classification; pass one (a significant number of samples found close to the block to be estimated) equated to an Indicated classification and passes two and three (less samples at a greater distance from the block to be estimated) equated to an Inferred classification. All classifications were applied with reference to the JORC (2004) Code.

3.4.5 Results

The classified Mineral Resource estimate derived from the OK modelling process is summarised in Table 3.3. There is no Measured classification due to the relatively limited amount of assay quality assurance information available. A global bulk density of 2.69 g/cm³ has been applied, based on the average of some 300 measurements.

Table 3.3 Palito Mineral Resource estimate

Cut-off grade	Classification	Tonnes (kt)	Au grade (g/t)	Cu grade (%)	Au ounces (koz)
0.0 g/t Au	Indicated	115	13.5	0.7	50
	Inferred	1,060	10.7	0.5	365
	Total	1,176	11.0	0.6	416
2.0 g/t Au	Indicated	84	18.2	0.9	49
	Inferred	813	13.6	0.7	355
	Total	897	14.0	0.7	404
5.0 g/t Au	Indicated	68	21.7	1.1	47
	Inferred	536	18.9	0.9	326
	Total	604	19.2	0.9	373

Figure 3.7 is a long section of the Palito Main Zone from the H&S model showing gram*metre contours above a 5.0 gram*metre cut-off. The contours approximate grades at a 1.0 m mining width.

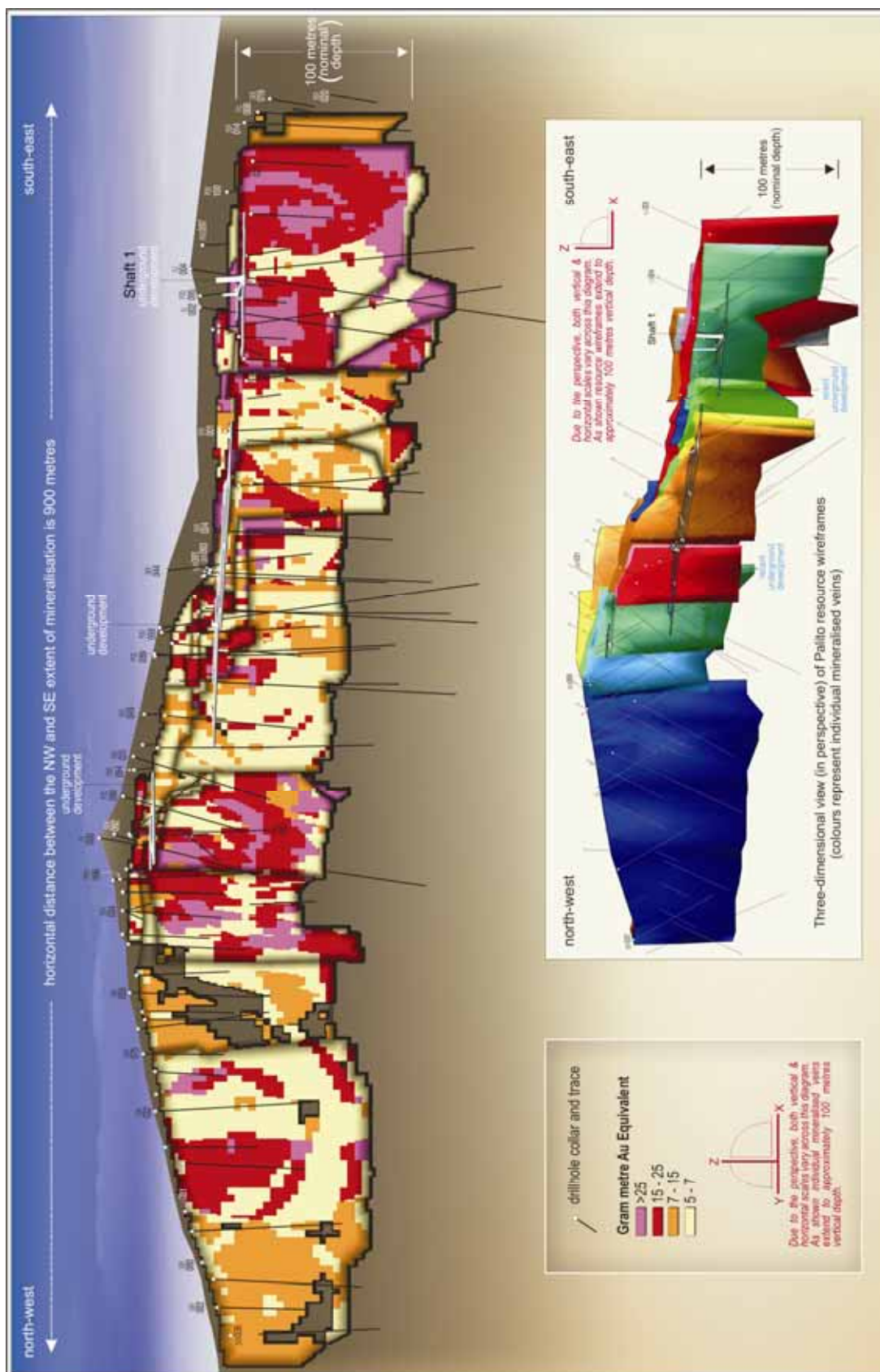
3.4.6 Reconciliation

Ore drive and stope outlines were created in Surpac to represent the existing underground workings based upon supplied survey plans, and these were then used to code the resource model for mining depletion. The depletion from the resource model was 6,368 t 18.57 g/t Au (or 11,263 t 10.50 g/t Au at full drive and stope width) compared with Serabi Mineração's production estimate of 15,000 t at 9.62 g/t (to November 2004). Serabi Mineração's production estimate also includes lower grade material from cross cuts and connecting drives where no ore zone was modelled by H&S.

3.4.7 Snowden's review of the resource block model

Snowden examined the H&S resource model, which was generated as a subcelled Surpac block model. The primary objective of the validation was to confirm that the H&S model was a fair representation of the input composite sample grades and that it honoured the geological model. Snowden reviewed the Au and Cu fields which were calculated fields from an accumulation estimation (grade*true width) using ordinary kriging. Widths in the block model were derived directly from the average horizontal wireframe width at each resource block. The grades were found to reasonably match the input data and consequently Snowden endorses the H&S model as a fair representation of input Au and Cu grades.

Figure 3.7 Long section of the Palito Main Zone showing gram*metre contours



3.4.8 Diluted resource

Snowden modified the H&S resource estimate to generate a diluted estimate that reflected the minimum mining widths observed in stoping and development excavations in the Palito mine. Development grades will be generally lower than the stope grades due to the additional width of the drives. Allowance was also made to reflect Serabi Mineração's plan to upgrade low grade development and stope material using a combination of manual waste sorting, upgrading of low grade sulphides using the spiral circuit and resué mining (where as much of the waste as possible is blasted and removed before the higher grade ore zone is extracted).

To enable this H&S reported the volume, tonnage, Au and Cu grades and the average wireframe width for each vein within blocks with dimensions of 50 m along strike x 30 m vertical. Where the average wireframe width was less than 1.2 m, additional dilution was factored to reflect a minimum horizontal mining width of 1.2 m. Where the vein width was less than 60 cm, further allowance was made for 50% of the waste (equivalent to a maximum of 30 cm of waste) to be removed after mining. In this case, a metal loss of 5% was assumed. Where the vein width was greater than 60 cm, no upgrade factor or metal loss was assumed.

A gold equivalent (Au_{eq}) formula that allows the value of copper to be described in terms of a gold equivalent was calculated by Snowden as follows: $Au_{eq} (g/t) = Au (g/t) + 1.9 \times Cu (\%)$.

At a 5.0 g/t Au_{eq} cut-off, approximately 16% of the diluted resource tonnage is derived from areas where the vein width is less than 0.6 m and more than 50% of the diluted resource is derived from areas where the vein width (excluding dilution) is greater than 1.0 m as shown in Figure 3.8. Approximately 60% of the diluted resource is derived from areas where the horizontal width (vein plus dilution) is less than 1.4 m.

Table 3.4 summarises the resulting diluted resource estimates at cut-off grades of 2.0, 5.0 and 7.0 g/t Au_{eq} . Table 3.5 summarises the resulting diluted resource by vein for the same range of cut-off grades.

Figure 3.8 Cumulative % tonnage of diluted resource

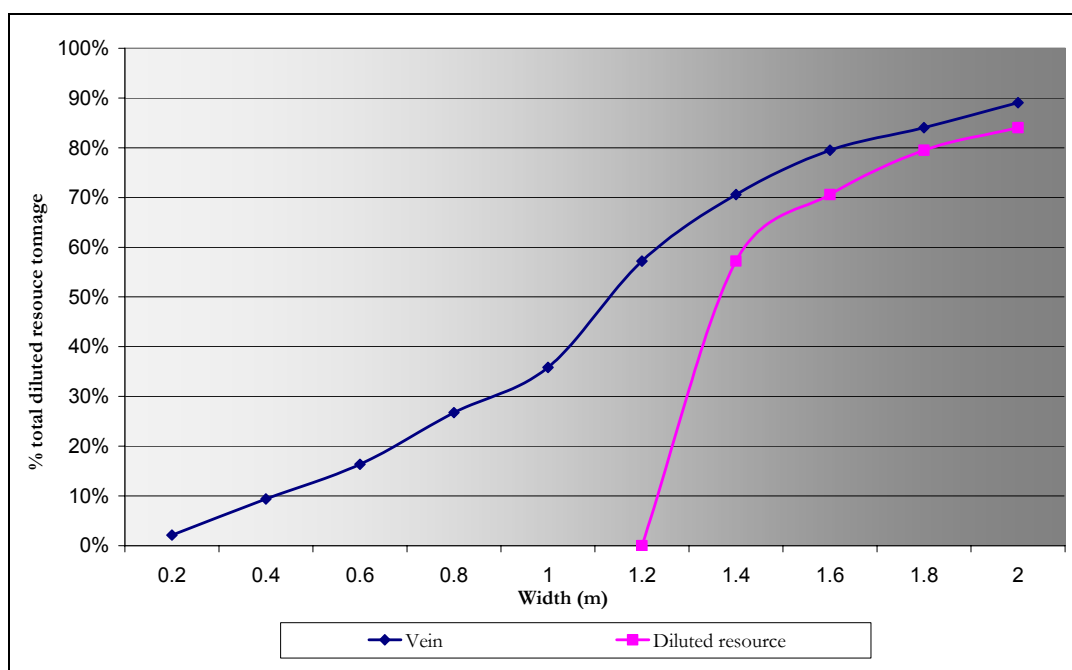


Table 3.4 Palito resource diluted to a minimum mining width of 1.2 m

Cut-off grade (g/t) Au _{eq} *	Classification	Tonnes (kt)	Au grade (g/t)	Cu grade (%)	Au _{eq} grade (g/t)	Au ounces (koz)
2.0	Indicated	108	13.8	0.7	15.1	47
	Inferred	1,160	9.32	0.5	10.2	348
	Total	1,268	9.7	0.5	10.6	395
5.0	Indicated	85	16.8	0.9	18.6	46
	Inferred	801	12.05	0.6	13.2	310
	Total	886	12.5	0.6	13.7	356
7.0	Indicated	73	18.8	1.0	20.7	44
	Inferred	529	15.50	0.8	16.9	264
	Total	602	15.9	0.8%	17.4	308

Table 3.6 summarises the tonnage of diluted resource by 30 m level intervals and the number of exploration drill intercepts (including low grade/waste) for each level. The table shows that the tonnage of diluted resource decreases on the lower levels, which corresponds to a drop in the density of drill information.

3.5 Palito Main Zone Ore Reserve estimate

Palito is an established mine with a proven mining method and processing route. The mine has established concentrate off take agreements and all necessary licenses and permits to operate. The break-even cut-off grade for Palito, based on operating costs, recoveries and Serabi's metal price assumptions is approximately 6.0 g/t Au_{eq}. Serabi Mineração has based its initial production forecasts on a 5.0 g/t Au cut-off grade (which is approximately 6 g/t Au_{eq}) as the continuity of the orebody begins to break up at higher cut-off grades. In the longer term, a higher cut-off grade strategy may be considered, but only when sufficient reserves have been defined to maintain the target mill throughput rates.

Snowden calculated a Probable Ore Reserve estimate from the Indicated Mineral Resources using the following modifying factors:

- planned dilution factors as discussed in Section 3.4.8;
- additional unplanned dilution of 20 cm;
- a mining recovery factor of 85%, based on a 10% pillar factor and a 5% allowance for other losses; and
- a break even cut-off grade of 6.0 g/t Au.

The Probable Ore Reserve is 58,000 t at 17.8 g/t Au and 0.9% Cu after depletion for as-mined production. Table 3.7 summarises the Probable Ore Reserve estimate for the Palito Main Zone for six veins. Actual stope grades will be slightly higher and development grades will be approximately 50% lower as the minimum mining widths for development is double that for stoping.

Table 3.5 Palito diluted resource estimate

Cut-off Vein	2.0 g/t Au _{eq}			5.0 g/t Au _{eq}			7.0 g/t Au _{eq}		
	Tonnes (kt)	Au _{eq} grade (g/t)	Au _{eq} ounce (koz)	Tonnes (kt)	Au _{eq} grade (g/t)	Au _{eq} ounce (koz)	Tonnes (kt)	Au _{eq} grade (g/t)	Au _{eq} ounce (koz)
1	86	5.3	14.7	35	9.1	10.2	21	11.4	7.6
2	208	5.0	33.8	106	6.5	22.2	34	7.8	8.7
3	116	9.0	33.4	108	9.3	32.5	64	11.8	24.3
4	79	9.2	23.5	21	25.3	16.7	18	28.5	16.2
5	67	17.0	36.7	62	18.1	36.2	48	21.6	33.2
7	14	6.0	2.8	10	6.9	2.1	-	-	-
8	16	2.4	1.2	-	-	-	-	-	-
9	19	2.8	1.7	-	-	-	-	-	-
10	76	6.4	15.5	55	7.3	12.9	25	9.2	7.4
11	21	8.1	5.6	16	9.5	4.9	16	9.5	4.9
13	79	29.0	74.0	74	30.8	73.4	74	30.8	73.4
14	78	13.7	34.6	61	16.5	32.4	52	18.4	30.6
15	21	6.3	4.2	14	7.6	3.5	5	11.0	1.7
16	43	7.6	10.5	26	10.3	8.5	14	14.0	6.4
17	175	10.9	60.9	144	12.3	56.9	103	14.8	48.9
18	53	24.9	42.6	53	24.9	42.6	51	25.8	42.1
19	32	18.1	18.5	32	18.1	18.5	32	18.1	18.5
20	55	7.7	13.6	52	8.0	13.5	33	9.3	9.9
21	30	6.1	5.9	18	8.2	4.6	13	8.8	3.6
Total	1,268	10.6	433.6	886	13.7	391.5	602	17.4	337.5

Table 3.6 Palito diluted resource tonnage (at a 6.0 g/t Au_{eq} cut-off grade) and the number of drill intercepts by level

Level mid stope height (mL)	Tonnes (kt)	Au _{eq} (g/t)	No. drill intercepts
305	10	7.3	9
275	71	9.4	17
245	102	13.5	24
215	173	18.3	33
185	174	17.3	35
155	124	13.9	10
125	52	18.7	3
95	24	14.7	1
Total	729	15.5	132

Table 3.7 Palito Main Zone Probable Ore Reserve estimate by vein (6.0 g/t Au_{eq} cut-off)

Vein	Tonnes (kt)	Au grade (g/t)	Cu grade (%)	Au ounces (koz)
10	6	9.6	0.7	1.9
11	10	8.1	0.4	2.5
13	12	26.7	0.5	10.2
14	11	23.1	0.6	7.8
16	11	11.6	0.5	4.0
17	22	16.5	1.8	11.7
Total undepleted	71	16.7	0.9	38.2
Less approximate mining depletion to January 2005	16	11.6	0.9	6.0
Plus stockpiles	3	10.4	0.9	1.0
Probable Ore Reserve estimate as at January 31 2005	58	17.8	0.9	33.2

Table 3.8 summarises the Probable Ore Reserve by level in 30 m stope lifts. The 245 mL (accessed from 230 mL) is truncated by topography to the south. The largest reserve lies between 200 mL and 230 mL and is accessed from the shaft, where development is being carried out along strike in both directions.

Table 3.8 Palito Probable Ore Reserve estimate by level (February 2005) based on a 6.0 g/t Au_{eq} cut-off grade

Level at mid stope height (mL)	Tonnes (kt)	Au grade (g/t)	Cu grade (%)
245	26	11.2	0.7
215	41	19.7	1.0
185	4	21.9	0.5
Total undepleted	71	16.7	0.9
Less depletion (245 mL)	16	11.6	0.9
Plus stockpiles	3	10.4	0.6
Total	58	17.8	0.9

3.6 Palito mining and processing

3.6.1 Mining method

The Palito mine is located on the southeast face of a steep ridge. Two adits have been excavated on 260 mL (named Front 4) and 230 mL (named Front 1). Three active shrinkage stopes have been established between 230 mL and 200 mL. A small shaft is currently being developed to access the veins below 230 mL.

Approximately 1,300 m of exploration development has been undertaken at the Palito mine. Development is undertaken on three sub parallel veins striking NW/SE and one cross cutting vein striking E/W. Vein 1 (the western most vein) has been exposed by underground development for approximately 150 m. As at

November 2004, approximately 550 m of “economic” mineralisation had been exposed by development.

Mining is being undertaken within fresh rock, although there are small areas of transition style mineralisation in the upper levels. The mineralisation is hosted by a competent granite unit which contributes to very good ground conditions observed in the development and stopes. Groundwater inflows into the mine are low, even during high rainfall events. Mining is currently carried out using manual mining methods including; rock drilling by hand held pneumatic rock drills, loading of broken rock by shovel and hand transport of ore and waste using one tonne and half-tonne rail cars to the surface stockpiles. Serabi Mineração has ordered a number of rail mounted loaders and small locomotives which will be delivered in early 2005. These units will assist in increasing the production rate by replacing manual rock handling in the mine. Labour will be re-allocated to increase the number of development and stope teams.

The veins are reasonably continuous over strike lengths of +30 m, and can be easily followed in development and stope excavations. The veins are occasionally displaced by cross cutting structures, although the maximum length of displacement is generally less than 5 m. The veins pinch and swell over short ranges. Grades in the major veins can be very high, and a shrinkage stope mining method that provides a high level of recovery of the resource has been selected.

The mine layout has major access developed along vein 1 with cross cuts developed to the northeast to intersect the other veins. Drives are developed along each major vein at a small gradient to allow water to drain freely from the mine and also to provide assistance for full ore cars leaving the mine. These drives are developed at approximately 2 m in height x 1.8 m wide and equipped with rails.

A shaft and separate, parallel airway/second egress shaft have been sunk from 230 mL to the 200 mL to access material below the lowest adit. The shaft is equipped with a small head frame and electrical winch, which will be upgraded in capacity in early 2005. A second shaft is being developed on the upper levels as an airway. In the short term, the shaft will be used to hoist ore and waste, transport labour and material into the mine and serve as a main intake airway until such time as the detailed mine planning study has identified a preferred method to access ore below the 230 mL. A separate adit is currently being established on the northwest face of the ridge on the 200 mL, and will provide a second means of access to this level.

Labour costs are low and there is a large pool of experienced mining personnel in Brazil who have the skills and aptitude to be trained to undertake manual mining methods using jackhammers and rail mounted equipment. There are currently limited skills available in the local area to operate and maintain more sophisticated mining equipment such as electric hydraulic development jumbos, drill rigs and trackless load-haul-dump loaders (LHDs). Maintenance is carried out on site in a workshop and is also contracted out to external workshops. There can be long lead times for spare parts so Serabi Mineração has created a two month stock of critical spares and consumables. There is a history of fabricating and modifying mining equipment such as rails, switches and rail cars in the site workshops.

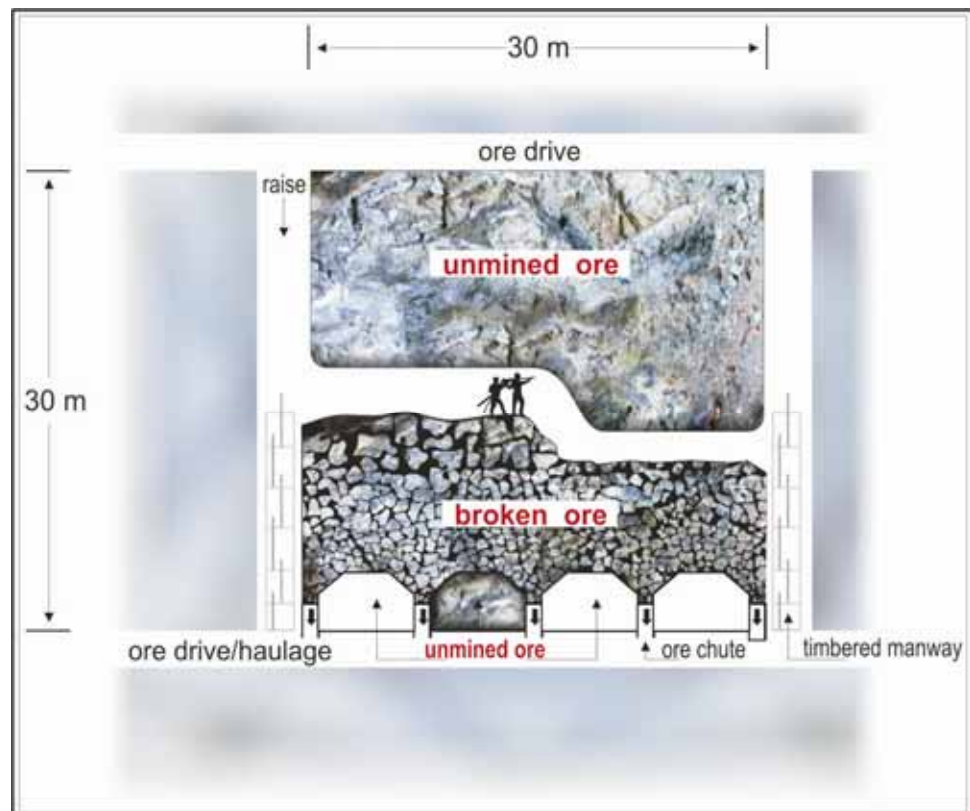
Serabi Mineração has selected a manual shrinkage stope mining method as shown in Figure 3.9. Each stope block is established from an ore drive. Rises are established at each end of the stope block (nominally 30 m apart) through to the level above (nominally 30 vertical metres, although this distance will be shorter closer to the side of the ridge). A sub level is developed above the ore drive, leaving a 4 m high pillar. Ore passes, spaced approximately 6 m apart, are established from the ore drive to the sub level and equipped with chutes, which control the flow of broken ore. The stope is then mined upwards as a series of slices to create an overhand face

shape. Blasted ore is left in the stope to provide a working platform, with only a small proportion (30%) draw-off in order to maintain sufficient space for the drillers. The broken ore left in the stope also helps to stabilise the walls of the stope. The rise provides ventilation and access, via ladders, to the stope. A timber barricade is progressively constructed along each rise to prevent blasted rock from falling into the access way. The stope is mined to within 4 m of the floor of the upper level. All broken ore is then pulled from the stope into rail cars and taken to tipping points on surface.

Shrinkage stoping has the following advantages for this style of orebody compared with other candidate methods:

- it is a manual mining method using jackhammers and airlegs that can be undertaken in a safe and efficient manner without the need for a highly skilled workforce;
- it is simple mining method that does not require the use of sophisticated equipment such as longhole drills and remote controlled LHDs;
- the method allows short range variations in the dip, strike and faulting of the orebody to be mined. Dilution can be minimized as the average minimum mining width can be as low as 1 m. Stoping widths between 0.8 m and 1.5 m were observed during Snowden's site visit;
- the exposed sidewall spans are limited, thus minimising the amount of ground support and reducing the risk of unplanned dilution; and
- ore driving allows for good delineation of the orebody prior to establishing each stope block.

Figure 3.9 Shrinkage stoping layout



In Snowden's opinion, the stoping method selected for the Palito Main Zone is appropriate. There is a risk that the blasted ore will "hang-up" in the stope due to excessively "sticky" ore, oxidisation of the blasted ore or for other reasons. The recovery of a hang-up may pose safety risks and may result in ore losses. Based on observations by Snowden, the risk of hang ups is low, providing that the blasted ore is not left in the stopes for excessively long periods of time.

Low grade and waste material in each stope must be blasted and extracted with the blasted ore to avoid hang ups and will contribute to dilution. Serabi Mineração estimates a production rate of 30 t per day per stope and therefore up to 13 stopes will need to be available at any time to meet the a stope production target of 350 t per day.

There are a number of alternative mechanised stoping methods that provide higher productivities and potentially lower cost outcomes that should be considered by Serabi Mineração once the geology and resource models have been updated. The option to mine the near surface ore by open pit methods should also be investigated.

3.6.2 Historic production

For the first seven months of operations, the mining operations focused on exploration development to identify the high grade veins in the Palito Main Zone. The Palito process plan was commissioned in August 2004 to process hard rock and treated low grade ore to minimise metal loss to tailings during the commissioning period. The plant is currently achieving production rates of 120 t per day. Run of mine grades have consistently increased over time from 3 g/t Au in August 2004 to 12 g/t Au in January 2005 as shrinkage stopes were progressively established in the higher-grade areas of the mine. A total of 113 t of concentrate containing 1,400 oz of gold and 2,560 oz of gold from CIP was recovered from underground ore up until January 2005.

As at 31 January 2005, surface stockpiles, including crushed material contained 3,400 t at 10.3 g/t Au and there was an additional 3,200 t at 15 g/t Au of broken material in active shrinkage stopes.

3.6.3 Mine production capacity

Subject to the continuity of the resource at depth, there is approximately 5,000 tonnes per vertical metre (tpvm) of diluted resource. At a maximum production rate of 30 to 45 vertical m per year (one to 1.5 levels per year) and a recovery of 85% of the diluted resource, a production rate of 130,000 to 200,000 tonnes per annum is achievable (nominally 360 to 550 t per day).

For a production rate of 160,000 t per annum or 350 t per day, which is Serabi Mineração's target production rate, approximately 2,200 m of "ore development" at 50% of average reserve grade plus 400 m of low grade/waste per year will be required, except for 2005 when development rates will need to be 50% higher as stopes are pre-developed. The remaining production will come through stoping at slightly higher than average reserve grades. It is reasonable to expect lower production rates and grades during the first half of 2005 through the combination of continuing high development rates required to establish sufficient stopes and learning curve effects.

3.6.4 Future mining studies required

The production targets and operating cost forecasts presented in this report are based on conceptual mining studies and the extrapolation of historic costs and relies on the future conversion of over 110,000 t of diluted Inferred Resource to reserve. Preliminary mining studies, based on the current H&S resource model are required to provide direction to the management team so that short-term production targets

can be confirmed. Detailed mine planning studies, which will provide more accurate production schedules and cost estimates, will only be undertaken following the completion of the proposed initial infill drilling programme and updating of the geology and resource models in quarter 3, 2005.

3.6.5 Processing

The original processing facility was constructed during 2002 as a pilot plant to test the various mineralisation types within the Palito concession area. The plant provided useful information including the recovery potential of the plant, reagent consumptions and throughput bottlenecks within the system.

The 10 t per hour pilot plant was subsequently modified to process high grade underground sulphide ore and to upgrade low grade oxide and low grade sulphide ore types using spirals.

The plant consists of a primary jaw crusher, secondary cone crusher and a milling section. The milling section consists of a 2.1 m diameter by 1.95 m long primary ball mill, a 1.2 m diameter by 3.0 m long secondary fine grinding mill in closed circuit with a hydrocyclone, a flotation section with the flotation tailings reporting to a carbon in pulp (CIP) circuit (incorporating a preleach screen, four 76 m³ leach tanks, six 23 m³ adsorption tanks and three cyanide detoxification tanks utilising ferrous sulphate) and a desorption section utilising an elution circuit. Detoxified CIP tailings are deposited into plastic lined tailings dams. These dams are created in small cells to ease water management and rehabilitation.

Site column heap leach tests were conducted at Palito to test the amenability of the Garimpos tailings at the mine site to heap leaching. This test work identified an acceptable recovery and leach time could be achieved and provided sufficient information to proceed to the next stage of pilot plant testing, prior to full construction. Serabi Mineração's economic analysis demonstrated acceptable returns could be achieved from heap leaching.

Mineral Engineering Technical Services Pty Ltd (METS) of Perth, Australia reviewed the process flowcharts and metallurgical test work data provided by Serabi Mineração. METS opinion of the project is as follows:

- limited batch flotation test work has been carried out in Perth to produce a copper concentrate for sale and a flotation tailing for processing through the CIP plant. The concept of floating off a copper gold concentrate is correct for an ore such as this;
- the small tonnage of concentrate will generally be attractive to buyers because of the gold grades, however the relatively high bismuth content will incur smelter penalties. Arsenic will attract lower penalties;
- the cyanide soluble copper content of the flotation tailings will need to be managed as it has the potential to limit the recovery of gold from the CIP plant. Potential issues are carbon fouling due to adsorbed copper, high levels of copper in doré bars, high solution losses, the inability to recycle tailings water and the necessity for cold cyanide washing of the carbon. Operationally these can be serious issues if not well managed;
- current upgrades of the flotation circuit with additional cells, conditioning tanks and alternative collectors will recover the maximum amount of copper to concentrate. This will minimise the amount of copper reporting to the CIP section and therefore minimise soluble copper problems;

- the tailings dam return water will not be returned to the plant but instead be used in the proposed heap leach;
- operations prior to December 2004 achieved +95% copper recoveries to flotation and the recovery of gold was 95%. Copper levels in the CIP were less than 0.2% and carbon fouling was not an issue;
- the water balance issues operating in a high rainfall tropical environment has been addressed. Water treatment prior to disposal is the normal operational process companies adopt under these conditions. The cost of a water treatment plant has been included in the cash flow model. The plant will process all excess water from the process plant, storm water and run off from exposed areas of the mine. Compliant cyanide destruction has been included in the water treatment plant; and
- as the throughput increases in size, slurry detoxification prior to dam disposal will be preferable to ferrous sulphate treatment in ponds as the potential release of cyanide to the environment is minimised.

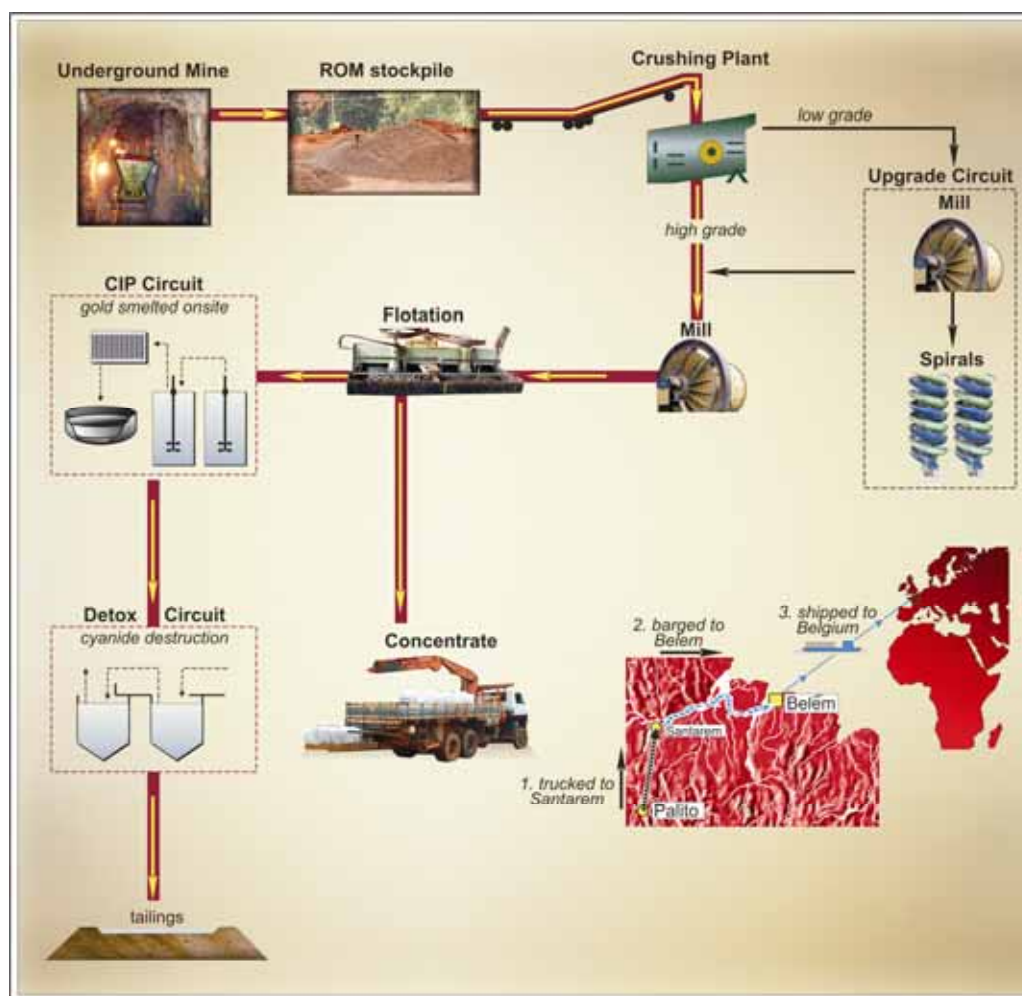
3.7 Stage 1 process plant and mine upgrade

Serabi Mineração is currently upgrading the processing plant with a secondary and tertiary cone crusher and additional flotation cells. The upgrade will be completed by March 2005 and the capacity of the process plant will be 300 t per day. Crushed ore will report to the primary milling circuit. The milled product will report to flotation circuit and the flotation circuit tailings will report to the CIP plant. The flotation concentrate will be sold in Europe while bullion produced from the CIP circuit will be sold within Brazil. The spiral plant will be re-commissioned to upgrade low grade material with concentrate reporting to the milling circuit. This low grade circuit will incorporate a waste sorting belt and an additional primary ball mill. Figure 3.10 shows the conceptual process flowsheet following the Stage 1 upgrade.

The capacity of the underground mine will be increased to 150 t per day with the purchase of pneumatic shovels and additional drilling equipment. Further upgrades will be undertaken during 2005 and 2006 as discussed in Section 5.1 of this report. Major capital items purchased for the Stage 1 upgrade in Q1 2005 totaled \$1.1 M and comprised the following major items:

- a waste sorting belt, two cone crushers, three flotation cells, a second ball mill, a new CIL tank and agitators, a new smelting and refining area, additional generators for the plant and lining for the 1st ball mill;
- exploration drill rods, underground drill rigs and compressors;
- additional generators for the mine; underground shovels and spares, additional rock drills, compressors, piping and fittings, secondary ventilation fans and a new explosives shed;
- general safety equipment;
- additional ore bins on surface; and
- office supplies including computers and software.

Figure 3.10 Process plant flowsheet following the Stage 1 upgrade



3.8 Mine infrastructure and management

Serabi Mineração employs over 270 people at Palito. The mine and process plant are staffed by semi-skilled and skilled Brazilian nationals and managed by professional mining and process engineers. Serabi Mineração's country manager is located in the Itaituba head office. Serabi has employed a number of expatriate staff for the roles of general manager, exploration manager and technical consultant. These expatriate employees are based in Serabi Perth office, but work extended rosters in Brazil as required. Serabi has also engaged professional service providers to provide specialist technical support in areas such as geology, resource estimation, mining and environmental.

Serabi Mineração has advised Snowden that the mine is in full compliance with all statutory requirements and licenses, that all licenses are current and that there are no social, political or legal constraints to ongoing mining and exploration activities at its Jardim do Ouro Operational or Tapajós Regional areas.

Power is provided on site by diesel generators (including one standby generator) and is reticulated into the process plant, mine, offices and accommodation via sub stations and overhead power lines. Two additional generators have been purchased and are scheduled to arrive on site in early 2005. The Brazilian government has proposed an overhead mains power line to Palito in the near future. This power will provide a base load for the operations; however the diesel generators will still be required to provide for peak loads. Serabi Mineração will pay the capital cost of the

power line and associated infrastructure, which will be rebated as a lower unit power cost. Compressed air is supplied to the mine from two diesel compressors and two smaller electrical compressors. Allowance has been made for the purchase of additional compressors for the new pneumatic loaders and rock drills. Compressed air for the process plant and workshops is provided from two electric compressors at the plant. Process water is sourced from dams along a stream adjacent to the mine. Potable water is pumped from a well close to the camp. Bottled drinking water is provided to all employees.

There are four accommodation units at Palito and a central messing facility. Serabi Mineração also provides a daily bus service for employees and contractors living in Jardim do Ouro.

Fuel is stored on site for power generation, the mobile equipment fleet and two main compressors for underground in storage tanks. Approximately 90,000 L of diesel is stockpiled ahead of the wet season. All the fuel storage tanks are located in a contained fuel storage area. The future installation of an external power supply will reduce the mine's dependence on diesel.

The mine offices are basic but in sound condition. Workshops and warehouses are in adequately sized and are in good order. There is a well equipped laboratory on site. The explosives storage facilities are located away from the main offices and are in good order.

The site is self sufficient for all services. Stocks of critical consumables and spares are increased ahead of the wet season. The mine has access to radio telephones (two lines), high speed broadband satellite internet within a secure domain, two telephone land lines and radio communications.

Serabi Mineração provides a clinic and hospital at the Palito mine. A doctor and a dentist provide a twice monthly service to the workforce, their families and some members of the local community. There is an active and successful programme to reduce the incidence of malaria in the area.

The areas adjacent to the mine have been cleared, but a significant proportion of the area surrounding the mine is near virgin jungle. The mine is accessed by unsealed road from the nearest town and delays can be expected during the wet season. An airstrip, suitable for light planes, has recently been constructed at the mine and replaces the need to use the Jardim do Ouro strip, approximately 10 km away. Serabi Mineração owns bulldozers, front end loaders and trucks which are used for site construction, road building and road maintenance. This equipment is invaluable in maintaining the roads during the wet season.

Serabi Mineração contracts its own security service. There is a guard house at the entrance to the mine. Serabi Mineração has assisted with the building of a police station in Jardim do Ouro, which is staffed by Federal Police Officers. Illegal deforestation of the jungle or timber cutting is prohibited on the Jardim do Ouro tenements. Serabi Mineração has built a new school building at Jardim do Ouro in association with the parents' school association

3.9 Environmental considerations

Brazilian environmental legislation requires that Serabi Mineração continuously complies with environmental legislation and that it follows an approved environmental management plan, which includes rehabilitation of the site on closure at the end of the project. Serabi Mineração has completed several detailed environmental studies, which demonstrate that all relevant environmental and operating licenses are in place and current. An environmental management plan has been developed by an independent consultant that includes the following aspects:

- quality control of site water discharge;
- control and disposal of oils and greases;
- control and management of storm water;
- monitoring of ground water;
- plans to rehabilitate areas disturbed by mining activities, waste dumps, washouts and other degraded areas;
- selection of correct flora for revegetation;
- air quality monitoring;
- management of residual solids from tailings dams and silt dams;
- health and welfare monitoring and treatment for employees, their families and local residents;
- monitoring of socio-economic issues in the local area;
- environmental education for all employees;
- emergency response plans;
- on going environmental risk analysis;
- management of hazardous substances; and
- a closure plan.

All these aspects of the report have been implemented, with the exception of the closure plan, which is currently being developed.

3.10 Exploration programme

Serabi Mineração propose an exploration programme during 2005 and 2006, largely for the Jardim do Ouro Operations comprising resource definition, project evaluation and prospect generation activities as follows:

3.10.1 Resource definition

A resource definition drilling programme will be carried out on the Palito Main Zone to upgrade the confidence of the current Inferred Resource to Indicated/Measured and to identify additional resources along strike and down dip. The programme will comprise approximately 12,000 m of diamond drilling and will infill the current Inferred Resource over a 1,000 m strike length to a depth of 120 m below surface to a drill hole spacing of approximately 30 m x 30 m. The programme will use two existing drills operating two shifts per day and will take 12 months to complete. The programme will initially focus on those areas to be mined in the next 12 to 18 months. Serabi Mineração are currently investigating the option to use a large reverse circulation (RC) drill rig for part of the programme to reduce the duration of the programme. An additional two underground diamond drills will be purchased (the first to be delivered in April 2005) to complement the surface infill drilling programme.

The resource drill programme will be staged to allow the shallower areas of the H&S resource model to be updated in the third quarter 2005. This model will then be used for detailed mine planning. A second resource definition programme will be run concurrently to evaluate the depth potential of the Palito Main Zone. This programme will use a separate, larger diamond drill rig (to be purchased in 2005), and will drill a series of holes designed to intersect the Palito Main Zone from 200 m to 400 m below surface. By 2006, Serabi Mineração expects that resource definition drilling will extend to at least 250 m below surface.

3.10.2 Project evaluation

There are a number of more advanced projects in the Jardim do Ouro Operations area that require either further evaluation or additional drill testing. The programme will commence in late mid 2005 and will include the following activities:

- Bill's Pipe: a programme of trenching followed by three diamond drill holes is planned. If initial results warrant, additional drilling will be completed;
- Antonio's Gossan: additional trenching will be completed along the extensions to the vein system on 200 m spaced traverses prior to further drilling;
- Tatu: a number of magnetometer ground traverses will be completed to better define the extent of magnetite alteration. An initial three drill hole programme will target the magnetite alteration zone below the saprolite zone with holes spaced 200 m apart along strike;
- Rio Nova South: it is planned to complete a reconnaissance drilling programme along the strike of the mineralisation with three by 80 m spaced holes targeting the mineralisation below the weathered zone;
- Ruari's Ridge: a programme of trenching is proposed to identify zones of veining, followed by wide-spaced drilling; and
- Serabi Mineração has significant capacity to collect and locally analyze auger soil samples in the region. Two teams have been trained to collect samples up to 10 m in depth using power augers, which are generally taken on surveyed lines 200 m apart, with sample sites at 25 m intervals along these lines.

3.11 Exploration potential

The Jardim do Ouro Operations area is relatively unexplored, with only 96 diamond drill holes having been drilled to date. The majority of the current drilling only extends to 100 m below surface with the deepest intersection only 200 m below surface. The four drill holes below 200 m have all intersected Palito Main Zone style mineralisation, and the exploration potential for this area is classified by Serabi Mineração as very good.

The Palito Main Zone system is open to the southeast, the last section in this direction containing drill hole FJO006 (0.7 m at 32.4 g/t Au). To the northwest, for 600 m from drill hole SER036 (3.15 m at 2.95 g/t Au) to Antonio's Gossan, there is no drilling. Similarly there is no current drilling to the northwest of Antonio's Gossan, following a line coincident with a significant magnetic anomaly. The probability for depth extensions to the Palito Main Zone systems is also considered by Serabi Mineração to be high.

Both Chico Do Santo and Palito West represent relatively under-drilled moderate to high grade vein targets. Both sites remain open along strike and at depth. Copper Hill has the appearance of a large, low grade gold-copper target with well defined magnetic and IP expression. Further drilling at this project is expected to markedly improve the geological understanding. Extensive auger soil sampling has been undertaken over the general Palito area.

Figure 3.11 shows zones of anomalous gold-in-soil results on structural trends sub-parallel to the Palito Main Zone. Only basic exploration has been completed at Tatu and Rio Novo South. However, the number and extent of Garimpos in both areas is indicative of the potential for medium to large scale mineralisation. Serabi Mineração rates the exploration potential for Tatu and Rio Novo South to be high.

Palito Main Zone

Bill's Pipe

1.25 g/t
0.62 g/t
5.9 g/t
0.95 g/t

0.25 g/t
0.25 g/t
0.45 g/t
0.25 g/t

0.25 g/t
0.37 g/t
0.15 g/t
0.12 g/t

Pele

0.12 g/t
0.15 g/t
0.10 g/t
0.27 g/t
0.25 g/t

Chico do Santo

Chico do Santo mineralised zone established from diamond drilling

0.10 g/t
0.12 g/t
0.15 g/t
0.28 g/t
0.25 g/t

Buriti

0.10 g/t
0.15 g/t
0.27 g/t

Legend:

- mineralised zone
- auger hole with g/t Au
- diamond drilling
- auger drilling (no significant result)

Note: All intercepts are Au

Scale: 200m

Coordinates: 634000m-E, 635000m-E, 9301000m-N

4 Tapajós Regional

There are nine prospects within Serabi Mineração's Tapajós Regional concessions as shown in Figure 2.2. With the exception of Jutai, which is the most advanced, the main work programme in 2005 will be focused on and around the Jardim do Ouro Operations. Only data compilation and reconnaissance field visits are proposed to fulfill tenement expenditure conditions requirements on the following projects:

4.1 Pizon

Pizon is a very isolated site, with the only access being by light aircraft. The nearest road is 110 km away and 30 km from barge access. Gold mineralisation occurs as a stockwork system consisting of quartz-mica-sulphide veinlets with occasional veins reaching up to one to two metres in width in acid volcanic rocks. There are some zones of intense magnetite alteration contained within the stockwork. The site is currently being worked by Garimpeiros as shown in Figure 4.1, however the mines are approaching the practical limit of viable extraction using traditional methods.

Figure 4.1 Garimpiero workings, Pizon



There has been little previous exploration at Pizon, Rio Tinto drilled only a few diamond holes with best results including 32 m at 5.32 g/t Au within strongly altered rhyolites. The amount and extent of garimpeiro workings in the area is indicative of medium to large scale deposits being present. Serabi Mineração assesses the exploration potential for this site as high.

4.2 Jutai

Jutai is located 195 km north west of Palito and 140 km to the southwest of Itaituba, immediately adjacent to the Transamazonica Highway. Rio Tinto was initially attracted to the area by a very strong magnetic anomaly characterising a basic intrusive body of some 2,000 m x 4,000 m in dimension. Subsequent rock chip sampling revealed occurrences of anorthosite and gabbro with cumulus textures leading to the supposition that the deposit represents a layered mafic complex. It was also observed that many garimpeiro workings had been developed on streams running through the area. Rio Tinto subsequently completed a soil sampling programme on a 50 m by 200 m grid over the prospect and outlined a strong gold anomaly over an area of 1,600 m by 300 m based on the number of colours (points) of gold detected in panned samples. This soil anomaly was followed up by the drilling of 28, mostly vertical RC holes. From this Rio Tinto outlined a low grade zone (<1 g/t Au) of saprolite gold mineralisation with a mean thickness of 23.8 m.

Further drilling is planned to establish the controls of the primary mineralisation. Because of the previous work completed the exploration potential is assessed as moderate.

4.3 Castanheira

The Castanheira deposit is located 150 km southwest of Palito. Access is by light plane or local tracks from the Transgarimpeiro Highway. The area and its surroundings have extensive garimpeiro gold workings on a number of well defined linear trends, however there has been no systematic exploration of the area. The Castanheira deposit is a narrow, high grade quartz-sulphide vein mineralised system within a haematite altered granitoid. Serabi Mineração assesses the exploration potential for Castanheira as high.

4.4 Sao Chico

Sao Chico is a narrow, high grade quartz-sulphide vein deposit hosted with a haematite altered granitoid. Only basic exploration has been completed over the property, however, the amount and extent of garimpeiro gold workings in this area is indicative of the potential of the area, which is regarded by Serabi Mineração as high.

4.5 Sucuba, Garimpo Ornifel–Sucuba and Igarape–Salustiano

Sucuba, Garimpo Ornifel–Sucuba and Igarape–Salustiano are located 10 km, 25 km and 45 km respectively northwest of the Palito mine along the highly prospective Tocantinzinho Shear Zone. The area has extensive Garimpos with primary gold mineralisation believed to be developed in narrow, high grade, quartz-sulphide vein systems that trend parallel to the Tocantinzinho Shear Zone. The Garimpo Ornifel–Sucuba and Igarape–Salustiano tenements cover the northwest and southeast strike extensions of Canadian mining company, Jaguar Mining Inc's Sucuba deposit. Access to the area is excellent, both from the Transgarimpeiro Highway and off well maintained logging tracks from the highway. Serabi Mineração assesses the exploration potential for these projects as high.

4.6 Vale do Aruri

Aruri is located 100 km due north of the Palito mine and immediately adjacent to the Santarem to Cuiaba Highway. Little is known of the style of mineralisation, however extensive Garimpos attest to the areas prospectivity.

4.7 Prospect generation

New project areas will be developed from the wealth of data held within the Rio Tinto database. This includes written reports (mostly in Portuguese), sampling data and maps from reconnaissance site visits to most of the important Garimpos in the Tapajós Gold Province. As a priority, a geologist will be employed in Serabi's Perth office to comprehensively review the Rio Tinto database. Site investigations will begin in the second quarter of 2005. Drilling programmes are planned for all Tapajós Regional projects starting in quarter 3 2006, following completion of data compilation and assessment.

5 Serabi Mineração's work programme and budget

Serabi Mineração has prepared a budget that addresses capital and operating costs for the Palito mine, the proposed exploration programme and associated corporate costs over an 18 month period commencing April 2005. All costs are in US dollars (\$). Snowden and METS have reviewed Serabi Mineração's proposed work programme and budget for the Jardim do Ouro Operations and the Tapajós Regional. Following several modifications, the production and cash flow models confirmed the operational viability of the project. The key physical and financial indicators for Serabi Mineração's budget are:

- total tonnage mined is 154,000 t at 13.3 g/t Au, 0.7% Cu and 7 g/t Ag, over 70% of this material will be sourced from a diluted Inferred Resource;
- a total production from flotation of 52,000 oz Au, 1,000 t Cu and 10,000 oz Ag at an average recovery of 80% Au, 90% Cu and 30% Ag;
- the payable metal value of metal in concentrate after smelting and refining is equivalent to 97% of the contained metal value in concentrate;
- concentrate transport and refining charges are equivalent to 6% of the payable metal value in concentrate;
- a total production from the flotation tailings to CIP of 9,000 oz Au and 14,000 oz Ag at an average recovery of 70% Au and 60% Ag;
- total Au recovery to concentrate and bullion is 94%;
- a total mine cash operating cost of \$12.2 M, equivalent to \$89/t processed or \$202/oz Au;
- a total Palito capital cost of \$5.4 M, including \$0.1 M for land purchases to consolidate concessions in the Jardim do Ouro Operations; and
- an exploration budget of \$2.3 M and Brazil head office overheads of \$0.9 M.

5.1 Mine production schedule

Total tonnage mined after waste sorting (including stockpiles) is 154,000 t at 13.3 g/t Au, 0.7% Cu and 7 g/t Ag and includes approximately 110,000 t of diluted Inferred Resource. Mine production tonnage and grade increases from 4,500 t at 10 g/t Au per month to 11,000 t at 14 g/t Au per month by September 2006. The proposed infill drilling programme, which will be completed by the third quarter 2005, has been designed to allow the Inferred Resource, adjacent to the mining areas, to be re-estimated and upgraded to an Indicated Resource.

5.2 Capital upgrade programme

5.2.1 Stage 2

During the second quarter of 2005, the process plant will be upgraded to increase the efficiency of the process plant at 300 t per day and to reduce operating costs. Underground infrastructure will be progressively upgraded. The Stage 2 upgrade will cost \$1.9 M and comprise the following main activities:

- purchase of additional generators, gold room equipment, new flotation cells and laboratory equipment;
- connection of the Palito mine to the main power grid;

- purchase of underground locomotives, rail cars and spares, rock drills and compressors, underground pumps, shaft equipment;
- upgrades for the underground power, safety equipment and tools;
- purchasing of office equipment, computers and software; and
- an allowance for land purchases.

5.2.2 Stage 3

Stage 3 will upgrade the plant to 450 t per day by the end of 2005. Detailed mine planning will be undertaken. Heap leaching trials of garimpeiro tailings and stored low grade spiral tailings will commence. The process plant upgrade will be done by a simple process of equipment duplication. The recovery factors for the Stage 3 flotation and CIP circuits will be follows:

- flotation recovery - Au 80%, Cu 90%, and Ag 30%;
- concentrate grade - Au 750 g/t, Cu 23% and Ag 233 g/t;
- CIP recovery (from flotation tails) - Au 70% and Ag 60%; and
- overall Au, Cu and Ag recoveries will be 94%, 80% and 72% respectively.

By late 2006, the main shaft will be sunk and equipped to a depth of approximately 130 m below surface, accessing four levels below the 230 mL. The ventilation shaft will be equipped with exhaust fans and underground pump stations will be established. At this time, the mine will have a capacity of 350 t per day. The Stage 3 upgrade will cost \$2.1 M and comprises the following activities:

- increased crushing capacity and installation of a third ball mill, additional filters and an upgrade of the tailings dam;
- detailed mine planning following completion of the near-mine infill drilling programme;
- installation of water treatment facilities for excess water and run-off;
- purchase of a D6 bulldozer, backhoe, front end loader and spares;
- purchase of additional underground locomotives, rail cars, shovels and spares, drilling equipment, shaft equipping and ventilation fans;
- purchase office equipment, computers and software; and
- an allowance for land purchases.

5.3 Capital cost estimate

Table 5.1 summarises Serabi Mineração's capital cost budget for the Palito mine, which covers the capital items for the Stage 2 and Stage 3 upgrade, plus an allowance for sustaining capital for the 18-month period from April 2005 to September 2006. Capital costs generally include allowance for spares, import duties and transportation costs. For the larger items, actual quotations have been obtained from suppliers and a 15% contingency has been applied to all capital equipment. The capital cost includes allowance to purchase land to consolidate some concessions in the Jardim do Ouro Operations.

Table 5.1 Serabi Mineração's capital budget for the Palito mine (\$,000)

Item	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Q3 2006	Total
Stage 2 upgrade	194	-	-	-	-	-	194
Upgrade to 300 t per day	382	249	126	-	-	-	757
Power	417	-	-	-	-	-	417
Other capital	99	162	162	124	19	556	1,122
Exploration equipment	288	250	6	2	-	-	546
Mining equipment	600	214	99	-	-	310	1,223
Land acquisitions	37	-	37	-	-	-	74
Heap leach capital	-	-	-	100	-	-	100
Sustaining capital	-	50	50	50	50	50	250
Contingency (15%)	303	139	72	41	10	137	702
Total	2,320	1,065	551	317	79	1,053	5,385

5.4 Exploration budget

Serabi Mineração's budget (excluding equipment which is included in Table 5.1) includes allowance of \$2.3M for the Jardim do Ouro Operations and Tapajós Regional exploration programme as summarised in Table 5.2.

Table 5.2 Serabi Mineração's exploration budget (\$,000)

Item	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Q3 2006	Total
Jardim do Ouro	364	372	482	269	291	112	1,890
Tapajós Regional	24	11	62	68	64	154	383
Total	388	383	544	337	355	266	2,273

5.5 Operating costs

Total cash operating costs for Serabi Mineração's 18-month budget total \$12.2 M at an average unit cost of \$89/t processed or \$202/oz Au. The operating cost budget (Table 5.3) was prepared by Serabi Mineração using the following assumptions:

- a variable unit mining cost of \$18/t calculated using consumable costs plus labour costs of approximately \$40,000 per month for a 150 t per day operation, escalated for higher production rates. An incremental 10% contingency was then applied;
- a processing cost of \$28/t calculated using historic labour and consumable, reducing to \$21/t with the commissioning of external power. An incremental 10% contingency was then applied;
- costs for site administration, meals and accommodation, security, mobile plant and environmental \$57/t for a 150 t per day operation, reducing to \$33/t for a 350 t per day operation reflecting economies of scale. An incremental 10% contingency was then applied; and
- Serabi Mineração proposes to commence heap leach trials in Q4 2005. Variable heap leach costs are \$3.00/t processed.

Table 5.3 Serabi Mineração's operating cost budget (\$,000)

Item	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Q3 2006	Total
Mining cost	382	514	550	583	679	686	3,395
Processing cost	378	513	471	534	580	586	3,062
Fixed costs	687	770	818	855	917	943	4,990
Total	1,447	1,797	1,839	1,972	2,177	2,215	11,446
Transport and refining charges	300	465	551	588	694	701	3,299
By-product credit	-209	-369	-491	-524	-618	-625	-2,838
Royalty	20	35	47	51	59	60	272
Total cash operating costs	1,557	1,927	1,946	2,087	2,311	2,351	12,179
Cash operating cost (\$/t)	118	98	87	87	82	82	89
Cash operating cost (\$/oz)	354	248	188	185	176	177	202

5.6 Corporate overheads

Serabi Mineração has made allowance for corporate overheads for local Brazilian costs plus a 10% contingency, which are expected to be \$0.9 M over the 18-month period.

5.7 Sensitivity

Analysis was undertaken to assess the sensitivity of the average cash operating cost (\$/oz) over the budget period for a $\pm 10\%$ and $\pm 20\%$ change in head grade and operating costs at the Palito mine. The results are summarised in Table 5.4.

Table 5.4 Palito mine budget, sensitivity analysis - average cash operating cost (\$/oz)

		% Change in operating costs				
		-20%	-10%	0%	10%	20%
Change in mining grade	-20%	212	236	260	284	308
	-15%	198	221	243	265	288
	-10%	186	207	228	249	270
	-5%	174	194	214	235	255
	0%	164	183	202	221	240
	5%	155	173	191	209	228
	10%	147	164	181	199	216
	15%	139	156	172	189	205
	20%	132	148	164	180	196

5.8 Opinion

In Snowden's opinion Serabi Mineração's Jardim do Ouro Operations and Tapajós Regional concessions lie within a highly mineralised province that is highly prospective for economic gold deposits. This is demonstrated by Serabi's successful commissioning of the high grade Palito mine and the widespread

distribution of Garimpos in the region. There are sufficient indications of precious metal mineralisation on all of Serabi Mineração's concession areas to justify the mine development and exploration programmes as proposed by Serabi Mineração.

The Palito mine schedule includes approximately 110,000 t of diluted Inferred Resource. Conversion of Inferred Resource to an Ore Reserve will be dependant on the results from the proposed in-fill drilling programme and will also be governed by factors such as geological continuity, grade continuity, and continued good ground conditions. The ultimate success of the mining operations will be dependent on the successful implementation of new mining equipment and the skills of the management team and workforce to achieve production targets which are over three times higher than those currently being achieved.

No Mineral Resource estimate has been prepared to support the heap leach production forecast in Serabi Mineração's budget. The success of the heap leach operation will depend on the successful trialing of the method and the identification sufficient Ore Reserves.

Serabi Mineração proposes a further two-stage upgrade to the process plant, the underground mine and mine related infrastructure (the first stage will be completed by the end of the first quarter 2005). The major capital equipment costs have been derived from supplier quotations or budget estimates, plus a 15% contingency. Snowden believes these capital costs to be realistic in the context of Serabi Mineração's stated production objectives. Mine, processing and fixed operating costs are based on conceptual mining studies, which have been derived for a 150 t per day operation and factored upwards for higher production rates. A 10% contingency allowance has been made. In Snowden's opinion, the accuracy of Serabi Mineração's operating cost estimate is in the range -10% to +35%.

Operating costs (\$/t and \$/oz) in Table 5.3 trend downwards over time and reflect increased production rates, improved productivities in the mine and process plant and the commissioning of mains power and increased head grades;

Exploration costs have been estimated from historic drilling, labour and consumables costs. Snowden believes these exploration costs to be realistic in the context of Serabi Mineração's stated exploration objectives.

6 Declaration by Snowden Mining Industry Consultants

6.1 Independence

Snowden Mining Industry Consultants Pty Ltd is an independent firm of consultants providing a comprehensive range of specialist technical and financial services to the mining industry in Australia and overseas, through offices in Perth, Brisbane, Johannesburg, London and Vancouver. Our corporate services include technical audits, project reviews, valuations, independent expert reports, project management plans and corporate advice.

H&S is an independent firm of consulting geologists and provides a wide range of geological services for all phases of mineral projects from advanced exploration through evaluation and bankable feasibility to mine production. Hellman & Schofield was formed in 1998 and has offices in Sydney, Brisbane and Perth, and affiliated offices in Toronto and Geneva.

This report has been prepared independently and in accordance with the JORC Codes of the Australasian Institute of Mining and Metallurgy (AusIMM). The authors do not hold any interest in Serabi Mineração, its associated parties, or in any of the mineral properties which are the subject of this report. Fees for the preparation of this report are being charged at Snowden's and Hellman & Schofield's standard rates, whilst expenses are being reimbursed at cost. Payment of fees and expenses is in no way contingent upon the conclusions drawn in this report.

6.2 Qualifications

Snowden personnel responsible for the preparation and review of this report were Mr Philip Retter (Manager Corporate Services), Mr Allan Earl (Principal Consultant and Manager Mining Division) and Mr Ian Glacken (Principal Consultant and Group Manager Resources).

Mr Philip Retter (BAppSc (Hons), MAIG) is a professional geologist with 20 years experience including 10 years mining and exploration experience in Australia and 7 years as an independent consultant based in Jakarta, Indonesia. Mr Retter joined Snowden in July 1996 as the General Manager of its Jakarta office and is currently the Manager of Snowden Corporate Division in Perth. He has been involved in independent reviews and valuations of precious and base metal projects throughout Australia, SE Asia and Africa.

Mr Allan Earl (AWASM, FAusIMM) has over 25 years professional experience in underground mine design, planning and operations in Australia and Africa. During this time he has held senior technical and management positions. Since joining Snowden in 1996, he has consulted on a large number of mining projects in several countries. His areas of expertise include mining feasibility studies at all levels, underground mine planning and design, reserve estimation, mine operations management and project management. Mr Earl is a Fellow of the Australian Institute of Mining and Metallurgy and has the appropriate relevant qualifications, experience and competence to be considered a "Competent Person" as defined in the JORC Code.

Mr Ian Glacken (BSc (Hons), MSc, FAusIMM, MAIG, MGAA, CEng, DIC, CPGeo) has over 20 years experience in the mining industry, and worked with WMC Resources in senior mine geological and ore reserve positions at Kambalda, Olympic Dam, and in Perth, working and consulting on resource projects worldwide. Ian joined Snowden in March 1998 and has specialist skills which

include project management, resource estimation, due diligence and auditing, conditional simulation, sampling theory and applications, and reconciliation studies. Mr Glacken is a Fellow of the Australasian Institute of Mining and Metallurgy and a Chartered Professional and has the appropriate relevant qualifications, experience and competence to be considered a “Competent Person” as defined in the JORC Code.

The person responsible for the preparation of the geology, resource estimation and exploration sections of this report was David Princep (Consulting Geologist, H&S). Mr Princep (BSc, MAusIMM), is a professional geologist with 15 years experience including 13 years mining and laboratory experience in Australia and 2 years as an independent consultant based in Perth, Australia. Mr Princep joined H&S in August 2003 as a Consulting Geologist in its Perth office. He has been involved in resource estimations and independent reviews of precious and base metal projects throughout Australia and Africa. Mr Princep is a Member of the Australasian Institute of Mining and Metallurgy and has the appropriate relevant qualifications, experience and competence to be considered a “Competent Person” as defined in the JORC Code.

7 Bibliography

- De Almeida, C., 2004. Planos de Controle Ambiental da Mina Palito. Unpublished Company Report.
- CIA World Factbook, 2004: Brazil.
- Gurmendi, A. C., 2001: The Mineral Industry of Brazil, Updated March 16, 2004.
- Helmman & Schofield Pty Ltd, 2004: Resource Estimate of the Palito Deposit Tapajós Province, Brazil. Unpublished Company Report.
- Helmman & Schofield Pty Ltd, 2004: Independent Geology Report, Serabi Mining, Tapajós Province, Brazil. Unpublished Company Report.
- JORC, 2004: The 2004 Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code). Publication of the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
- Minerals Engineering Technical Services Pty Ltd, 2004: Palito Gold Project Due Diligence. Unpublished Company Report.
- Serabi Mining, 2004: Information Memorandum, Building a Brazilian Gold Mining Success. Unpublished Company Report.
- Serabi Mineração Ltda, 2003: Information Pack October 2003 Field Trip. Unpublished Company Report.
- Serabi Mineração Ltda, 2004: Licenses and Certificates to Operate (Portuguese). Unpublished Company Report.
- Serabi Mineração Ltda, 2004: Palito Mine Plan (in Portuguese). Unpublished Company Report.
- Santos J., Groves D., Hartmann L., Moura M., McNaughton N., 2001: Gold Deposits of the Tapajós and Alta Floresta Domains, Tapajós-Parima Orogenic Belt, Amazon Craton, Brazil. *Mineralium Deposita* (2001) 36:278-299.

**APPENDIX A SERABI MINERAÇÃO'S CONCESSIONS
(DECEMBER 2004)**

Serabi Mineração's tenements (December 2004)

Group	Tenement N°.	Area (Ha)	Name of Area	Locality
Jardim do Ouro Operations	850386/04	8295	Rio Novo-Jamxim	Between the Rio Novo and Jamxim Rivers, to the southeast of the Palito Project.
	850006/02	7920	Rio Novo	To the east of the Palito Project, this area is cut to the south by the Rio Novo river. It includes the Romero Garimpo.
	850175/03	3019.92	Palito	To the south-southeast of Jardim do Ouro and western margin of the Rio Novo. It includes the Coleta Garimpo.
	850192/02	703.82	Franja do Palito	Thin area between the Palito and Rio Novo areas.
	850643/03	4206	Jardim do Ouro	Between the Rio Novo and Jamxim Rivers, and the union of these two river systems. It includes the "Boca do Rio" and "Travessao do Nazario" Garimpos.
Tapajós Regional	850260/04	6533.87	Sucuba	Region of the headwaters of the Igarape Sucuba, adjacent to the northeastern limit of the Sao Chico area. It is cut by the Transgarimpeiro Highway. This area includes the Sucuba Garimpo.
	850042/4	9904.4	Castanheira	Between the Marupa and Crepori Rivers. At the headwaters of Igarape Castanheira, south of Sudario Village.
	850291/04	10,000	São Chico	Diagonally cut by the Garimpeiro Highway, 35km outside of Moraes de Almeida. This area includes the Sao Chico Garimpo.
	850387/04 850-431/04	9,357	Garimpo Ornifel-Sucuba	Between the Ornifel and Sucuba Garimpos and adjacent to the Sucuba and Igarape Salustiano areas.
	850388/04 850-430/04	8,813	Igarapé Salustiano	Region at the headwaters of the Igarape Salustiano (affluence of Tocantins River). It contains the Serra Alta and Ornifel Garimpos.
	850-432/04	4,667.75	Vale do Aruri	Located at the mouth of the river Aruri Grande and the Jamxim. On its margin is the Cuiaba - Santarem Highway (BR-163).
	850041/04	10,000	Jutai	Located on the Igarape Jutai, with the Transamazonica Highway (BR-230) on its margin. It is located in the Northeast portion of the Tapajós Gold Province.
	880-070/03	10,000	Pizon	At the headwaters of the Mandi River which, divides the states of Amazonas and Para. Located in the northeast of the Tapajós Gold Province.
	850-461/04	10,000	Modelo	Located on the Amana river in the NW of the Tapajós Gold Province. Has a landing strip a number of large garimpeiro workings.

APPENDIX B
GLOSSARY OF TECHNICAL TERMS

Abbreviations	km – kilometre, m – metre, M – million, g/t – grams per tonne, ppm – parts per million, AAS – atomic absorption spectroscopy, IP - induced polarisation
Adit	Horizontal excavation into the side of a hill.
Aeromagnetic(s)	A geophysical technique utilised from an airborne craft..
Alluvial	A term describing unconsolidated material deposited by stream or river.
Alteration	A change in mineralogical composition of a rock commonly brought about by reactions with hydrothermal solutions or by pressure changes.
Amphibolite	A metamorphic rock composed predominantly of amphibole and plagioclase.
Archaean	The oldest rocks of the Earth's crust - older than 2 400 million years.
Atomic Absorption Spectroscopy	Analytical technique.
Bulk density	The weight of a material divided by the volume it occupies (including pore spaces).
Chalcopyrite	A copper iron sulphide mineral, the most important ore of copper.
Chemical symbols	Ag – silver, Au – gold, Cu – copper
Colluvium	Loose soil or rock fragments accumulated by slow down-slope creep or rain-wash, as found at the base of slopes or hillsides.
Competent person	A person who is a Member or Fellow of The Australasian Institute of Geoscientists, or of a 'Recognised Overseas Professional Organisation' ('ROPO') included in a list promulgated from time to time.
Contact (geological)	The surface between two different rock types.
Development	Excavations used to access underground workings.
Diamond drilling	Method of obtaining a cylindrical core of rock by drilling with a diamond impregnated bit.
Dilution	Waste, low grade or undesirable material mined which is not part of the original Mineral Resource.
Dip	The angle at which rock stratum or structure is inclined from the horizontal.
Disseminated	Ore deposit consisting of fine particles of the ore mineral dispersed through the host rock.
Drill rig	Mechanical rock drilling equipment.
Fault	A fracture in rocks along which rocks on one side have been moved relative to the rocks on the other.
Ferruginous	Containing iron.

Fire Assay	Analytical technique that extracts precious metals under high temperatures in a furnace.
Footwall	The underlying side of a fault, orebody or mine workings.
Gabbro	A coarse grained intrusive rock, which is low in silica and has relatively high levels of magnesium minerals.
Gangue	The part of an ore deposit from which the metal is not extracted.
Garimpeiros	Artisinal miners
Garimpos	Mine working of artisinal miners, generally shallow in nature
Gossan	An iron-bearing weathered product that overlies a sulphide deposit.
Grade	g/t – grams per tonne, ppm – parts per million, ppb - parts per billion
Granite	A medium to coarse-grained felsic intrusive rock which contains 10% to 50% quartz.
Greenstone	A collective term for slightly altered mafic igneous rocks.
Hangingwall	The overlying side of a fault, orebody or mine workings.
Haematite	A mineral of iron, Fe ₂ O ₃ found as an accessory to igneous rocks.
Hydrothermal	A term applied to magmatic emanations rich in water and to the alteration products and mineral deposits produced by them.
Igneous	A rock that has solidified from molten material or magma.
Intrusion/Intrusive	A body of igneous rock that invades older rocks.
Inverse distance	A statistical method to estimate grade based on the distance of sample data from the point to be estimated.
JORC	The Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
Kriging	A statistical method developed by Prof. D. Krige used to improve the reliability of the estimated distribution of mineralisation in an orebody.
Lithology	A term pertaining to the general characteristics of rocks. It generally relates to descriptions based on hand sized specimens and outcrops rather than microscopic or chemical features.
Long hole	A long blast hole used in underground mining.
Mafic (composition)	Igneous rocks composed dominantly of iron and magnesium minerals.
Mesothermal	A term applied to a deposit formed at intermediate temperatures.
Metamorphism	The process by which changes are brought about in earth's

(metamorphic rocks)

crust by the agencies of heat, pressure and chemically active fluids.

Mineral Resource

A concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual 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. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories

An Inferred Mineral Resource is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

An Indicated Mineral Resource is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

A Measured Mineral Resource is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It 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. The locations are spaced closely enough to confirm geological and grade continuity.

Ore Reserve

The economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.

A Probable Ore Reserve is the economically mineable part of an Indicated, and in some circumstances, a Measured

	<p>Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.</p> <p>A Proved Ore Reserve is the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.</p>
Plunge	The inclination of a linear geological structure from the horizontal.
Primary	Un-oxidised rock.
Proterozoic	The Precambrian era after Archean.
Pyrite	Iron sulphide mineral.
Pyrrhotite	Iron sulphide mineral.
Regolith	The loose mantle of rock fragments, soil etc which overlies solid rock.
Reverse Circulation (RC) drilling	A method of drilling whereby rock chips are recovered by air flow returning inside the drill rods rather than outside, thereby providing usually reliable samples.
RL	Relative Level or elevation to some datum.
Rock drill and air leg	Pneumatic rock drilling equipment used in underground mining.
Rhyolite	Fine grained to glassy volcanic rock.
Saprolite	A weathered or decomposed, clay-rich rock.
Sedimentary rock	Rocks formed by deposition of particles carried by air, water or ice.
SG	Specific Gravity – Ratio of the mass of a body to the mass of an equal volume of water at a specified temperature using Archimedes principle.
Shaft	Vertical excavation used to access underground workings.
Shear zone	A generally linear zone of stress along which deformation has occurred by translation of one part of a rock body relative to another part.
Stratigraphy	The study of formation, composition and correlation of sedimentary rocks.
Stockworks	A network of veins.

Stoping	A method of extracting ore from underground mines.
Strike	The direction of bearing of a bed or layer of rock in the horizontal plane.
Stringer	A narrow vein or irregular filament of material transversing a rock mass of different material.
Sulphides	Minerals consisting of a chemical combination of sulphur with a metal.
Tailings	A generally fine grained waste product from the crushing and grinding of ore.
Variogram	A display of the relationship between differences in pairs of measurements and the distance of the corresponding points from each other.
Volcanics	Collective term for extrusive igneous rocks.
Wireframe	Three-dimensional vector surfaces produced on computers.

PART III

Risk Factors

In addition to the other relevant information in this Document, the Directors consider the following risk factors to be of particular relevance to the Company's activities and to any investment in the Company. It should be noted that this list is not exhaustive and that other risk factors may apply.

Any one or more of these risks could have a material adverse effect on the value of the Company and should be taken into account in assessing it.

The Company

Serabi Mining Plc was incorporated on 18 May 2004 and has only a limited operating history.

General exploration and extraction risks

There is no certainty that the Company will identify commercially recoverable reserves in the Province. The Company is currently in the early stages of exploration. The exploration for and development of mineral deposits involves significant uncertainties and the Company's operations will be subject to all of the hazards and risks normally encountered in such activities. These hazards and risks include unusual and unexpected geological formations, rock falls, flooding and other climatic conditions, any one of which could result in damage to, or destruction of, the Company's facilities, damage to life or property, environmental damage or pollution and legal liability which could have a material adverse impact on the business, operations and financial performance of the Company. Although precautions to minimise risk will be taken, even a combination of careful evaluation, experience and knowledge may not eliminate all of the hazards and risks.

As is common with all exploration ventures, there is also uncertainty and therefore risk associated with the Company's operating parameters and costs which can be difficult to predict and are often affected by factors outside the Company's control. Few properties which are explored are ultimately developed into producing assets. There can be no guarantee that the estimates of quantities and grades of gold and minerals disclosed will be available to extract. With all natural resources operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions. Natural resources exploration is speculative in nature and there can be no assurance that any potential gold and minerals deposits will be discovered.

Economic, political, judicial, administrative, taxation or other regulatory factors

The Company may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, in the areas in which the Company operates and holds its major assets.

Legal and regulatory environment

There is no guarantee that if the Company applies for a mining licence in respect of minerals it has discovered that it will be granted a mining licence. There is no guarantee of the terms of any mining licence. The exploration and extraction activities of the Company are subject to various laws governing prospecting, development, production taxes, labour standards and occupational health, site safety, toxic substances and other matters. Although the Directors believe that the Company's exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing or future rules and regulations will not be applied in a manner which could limit or curtail exploration, production or development. Amendments to current laws and regulations governing operations and activities of exploration and extraction, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Company.

Volatility of price of gold and minerals

The market price of gold and minerals is volatile and is affected by numerous factors which are beyond the Company's control. These include international supply and demand, the level of consumer product demand, international economic trends, currency exchange rate fluctuations, the level of interest rates, the rate of inflation, global or regional political events and international events as well as a range of other market forces. Sustained downward movements in gold and minerals market prices could render less economic, or uneconomic, some or all of the exploration activities to be undertaken by the Company.

Environmental issues

The Company's exploration and extraction activities are subject to various laws and regulations relating to the protection of the environment. The operations of the Company may require approval by relevant environmental authorities. Whilst the Company intends to continue to operate in accordance with such laws and regulations, a breach of such laws and regulations may result in the imposition of fines and penalties or shut-down of operations, and no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration, production or development. Amendments to the current laws and regulations governing the protection of the environment, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Company.

Royalty rates

The level of any royalties payable to the Brazilian Government in respect of the production of gold or minerals may be varied at any time as a result of changing legislation.

Operational considerations

The Company's operational targets are subject to the completion of planned operational goals on time and according to budget, and are dependent on the effective support of the Company's personnel, systems, procedures and controls. Any failure of these may result in delays in the achievement of operational targets with a consequent material adverse impact on the business, operations and financial performance of the Company. Unscheduled interruptions in the Company's operations due to mechanical or other failures or adverse weather conditions or industrial relations related issues or problems or issues with the supply of goods or services could have a serious impact on the financial performance of those operations.

Project development risks

There can be no assurance that the Company will be able to manage effectively the expansion of its operations or that the Company's current personnel, systems, procedures and controls will be adequate to support the Company's operations. Any failure of management to manage effectively the Company's growth and development could have a material adverse effect on the Company's business, financial condition and results of operations. There is no certainty that all or, indeed, any of the elements of the Company's current strategy will develop as anticipated.

Labour

Certain of the Company's operations are carried out under potentially hazardous conditions. Whilst the Company intends to continue to operate in accordance with relevant health and safety regulations and requirements, the Company remains susceptible to the possibility that liabilities might arise as a result of accidents or other workforce-related misfortunes, some of which may be beyond the Company's control.

Dependence on key personnel

The Company has a small management team and the loss of any key individual could affect the Company's business. The Company will investigate key man insurance policies for such key individuals and employees as and when appropriate post Admission.

Litigation

Legal proceedings may arise from time to time in the course of the Company's business. The Directors cannot preclude that litigation may be brought against the Company.

Currency risk

The expenditures made by the Company are subject to exchange rate fluctuations and any potential income may become subject to exchange control or similar restrictions. Most of the Company's operations are currently conducted in Brazilian Reals, US dollars, Australian dollars or Pounds Sterling.

Additional requirements for capital

Substantial additional financing may be required if the Company is to be successful pursuing its ultimate strategy. No assurances can be given that the Company will be able to raise the additional finance that it may require for its anticipated future operations. Mineral prices, environmental rehabilitation or restitution, revenues, taxes, transportation costs, capital expenditures, operating expenses and geological results are all factors which will have an impact on the amount of additional capital that may be required. Any additional equity financing may be dilutive to Shareholders and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, forfeit its interest in some or all of its properties and licences, incur financial penalties or reduce or terminate its operations.

Uninsured risks

The Company, as a participant in exploration and potential extraction activities, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs. Furthermore, the Company may incur a liability to third parties (in excess of any insurance cover) arising from negative environmental impact or other damage or injury.

Market perception

Market perception of small extraction and exploration companies may change, potentially affecting the value of investors' holdings and the ability of the Company to raise further funds by the issue of further Ordinary Shares or otherwise.

AIM and the liquidity of the Ordinary Shares

Admission to AIM does not guarantee that there will be a liquid market for Ordinary Shares. An active public market for Ordinary Shares may not develop or be sustained after Admission and the market price may fall below the price of which Ordinary Shares are placed under the Placing. An investment in the Ordinary Shares may thus be difficult to realise. Investors may, on disposing of Ordinary Shares, realise less than their original investment or may lose their entire investment. The Ordinary Shares may, therefore, not be suitable as a short-term investment. In addition, the market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets. The price at which the Ordinary Shares will be traded and the price at which investors may realise their Ordinary Shares will be influenced by a large number of factors, some specific to the Company and its proposed operations, and some which may affect the business sectors in which the Company operates. Such factors could also include the performance of the Company's operations, large purchases or sales of the Ordinary Shares, liquidity or the absence of liquidity in the Ordinary Shares, legislative or regulatory changes relating to the business of the Company and general economic conditions.

Possible volatility of the price of the Ordinary Shares

Following Admission the market price of the Ordinary Shares could be subject to significant fluctuations due to various factors and events, including any regulatory or economic changes affecting the Company's operations, variations in the Company's operating results, the price of

minerals, developments in the Company's business or its competitors, or to changes in market sentiment towards the Ordinary Shares. The Company's operating results and prospects from time to time may be below the expectations of market analysts and investors. In addition, stock markets from time to time suffer significant price and volume fluctuations that affect the market prices for securities and which may be unrelated to the Company's operating performance. Any of these events could result in a decline in the market price of the Ordinary Shares.

Taxation framework

The tax rules, including stamp duty provisions, and their interpretation relating to an investment in the Company may change during the life of the Company. The levels of, and reliefs from, taxation may change. The tax reliefs referred to in this Document are those currently available and their value depends on the individual circumstances of investors. Any change in the Company's tax status or the tax applicable to holding Shares or in taxation legislation or its interpretation, could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this Document concerning the taxation of the Company and its investors are based upon current tax law and practice which is, in principle, subject to change. In addition the taxation regime applicable in Brazil may change and could have an adverse impact on the after-tax profits available to the Company in the future.

Forward looking statements

Certain statements within this document, including those in the part of this document under the heading "Information about the Group", constitute forward looking statements. Such forward looking statements involve risks and other factors which may cause the actual results, achievements or performance of the Company to be materially different from any future results, achievements or performance expressed or implied by such forward looking statements. Such risks and other factors include, but are not limited to, general economic and business conditions, changes in government regulation, currency fluctuations, the Company's ability to further its intended strategy, competition, changes in development plans and the other risks described in this Part III. There can be no assurance that the results and events contemplated by the forward looking statements contained in this document will, in fact, occur. These forward looking statements reflect intentions only as at the date of this document. The Company will not undertake any obligation to release publicly any revisions to these forward looking statements to reflect events, circumstance or unanticipated events occurring after the date of this document except as required by law or by regulatory authority.

Title

There is no assurance that the interests of the Group in its properties will not be challenged or impugned.

Estimates of Resources, Mineral Deposits and Production Costs

Although the deposit figures included in this document have been carefully prepared by the Company and its consultants these amounts are estimates only and no assurance can be given that any particular level of recovery of gold or other mineral will in fact be realised.

Estimates of mineral deposits and production costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of ore ultimately mined may differ from that indicated by drilling results. Short term factors relating to resources, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on mining operations and on the results of operations. Material changes in resources, grades or recovery rates may affect the economic viability of the Company's projects.

Resources are reported as general indicators of mine life. Resources should not be interpreted as assurances of mine life or of the profitability of future operations. There is a degree of uncertainty attributable to the calculation of resources and corresponding grades being mined or dedicated to

future production. Until ore is actually mined and processed, resources and grades must be considered to be estimates only. In addition, the quantity of resources may vary depending on mineral prices. Any material change in resources, grades or stripping ratios will affect the economic viability of the projects.

Competition

All aspects of the mineral and mining business are competitive. The Company competes with many other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and acquisition of attractive mining properties. The ability of the Company to acquire properties in the future may depend not only on its ability to develop its current properties but also on its ability to select and acquire other suitable properties or prospects for mineral exploration and development. There is no assurance that the Company will be able to compete successfully with its competitors in acquiring such properties or prospects.

Financing Risks

The Company will acquire substantial additional funding in order to maintain its property interests and to continue with ongoing exploration and development work on those properties. In addition, in the event that the Company acquires additional property interests it will likely be necessary for the Company to obtain additional funding to finance such acquisitions or exploration and development work on such properties. The Company has also entered into a number of contractual commitments with respect to certain of its consultants. The Company has limited financial resources and there is no assurance that additional funding will be available to it as required for current or other projects which it may acquire to fulfil its contractual obligations under applicable agreements. Although the Company has been successful in obtaining financing through the sale of equity securities there is no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or postponement of further exploration and development on the Company's current property interests or those property interests which the Company may acquire. The failure to obtain additional funding as required may also result in the possible dilution or loss of the Company's interest in its current properties or other property interests or expose the Company to litigation and liability for failure to meet its contractual commitments under applicable agreements.

It may be necessary or desirable for the Company to enter into a joint venture, operating or other form of partnership arrangement with an established and experienced mine operator in order to fully exploit any material deposit which may be ultimately developed at its properties or any other property interest which the Company acquires. There is no assurance that the Company will be able to enter into such an arrangement or whether any such arrangement will be on favourable terms to the Company or whether such arrangement will not result in significant dilution to the Company.

Conflicts of Interest

The Directors and officers of the Company may serve as directors or officers of other resource companies or have significant shareholdings in other resource companies. Situations may arise in connection with potential acquisitions and investments where the other interests of these directors or officers may conflict with the interests of the Company. The Directors will primarily consider the degree or risk to which the Company may be exposed and its financial position and resources at that time in determining whether the Company will participate in a particular programme or acquisition and the interest to be acquired by it.

General

The risks noted above do not necessarily comprise all those potentially faced by the Company and are not intended to be presented in any assumed order of priority.

Although the Directors will seek to minimise the impact of the Risk Factors, an investment in the Company should only be made by investors able to sustain a total loss of their investment. Investors are strongly recommended to consult an investment adviser authorised under the Financial Services and Markets Act, 2000 who specialises in investments of this nature before making any decision to invest.

PART IV
Accountants' Reports

The following is the text of the reports received from the Company's reporting accountants:

A Serabi Mining plc



Accountants and business advisors
Farringdon Place 20 Farringdon Road EC1M 3AP

The Directors
Serabi Mining plc
78 Cannon Street
London EC4N 6NQ

and

The Directors
KBC Peel Hunt Ltd
111 Old Broad Street
London EC2N 1PH

and

The Directors
Ambrian Partners Limited
13th Floor
88 Wood Street
London EC2V 7RS

29 April 2005

Dear Sirs

SERABI MINING PLC ("THE COMPANY")

We report on the financial information of the Company set out below. This financial information has been prepared for inclusion in the admission document of the Company dated 29 April 2005.

Basis of preparation

The financial information set out in this report is based on the audited non-statutory financial statements of the Company for the period from incorporation to 31 January 2005 and has been prepared on the basis set out in this report, to which no adjustments were considered necessary.

The financial information set out in this report relates to the Company only and does not consolidate the results of its subsidiaries. Consolidated financial information for Moonlight Express Holdings Limited and its subsidiary, Serabi Mineraçao Limitada, is set out in section B of Part IV of this document.

Responsibility

Such financial statements are the responsibility of the Directors of the Company who approved their issue.

The Directors of the Company are responsible for the contents of the Admission Document dated 29 April 2005 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

PKF of Farringdon Place, 20 Farringdon Road, London, EC1M 3AP were the auditors of the Company for the period from incorporation to 31 January 2005.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the admission document dated 29 April 2005, a true and fair view of the state of affairs of the Company as at the date stated and of its results for the period then ended.

Consent

We consent to the inclusion in the admission document dated 29 April 2005 of this report and accept responsibility for this report for the purposes of paragraph 45 (1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

Accounting policies

General

The financial statements are for the period from incorporation to 31 January 2005 and as a result, there is no comparative information.

Accounting convention

The financial statements have been prepared in accordance with the historical cost convention and applicable United Kingdom Accounting Standards.

Group accounts

These accounts present information about the Company as an individual undertaking. The Company is not required to prepare group accounts as the group it heads qualifies as medium sized as defined in section 246 of the Companies Act 1985.

Going concern

The Company is at an early stage of development. It has limited cash resources and its success will depend largely upon the outcome of future mining development at the Palito Mine operated by Serabi Mineração Ltda, the Company's subsidiary, in Brazil, which in turn impacts on the carrying value of the Company's investment in its subsidiaries and recoverability of loans made thereto.

In common with many resource companies the Company raises funds in discrete tranches. Since the period end the Company has raised a further £2,000,000 (note (xii)) in seed capital. The proceeds of the placing to be completed as part of the Company's proposed admission to AIM are considered by the Directors to be sufficient to achieve full commercial production of the Palito Mine and further exploration of the surrounding area.

The Directors believe they have considered all relevant information and have concluded that it is appropriate to prepare these financial statements on the going concern basis. The financial statements do not include any adjustments that may be required if the funds are not available or if the trading plans were not materially achieved.

Investments

Investments are stated at cost less provision for impairment.

Translation of foreign currency transactions

The Company has adopted the US dollar as its functional reporting currency as the bulk of its revenues are anticipated to be linked to the US dollar. Transactions in currencies other than US dollars are translated at the rates prevailing at the dates of the transactions. Assets and liabilities denominated in other currencies are translated at the rates ruling at the balance sheet date. Gains or losses are reflected in the profit and loss account.

The US dollar/sterling exchange rate at 31 January 2005 was 1.8861.

Deferred taxation

Deferred tax arises, in accordance with FRS 19, when items are recognised for tax purposes in periods that differ from the periods in which the items are recognised for accounting purposes. An asset is only recognised to the extent that its recovery is deemed probable. The asset should be regarded as recoverable to the extent that on the basis of all available evidence it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on a non discounted basis at the tax rates that are expected to apply in the period in which timing differences reverse, based on tax rates and laws substantially enacted at the balance sheet date.

Profit and loss account

		<i>Period ended 31 January 2005</i>
	<i>Note</i>	<i>\$</i>
Administrative expenses		56
Other expenses		—
Operating loss	(i)	(56)
Net interest and similar charges		1,801
Profit for period on ordinary activities before taxation		1,745
Tax on profit on ordinary activities	(ii)	524
Retained profit for the period after taxation	(viii)	1,221

All amounts relate to continuing operations.

There were no recognised gains or losses other than the profit for the period.

Balance sheet

	Note	As at 31 January 2005 \$
Fixed assets		
Investments	(iii)	12,883,375
Current assets		
Debtors	(iv)	116,451
Cash at bank and in hand		58,920
		<u>175,371</u>
Creditors: amount falling due within one year	(v)	318,814
Net current liabilities		<u>(143,443)</u>
Total assets less current liabilities		<u>12,739,932</u>
Creditors: amounts falling due in more than one year		<u>—</u>
Net assets		<u><u>12,739,932</u></u>
Capital and reserves		
Called up share capital	(vi)	11,249,596
Share premium account	(vii)	1,489,115
Profit and loss account	(viii)	<u>1,221</u>
Equity shareholders' funds	(ix)	<u><u>12,739,932</u></u>

Notes to the financial information

(i) Operating loss

There were no employees during the period and subsequently no staff costs have been incurred.

The Directors of the Company have been paid by Moonlight Express Holdings Limited, a wholly owned subsidiary. Total directors' emoluments paid for by Moonlight Express Holdings Limited on behalf of the Company in the period totalled \$150,576. See note (x) for further details.

Foreign exchange differences arising in the period have been borne by a subsidiary undertaking.

(ii) Taxation

	<i>Period ended 31 January 2005 \$</i>
UK corporate taxation on profits for the period	524
Total current tax	<u>524</u>

There is no difference between the tax assessed on the profit on ordinary activities for the year and the profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30 per cent.

(iii) Investments

<i>Investment in controlled entities</i>	<i>Shares in Subsidiary Undertaking \$</i>	<i>Loans to Subsidiary Undertakings \$</i>	<i>Period ended 31 January 2005 \$</i>
Cost			
Additions	1	12,883,374	12,883,375
At 31 January 2005	<u>1</u>	<u>12,883,374</u>	<u>12,883,375</u>

The loans to subsidiary entities are non-interest bearing and there are no fixed terms of repayment.

<i>Name</i>	<i>Country of incorporation and operation</i>	<i>Percentage of equity interest held in controlled entity %</i>	<i>Principal activity</i>
Moonlight Express Holdings Limited	British Virgin Islands	100	Holding company
Serabi Mineração Ltda	Brazil	99.98*	Exploration and mining of gold and copper

* indirectly held

Moonlight Express Holdings Limited was acquired on 14 July 2004 for a consideration of US\$1.

Consolidated financial information in respect of Moonlight Express Holdings Limited and Serabi Mineração Ltda is set out in section B of Part IV of this document.

(iv) Receivables

	<i>At 31 January 2005 \$</i>
Due in less than one year	
Prepayments	<u>116,451</u>

(v) *Creditors*

	<i>At 31 January 2005 \$</i>
Amounts falling due in less than one year	
Amounts owed to subsidiary undertaking	170,478
Corporation tax	524
Other creditors	147,812
	<u>318,814</u>

Other creditors comprises liabilities which are due to be converted into ordinary shares in the Company with a par value of 10 pence.

(vi) *Called up share capital*

	<i>2005 Number</i>	<i>£</i>
Authorised:		
Ordinary shares of £0.10	80,000,000	8,000,000
Allotted, called up and fully paid:		
On incorporation	1	1
Issued during the period	67,063,692	11,249,595
At 31 January 2005	<u>67,063,693</u>	<u>11,249,596</u>

There have been the following changes in the authorised and issued share capital of the Company since incorporation:

1. on 18 May 2004, 1 Ordinary Share was issued for cash at par as the original subscriber share;
2. on 14 July 2004, 1,809,373 Ordinary Shares were issued for cash at par in accordance with the terms of the Company's salary sacrifice scheme;
3. on 14 July 2004, 16,435,639 Ordinary Shares were issued for cash at par;
4. on 19 October 2004, 1,066,667 Ordinary Shares were issued for cash at 15p per Ordinary Share;
5. on 19 October 2004, 30,249,690 Ordinary Shares were issued for cash at par;
6. on 19 October 2004, 193,255 Ordinary Shares were issued for cash at par in accordance with the terms of the Company's salary sacrifice scheme;
7. on 25 October 2004, 429,702 Ordinary Shares were issued for cash at par;
8. on 29 October 2004, 1,686,175 Ordinary Shares were issued for cash at 15p per Ordinary Share;
9. on 5 November 2004, 502,277 Ordinary Shares were issued for cash at par;
10. on 10 November 2004, 445,150 Ordinary Shares were issued for cash at par;
11. on 10 November 2004, 81,219 Ordinary Shares were issued for cash at 15p per Ordinary Share;
12. on 19 November 2004, 197,500 Ordinary Shares were issued for cash at par;
13. on 24 November 2004, 3,333,334 Ordinary Shares were issued for cash at 15p per Ordinary Share;
14. On 17 December 2004, 6,823,871 Ordinary Shares were issued for cash at 15p per Ordinary Share;
15. on 21 January 2005, 3,709,840 Ordinary Shares were issued for cash at 15p per Ordinary Share;
16. on 31 January 2005, 100,000 Ordinary Shares were issued for cash at 15p per Ordinary Share.

(vii) *Share premium account*

	<i>At 31 January 2005 \$</i>
Opening balance	—
Issue of share capital	1,543,141
Share issue costs incurred in the period	(54,026)
At 31 January 2005	<u>1,489,115</u>

(viii) *Profit and loss account*

	<i>At 31 January 2005 \$</i>
Retained profit for the period	1,221
At 31 January 2005	<u>1,221</u>

(ix) *Reconciliation of movements in shareholders' funds*

	<i>Period ended 31 January 2005 \$</i>
Profit for the period	1,221
Issue of ordinary share capital	12,738,711
Net increase in shareholders' funds for the period	<u>12,739,932</u>

(x) *Related party transactions*

During the period, McRae Investments Pty Ltd, a company related to a director of Serabi Mining Limited (Serabi), William Clough, loaned a total of £2,284,708 to Serabi Mining Limited and its controlled entities (Serabi Group). An agreement was entered into during the period between William Clough and the Company, whereby this loan was converted into 22,847,076 ordinary 10 pence shares in Serabi. In addition McRae Investments Pty Ltd subscribed for 4,452,575 shares at 15 pence, totalling to £667,886.

During the period, WM Clough Pty Ltd, a company related to William Clough, loaned a total of £1,693,792 to the Serabi Group. An agreement was entered into during the period between William Clough and the Company, whereby this loan was converted into 16,937,917 ordinary 10 pence shares in Serabi. In addition WM Clough Pty Ltd subscribed for 81,219 shares at 15 pence, totalling to £12,183.

WM Clough Pty Ltd, a company related to William Clough, entered into a Sale Agreement with Serabi dated 14 July 2004, whereby WM Clough Pty Ltd agreed to sell the only issued share in Moonlight Express Holdings Limited to Serabi for a consideration of \$1. As a result, Moonlight Express Holdings Limited became a wholly owned subsidiary of Serabi as at this date.

William Clough has entered into an employment contract with Serabi under which he receives AUD\$7,000 per month remuneration from the date of incorporation until such time as the Company becomes listed on the AIM. This remuneration is to be received in ordinary 10 pence shares in Serabi. Services provided by William Clough in the period relate to other entities in the Serabi Group and the remuneration for these services totalling USD \$43,036 has been recorded by Moonlight Express Holdings Limited.

Graham Roberts Limited, an entity related to the director Graham Roberts, has entered into a contract with Serabi whereby it receives £5,000 per month in advance, for the consultancy services provided by Graham Roberts. Services provided by Graham Roberts in the period relate to other entities in the Serabi Group and the remuneration for these services totalling USD \$107,540 has been recorded by Moonlight Express Holdings Limited.

During the year, the Company advanced to Moonlight Express Holdings Limited, a subsidiary, an amount of \$12,883,374 to fund the activities of that company. This amount remained unpaid at 31 January 2005. The Company has promised to provide its support to Moonlight Express Holdings Limited, to enable it to continue trading in the future.

Moonlight Express Holdings Limited also paid expenses of Serabi Mining Limited amounting to \$170,478. This amount remained unpaid at 31 January 2005.

(xi) *Operating lease commitments*

The following are the annual commitments under non-cancellable operating leases:

	<i>Land and Buildings</i> \$
Leases which expire:	
Within one year	<u>9,000</u>

(xii) *Post balance sheet events*

Subsequent to 31 January 2005, the Company has raised a further £2,000,000 in seed capital contributions. Shares with a par value of 10 pence each, have been issued at 25 pence a share to the seed investors in relation to the funds raised.

Yours faithfully

PKF

B Moonlight Express Holdings Limited



Accountants and business advisors

Farringdon Place 20 Farringdon Road EC1M 3AP

The Directors
Serabi Mining plc
78 Cannon Street
London
EC4N 6NQ

and

The Directors
KBC Peel Hunt Ltd
111 Old Broad Street
London
EC2N 1PH

and

The Directors
Ambrian Partners Limited
13th Floor
88 Wood Street
London
EC2V 7RS

29 April 2005

Dear Sirs

MOONLIGHT EXPRESS HOLDINGS LIMITED (“MOONLIGHT”)

We report on the financial information of Moonlight and its subsidiary (together, the “Moonlight Group”) set out below. This financial information has been prepared for inclusion in the admission document of Serabi Mining plc (the “Company”) dated 29 April 2005.

Basis of preparation

The financial information set out in this report is based on the audited consolidated financial statements of the Moonlight Group for the three years ended 31 December 2002, 2003 and 2004 and has been prepared on the basis set out in this report, to which no adjustments were considered necessary.

Responsibility

Such financial statements are the responsibility of the Directors of Moonlight who approved their issue.

The Directors of the Company are responsible for the contents of the admission document dated 29 April 2005 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

PKF of Level 7, BGC Centre, 28 The Esplanade, Perth, Western Australia were the auditors of Moonlight for the three years ended 31 December 2002, 2003 and 2004. PKF (Walter Heuer) were the auditors of Serabi Mineração Ltda for the three years ended 31 December 2002, 2003 and 2004.

Basis of opinion

We conducted our work in accordance with the Statements of Admission document Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the Moonlight Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the admission document dated 29 April 2005, a true and fair view of the state of affairs of the Moonlight Group as at the dates stated and of its results for the years then ended.

Consent

We consent to the inclusion in the admission document dated 29 April 2005 of this report and accept responsibility for this report for the purposes of paragraph 45 (1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

Accounting policies

Basis of accounting

The financial statements are drawn up under the historical cost convention, and comply with applicable accounting standards.

The Moonlight Group's accounts are prepared in US Dollars. The Directors of Serabi consider that this is the Group's functional currency.

Going Concern

As at 31 December 2004, the consolidated entity has a deficiency of assets to liabilities of \$2,431,081.

The financial statements have been prepared on the going concern basis that contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The going concern of the company and the consolidated entity is dependent upon the continued pledged financial support and funding from its ultimate parent entity, Serabi Mining plc.

Consolidation

The Company has one subsidiary, Serabi Mineração Ltda, a company incorporated in Brazil whose activity is the exploration and development of gold resource properties. This company was acquired by Moonlight Express Holdings Limited on incorporation on 1 December 2000.

Serabi Mineração Ltda has been fully consolidated in these financial statements.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

Turnover

Turnover represents amounts receivable in respect of sales of gold, copper and other minerals and 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. Turnover is stated net of any applicable sales taxes.

Exploration of Mineral Properties

All costs related to the exploration of mineral properties are capitalised and deferred until either the properties are brought into commercial production, at which time they are depleted on a unit of production basis, or until the properties are sold, allowed to lapse or abandoned, at which time they are charged to the profit and loss account.

Deferred assets refer to accumulated pre-operating results computed through the following recognition criterion: Pre-operating revenues are recognised when the product is delivered and the invoice is issued; pre-operating expenses and costs are recognised on the accrual basis.

Land reclamation/environmental remediation costs

The expected cost of any approved decommissioning or restoration programme, discounted to its net present value, is provided and capitalised at the beginning of each development project. The capitalised cost is amortised over the life of the operation and the increase in net present value of the provision for the expected cost is included within interest payable and similar items.

Receivables

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at the balance sheet date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful accounts.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are allocated on an average basis and include direct material, labour, related transportation costs to the point of sale and other fixed and variable overhead costs directly related to mining activities. Net realisable value is the estimated selling price in the ordinary course of business, after deducting the costs of marketing, selling and distribution to customers.

Translation of foreign currency transactions

The group has adopted the US dollar as its functional reporting currency as the bulk of its revenues are anticipated to be linked to the US dollar. Transactions in currencies other than US dollars are translated at the rates prevailing at the dates of the transactions. Assets and liabilities denominated in other currencies are translated at the rates ruling at the balance sheet date. Gains or losses are reflected in the profit and loss account.

Deferred taxation

Deferred tax arises, in accordance with FRS 19, when items are recognised for tax purposes in periods that differ from the periods in which the items are recognised for accounting purposes. An asset is only recognised to the extent that its recovery is deemed probable. They should be regarded as recoverable to the extent that on the basis of all available evidence it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on a non discounted basis at the tax rates that are expected to apply in the period in which timing differences reverse, based on tax rates and laws substantially enacted at the balance sheet date.

Plant and equipment

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write off the cost of the assets over their useful lives as follows:

<i>Mining assets</i>	Processing plant	3 – 7 years
	Other plant and assay equipment	2 – 10 years
	Heavy vehicles	8 years
	Light vehicles	3 years
<i>Land and buildings</i>		10 – 20 years

<i>Other assets</i>	Furniture and fittings	5 years
	Office equipment	4 years
	Communications installations	5 years
	Computers	3 years

Accounts payable

Trade accounts payable, amounts owing to related parties and other payables and accrued liabilities represent the principle amounts outstanding at the balance sheet date plus, where applicable, any accrued interest.

Lease Payments

Payments made under operating leases are charged to the profit and loss account as incurred. The company does not have any finance leases.

Consolidated Profit and Loss account

		<i>Year ended</i> <i>31 December</i> <i>2004</i>	<i>Year ended</i> <i>31 December</i> <i>2003</i>	<i>Year ended</i> <i>31 December</i> <i>2002</i>
	<i>Note</i>	\$	\$	\$
Turnover	(i)	374,310	374,412	60,565
Cost of sales		<u>(255,913)</u>	<u>(264,458)</u>	<u>(42,395)</u>
Gross profit		118,397	109,954	18,170
Administrative expenses		(307,546)	(193,704)	(50,193)
Other expenses		<u>(1,002,656)</u>	<u>(323,414)</u>	<u>(495,138)</u>
Operating loss	(ii)	(1,191,805)	(407,164)	(527,161)
Net interest and similar charges		<u>559</u>	<u>—</u>	<u>—</u>
Loss from ordinary activities before taxation		(1,191,246)	(407,164)	(527,161)
Tax on profit/loss on ordinary activities	(iii)	<u>(31,246)</u>	<u>(22,210)</u>	<u>(3,592)</u>
Loss after taxation		<u><u>(1,222,492)</u></u>	<u><u>(429,374)</u></u>	<u><u>(530,753)</u></u>

All amounts relate to continuing operations.

There were no recognised gains or losses other than the loss for the periods.

Consolidated Balance Sheet

		<i>Year ended</i> <i>31 December</i> <i>2004</i>	<i>Year ended</i> <i>31 December</i> <i>2003</i>	<i>Year ended</i> <i>31 December</i> <i>2002</i>
	<i>Note</i>	\$	\$	\$
Fixed assets				
Intangible assets – deferred exploration costs	(iv)	7,596,551	2,712,580	1,004,063
Tangible assets	(v)	2,939,827	1,356,961	430,901
		<u>10,536,378</u>	<u>4,069,541</u>	<u>1,434,964</u>
Current assets				
Cash at bank and in hand		363,604	274,166	81,398
Inventories	(vi)	201,284	—	—
Debtors due within one year	(vii)	1,388	1,388	255,186
		<u>566,276</u>	<u>275,554</u>	<u>336,584</u>
Creditors: amounts falling due within one year	(viii)	<u>(731,246)</u>	<u>(300,138)</u>	<u>(62,003)</u>
Net current assets		<u>(164,970)</u>	<u>(24,584)</u>	<u>274,581</u>
Total assets less current liabilities		<u>10,371,408</u>	<u>4,044,957</u>	<u>1,709,545</u>
Creditors: amounts falling due in more than one year	(viii)	(12,644,261)	(5,097,794)	(2,420,835)
Provisions for liabilities and charges	(ix)	<u>(158,228)</u>	<u>(155,752)</u>	<u>(67,925)</u>
Net assets/(liabilities)		<u>(2,431,081)</u>	<u>(1,208,589)</u>	<u>(779,215)</u>
Capital and reserves				
Called up share capital	(x)	1	1	1
Profit and loss account	(xi)	<u>(2,431,082)</u>	<u>(1,208,590)</u>	<u>(779,216)</u>
Equity shareholders' funds		<u>(2,431,081)</u>	<u>(1,208,589)</u>	<u>(779,215)</u>

Statement of total recognised gains and losses and reconciliation of movements in shareholders' funds

	<i>Year ended 31 December 2004 \$</i>	<i>Year ended 31 December 2003 \$</i>	<i>Year ended 31 December 2002 \$</i>
Statement of total recognised gains and losses			
Loss for the financial period	(1,222,492)	(429,374)	(530,753)
Total recognised gains and losses	<u>(1,222,492)</u>	<u>(429,374)</u>	<u>(530,753)</u>
Reconciliation of movements in shareholders' fund			
Total recognised gains and losses	(1,222,492)	(429,374)	(530,753)
New capital subscribed	<u>—</u>	<u>—</u>	<u>—</u>
New change in shareholders' funds	<u>(1,222,492)</u>	<u>(429,374)</u>	<u>(530,753)</u>
Opening shareholders' funds	(1,208,589)	(779,215)	(248,462)
Closing shareholders' funds	<u><u>(2,431,081)</u></u>	<u><u>(1,208,589)</u></u>	<u><u>(779,215)</u></u>

Notes to the financial statements

(i) *Turnover*

Turnover is derived from the single principal activity of mining, mineral processing and dealing in metals, principally gold. All proceeds are receivable in the ordinary course of business and are recorded exclusive of Value Added Tax.

(ii) *Profit/(loss) from ordinary activities*

	<i>Year ended 31 December 2004 \$</i>	<i>Year ended 31 December 2003 \$</i>	<i>Year ended 31 December 2002 \$</i>
Operating loss is stated after charging/(crediting):			
Depreciation of tangible fixed assets	8,847	2,954	—
Net foreign currency difference loss/(gain)	(215,021)	18,764	113,931

(iii) *Taxation*

For the three years ended 31 December 2004, Serabi Mineração Ltda has elected to pay tax based on a percentage of its sales. The tax charged in the year ended 31 December 2004 was \$31,246 (2003: \$22,210; 2002: \$3,592).

(iv) *Intangible Assets – Deferred Exploration Costs*

	<i>Deferred Exploration Costs \$</i>
Cost and net book value	
At 1 January 2002	415,107
Additions	588,956
At 31 December 2002	1,004,063
Additions	1,708,517
At 31 December 2003	2,712,580
Additions	4,883,971
At 31 December 2004	<u>7,596,551</u>

(v) *Tangible fixed assets*

	<i>Machinery and Equipment at cost \$</i>	<i>Operational Buildings at valuation \$</i>	<i>Land At cost \$</i>	<i>Total \$</i>
Cost				
At 1 January 2002	143,805	45,351	48,453	237,609
Additions	67,591	35,256	104,350	207,197
At 31 December 2002	211,396	80,607	152,803	444,806
Additions	531,660	167,379	258,231	957,270
At 31 December 2003	743,056	247,986	411,034	1,402,076
Additions	757,565	538,424	371,011	1,667,000
At 31 December 2004	1,500,621	786,410	782,045	3,069,076
Accumulated Depreciation				
At 1 January 2002	—	—	—	—
Charge for the period	13,905	—	—	13,905
At 31 December 2002	13,905	—	—	13,905
Charge for the period	31,210	—	—	31,210
At 31 December 2003	45,115	—	—	45,115
Charge for the period	84,134	—	—	84,134
At 31 December 2004	129,249	—	—	129,249
Net book value				
At 31 December 2002	197,491	80,607	152,803	430,901
At 31 December 2003	697,941	247,986	411,034	1,356,961
At 31 December 2004	1,371,372	786,410	782,045	2,939,827

Due to the lack of available historical cost records for the construction of operational buildings, these are stated at valuation amounts based on depreciated replacement cost in lieu of cost. The valuation was undertaken by Miguel A.B. Menezes, a civil engineer registered at the Institute of Engineering (no CREA – 44.099-0), who is external to the Group, in December 2004. The Directors do not consider that this represents the adoption of a policy of carrying certain assets at valuation amount rather than cost.

(vi) *Inventories*

	<i>At 31 December 2004 \$</i>	<i>At 31 December 2003 \$</i>	<i>At 31 December 2002 \$</i>
Inventories – spare parts	84,250	—	—
Inventories – processed bullion and concentrate	117,034	—	—
	201,284	—	—

(vii) *Receivables: due in less than one year*

	<i>At 31 December 2004 \$</i>	<i>At 31 December 2003 \$</i>	<i>At 31 December 2002 \$</i>
Due in less than one year:			
Prepaid expenses	1,388	1,388	255,186

(viii) *Creditors*

	At 31 December 2004 \$	At 31 December 2003 \$	At 31 December 2002 \$
Amounts falling due within one year			
Trade creditors	320,004	82,180	13,750
Taxes payable	23,492	1,661	2,970
Other creditors	387,750	216,297	45,283
	<u>731,246</u>	<u>300,138</u>	<u>62,003</u>
Amounts falling due in more than one year			
Investor loans	235,740	5,095,237	2,418,278
Due to parent – Serabi Mining plc	12,405,964	—	—
Other creditors	2,557	2,557	2,557
	<u>12,644,261</u>	<u>5,097,794</u>	<u>2,420,835</u>

The loan to Serabi Mining plc is non-interest bearing.

(ix) *Provisions for liabilities and charges*

	At 31 December 2004 \$	At 31 December 2003 \$	At 31 December 2002 \$
Due after more than one year			
Provisions	<u>158,228</u>	<u>155,752</u>	<u>67,925</u>

(x) *Called up share capital*

	2004		2003		2002	
	Number	\$	Number	\$	Number	\$
Authorised:						
Ordinary shares of \$1	50,000	50,000	50,000	50,000	50,000	50,000
Allotted, called up and fully paid:						
At 1 January	1	1	1	1	1	1
Issued during the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

(xi) *Profit and loss account*

	\$
At 1 January 2002	(248,463)
(Loss) for the period	<u>(530,753)</u>
At 31 December 2002	(779,216)
(Loss) for the period	<u>(429,374)</u>
At 31 December 2003	(1,208,590)
(Loss) for the period	<u>(1,222,492)</u>
At 31 December 2004	<u>(2,431,082)</u>

(xii) *Related party transactions*

During the period, McRae Investments Pty Ltd (“McRae”), a company related to a director of Moonlight Express Holdings Limited (“Moonlight”), William Clough, loaned a total of £2,284,708 to Moonlight. An agreement was entered into during the period between William

Clough and Serabi Mining plc and its Controlled Entities (Serabi Group), whereby this loan was converted into 22,847,076 ordinary 10 pence shares in Serabi Mining plc. In addition McRae subscribed to 4,452,575 shares in Serabi Mining plc at 15 pence, totalling to £667,886, which was received by Moonlight.

McRae, also provided Moonlight with bridging finance for USD \$235,740 at 31 December 2004 (2003: \$nil; 2002 \$nil). The total bridging finance facility available to Moonlight is AUD \$1,000,000. The loan is repayable on demand and the interest rate charged is Libor + 2%.

During the period, WM Clough Pty Ltd, a company related to William Clough, loaned a total of £1,693,792 to Moonlight. An agreement was entered into during the period between William Clough and the Serabi Group, whereby this loan was converted into 16,937,917 ordinary 10 pence shares in Serabi Mining plc. In addition WM Clough Pty Ltd subscribed to 81,219 shares in Serabi Mining plc at 15 pence, totalling to £12,183, which was received by Moonlight.

WM Clough Pty Ltd also entered into a Sale Agreement with Serabi Mining plc dated 14 July 2004, whereby, WM Clough Pty Ltd agreed to sell the only issued share in Moonlight to Serabi Mining plc for consideration of \$1. As a result, Moonlight became a wholly owned subsidiary of Serabi Mining plc as at this date.

William Clough has entered into an employment contract with Serabi Group under which he receives AUD\$7,000 per month remuneration from the date of incorporation until such time that the Company becomes listed on AIM. This remuneration is to be received in ordinary 10 pence shares in Serabi Mining plc. Services provided by William Clough in the period relate to other entities in the Serabi Group and the remuneration for these services totalling USD \$101,633 has been recorded by Moonlight.

At 31 December 2004 Moonlight owed Serabi Mining plc, the parent entity USD \$12,405,964. Serabi Mining plc promised to provide its support to the company, to enable it to continue trading in the future. Moonlight also paid expenses of Serabi Mining plc amounting to USD \$149,060.

(xiii) *Commitments and Contingencies*

The Company has no contract and/or agreements with third parties that could involve significant cash long-term commitments.

The amount of US\$ 158,228 recorded as contingencies in December 31, 2004 (2003 US\$ 155,752 and 2002 US\$ 67,925) relates to potential labour-related and other compensation. The Company has no commitments and/or contingencies that could affect significantly the financial statements at 31 December 2004.

The Company maintains a credit line through a bank agreement in the limit value of US\$ 19,000 that can be used in case of cash daily necessity for working capital. This credit line is not in use to the date of the financial statements.

(xiv) *Ultimate Parent Entity*

The Company's immediate and ultimate parent company is Serabi Mining plc (previously Serabi Mining Limited), a company incorporated in the UK.

Yours faithfully

PKF

PART V

Additional Information

1. Incorporation and principal place of business

- (a) The Company was incorporated and registered in England and Wales under the Act as a private company limited by shares on 18 May 2004 with the name Serabi Mining Limited and with registered number 5131528. On 17 March 2005 the Company was converted to a public company under the Act.
- (b) The Company's registered office is at 66 Lincoln's Inn Fields, London WC2A 3LH and principal place of business is at Suite 413, Fourth Floor, 78 Cannon Street, London EC4N 6NQ.
- (c) The Company operates under the Act and the liability of the members of the Company is limited.

2. Share capital

- (a) The Company's present authorised share capital is £20,000,000 divided into 200,000,000 Ordinary Shares.
- (b) There have been the following changes in the share capital of the Company in the period since incorporation:
 - (i) on 18 May 2004 1 Ordinary Share was issued for cash at par as the original subscriber share;
 - (ii) on 14 July 2004 16,435,639 Ordinary Shares were issued for cash at par;
 - (iii) on 14 July 2004 1,809,373 Ordinary Shares were issued for cash at par in accordance with the Company's Salary Sacrifice Scheme;
 - (iv) on 14 July 2004 the authorised share capital was increased from £5,000,000 to £8,000,000 by the creation of 30,000,000 Ordinary Shares;
 - (v) on 19 October 2004 30,249,690 Ordinary Shares were issued for cash at par;
 - (vi) on 19 October 2004 193,255 Ordinary Shares were issued for cash at par in accordance with the Company's Salary Sacrifice Scheme;
 - (vii) on 19 October 2004 1,066,667 Ordinary Shares were issued for cash at 15p per Ordinary Share;
 - (viii) on 25 October 2004 429,702 Ordinary Shares were issued for cash at par;
 - (ix) on 29 October 2004 1,686,175 Ordinary Shares were issued for cash at 15p per Ordinary Share;
 - (x) on 5 November 2004 502,277 Ordinary Shares were issued for cash at par;
 - (xi) on 10 November 2004 81,219 Ordinary Shares were issued for cash at 15p per Ordinary Share;
 - (xii) on 10 November 2004 445,150 Ordinary Shares were issued for cash at par;
 - (xiii) on 19 November 2004 197,500 Ordinary Shares were issued for cash at par;
 - (xiv) on 24 November 2004 3,333,334 Ordinary Shares were issued for cash at 15p per Ordinary Share;
 - (xv) on 17 December 2004 6,823,871 Ordinary Shares were issued for cash at 15p per Ordinary Share;
 - (xvi) on 21 January 2005 3,709,840 Ordinary Shares were issued for cash at 15p per Ordinary Share;
 - (xvii) on 31 January 2005 100,000 Ordinary Shares were issued for cash at 15p per Ordinary Share;
 - (xviii) on 10 February 2005 8,000,000 Ordinary Shares were issued for cash at 25p per Ordinary Share;

- (xix) On 14 March 2005 the Ordinary Share Capital was increased from £8 million to £20 million by the creation of 120,000,000 Ordinary Shares;
- (xx) on 15 April 2005, 121,344 Ordinary Shares were issued for cash at 15p per Ordinary Share;
- (xxi) on 15 April 2005, 1,027,944 Ordinary Shares were issued for cash at par in accordance with the Company's Salary Sacrifice Scheme.
- (xxii) on 15 April 2005, 85,815 Ordinary Shares were issued for cash at par.
- (xxiii) on 26 April 2005, 26,173 Ordinary Shares were issued for cash at 15p per Ordinary Share.

The authorised and issued share capital of the Company at the date of this document is as follows:

	<i>Authorised</i>		<i>Issued (fully paid)</i>	
	<i>Number</i>	£	<i>Number</i>	£
Ordinary shares of 10 pence each	200,000,000	20,000,000	76,324,969	7,632,497

- (c) On 14 March 2005, by or pursuant to resolutions passed by the shareholders of the Company in general meeting:

- (i) subject to and conditional on Admission, the Directors were authorised pursuant to Section 80 of the Act to allot relevant securities of the Company (a) up to a maximum amount of £3,500,000 pursuant to the Placing; (b) an additional amount of £70,000 in respect of options entered into prior to the Placing; and (c) an additional amount of £3,731,000 (the "Section 80 Authority"), such authority expiring at the next general meeting or 12 months from the passing of the resolutions (the "Section 80 Expiry Date"). The Section 80 Authority permits the Directors to allot shares in the Company after the Section 80 Expiry Date (as if the Section 80 Authority had not expired) where such allotments are pursuant to any offers or agreements entered into by the Company before the Section 80 Expiry Date; and
- (ii) subject to and conditional on Admission, the Directors were empowered pursuant to Section 95 of the Act to allot equity securities in the Company for cash pursuant to the Section 80 Authority as if section 89 of the Act did not apply (the "Section 95 Empowerment"), such power being limited to the allotment of equity securities (a) up to £3,500,000 in connection with the Placing; (b) up to £70,000 granted under option to Directors and employees prior to the date of the Placing; (c) up to £1,430,000 in connection with any rights issues or other offers to Shareholders in proportion to their holdings subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with the problems under the law of any territory or the requirements of any regulatory body or stock exchange in any territory or in connection with fractional entitlements or shares represented by depositary receipts or otherwise; and (d) otherwise up to an aggregate nominal amount of £650,000. The Section 95 Empowerment shall expire at the next annual general meeting or 12 months from the passing of the resolution (the "Section 95 Expiry Date") save that the Directors may allot shares in the Company after the Section 95 Expiry Date (as if the Section 95 Empowerment had not expired) pursuant to any offers or agreements to allot shares in the Company entered into by the Company before the Section 95 Expiry Date.

- (d) Immediately following the Placing and Admission, the authorised and issued share capital of the Company will be as follows:

	<i>Authorised</i>		<i>Issued (fully paid)</i>	
	<i>Number</i>	£	<i>Number</i>	£
Ordinary shares of 10 pence each	200,000,000	20,000,000	102,991,636	10,299,163.60

- (e) The new Ordinary Shares will be issued in reliance on the authority and power referred to in paragraph (c) above.
- (f) On Admission the Ordinary Shares will rank *pari passu* in all respects.
- (g) The Articles contain no provisions as to rights of pre-emption on either the transfer, issue or allotment of shares. The provisions of section 89 of the Act (which confer on Shareholders rights of pre-emption in respect of the allotment of equity securities (within the meaning of section 94(2) of the Act) which are, or are to be, paid up in cash (other than by way of allotment to employees under an employees' share scheme (as defined in section 743 of the Act)) apply, except to the extent that such provisions have been disapplied, to the authorised but unissued share capital of the Company in respect of which the Directors currently have (pursuant to the resolution referred to in paragraph (c) above) authority to make allotments pursuant to sections 80 and 89 of the Act.
- (h) On 25 April 2005 the Company offered the Directors, certain employees and contractors the following options over Ordinary Shares equal to 10 per cent. of the Enlarged Issued Share Capital:

(a) Unapproved options at an exercise price of 15p	3,261,402
(b) Unapproved options at an exercise price of the Placing Price	1,793,690
(c) EMI options at an exercise price of the Placing Price	666,666

Options over the 15p unapproved options will vest on 30 November 2005.

Options over the Placing Price unapproved and EMI options will vest on 1 April 2006.

The unapproved options lapse if the option holder ceases to be employed by the Group or WM Clough Pty Ltd (as the case may be) prior to 1 April 2006 and will lapse 10 years from the date of vesting and the EMI options will lapse if the option holder ceases to be employed by the Group and will lapse 10 years from the date of grant. Details of the Long Term Incentive Plan can be found in paragraph 10 of this Part V of this document.

- (i) On Admission, an option will be granted to KBC Peel Hunt to subscribe at a price representing a premium of 10 per cent. to the Placing Price for the number of new Ordinary Shares which at the Placing Price represents 1 per cent. of the proceeds of the Placing. The options will be exercisable at any time from the date of grant up to and including the day before the fifth anniversary of the date of grant.
- (j) On Admission, an option will be granted to Ambrian to subscribe at a price representing a premium of 10 per cent. to the Placing Price for the number of new Ordinary Shares which at the Placing Price represents 1 per cent. of the proceeds of the Placing. The options will be exercisable at any time from the date of grant up to and including the day before the fifth anniversary of the date of grant.

3. Incorporation and capital information on Moonlight Express

- (a) Moonlight Express was incorporated in the British Virgin Islands with registration number 381474 on 10 April 2000 under the International Business Companies Act (Cap 291) with the name Moonlight Express Holdings Limited. The principal legislation under which Moonlight Express operates is the International Business Companies Act (Cap 291) and the regulations made thereunder. Moonlight Express's registered office is Ernst & Young Trust Corporation (BVI) Limited, PO Box 3340, Road Town, Tortola, British Virgin Islands.
- (b) The authorised share capital of Moonlight Express is US\$50,000 divided into 50,000 shares with a par value of US\$1 each. The Company holds the one issued share in Moonlight Express.

4. Incorporation and capital information on Serabi Mineração

- (a) Serabi Mineração was incorporated in Brazil with registration number 33.2.0662373-6 on 1 December 2000 with the name Serabi Mineração Ltda. The principal legislation under which Serabi Mineração operates is Decree No 3708 of 10 January 1919 and the regulations made thereunder. Serabi Mineração's registered office is Rodovia Transamazonica No. 5365, Itaituba, Para, Brazil Cep 68180-000.

- (b) The authorised share capital of Serabi Mineração is R\$40,000,000 divided into 40,000,000 shares with a par value of R\$1.00 each and the issued share capital is 27,999,997 shares. Moonlight Express holds 27,999,996 shares in Serabi Mineração and Sergio Aquino, an employee of Serabi Mineração, holds one share in Serabi Mineração.

5. Mining Licences/Rights

Serabi Mineração holds Exploration Licences over three of the tenements set out in Appendix A of the CPR set out in Part II of this document (Numbers 850386/04, 850175/03 and 850041/04) and has made Exploration Claims over all remaining tenements.

Serabi Mineração has to date produced gold under a Utilization Bill. A Utilization Bill provides a company the right to extract and sell mineral substances before a Mining Licence has been granted.

6. Directors

(a) *Interests in Ordinary Shares*

The interests of the Directors (all of which are beneficial) in Ordinary Shares as at 28 April 2005 (being the most recent practicable date prior to the publication of this document) and of all such persons connected (within the meaning of section 346 of the Act) with the Directors in the issued share capital of the Company, as notified to the company under the provision of section 324 or 328 of the Act both before and immediately following Admission, as required to be entered in the register of directors interests maintained under the provision of section 325 of the Act, are set out in the table below:

Ordinary Shares

	<i>As at 28 April 2005</i>		<i>Following Admission</i>	
	<i>No. of Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>No. of Ordinary Shares</i>	<i>Percentage of Enlarged Issued Share Capital</i>
<i>Directors:</i>				
Graham Roberts	612,501	0.80	612,501	0.59
Bill Clough	45,028,617	59.00	45,028,617	43.72
Clive Line	—	—	—	—
Richard Robinson	—	—	—	—
Roger Davey	—	—	—	—

In addition prior to Admission Graham Roberts, Bill Clough and Clive Line will each be awarded a bonus equivalent in value to one year's salary, payable in Ordinary Shares on or after 1 July 2005, conditional on Admission, at the Placing Price.

Options to acquire Ordinary Shares

Immediately following Admission, the following Directors will hold the following Options over Ordinary Shares:

	<i>Type of scheme</i>	<i>Date of grant</i>	<i>Ordinary Shares under option</i>	<i>% of Issued Share Capital</i>	<i>Exercise Price</i>	<i>Exercise Dates</i>	
						<i>From</i>	<i>To</i>
<i>Directors:</i> Graham Roberts	Unapproved	25.04.2005	1,373,222	1.200%	15 pence	30.11.2005	01.04.2016
	EMI	25.04.2005	333,333	0.291%	30 pence	01.04.2006	01.04.2016
	Unapproved	25.04.2005	582,148	0.509%	30 pence	01.04.2006	01.04.2016
Clive Line	Unapproved	25.04.2005	572,176	0.500%	15 pence	30.11.2005	01.04.2016
	EMI	25.04.2005	333,333	0.291%	30 pence	01.04.2006	01.04.2016
	Unapproved	25.04.2005	238,843	0.209%	30 pence	01.04.2006	01.04.2016
Bill Clough	Unapproved	25.04.2005	1,029,916	0.900%	15 pence	30.11.2005	01.04.2016
	Unapproved	25.04.2005	686,611	0.600%	30 pence	01.04.2006	01.04.2016
Richard Robinson	Unapproved	25.04.2005	143,044	0.125%	15 pence	30.11.2005	01.04.2016
	Unapproved	25.04.2005	143,044	0.125%	30 pence	01.04.2006	01.04.2016
Roger Davey	Unapproved	25.04.2005	143,044	0.125%	15 pence	30.11.2005	01.04.2016
	Unapproved	25.04.2005	143,044	0.125%	30 pence	01.04.2006	01.04.2016

(b) *Directorships*

The Directors currently hold the following directorships, other than in the Company, and have held the following directorships within the five years prior to the publication of this document:

	<i>Current directorships</i>	<i>Former directorships held in last five years</i>
Graham Roberts	Graham Roberts Limited	BMO Nesbitt Burns International Limited Boreal Minerals plc
Bill Clough	Mirabela Nickel Ltd McRae Investments Pty Ltd Glenmere Pty Ltd Lowmond Pty Ltd Mereglen Pty Ltd South Passage Investments Pty Ltd Express Hospitality Pty Ltd Paris Investments Pty Ltd WM Clough Pty Ltd Titanium Investments Pty Ltd Terra Metallica Pty Ltd Water Direct Limited Mitchell River Group Pty Ltd Deep Sea Pearls Pty Ltd Shipwreck Porcelain and Artefacts Pty Ltd Koast Corporation Pty Ltd Koast Tyre Pty Ltd Twinza Oil Pty Ltd	Clough Ltd Albidon Ltd
Clive Line	Beaubond Limited	Initiative Media London Limited MBS Media Limited Western International Media Limited Go-Figure Limited
Richard Robinson	Metaleurop SA Marakand Minerals Ltd Metalor Technologies International SA Recytech SA	Normandy LaSource SAS Normandy Ghana Gold Ltd Golden Ridge Resources Ltd Eurogold Madencilik AS International Mineral Developers Societe des Mines D'Ity Thracean Gold Mining Dafrico Overseas Limited Kasese Cobalt Company Limited
Roger Davey	Goldquest Mining Corp	

(c) *Receiverships and liquidations*

At the date of this document none of the Directors has:

- (i) had any unspent convictions in relation to indictable offences;
- (ii) been declared bankrupt or entered into an individual voluntary arrangement;

- (iii) been a director with an executive function of any company at the time or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors;
- (iv) been a partner in a partnership at the time of, or within twelve months preceding, any compulsory liquidation, administration or partnership voluntary arrangement of any such partnership;
- (v) had his assets the subject of any receivership or has been a partner of a partnership at the time of or within the twelve months preceding, any assets thereof being the subject of a receivership; or
- (vi) been subject to any public criticism by any statutory or regulatory authority (including any recognised professional body) or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

(d) *Terms of employment*

The following agreements have been entered into by the Directors and the Company:

- (i) Mr Roberts entered into a service agreement with the Company on 16 April 2005, the principal terms of which are that he is entitled to a salary of £70,000 per annum for at least 8 days per calendar month and his service agreement is terminable on twelve months notice either way. Mr Roberts is also entitled to a benefits package including medical insurance, permanent health insurance and life insurance equal in value to £2,500 and a pension payment of 9 per cent. of salary. On a change of control of the Company he is entitled to the number of completed months service in the relevant calendar year of change of control divided by 12 months and multiplied by his average annual bonus for the past two years.
- (ii) Mr Clough entered into a service agreement with the Company on 16 April 2005, the principal terms of which are that he is entitled to a salary of £90,000 per annum for at least 4 days per week and his service agreement is terminable on twelve months notice either way such notice. Mr Clough is also entitled to a benefits package including medical insurance, permanent health insurance and life insurance equal in value to £2,500 and a pension payment of 9 per cent. of salary. On a change of control of the Company he is entitled to the number of completed months service in the relevant calendar year of change of control divided by 12 months and multiplied by his average annual bonus for the past two years.
- (iii) Mr Line entered into a service agreement with the Company on 16 April 2005, the principal terms of which are that he is entitled to a salary of £85,000 per annum and his service agreement is terminable on twelve months notice either way (after completion of an initial six month probation period). Mr Line is also entitled to a benefits package including medical insurance, permanent health insurance and life insurance equal in value to £2,500 and a pension payment of 9 per cent. of salary. On a change of control of the Company he is entitled to the number of completed months service in the relevant calendar year of change of control divided by 12 and multiplied by his average annual bonus for the past two years.
- (iv) Mr Robinson entered into a service agreement with the Company on 25 March 2005 to govern the terms and conditions of his appointment as a non-executive director. The appointment commences on 13 April 2005 and continues until the next Annual General Meeting of the Company when the appointment may be renewed for a further year and then from year to year thereafter. Mr Robinson is entitled to a fee of £12,000 gross per annum payable monthly in arrears. No other benefits are payable.
- (v) Mr Davey entered into a service agreement with the Company on 25 March 2005 to govern the terms and conditions of his appointment as a non-executive director. The appointment commences on 13 April 2005 and continues until the next Annual General Meeting of the Company when the appointment may be renewed for a further year and then from year to year thereafter. Mr Davey is entitled to a fee of £12,000 gross per annum payable monthly in arrears. No other benefits are payable.

(e) *Estimate of remuneration*

The aggregate of the remuneration paid and benefits in kind (including pension contributions) granted to the Directors by the Company and its subsidiary undertakings during the financial year ended 31 December 2004 was £100,000. The aggregate of the remuneration payable and benefits in kind (including pension contributions) to be granted by the Group to the Directors for the financial year ending 31 December 2005 under the arrangements in force at the date of this document is estimated to be approximately £300,000.

7. Substantial Shareholders

Other than the holdings of the Directors, which are set out in paragraph 6 above, the Directors are aware of the following who, as at 28 April 2005 (being the most recent practicable date prior to the publication of this document), were interested, directly or indirectly, in 3 per cent. or more of the Company's capital:

	As at 28 April 2005		Following Admission	
	No. of	Percentage	No. of	Percentage
	Ordinary	of issued	Ordinary	of Enlarged
	Shares	share	Shares	Share
		capital		Capital
WM Clough Pty Ltd ¹	17,461,536	22.88%	17,461,536	16.95%
McRae Investments Pty Ltd ¹	27,299,651	35.77%	27,299,651	26.5%
Standard Bank London Limited	4,133,334	5.42%	4,133,334	4.0%
John Clement Cowie Love	3,682,215	4.82%	3,682,215	3.6%
JJC Materials Inc	2,766,193	3.62%	2,776,193	2.7%
Chase Nominees Limited ²	2,557,500	3.35%	2,557,500	2.5%

1 Mr Clough is a director and is the sole Shareholder of WM Clough Pty Ltd and is a director and has a minority interest in McRae Investments Pty Ltd. Mr Clough is also the beneficial owner of Gigantic Resource Inc, which holds 267,430 Ordinary Shares representing 0.35 per cent. of the Ordinary Shares in total.

2 Chase Nominees Limited holds these shares as a nominee for Merrill Lynch Investment Managers Limited ("Merrill Lynch"). Other nominees holding shares in the Company on behalf of Merrill Lynch are Chetwynd Nominees Limited (with a shareholding of 1,788,000 Ordinary Shares representing 2.35 per cent.) and Nutraco Nominees Limited (with a shareholding of 800,000 Ordinary Shares representing 1.05 per cent.). Merrill Lynch is beneficially entitled to 6.76 per cent. of the Ordinary Shares in total.

8. Memorandum of Association

The Memorandum of Association of the Company provides that the Company's principal object is to carry on business as a general commercial company in any trade or business whatsoever.

9. Articles of Association

The Articles contain, *inter alia*, provisions to the following effect:

(a) Voting Rights

Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Articles and or any resolution authorising the creation of such shares, on a show of hands every member who is present in person shall have one vote and, on a poll, every member who is present in person or by proxy shall have one vote for every share held by him. The chairman of a meeting of members shall have a casting vote in the case of an equality of votes.

(b) Variation of Rights

Subject to the Act and to any special rights attaching to a particular class of share, all or any of the rights and restrictions attached to any class of shares may be altered, added to or abrogated with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of such shares. To any such separate general meeting all the provisions of the Articles relating to general meetings shall apply but so that the necessary quorum shall be two or more persons holding or representing by proxy at least one-third in nominal value of the issued shares of the relevant class (excluding any treasury shares), that every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, that any holder of shares of the class present in person or by proxy may demand a poll and that at any adjourned meeting of such holders one holder present in person or by proxy (whatever the number of shares held by them) shall be a

quorum. The rights attached to any class of shares shall, unless otherwise expressly provided by the terms of issue of such shares or by the rights attaching to such shares, be deemed not to be altered by the creation or issue of further shares ranking *pari passu* therewith or by a purchase or redemption by the Company of its own shares

(c) *Transfer of Shares*

- (i) The Directors may permit title to shares and securities of any class to be evidenced other than by a certificate and title to such shares or securities to be transferred by means of a relevant system and may make arrangements for each class of share to become a participating security. Title to shares of a class may only be evidenced otherwise than by certificate where that class of shares is at the relevant time a participating security. Where the Company is entitled to dispose of, forfeit, accept a surrender of, enforce a lien over, re-allot or sale, transfer or otherwise procure the sale of any shares which are held in uncertificated form, the Directors shall have the power to take such steps as they consider appropriate to effect such disposal etc;
- (ii) Subject to any other provision of the Articles, a member is entitled to transfer his shares and other securities by means of a relevant system as referred to in the Crest Regulations including the relevant system (as defined in the Crest Regulations) operated by CRESTCo in accordance with which securities may be held and transferred in uncertificated form. Any provision of the Articles which is inconsistent with the holding of shares in uncertificated form, the transfer of shares by means of such a relevant system or the Regulations shall, to that extent, not apply.
- (iii) Any member may, subject to the Articles, transfer all or any of his shares by an instrument of transfer in the usual or common form or in any other manner (whether or not by written instrument) which the Directors may approve. Any written instrument of transfer of a share shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid by or on behalf of the transferee) and the transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the register in respect thereof. All instruments of transfer may be retained by the Company.
- (iv) Subject to the Articles, the rules of the AIM and the London Stock Exchange, the Directors may refuse to register the transfer of a certificated share which is not fully paid, providing that any such refusal will not disturb the market in those shares.
- (v) The Directors may decline to register any transfer unless any written instrument of transfer, duly stamped, is lodged with the Company, accompanied by the relevant certificate and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, the instrument is in respect of only one class of share and, in the case of transfer of joint holders the number of joint holders does not exceed four.
- (vi) The register of members may be closed by the Directors for any period (not exceeding 30 days in any year) upon notice being given by advertisement in a leading national daily newspaper and in such other newspaper as may be required by the Act.

(d) *Section 212 of the Act*

Without limitation to the powers of the Board under section 216 of the Act, where a member fails to comply with any notice (“a statutory notice”) given by the Board under section 212 of the Act requiring such member or any other named person to give particulars of any interest in respect of shares in the Company, the Company may, no earlier than 14 days after the service of the statutory notice, give the registered holder of such shares a notice (“a restriction notice”) stating or to the effect that, the shares in respect of which the default has occurred (“default shares”), are subject to certain sanctions for so long as the default continues and (unless the Board otherwise determines) 7 days thereafter. For a shareholding of less than 0.25 per cent. of the relevant class (excluding treasury shares), the only sanction is that the member may be prohibited from attending at meetings and voting; for a shareholding of 0.25 per cent. or more of the relevant class (excluding treasury shares), the Articles also provide for the withholding of the payment of dividends (including shares issued in lieu of dividend) on the default shares; and, subject to those limitations approved by the London Stock Exchange, restrictions on the transfer of the default shares.

(e) *Return of capital on a winding up*

On a distribution of assets on a winding up or other return of capital, the surplus assets of the Company shall be distributed amongst the holders of the Ordinary Shares according to the number of Ordinary Shares held by them respectively.

(f) *Alteration of Share Capital*

Subject to the rights attaching to any class of shares that may be in issue:

- (i) the Company may by ordinary resolution consolidate and/or divide all or any of its share capital into shares of larger amount, sub-divide all or any of its shares into shares of smaller amount (so that the resolution whereby any share is sub-divided may determine that as between the holders of the shares resulting from the sub-division one or more shares may have such rights or restrictions as compared with the other or others as the Company has power to attach to unissued or new shares) and cancel any shares not at the date of the resolution taken or agreed to be taken by any person;
- (ii) subject to any consent required by law, the Company may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or other undistributable reserve in any manner;
- (iii) subject to the provisions of the Act and the Articles, all unissued shares of the Company are at the disposal of the Directors;
- (iv) subject to the provisions of the Act, any shares may, with the sanction of a special resolution, be issued on terms that they are, or at the option of the Company are liable, to be redeemed on the terms and in the manner provided for by the Articles; and
- (v) subject to the provisions of the Act, the Company may purchase all or any of its shares of any class, including any redeemable shares

(g) *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money and shall restrict the borrowings of the Company, and exercise all other right and powers of control which the Company has in relation to its subsidiaries, so as to secure that the aggregate outstanding principal amount of all borrowings of the Company and its subsidiaries from time to time does not, without the sanction of an ordinary resolution, exceed an amount equal to £50,000,000 without the previous sanction of an ordinary resolution of the Company in general meeting

(h) *Directors*

- (i) Unless and until the Company in general meeting shall otherwise determine, the number of Directors shall not be less than two nor more than 12;
- (ii) Subject to the Act and the Articles, no Director shall be disqualified by his office from entering into any contract or arrangement with the Company either with regard to his tenure of any office or employment or as a vendor, purchaser or otherwise. Nor shall any such contract be liable to be avoided. Nor shall any Director so contracting be liable to account to the Company for any remuneration, profit or other benefit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established, but such Director shall declare the nature of his interest in accordance with the Act.

(i) *Restrictions on Voting by Directors*

Save as otherwise provided by the Articles, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement in which he (or anyone connected with him) is, to his knowledge, materially interested, and if he shall his vote shall not be counted, but (in the absence of some material interest other than as indicated below) this prohibition shall not apply to any of the following matters namely:

- (i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiaries;

- (ii) the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning his participation in any offer of shares in or debentures or other securities of the Company or any of its subsidiaries issued or to be issued pursuant to any offer of invitation to holders of securities or concerning his participation for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- (iv) any contract or arrangement in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;
- (v) any proposal concerning a pension, retirement, superannuation, death and/or disability benefits scheme or fund or employees share scheme which either relates to both employees and Directors of the Company and/or directors of any subsidiary and does not provide any Director as such any privilege or advantage not accorded to the employees to whom such scheme or fund relates or has been approved by or is conditional on approval by the Inland Revenue for tax purposes;
- (vi) any proposal concerning any insurance which the Company is empowered to purchase and/or maintain for the benefit of and against any liability incurred by any Directors or persons who include the Directors.
- (j) *Remuneration of Directors*
 - (a) The remuneration (whether by way of salary, commission, participation in profits or otherwise) of any Director shall be such as the Directors may determine, and either in addition to or in lieu of his remuneration as Director.
 - (b) Each of the Directors may be paid a fee for his services as a Director at such rate as the Directors may from time to time determine.
 - (c) Each Director may be paid all reasonable travelling, hotel and other expenses properly and reasonably incurred by him in attending and returning from meetings of the Directors or any committee of the Directors or meetings of shareholders of the Company or otherwise in connection with the business of the Company or the discharge of his duties as a Director.

(k) *Appointments to office*

Subject to the Act, the Directors may from time to time appoint one or more of their body to hold any other employment or executive office and upon such terms as they may determine and may revoke or terminate any of such appointments. Any such revocation or termination shall be without prejudice to any claim for damages such Director may have against the Company or the Company has against the Director for breach of any service contract between him and the Company.

(l) *Retirement of Directors*

Any provisions of the Articles or other applicable laws which would have the effect of making a person ineligible for re-election as a Director or liable to vacate office as a Director on account or then have reached the age of 70 shall not apply to the Company. Where a general meeting is convened at which, to the knowledge of the Directors, a Director is to be proposed for appointment or reappointment and who is at the date of the meeting is aged 70 years or more, the Directors shall give notice of his age in the notice convening the meeting. The accidental omission to do so shall not invalidate proceedings or an election or re-election of that Director.

At each annual general meeting of the Company one-third of the Directors for the time being shall retire from office by rotation. No Director shall continue to hold office as a Director after the third annual general meeting following his election or re-election without submitting himself for re-election at the said third annual general meeting. Any Director required to retire by rotation shall be eligible for re-election.

There is no provision in the Articles for the automatic reappointment of retiring Directors in default of the appointment of another.

(m) *Pensions, gratuities etc*

The Directors may, subject to the provisions of the Act, exercise all the powers of the Company to grant pensions or other retirement or superannuation benefits or other allowances and benefits in favour of any person who is or at any time has been an employee or director of the Company or any Group Company including any dependants of such person.

(n) *Dividends and other distributions*

Subject to the Act, the Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provides, all dividends shall be declared and paid according to the respective rights and interests of such shares in the profits of the Company.

Subject to the provisions of the Act, the Directors may pay such interim dividends as they think fit.

(o) *Unclaimed dividends*

Any dividend unclaimed for a period of 12 years after it became due for payment shall be forfeited and shall revert to the Company.

(p) *Untraced shareholders*

When the registered address of a member appears to be incorrect or out of date such member may, if the Board so resolves, be treated as if he had no registered address and thereafter the Company is not obliged to send cheques, warrants, notices or accounts to that member. No such resolution shall be proposed unless cheques or warrants sent to the registered address of such member have been returned by the Post Office or left uncashed on at least two consecutive occasions or, following one such occasion, reasonable enquiries have failed to establish any new address of such member.

10. Long Term Incentive Plan

The Directors intend to put in place a long term incentive plan (the “Plan”) within 3 months of Admission under which options can be granted over Ordinary Shares at the discretion of the Remuneration Committee to selected Directors, employees or consultants providing services to the Group. It is intended that at any time, the aggregate number of Ordinary Shares which have been issued under options granted under the Plan may not exceed that number of shares which is equal to 10 per cent. of the Company’s issued share capital over 10 years.

11. Working Capital

The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Group will be sufficient for its present requirements, that is for at least the twelve months from the date of Admission.

12. Litigation

No member of the Group is engaged in any legal or arbitration proceedings, nor, so far as the Directors are aware, are there any legal or arbitration proceedings, active, pending or threatened against, or being brought by, the Company or any member of the Group which are having or may have a significant effect on the financial position of the Company.

13. Taxation

(a) *Taxation of Dividends*

Under current United Kingdom law no taxation will be withheld from dividends paid by the Company.

An individual United Kingdom resident Shareholder is generally entitled to a tax credit in respect of the dividend, which he can set off against his total liability to United Kingdom income tax. The amount of the tax credit is equal to 1/9th of the cash dividend. The cash dividend aggregated with the amount of the tax credit (the “gross dividend”) will be included in the Shareholder’s income for United Kingdom tax purposes and will be treated as the top slice of the Shareholder’s income. Thus, a Shareholder receiving a dividend of £90 will be treated as having received income of £100 which has a tax credit of £10 attached to it.

An individual United Kingdom resident Shareholder who, after taking into account the gross dividend, pays income tax at the lower rate or basic rate will pay tax on the gross dividend at the Schedule F ordinary rate of 10 per cent., against which he can set the tax credit. Such a Shareholder will have no further liability to account for income tax on the dividend.

An individual United Kingdom resident Shareholder who, after taking into account the gross dividend, pays income tax at the higher rate will pay tax on the gross dividend at the upper rate of 32.5 per cent. against which he can set the tax credit. Such a Shareholder will have a liability to account for additional tax on the gross dividend, calculated by multiplying the gross dividend by the upper rate and deducting the tax credit. This will be equivalent to 25 per cent. of the cash dividend received.

An individual United Kingdom resident Shareholder who does not pay income tax or whose liability to income tax does not exceed the amount of the tax credit will not be entitled to claim repayment of the tax credit attaching to the dividend.

Trustees of discretionary trusts are liable to account for income tax at the rate applicable to trusts on the trust's dividend income and are required to account for tax at an effective rate of between 22.5 per cent. and 40 per cent.

A United Kingdom resident corporate Shareholder will not generally be liable to corporation tax on any dividend received.

United Kingdom pension funds and charities are generally exempt from tax on dividends which they receive but are not entitled to claim repayment of the tax credit.

Whether a non United Kingdom resident Shareholder is entitled to claim of any part of the tax credit in respect of dividends paid to him, will depend upon the provisions of the double tax treaty (if any) between the country in which the Shareholder is resident and the United Kingdom. A non United Kingdom resident Shareholder should consult his own professional advisers on the possible application of such provisions, and what relief or credit (if any) may be claimed for such tax credit in the jurisdiction in which he is resident.

(b) *Taxation of Chargeable Gains*

A subsequent disposal of New Ordinary Shares may result in a liability to United Kingdom taxation of chargeable gains, depending upon individual circumstances.

Individual shareholders should note that since 6 April 2000 all shares listed on AIM will qualify for “business assets” taper relief provided that the company in which the shares are held is a trading company or the holding company of a “trading group”. To qualify as “trading”, the company's activities must not include to a substantial extent (generally taken to be 20 per cent.) activities other than trading activities for example investments. The effect of this relief is to reduce the proportion of any capital gain chargeable to tax for each complete year that the shares are held. Maximum relief is obtained once shares have been held for two years.

Under current United Kingdom law the effect of taper relief is as follows:

<i>Number of years shares held</i>	<i>Percentage of Gain Chargeable</i>	<i>Effective rate when higher rate tax payer (40%)</i>
0-1	100	40
1-2	50	20
More than 2	25	10

A UK resident corporate shareholder will generally be liable to Corporation Tax on any chargeable gain. Special tax provisions may apply to exempt the gain if more than 10 per cent. of the shares are held for at least 12 months.

(c) *Stamp Duty and Stamp Duty Reserve Tax*

No liability to stamp duty or stamp duty reserve tax should arise on the allotment of New Ordinary Shares under the Placing.

Shares held outside the CREST system

The conveyance or transfer on sale of the Ordinary Shares will usually be subject to stamp duty on the instrument of transfer, generally at the rate of 0.5 per cent. of the amount or value of the consideration. Stamp duty is charged in multiples of £5. An obligation to account for stamp duty reserve tax (“SDRT”) at the rate of 0.5 per cent. of the amount or value of the consideration will also arise if an unconditional agreement to transfer the Ordinary Shares is not completed by a duly stamped instrument of transfer before the “accountable date” for SDRT purposes. The accountable date is the seventh day of the month following the month in which the agreement for the transfer is made. Payment of the stamp duty will cancel the liability to account for SDRT. It is the purchaser who is in general liable to account for stamp duty or SDRT.

Shares held within the CREST system

The transfer of the Ordinary Shares in uncertificated form in the CREST system will generally attract a liability to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration. The SDRT is payable on the fourteenth day following the date of the unconditional agreement for the transfer of the Ordinary Shares.

The above statements are intended as a general guide to the current position. Certain categories of person are not liable to stamp duty or SDRT, and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

14. Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Group and remain outstanding and are or may be material in the context of the Group’s business:

(a) Placing Agreement

Under an agreement made between the Company, the Directors, KBC Peel Hunt and Ambrian and dated 28 April 2005:

- (i) KBC Peel Hunt and Ambrian (the “Brokers”) have agreed as joint brokers to use their respective reasonable endeavours to procure subscribers for the Placing Shares; and
- (ii) KBC Peel Hunt has agreed, on behalf of the Company, to submit to the London Stock Exchange an application for Admission and to act as the Company’s nominated adviser in respect of such application.

The obligations of the parties under the Placing Agreement are conditional upon certain conditions having been fulfilled (or waived by the Brokers). The agreement contains certain warranties by the Company and the Directors as to the accuracy of the information contained in this document and other matters relating to the Company and its business. Under the Placing Agreement and conditional upon Admission, the Company shall pay:

- (i) to KBC Peel Hunt for its services a fee, and a commission equal to two and a half per cent. of the total value at the Placing Price of the Placing Shares; and
- (ii) to Ambrian for its services a fee, and a commission equal to two and a half per cent. of the total value at the Placing Price of the Placing Shares

and shall reimburse the Brokers for all costs and expenses in connection with the application.

The Company has agreed to indemnify the Brokers against all losses, costs, charges and expenses which the Brokers may suffer or incur as a result of, occasioned by or attributable to the carrying out of their duties under the Placing Agreement.

(b) **Concentrate Sales Agreement Between Serabi Mineração and N.V. Umicore SA (“Umicore”) dated 6 April 2005**

This agreement (“the Concentrate Sales Agreement”) is for the sale by Serabi Mineração to Umicore of gold-copper concentrates (“the Concentrate”) produced at the Palito Gold Mine. The agreement relates to the sale of Concentrate which has defined approximate characteristics. The key terms of this agreement are set out below.

The agreement sets out estimated quantities of Concentrate to be produced during its term. The first commenced in January 2005.

If the Concentrate provided under the agreement departs from the prescribed characteristics, the parties shall negotiate in good faith to overcome any technical difficulties which may materially disadvantage either of the parties. A failure to reach resolution of these matters within a period of three months permits either party to refer the matter to arbitration.

If Serabi Mineração, using its best endeavours, cannot produce Concentrate in accordance with the standard set out in the agreement, the parties shall negotiate in good faith to agree terms for the sale of that Concentrate for a period of 2 months. If the parties cannot reach resolution following this period, Umicore is not obliged to buy and Serabi Mineração may sell Concentrate to a third party.

The agreement continues until 31 December 2005, but if neither party gives the other notice of termination before this date, the agreement will then continue for successive periods of one year unless terminated by either party on six months’ notice.

Title to the Concentrate passes to Umicore on payment of an initial provisional payment representing 90 per cent. of the net value of the Concentrate (deducting charges).

Risk in the Concentrate passes to Umicore in accordance with CIF Incoterms 2000, meaning that Serabi Mineração must arrange for and pay carriage and pay for appropriate insurance during the course of transit. Serabi Mineração must deliver the goods on board the ship and provide Umicore with an invoice and clean transport documents.

Serabi Mineração is responsible for arranging and paying for insurance for the Concentrate from the load port to Umicore’s works.

The agreement is subject to English law.

(c) **Financing Agreement Between Serabi Mineração and Standard Bank**

Serabi Mineração has agreed the outline commercial terms of a financing agreement with Standard Bank London Limited (“the Bank”) in respect of the Concentrate Sales Agreement. The agreed terms provide for the Bank to pay to Serabi Mineração 80 per cent. of the gold concentrate being shipped under the Umicore Agreement on its arrival in Belem port. The Bank will charge LIBOR + 3.5 per cent. interest on the payment plus a fee of USD50 per dry metric tonne of concentrate shipped. Standard will be paid back from the monies paid under the initial provisional payment by Umicore under the Concentrate Sales Agreement. The balance will be paid to Serabi Mineração.

The term is that of the Concentrate Agreement.

Serabi Mineração will assign to the Bank all right, title and benefit in the Concentrate between Belem and the receiving port. Serabi will act as guarantor under this agreement.

Serabi Mineração is currently negotiating the terms of the legal contract to reflect these agreed terms.

(d) **Services Agreement between the Company and WM Clough Pty Ltd**

This agreement (“the Services Agreement”) is dated 13 April 2005 and relates to the provision by WM Clough Pty Ltd of administrative, accounting and other services to the Group.

The Services Agreement commenced on 13 April 2005 and shall continue until terminated by either of the parties on six months’ written notice. The Company may, at its option, reduce or

add to the type of services to be supplied provided that WM Clough Pty Ltd is able, acting reasonably, to provide any additional services the Company requires, taking into account its current staff and facilities.

The Company is obliged to pay WM Clough Pty Ltd an amount equal to all expenses and salaries (gross of tax) that are directly attributable to the provision of the services to the Company at cost plus a mark-up of 4.86 per cent. (being the one month LIBOR rate on or about the date of the Agreement).

WM Clough Pty Ltd is required to submit monthly invoices to the Company which shall be paid in full by the Company within 30 days of the date of the invoice. Interest is payable by the Company at the rate of 2 per cent. above the base rate of HSBC plc in the event of late payment.

15. General

- (a) KBC Peel Hunt has given and not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which they appear.
- (b) Ambrian Partners has given and not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which they appear.
- (c) The auditors and reporting accountants of the Company are PKF. PKF have given and not withdrawn their written consent to the inclusion of references to them herein in the form and context in which they appear and to the inclusion of their reports in this document and they accept responsibility for its report for the purposes of the POS Regulations.
- (d) Snowden has given and not withdrawn its written consent to the inclusion of references to it herein in the form and context in which they appear and to the inclusion of its report in this document, and it accepts responsibility for its report for the purposes of the POS Regulations.
- (e) Save as disclosed in this document, no person (excluding professional advisers and trade suppliers) has (i) received directly or indirectly from the Company within the 12 months preceding the date of this document or (ii) entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission any of the following:
 - (A) fees totalling £10,000 or more;
 - (B) securities in the Company where these have a value of £10,000 or more calculated by reference to the Placing Price; or
 - (C) any other benefit to a value of £10,000 or more on the date of Admission.
- (f) The accounting reference date of the Company is 30 September.
- (g) The expenses of the Placing are estimated at approximately £1 million, excluding VAT, all of which is payable by the Company.
- (h) The minimum amount which, in the opinion of the Directors, must be raised under the Placing to provide the sums required in respect of the matters specified in paragraph 21(a) of Part IV of Schedule 1 of the POS Regulations is £5 million, made up as follows:
 - (i) the purchase price of any property purchased or to be purchased which is to be defrayed in whole or in part out of the proceeds of the Placing – £nil;
 - (ii) any preliminary expenses payable by the Company and any commission payable to any person in consideration of his agreeing to subscribe for, or his procuring or agreeing to procure subscription for, any Ordinary Shares – £1 million;
 - (iii) the repayment of any money borrowed by the Company in respect of any of the matters referred to in (i) or (ii) above – £nil; and
 - (iv) working capital – £4 million.
- (i) The amount to be provided in respect of each of the matters mentioned in paragraph (i) above otherwise than out of the proceeds of the Placing is £nil (excluding VAT).

- (j) The Ordinary Shares are not currently admitted to dealings on a recognised investment exchange and, other than the Company's application for the Ordinary Shares, both issued and to be issued under the Placing, to be admitted to trading on AIM, no applications for such admission have been made.
- (k) Save as disclosed in this document, there are no patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Company's business.
- (l) Save as disclosed in this document, there have been no significant recent trends concerning the development of the Company's business since 18 May 2004, being the date of its incorporation.
- (m) It is expected that definitive share certificates will be despatched by first class post not later than 24 May 2005. In respect of uncertificated shares it is expected that Shareholders' CREST stock accounts will be credited on 10 May 2005. No temporary documents of title will be issued.
- (n) There have been no interruptions and there have been no significant changes to the business of the Company which have or have had a significant effect on the financial position of the Company since incorporation and there are no significant investments in progress by the Company.
- (o) Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company's activities.
- (p) It is expected that the proceeds of the Placing will be received on the business day following Admission. Monies received from applicants pursuant to the Placing will be held in accordance with the terms of the application procedures issued by KBC Peel Hunt until such time as the Placing becomes unconditional in all respects. If the Placing does not become unconditional in all respects by 10 May 2005 (or such later date as KBC Peel Hunt and the Company may agree), application monies will be returned to applicants as soon as practicable at their own risk and without interest prior to delivery of the Ordinary Shares. The period within which the Placing applications may be accepted pursuant to the Placing are set out in the Placing Agreement and in the placing letters sent to placees.

16. Availability of this document

Copies of this document will be available to the public free of charge from the registered office of the Company, at the offices of KBC Peel Hunt, at 111 Old Broad Street, London EC2N 1PH, during normal office hours, Saturdays and Sundays excepted, from the date of this document until the date which is one month following Admission.

29 April 2005



Serabi Mining PLC
78 Cannon Street, London EC4N 6NQ
United Kingdom

www.serabimining.com