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PROSPECTUS

Initial Public Offering

March 23, 2011



SERABI MINING PLC

Maximum Offering: \$4,950,000 (9,000,000 Units)

Minimum Offering: \$2,530,000 (4,600,000 Units)

10,070,000 Ordinary Shares and 5,035,000 Ordinary Share Purchase Warrants

Issuable on Exercise of 10,070,000 Special Warrants

This prospectus qualifies the distribution (the "Offering") of a minimum of 4,600,000 and a maximum of 9,000,000 units ("Units") of Serabi Mining plc (the "Company") at a price of \$0.55 per Unit (the "Offering Price"). Each Unit is comprised of one ordinary share (an "Ordinary Share") of the Company and one-half of one ordinary share purchase warrant. Each whole ordinary share purchase warrant (a "Warrant") entitles the holder to acquire one Ordinary Share (a "Warrant Share") at a price of \$0.75 per share at any time prior to 5:00 p.m. (Toronto time) on December 2, 2012, subject to adjustment in certain events. The units will be issued and sold pursuant to an agency agreement (the "Agency Agreement") dated as of March 23, 2011 between the Company and Fraser Mackenzie Limited (the "Agent"). The Offering Price for the Units was determined by negotiation between the Company and the Agent.

This prospectus also qualifies the distribution of 10,070,000 units ("SW Units") of the Company, each SW Unit being comprised of one Ordinary Share and one-half of one Warrant, issuable for no additional consideration on the exercise or deemed exercise of 10,070,000 previously issued special warrants ("Special Warrants") of the Company. The Special Warrants were created on December 2, 2010 (the "SW Offering") pursuant to a Special Warrant Indenture dated December 2, 2010 among the Company, the Agent and Computershare Trust Company of Canada (the "Special Warrant Agent"). An aggregate of 7,945,000 Special Warrants were sold on a brokered private placement basis at a price of \$0.55 per Special Warrant (the "SW Offering Price") for aggregate gross proceeds of \$4,369,750 in accordance with the terms of an agency agreement (the "SW Agency Agreement") dated December 2, 2010 between the Company and the Agent. An aggregate of 2,125,000 Special Warrants were sold on a non-brokered private placement basis at the Offering Price for gross proceeds of \$1,168,750. The Offering Price for the Special Warrants was determined by negotiation between the Company and the Agent.

The Special Warrants are not available for purchase under the prospectus and no additional funds will be received by the Company from the distribution of the SW Units issuable on the exercise thereof.

The currently outstanding Ordinary Shares are admitted for trading on the Alternative Investment Market of the London Stock Exchange ("AIM") under the symbol "SRB". On March 22, 2011 (the last trading day prior to the date of the date of this prospectus), the closing price of the Ordinary Shares on AIM was £0.3250.

The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Ordinary Shares and the Warrants under the symbol "SBI" and "SBI.WT", respectively. Listing is subject to the Company fulfilling all the requirements of the TSX on or before June 7, 2011.

	Price to the Public	Agent's Fee ⁽¹⁾⁽²⁾	Net Proceeds to the Company ⁽³⁾
Per Unit	\$0.55	\$0.0440	\$0.5060
Per SW Unit	\$0.55	\$0.0238	\$0.5262
Total – Maximum Offering	\$10,488,500	\$635,580 ⁽²⁾	\$9,852,920
Total – Minimum Offering	\$8,068,500	\$441,980 ⁽²⁾	\$7,626,520

- (1) In accordance with the Agency Agreement, the Agent will be paid a cash commission equal to 8% of the gross proceeds from the sale of the Units under the Offering (except in respect of certain excluded purchasers (the "Excluded Purchasers") whose purchase of Units by mutual agreement between the Corporation and the Agent shall be equal to 4% of the gross proceeds from the sale of the Units to such purchasers under the Offering). The Agent will also receive broker compensation options ("Compensation Options") entitling the holder to acquire that number of Ordinary Shares as is equal to 8% of the number of Units sold under the Offering (except in respect of Excluded Purchasers where the Compensation Options shall be equal to 4% of the number of Units sold to such Excluded Purchasers), at the Offering Price at any time prior to 5:00 p.m. (Toronto time) on December 2, 2012. The Agent intends to transfer some of its Compensation Options to the selling group members after such securities have been issued. These figures assume that no Excluded Purchasers will be participating in the Offering. See "Plan of Distribution".
- (2) In accordance with the SW Agency Agreement, a cash commission equal to 8% of the gross proceeds from the sale of 5,445,000 Special Warrants was paid to the Agent. The Agent also received compensation options ("SW Compensation Options") to acquire 435,600 Ordinary Shares, being 8% of 5,445,000 of the Special Warrants sold by the Agent under the SW Offering, at the SW Offering Price until 5:00 p.m. (Toronto time) on December 2, 2012. See "Plan of Distribution".
- (3) After deducting the Agent's commission, but before deducting the expenses of the Offering and the SW Offering including the preparation and filing of this prospectus, estimated to be \$435,000, which will be paid by the Company out of the proceeds of the Offering and the SW Offering.

Agent's Position	Maximum Size or Number of Securities Available	Exercise Period	Exercise Price or Average Acquisition Price
Compensation Options	720,000 Ordinary Shares ⁽¹⁾	Two years from SW Closing	\$0.55
SW Compensation Options	435,600 Ordinary Shares	Two years from SW Closing	\$0.55

- (1) Assumes completion of the maximum Offering. This prospectus qualifies the grant of the Compensation Options. See "Plan of Distribution".

The Agent conditionally offers the Units on a reasonable best efforts basis, subject to prior sale, if, as and when issued and sold by the Company and delivered to and accepted by the Agent in accordance with the conditions contained in the Agency Agreement, and subject to approval of certain legal matters on behalf of the Company by Heenan Blaikie LLP and on behalf of the Agent by Wildeboer Dellelce LLP. See "Plan of Distribution".

Subscriptions for Units offered hereunder will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of the Offering will take place on or about March 30, 2011 or such other date as the Company and the Agent may agree (the "Closing Date"), but no later than April 8, 2011. The Units are to be taken up by the Agent, if at all, on or before a date not later than 90 days after the date of the receipt for the final prospectus. Except in limited circumstances, one or more book entry-only certificates representing the Ordinary Shares and Warrants will be issued in registered form to CDS Clearing and Depository Services Inc. ("CDS"), or its nominee, and deposited with CDS on the Closing Date. A purchaser of Units will receive only a customer confirmation from the registered dealer through which the Units are purchased. See "Plan of Distribution".

The Special Warrants shall be automatically exercised on behalf of the holder thereof, without any further action on the part of such holder, to acquire the SW Units on the date that is 5 business days after the satisfaction by the Company of the following conditions (together, the "Liquidity Conditions") (i) the issuance of a receipt for a (final) prospectus qualifying the distribution of the SW Units in the Provinces of British Columbia and Ontario; and (ii) the Company obtaining a listing of the Ordinary Shares (including the Ordinary Shares forming part of the SW Units and the Ordinary Shares issuable in exercise of the Warrants) on the Toronto Stock Exchange or the TSX Venture Exchange.

In the event that the Company has not satisfied the Liquidity Conditions prior to 5:00 p.m. (Toronto time) on April 1, 2010 (the "Liquidity Deadline"), each of the then issued and outstanding Special Warrants shall be automatically exercised, for no further consideration and with no further action on the part of the holder thereof, to acquire 1.1 Ordinary Shares and 0.55 Warrants (such 0.1 of an Ordinary Share and 0.05 of a Warrant being collectively referred herein as the "Penalty Securities"). See "Plan of Distribution" and "Description of Securities Distributed". This prospectus also qualifies the distribution of Penalty Securities issuable on the exercise of the Special Warrants.

Certificates evidencing the Ordinary Shares and Warrants issuable upon the exercise of the Special Warrants, will be available for delivery upon the exercise of such securities.

The Company and its subsidiaries are incorporated, continued or otherwise organized under the laws of foreign jurisdictions and some or all of the directors and officers of the Company and some or all of the experts named in this prospectus reside outside of Canada. In addition, some or all of the assets of those persons and the Company and its subsidiaries are located outside of Canada. Although the Company and all non-resident directors and certain non-resident officers of the Company have appointed Heenan Blaikie Corporate Services (Ontario) Inc., 333 Bay Street, Suite 2900, Toronto, Ontario M5H 2T4 as their agent for services of process in Canada, it may not be possible for investors to collect from the Company or such directors and officers or enforce judgments obtained in courts in Canada predicated on the civil liability provisions of securities legislation against the Company, its directors and officers and certain of the experts named in this prospectus. Moreover, it may not be possible for investors to effect service of process within Canada upon the experts referred to above.

Investing in the Ordinary Shares and Warrants of the Company involves significant risks inherent in the Company's business. Investors should carefully consider the risks described under the heading "Risk Factors".

SUMMARY	II
THE OFFERING.....	V
GENERAL MATTERS.....	1
STATISTICAL REFERENCES	1
ELIGIBILITY FOR INVESTMENT.....	1
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION	2
CORPORATE STRUCTURE.....	3
BUSINESS OF THE COMPANY	3
MINERAL PROPERTIES	9
USE OF PROCEEDS	48
DIVIDEND POLICY	49
SELECTED FINANCIAL INFORMATION.....	49
MANAGEMENT'S DISCUSSION AND ANALYSIS	50
DESCRIPTION OF THE SECURITIES DISTRIBUTED	57
CONSOLIDATED CAPITALIZATION	59
OPTIONS TO PURCHASE SECURITIES	60
PRIOR SALES.....	60
TRADING PRICE AND VOLUME.....	61
PRINCIPAL SHAREHOLDERS.....	61
DIRECTORS AND EXECUTIVE OFFICERS.....	62
EXECUTIVE COMPENSATION.....	66
DIRECTORS' COMPENSATION	70
AUDIT COMMITTEE.....	70
STATEMENT OF CORPORATE GOVERNANCE PRACTICES.....	71
PLAN OF DISTRIBUTION	74
RISK FACTORS.....	76

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS	82
CERTAIN UNITED KINGDOM TAX CONSIDERATIONS	85
EXPERTS	87
LEGAL PROCEEDINGS AND REGULATORY ACTIONS	87
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	87
AUDITORS.....	87
REGISTRAR AND TRANSFER AGENT	87
MATERIAL CONTRACTS.....	87
CONTRACTUAL RIGHT OF RESCISSION FOR SPECIAL WARRANT HOLDERS.....	88
PURCHASERS' STATUTORY RIGHTS	88
EXEMPTIONS.....	89
GLOSSARY OF MINING TERMS.....	90
INDEX TO FINANCIAL STATEMENTS	F - 1
AUDITORS' CONSENT	F - 2
REPORT TO THE DIRECTORS ON THE EQUIVALENCE OF FINANCIAL REPORTING FRAMEWORKS.....	F - 3
AUDIT REPORTS IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007.....	F - 4
SCHEDULE "A"	A - 1
SCHEDULE "B"	B - 1
CERTIFICATE OF THE COMPANY	C - 1
CERTIFICATE OF THE AGENT	C - 2

SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. This summary is qualified in its entirety by the more detailed financial information contained herein and readers are directed to carefully review this prospectus in its entirety. Certain terms used in this summary, including "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" have the meanings set forth under the heading "Glossary of Mining Terms" commencing at page 86. All dollar amounts referenced, unless otherwise indicated, are expressed in Canadian dollars. References to the Company also include the Company's subsidiaries, as the context requires.

Business of the Company

Serabi is an AIM-traded gold exploration company focused on the exploration and development of gold projects in Brazil. The Company's principal project is the Jardim do Ouro project (the "Jardim do Ouro Project"). The Jardim do Ouro Project includes the Palito mine (the "Palito Mine") and several areas of exploration interest in close proximity to the Palito Mine. The Palito Mine was operated by the Company for several years before the underground operation was placed on care and maintenance in December 2008 and a subsequent small scale surface mining operation was temporarily halted in June 2010. The Company also has other exploration areas in the same vicinity as the Jardim do Ouro Project, being the Modelo exploration project area (the "Modelo Project") and the Pison exploration project area (the "Pison Project"). All of these projects are located in an area known as the Tapajos region of the State of Para in Brazil. The Jardim do Ouro Project covers 55,600 hectares, and lies on the NW-SE trending Tocantinzinho Trend, which is the major controlling structural feature in the Tapajos region. Lying along this same trend, some 30 km to the south east of the Palito Mine, is the Sao Jorge gold deposit owned by Brazilian Gold Corporation and 70 km to the northwest lies the Tocantinzinho gold project owned by Eldorado Gold Corporation (measured and indicated mineral resources of 2.1 million ounces and inferred mineral resources of 0.4 million ounces), who also hold 26.7% of the issued share capital of the Company.

General Developments of the Business

The Jardim do Ouro Project, the site of previous garimpeiro mining operations, was acquired by the Company in 2001, covers a total area of 55,600 hectares, and is comprised of one mining licence granted on October 22, 2007 covering an area of 1,150 hectares, four exploration licences and five applications for exploration licences covering an aggregate of 54,450 hectares.

The Departamento Nacional de Produção Mineral ("DNPM") recently advised the Company that it was proposing to amend certain of the Company's applications for exploration licences to effect a net reduction of the land area subject to the applications by approximately 2,700 ha. The Company has lodged an appeal to reinstate approximately 600 hectares. None of the areas that the DNPM is proposing to exclude from the applications are within those areas that comprise the current exploration plans of the Company.

Within the Jardim do Ouro Project area is the Palito Mine, a high grade, narrow vein underground mine which was operated by the Company from late 2003 until the end of 2008, when the underground mining operation was placed on care and maintenance. In 2004, the Company undertook an upgrade of the plant to process sulphide ores from the underground operation and in December 2004, the first shipment was made of a copper/gold/silver concentrate to a European smelter. Since that time until the end of 2008, the Company processed a total of 480,000 tonnes of ore through the plant at an average gold head grade of 6.76 g/t. Average plant recovery during the period was 90% and total production was 110,097 gold equivalent ounces.

As of March 2008, the Company had Canadian Securities Administrators National Instrument 43-101 ("NI 43-101") compliant measured and indicated mineral resources of 224,272 ounces (gold equivalent) and inferred mineral resources of 443,965 ounces (gold equivalent) after which time some 22,528 ounces (gold equivalent) were produced from a combination of underground and near surface oxides of which the latter did not form part of the resource calculation.

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

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

In September 2008, the Company announced that it had insufficient working capital to undertake necessary mine development and concluded that with no opportunity to raise additional working capital, as a result of the state of financial markets at that time, it was necessary to halt mining activity and place the underground portion of the Palito Mine on care and maintenance.

The infrastructure at the Palito Mine remains intact and includes a process plant comprised of flotation and carbon-in-pulp gold recovery circuits capable of treating up to 600 t/day (200,000 t/year) of ore, a camp for over 200 employees and maintenance and workshop facilities. The site is supplied with mains power sourced from a 25 Mw hydroelectric generating station located approximately 100 km north east of the town of Novo Progress on the Curua River.

The Company is now pursuing a strategy of resource growth before making any decision on when to recommence production at the Palito Mine. Its exploration objective is to identify two or more Palito style and size deposits in close proximity to the Palito Mine itself and its existing camp and processing infrastructure. The Company has established nine drill targets within three kilometres of the Palito Mine, each of which it believes, based on its exploration results to date, has the potential to yield a Palito style and size deposit.

The nine drill targets identified are the cumulative result of a series of exploration activities that commenced in January 2008 when the Company commissioned a 6,000 hectare helicopter borne electromagnetic geophysical ("VTEM") survey over and around the Palito Mine. The Company had identified that gold mineralization at the Palito Mine was associated with the occurrence of massive sulphides (pyrite and chalcopyrite) and that some 20% of the gold resource at the Palito Mine was contained in this style of mineralization. Electromagnetics at the Palito Mine identifies the conductivity variance between the massive sulphides relative to the host granites. The size and extent of the survey area was determined by estimating a reasonable trucking distance on the basis that any discovery would be mined and the ore transported to a central processing facility. The Company used the electromagnetic signature of the known gold deposit at the Palito Mine as a point of reference to help identify 66 anomalous areas, which the Company prioritized into 18 areas justifying further evaluation. A ground IP survey was conducted in the first half of 2010 covering 13 of these anomalies to ascertain the extent of each anomaly by seeking to identify gold mineralization associated with quartz veins which at the Palito Mine accounted for the remaining 80% of the gold resource. Correlation of the geophysical data, with geochemical information and mapping of garimpeiro activity resulted in the nine drill targets. The Company has commenced a 7,500 m drill programme to test these drill targets, which is expected to be completed during the third quarter of 2011 and is proposing a further IP survey over the five remaining anomalies during 2011.

Recommended Work Program and Budget

The Company intends to complete the 7,500 meter drilling programme during the third quarter of 2011. Results will be interpreted on an on-going basis and upon completion of the programme, if not before, the Company expects to be in a position to decide which, if any, of the drill targets warrant further evaluation and the nature of such evaluation.

Within the Palito Mine licence area it will continue programmes of surface geochemistry as part of an on-going programme of mapping the entire licence area and it also intends to commission a ground based IP survey of the remaining five geophysical anomalies that remain untested.

An initial 8,000 hectare helicopter borne VTEM survey over other areas within the Jardim do Ouro project was completed in January 2011 and the Company expects its consultants to have received, processed and provided an interpretation of the data during the second quarter of 2011. The Company hopes that the 8,000 hectare survey will identify further target areas for evaluation. Although dependent on contractor availability and the results from the January 2011 VTEM survey, the Company has planned a further VTEM survey for an additional 7,000 hectare area later in the year. The Company will also undertake limited geochemical programmes within selected areas of the Jardim do Ouro Project area to increase its understanding of the area.

Exploration Budget

	<u>US\$</u>
Discovery drilling programme (7,500 metres) - Palito Mine	\$1,909,091
Ground IP over untested geophysical anomalies - Palito Mine	\$209,091
Geochemistry and surface exploration programmes - Palito Mine	\$763,636
VTEM Survey - wider Jardim do Ouro tenements	\$296,970
Geochemistry and surface exploration programmes - wider Jardim do Ouro tenements	\$72,727
Capital purchases	\$424,741
Land rentals and taxes	\$337,212
Brazil exploration staff costs	\$1,373,485
Exploration support expenditures	\$2,243,410
Total exploration budget	<u>\$7,630,363</u>

THE OFFERING

Issuer:	Serabi Mining plc.
Offering:	Minimum of 4,600,000 and a maximum of 9,000,000 Units. Each Unit is comprised of one Ordinary Share and one-half of one Warrant.
Offering Size:	Minimum of \$2,530,000 and a maximum of \$4,950,000.
Price:	\$0.55 per Unit.
Warrants:	Each Warrant is exercisable for one Ordinary Share at a price of \$0.75 per share until 5:00 p.m. (Toronto time) on December 2, 2012.
Allocation of Offering Price	The Company has allocated \$0.505 of the Offering Price as consideration for the issue of each Ordinary Share and \$0.045 of the Offering Price as consideration for the issue of each one-half of one Warrant comprising a Unit.
Use of Proceeds:	<p>The net proceeds to the Company from the Offering and the SW Offering are estimated to be \$9,417,920, in the case of the maximum Offering, and \$7,191,520, in the case of the minimum Offering, after deducting (i) the Agent's commission of \$396,000 (assuming that no Excluded Purchasers participate in the Offering), in the case of the maximum Offering, or \$202,400 (assuming that no Excluded Purchasers participate in the Offering), in the case of the minimum Offering, (ii) the Agent's commission for the brokered component of the SW Offering of \$239,580, and (iii) the estimated expenses of the Offering, the SW Offering and the preparation and filing of this prospectus of \$435,000.</p>

The Company intends to use the net proceeds of the Offering together with its existing cash holdings which, as of January 1, 2011 were US\$8,598,755 (including the proceeds of the SW Offering) approximately as follows:

	Minimum Offering (US\$)	Maximum Offering (US\$)
Discovery drilling programme (7,500 metres) - Palito Mine	\$1,909,091	\$1,909,091
Ground IP over untested geophysical anomalies - Palito Mine	\$209,091	\$209,091
Geochemistry and surface exploration programmes -Palito Mine	\$763,636	\$763,636
VTEM Survey - wider Jardim do Ouro tenements	\$296,970	\$296,970
Geochemistry and surface exploration programmes - wider Jardim do Ouro tenements	\$72,727	\$72,727
Capital purchases	\$424,741	\$424,741
Land rentals and taxes	\$337,212	\$337,212
Brazil exploration staff costs	\$1,373,485	\$1,373,485
Exploration support expenditures	\$2,243,410	\$2,243,410
Total exploration budget	\$7,630,363	\$7,630,363
Working Capital	\$2,600,000	\$4,829,000
Total	\$10,230,363	\$12,459,363

The Company has commenced its exploration programmes and, as at February 28, 2011, has incurred aggregate exploration expenditures of approximately \$785,000 in respect of the proposed total exploration budget, excluding exploration support expenditures.

The Company intends to complete the 7,500 meter drilling programme during the third quarter of 2011. Results will be interpreted on an on-going basis and upon completion of the programme, if not before, the Company expects to be in a position to decide which, if any, of the drill targets warrant further evaluation and the nature of such evaluation.

Within the Palito Mine licence area it will continue programmes of surface geochemistry as part of an on-going programme of mapping the entire licence area. It also intends to commission a ground based IP survey of five geophysical anomalies that remain untested.

An initial 8,000 hectare helicopter borne VTEM survey over other areas within the Jardim do Ouro project was completed in January 2011 and the Company expects its consultants to have received, processed and provided an interpretation of the data during the second quarter of 2011. The Company hopes that the 8,000 hectare survey will identify further target areas for evaluation. Although dependent on contractor availability and the results of the January 2011 VTEM survey, the Company has planned a further VTEM survey for an additional 7,000 hectare area later in the year. The Company will also undertake limited geochemical programmes within selected areas of the Jardim do Ouro Project area to increase its understanding of the area.

The objectives of the programmes that the Company intends to undertake with the use of proceeds are:

- to evaluate nine drill targets identified through its prior geophysical work and establish which, if any, may host a potentially commercial gold deposit that will warrant further evaluation
- to continue a programme of geochemical mapping to increase its geological understanding of the Palito Mine licence area with a view to identifying or confirming other areas of interest
- to ascertain which, if any, of the five untested geophysical anomalies should be further tested by a discovery drilling programme
- to identify within the Jardim do Ouro Project other potential areas that could host concealed mineralization and would require further evaluation.

Pending the use of the net proceeds described above, the Company may invest all or a portion of the net proceeds of the Offering in short-term, high quality, interest bearing corporate, government-issued or government guaranteed securities. While the Company intends to spend the proceeds of the Offering as stated above, there may be circumstances where, for sound business reasons, a re-allocation of funds may be necessary. For the financial year ended December 31, 2009 the Company had negative cash flow from operations and expects to have negative cash-flow from operations for the foreseeable future. The net proceeds from the Offering, the SW Offering and its existing available working capital should be sufficient to fund the operations of the Company over the next 18 months. See "Risk Factors".

Risk Factors:

An investment in securities of the Company is highly speculative and involves significant risks which should be carefully considered by prospective investors before purchasing such securities. These risks include:

- *Future exploration at the Company's projects or elsewhere may not result in increased mineral resources.*
- *There is no guarantee that the Company's applications for exploration licences will be granted on a timely basis or at all or that the existing exploration licences of the Company can be renewed or converted into mining licences. In addition, there can be no assurances that title to any of the Company's mineral properties will not be challenged or disputed.*
- *The exploration and development of the Company's properties, including continuing exploration and development projects, and the construction of mining facilities and commencement of mining operations, will require substantial additional financing.*
- *The Company faces numerous exploration, development and operating risks.*
- *The Company is considered to be a development stage company and although it generated revenue from mining operations in the past those operations have been discontinued. There can be no assurance that the Company will re-commence commercial production, generate any revenues or be able to operate profitably.*
- *If mineral resource estimates are not accurate, production may be less than estimated which would adversely affect the Company's financial condition and result of operations.*
- *The risks and hazards associated with mining and processing may increase costs and reduce profitability in the future.*

- *The Company may experience higher costs and lower revenues than estimated due to unexpected problems and delays.*
- *The Company's vulnerability to changes in metal prices may cause its share price to be volatile and may affect the Company's operations and financial results.*
- *The Company is subject to extensive environmental legislation and the costs of complying with these regulations may be significant. Changes in environmental legislation could increase the costs of complying with applicable regulations and reduce levels of production.*
- *Currency fluctuations may affect the costs of doing business and results of operations.*
- *Compliance with current and future government regulations may cause the Company to incur significant costs and slow its growth.*
- *The Company is required to obtain and renew governmental permits and licences in order to conduct mining operations, which is often a costly and time-consuming process.*
- *The Company's operations are conducted in Brazil and, as such, the Company's operations are exposed to various levels of political, economic and other risks and uncertainties.*
- *The Company is a holding company that conducts operations through foreign subsidiaries and substantially all of its assets are held in such entities.*
- *Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure.*
- *If the Company loses key personnel, or is unable to attract and retain additional personnel, the Company's mining operations and prospects could be harmed.*
- *The mining industry is intensely competitive in all of its phases and the Company competes with many companies possessing greater financial and technical resources than itself.*
- *It may be difficult for investors to enforce judgments against directors, officers and experts resident outside of Canada.*
- *Currently there is no public market in Canada for the Ordinary Shares, and there can be no assurance that an active market for the Ordinary Shares in Canada will develop or be sustained after this Offering.*
- *The Company has broad discretion in the use of the net proceeds from the Offering and may not use the proceeds effectively.*
- *Volatility of Market Price of Ordinary Shares*
- *Because the Company does not, in the foreseeable future, intend to pay any dividends on its Ordinary Shares, investors seeking dividend income should not purchase Units*

See "Risk Factors".

Selected Financial Information

The following table sets out selected consolidated financial information for the Company for the periods and as at the dates indicated and is based on the audited and unaudited consolidated financial statements of the Company which appear elsewhere in this prospectus and the related notes, and should be read in conjunction with “Management’s Discussion and Analysis” included elsewhere in this prospectus. See “Selected Financial Information”. The Company’s financial statements are prepared and presented in accordance with International Financial Reporting Standards in force at the reporting date and their interpretations issued by the International Accounting Standards Board and adopted by the European Union rather than Canadian generally accepted accounting principles and its annual financial statements are audited in accordance with applicable law and International Standards on Auditing (UK and Ireland).

<i>Expressed in US Dollars</i>	For the nine mths ended September 30, 2010	For the nine mths ended September 30, 2009	For the year ended December 31, 2009	For the year ended December 31, 2008	For the year ended December 31, 2007
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Revenues	\$1,171,908	\$4,792,920	\$5,512,804	\$16,523,577	\$25,099,118
Net Income (loss)	\$(3,974,273)	\$(7,437,884)	\$(9,990,502)	\$(10,973,655)	\$(122,879)
Net Income (loss) per Share (basic and diluted)	(1.06) cents	(5.31) cents	(6.16) cents	(7.83) cents	(0.10) cents
Total Current Assets	\$8,412,810	\$3,825,915	\$7,030,342	\$4,864,694	\$25,992,966
Development and Deferred Exploration Costs	\$8,558,842	\$6,478,501	\$6,880,038	\$5,351,921	\$13,254,658
Property Plant and Equipment	\$34,280,250	\$35,922,960	\$35,327,788	\$31,620,364	\$25,831,006
Total Assets	\$51,251,902	\$46,227,376	\$49,238,168	\$43,589,495	\$66,831,146
Total Liabilities	\$5,586,203	\$5,966,225	\$6,033,451	\$5,324,953	\$6,426,898
Shareholder’s Equity	\$45,665,699	\$40,261,151	\$43,204,717	\$38,264,542	\$60,404,248
Cash Dividends per Share	-	-	-	-	-

GENERAL MATTERS

Unless otherwise noted or the context otherwise indicates, “Serabi”, the “Company”, “we”, “us” and “our” refers to Serabi Mining plc and its direct and indirect subsidiaries and predecessors or other entities controlled by them.

On December 21, 2010, Serabi consolidated all of the issued and authorized unissued Ordinary Shares on the basis of one ordinary share for every 10 Ordinary Shares on issue or authorized to be issued. Unless otherwise indicated, the disclosure contained in this prospectus is provided on a post-consolidated basis, including information pertaining to a period or event prior to the date of consolidation.

Certain terms used in this prospectus, including “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” have the meanings set forth under the heading “Glossary of Mining Terms” commencing at page 86.

STATISTICAL REFERENCES

Currency Presentation and Exchange Rate Information

This prospectus contains references to the Canadian dollar, the US dollar and the Brazilian Real. All dollar amounts referenced, unless otherwise indicated, are expressed in Canadian dollars. US dollars are referred to as “U.S. dollars” or “US\$”, the British Pound Sterling is referred to as “£” and the Brazilian Real is referred to as “R\$”. As at March 22, 2011, the noon buying rate as reported by the Bank of Canada was US\$1.00 = CDN\$0.9768 or CDN\$1.00 = US\$1.0238, £1.00 = CDN\$1.6007 or CDN\$ = £0.6247 and R\$1.00 = CDN\$0.5871 or CDN\$1.00 = R\$ 1.7033.

Metric Equivalent Table

The following table sets forth certain factors for converting imperial measurements into metric equivalents:

<u>To Convert Imperial Measurement Units</u>	<u>To Metric Measurement Units</u>	<u>Multiply By</u>
Acres	Hectares	0.404686
Feet	Metres	0.30480
Miles	Kilometres	1.609344
Ounces (troy)	Grams	31.1035
Pounds	Kilograms	0.45359
Short tons	Tonnes	0.907185
Troy ounces per ton	Grams per tonne	34.2857

ELIGIBILITY FOR INVESTMENT

In the opinion of Heenan Blaikie LLP, counsel to the Company, and Wildeboer Dellelce LLP, counsel to the Agent, based on the current provisions of the *Income Tax Act* (Canada) and the regulations thereunder (collectively, the “Tax Act”), the Ordinary Shares, the Warrants and the Warrant Shares, if issued on the date hereof, will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts (“TFSA”) (collectively, the “Plans”) provided the Ordinary Shares are listed on a designated stock exchange (which currently includes the Toronto Stock Exchange (the “TSX”)), and in the case of the Warrants, either (i) the Warrants are listed on a designated stock exchanges, or (ii) the Company deals at arm’s length with each person who is an annuitant, a beneficiary, an employer or a subscriber under such Plans.

The Ordinary Shares, the Warrants and the Warrant Shares will not be prohibited investments under the Tax Act for a TFSA provided the holder of the TFSA deals at arm’s length with the Company and does not have a “significant interest” (within the meaning of the Tax Act) in the Company or in a corporation, partnership or trust that does not deal at arm’s length with the Company for purposes of the Tax Act. Holders should consult their own tax advisors to ensure the Ordinary Shares, the Warrants or the Warrant Shares would not be a prohibited investment in their particular circumstances.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

RELIANCE ON THIRD PARTY INFORMATION

Prospective investors should rely only on information contained in this prospectus. Neither Serabi nor the Agent has authorized any other person to provide prospective investors with different information. If a prospective investor is provided with different or inconsistent information, the prospective investor should not rely on such information. The information contained on the Company’s corporate website is not intended to be included in or incorporated by reference into this prospectus and prospective investors should not rely on such information when deciding whether or not to invest in the Units. Neither Serabi nor the Agent are making an offer to sell in any jurisdiction where an offer for sale is not permitted.

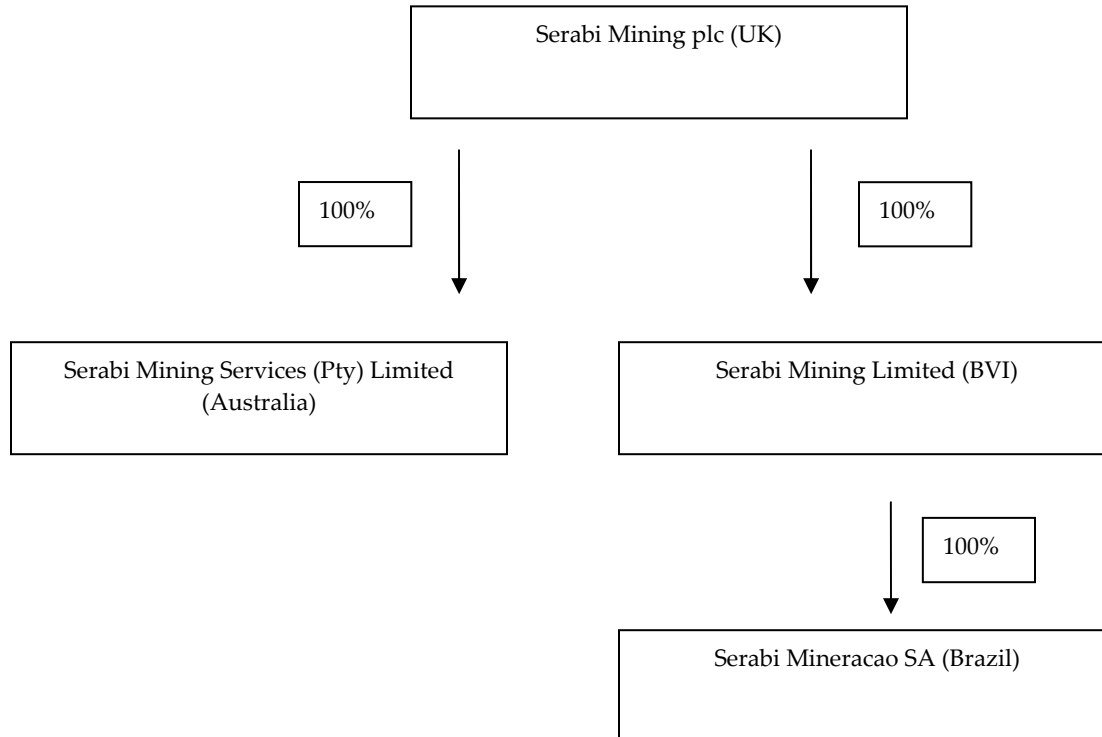
CORPORATE STRUCTURE

Incorporation

Serabi Mining plc ("Serabi" or the "Company") was incorporated and registered in England and Wales under the Companies Act 1985 ("CA1985") as a private company limited by shares on May 18, 2004 with the name of Serabi Mining Limited and with the registered number 5131528. On March 17, 2005, the Company was converted to a public company under the provisions of CA1985. The registered office of the Company is located at 66 Lincoln's Inn Fields, London WC2A 3LH and the Company's principal contact office is 30-32 Ludgate Hill, London EC4M 7DR. The Company's telephone number is +44 (0)20 7246 6830 and its website address is www.serabimining.com.

Corporate Structure

The diagram below sets out the organizational structure of the Company and its material subsidiaries:



- (1) To comply with Brazilian law, Serabi Mining plc holds 1 quota, or 0.00% of the issued and outstanding equity in Serabi Mineracao SA.

BUSINESS OF THE COMPANY

Summary

Serabi is an AIM-traded gold exploration company focused on the exploration and development of gold projects in Brazil. The Company's principal project is the Jardim do Ouro project (the "Jardim do Ouro Project"). The Jardim do Ouro Project includes the Palito mine (the "Palito Mine") and several areas of exploration interest in close proximity to the Palito Mine. The Palito Mine was operated by the Company for several years before the underground operation was placed on care and maintenance in December 2008 and a subsequent small scale surface mining operation was temporarily halted in June 2010. The Company also has other exploration areas in the same vicinity as the Jardim do Ouro Project, being the Modelo exploration project area (the "Modelo Project") and the Pison exploration project area (the "Pison Project"). All of these projects are located in an area known as the Tapajos region of the State of Para in Brazil. The Jardim do Ouro Project covers 55,600 hectares, and lies on the NW-SE trending Tocantinzinho Trend, which is the major controlling structural feature in the Tapajos region. Lying along this same

trend, some 30 km to the south east of the Palito Mine, is the Sao Jorge gold deposit owned by Brazilian Gold Corporation and 70 km to the northwest lies the Tocatinzinho gold project owned by Eldorado Gold Corporation (measured and indicated mineral resources of 2.1 million ounces and inferred mineral resources of 0.4 million ounces), who also hold 26.7% of the issued share capital of the Company.

The Tapajos region, which encompasses an area of about 100,000 km² (350 km by 300 km) in south west Para State, Brazil, is located approximately 1,300 km southwest from the state capital Belem. It is reported to be the world's third largest alluvial gold field and the Company believes that the region is a major, under-explored mineral province. Artisanal miners ("garimpeiros") are understood to have extracted up to 30 million ounces of gold mostly from alluvial and surface weathered bedrock deposits since the 1970's. With the exception of the Palito Mine, there has been no hard rock mining operation established in the region and consequently all historical production has been from alluvial operations and exploitation of the near surface oxide resources by local garimpeiros.

General Developments of the Business

Jardim do Ouro Project

The Jardim do Ouro Project, the site of previous garimpeiro mining operations, was acquired by the Company in 2001, covers a total area of 55,600 hectares, and is comprised of one mining licence granted on October 23, 2007 covering an area of 1,150 hectares, four exploration licences and five applications for exploration licences covering an aggregate of 54,450 hectares.

The Departamento Nacional de Produção Mineral ("DNPM") recently advised the Company that it was proposing to amend certain of the Company's applications for exploration licences to effect a net reduction of the land area subject to the applications by approximately 2,700 ha. The Company has lodged an appeal to reinstate approximately 600 hectares. None of the areas that the DNPM is proposing to exclude from the applications are within the areas that comprise the current exploration plans of the Company.

Within the Jardim do Ouro Project area is the Palito Mine, a high grade, narrow vein underground mine which was operated by the Company from late 2003 until the end of 2008, when the underground mining operation was placed on care and maintenance. In 2004, the Company undertook an upgrade of the plant to process sulphide ores from the underground operation and in December 2004, the first shipment was made of a copper/gold/silver concentrate to a European smelter. Since that time until the end of 2008, the Company processed a total of 480,000 tonnes of ore through the plant at an average gold head grade of 6.76 g/t. Average plant recovery during the period was 90% and total production was 110,097 gold equivalent ounces.

As of March 2008, the Company had Canadian Securities Administrators National Instrument 43-101 ("NI 43-101") compliant measured and indicated mineral resources of 224,272 ounces (gold equivalent) and inferred mineral resources of 443,965 ounces (gold equivalent) after which time some 22,528 ounces (gold equivalent) were produced from a combination of underground and near surface oxides of which the latter did not form part of the resource calculation.

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

(1) Mineral resources are reported at a cut-off grade of 1.0 g/t.

(2) Equivalent gold is calculated using an average long-term gold price of US\$700 per ounce, a long-term copper price of US\$2.75 per pound, average metallurgical recovery of 90.3% for gold and 93.9% for copper.

In September 2008, the Company announced that it had insufficient working capital to undertake necessary mine development and concluded that with no opportunity to raise additional working capital, as a result of the state of financial markets at that time, it was necessary to halt mining activity and place the underground portion of the Palito Mine on care and maintenance.

The infrastructure at the Palito Mine remains intact and includes a process plant comprised of flotation and carbon-in-pulp ("CIP") gold recovery circuits capable of treating up to 600 t/day (200,000 t/year) of ore, a camp for over 200 employees and maintenance and workshop facilities. The site is supplied with mains power sourced from a 25 Mw hydroelectric generating station located approximately 100 km north east of the town of Novo Progresso on the Curua River.

In the period following the decision to place the Palito Mine on care and maintenance the board of directors undertook a strategic review of the operation and determined that the original expectation that the Palito Mine could support production levels in excess of 50,000 ounces per annum was not supported by the then current mine plans and reserve and resource estimates. The Company concluded that limited infrastructure in the region contributed to a relative high fixed cost associated with the project and determined that an operation capable of sustaining production levels of 70,000 to 75,000 ounces per annum was required as the basis for a viable and competitive operation.

The Company considers that with the information now available to them and having considered the various mining methodologies available, that the deposit at the Palito Mine (referred to herein as the "Palito deposit") requires a selective mining operation to maximise its economic value and that under such a methodology a sustainable long term production rate is likely to be limited to 30,000 ounces per annum. The Company therefore determined that it would not in the short-term seek to re-open the Palito Mine but instead concentrate on building the reserve and resource base.

The Company is now pursuing a strategy of resource growth before making any decision on when to recommence production at the Palito Mine. Its exploration objective is to identify two or more Palito style and size deposits in close proximity to the Palito Mine itself and its existing camp and processing infrastructure. The Company has established nine drill targets within three kilometres of the Palito Mine, each of which it believes, based on its exploration results to date, has the potential to yield a Palito style and size deposit.

The nine drill targets identified are the cumulative result of a series of exploration activities that commenced in January 2008 when the Company commissioned a 6,000 hectare helicopter borne electromagnetic geophysical ("VTEM") survey over and around the Palito Mine. The Company had identified that gold mineralization at the Palito Mine was associated with the occurrence of massive sulphides (pyrite and chalcopyrite) and that some 20% of the gold resource at the Palito Mine was contained in this style of mineralization. At the Palito Mine, electromagnetics exploits the conductivity variance between the massive sulphides relative to the host granites. The size and extent of the survey area was determined by estimating a reasonable trucking distance on the basis that any discovery would be mined and the ore transported to a central processing facility. The Company used the electromagnetic signature of the known gold deposit at the Palito Mine as a point of reference to help identify 66 anomalous areas, which the Company prioritized into 18 areas justifying further evaluation. A ground IP survey was conducted in the first half of 2010 covering 13 of these anomalies to ascertain the extent of each anomaly by seeking to identify gold mineralization associated with quartz veins which at the Palito Mine accounted for the remaining 80% of the gold resource. Correlation of the geophysical data with geochemical information and mapping of garimpeiro activity resulted in the nine drill targets. The Company has commenced a 7,500 m drill programme to test these drill targets, which is expected to be completed during the third quarter of 2011, and is proposing a further IP survey over the five remaining anomalies during 2011.

The Company has access to Rio Tinto plc's ("Rio Tinto") technical database for the Tapajos region, containing extensive exploration information on many of the major garimpeiro gold workings in the area. The database contains the results of work done in the region by Rio Tinto Desenvolvementos Minerais Ltda ("RTDM"), a Brazilian subsidiary of Rio Tinto, in the 1990's, which to the knowledge of the Company is the only modern systematic exploration undertaken in the region to date. In October 2002, Serabi acquired access to Rio Tinto's entire Tapajos drill core from this programme, estimated to total approximately 50 km. Rio Tinto currently maintains a right to acquire 80% of any Serabi gold project in those areas where the technical data was a reasonably significant factor in such discovery and such discovery is in excess of 5 million ounces of gold. At this time, based on the Company's current tenement holdings, such right applies only to the Pison Project and the Company considers that the areas within this project that are likely to result in any discovery are not those where the Rio Tinto work will have been a significant contributing factor to such a discovery.

While recent exploration has tended to focus on those areas already identified and exploited by the garimpeiros, the Company believes that there is significant potential to identify, using systematic exploration techniques,

undiscovered gold deposits. The Company has deployed geophysical exploration techniques to identify nine drill targets and considers that there is merit in extending the same exploration approach and programme over the wider tenement holding around the Palito Mine as it seeks to identify further potential gold bearing mineral deposits. The Company completed an 8,000 hectare helicopter borne VTEM survey January 2011. The Company expects initial results from the processing and interpretation of this data will be available during the second quarter of 2011.

Pison Project

The Pison Project is an isolated site located approximately 300km to the northwest of the Palito Mine with access being primarily by light aircraft. The original tenement holding secured by the Company showed gold mineralization occurring in 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. The site has been worked by garimpeiros but this was limited and reached the practical extraction limit using traditional methods. Exploration prior to Serabi's involvement has been very limited with Rio Tinto having drilled only a few diamond holes with the best results including 32m at 5.32g/t gold within strongly altered rhyolites. Serabi expanded its land position and at the end of 2007 held over 120,000 hectares around the original tenement area. During 2008, the Company conducted and completed a stream sediment sampling programme over the entire tenement holding and as a result has prioritized certain areas and reduced its land holding to some 14,733 hectares. The programme identified significant anomalous areas of which the best catchment anomaly covered an area of 15 km by 5 km and produced one sample of 4.02 g/t gold from a -80 mesh fraction and multiple results of gold in stream sediments of over 0.5 g/t. While the Company is encouraged by these results, it is of the view that to fully explore the potential of the Pison Project will require the involvement of a joint venture partner able to dedicate financial and personnel resources to an exploration programme.

Modelo Project

The Modelo Project covers a land tenement holding of some 40,000 hectares and lies to the south of the Tocantinzinho structure on broadly north/south mineralized structures similar to that hosting the Ouro Roxo, Villa Porto Rico and Bom Jardim deposits. The project exhibits similar geology to the Pison Project (volcanic and granites) and the Company is of the opinion that it may have the potential for granite hosted vein and epithermal style gold mineralization in the volcanics. This project is not currently a priority for the Company and it is its intention to secure a joint venture partner before committing further funding to its evaluation.

Employees

The following table sets forth the average number of persons employed by the Company during the year ended December 31, 2009, the location of employees and general area of responsibility within the Company.

	Brazil	Other	Totals
Management and administration	12	4	16
Exploration	3	-	3
Mine operations	61	1	62
Totals	76	5	81

Carrying on Business in Brazil

Brazil is the largest country in Latin America by area (47% of Latin America) and the fifth largest country in the world. The country has experienced continuous, positive and sustainable economic growth, low inflation rates, and improvements in social well-being in a democratic political environment. Brazil is a constitutional democracy with a strong national policy encouraging foreign investment. No special taxes or registration requirements are imposed on foreign-owned companies and foreign investment capital is treated equal to domestic capital.

According to the Fraser Institute Annual Survey of Mining Companies, Brazil is ranked as one of the world's leading countries for investment based on a combination of its mineral potential and mining legislation. The country offers extensive infrastructure, a large pool of skilled technical and professional personnel, and an established legal system. Mineral resources are defined and mining rights guaranteed under Brazil's Federal Constitution, Federal Mining Code and various rules and regulations.

Brazil is a civil law jurisdiction. The laws governing business activities are found in federal legislation, which includes the *Brazilian Mining Code* and the *Foreign Investment Rules and Regulations*. State and municipal legislation

also apply with respect to taxation, environmental and administrative matters. Brazilian business law is similar to corresponding law in other major civil law jurisdictions and provides a legal framework for foreign investment. Foreign investment in Brazil is governed by the *Foreign Capital Law* which requires that foreign investments in Brazil be registered with the Central Bank to ensure foreign remittance of profits and/or interest on equity, repatriation of foreign capital invested in Brazil and reinvestment. In addition, capital remittances must be registered within 30 days with the on-line Brazilian Central Bank electronic system RDE-IED15 (*Registro Declaratório Eletrônico de Investimentos Estrangeiros Diretos*).

Brazilian Mining Laws

The Brazilian federal government owns and has jurisdiction to control, regulate and grant rights to explore Brazil's mineral resources. The constitutional regime governing mineral deposits and the regulations respecting exploration establish a special legal framework for the Brazilian mining industry. Under the Brazilian Constitution, mineral deposits represent a property interest separate from the surface rights and belong to the Federative Republic of Brazil. The prospecting and mining of mineral resources in Brazil may be carried out by Brazilians or by companies duly incorporated in Brazil, which hold an exploration authorization or a mining concession, as the case may be, duly granted by the DNPM, a department of the Brazilian federal government responsible for controlling and applying the Brazilian Mining Code, and requires an agreement with the landowner. Accordingly, the subsoil and soil are subject to distinct legal treatment and the holder of an exploration authorization or a mining concession has the right to conduct mineral exploration activities or mining activities even where there is a dispute with the landowner.

Before conducting mineral exploration or exploitation activities in Brazil, it is necessary to first obtain an exploration authorization, followed by a mining concession from the Brazilian government. To this end, an exploration authorization request or a mining concession request must be filed at the DNPM, which will evaluate if the request fulfills the necessary legal and technical requirements. These mineral rights normally cover an area of up to 10,000 hectares, but may be smaller in certain areas depending upon the region where the property is located (the DNPM defines the maximum area that each exploration authorization may cover in each region of Brazil).

An application for prospecting must be supported by a location map, exploration plan and motivation report and must comply with certain other requirements. Provided the area of interest is not already covered by a pre-existing application, an exploration authorization or a mining concession, and that all requirements are met, the DNPM normally grants the authorization on a priority of application basis. Applications are sequentially numbered and dated upon filing with the DNPM.

An exploration authorization (*Alvará de Autorização de Pesquisa*) regulates the stage of mineral exploration works. Normally, an exploration authorization is granted for a period of three years, can be renewed for a further period (under special conditions) and may be transferred. Exploration must begin within 60 days of the issuance of the permit and must not be suspended for more than three consecutive months or 120 non-consecutive days. Otherwise, the DNPM has the discretion to terminate the authorization. The holder of an exploration authorization is required to pay an annual fee to DNPM. If under its original term, the fee to be paid to DNPM in connection with an exploration authorization is currently R\$2.02 per hectare, and if under the extension term, the fee to be paid to DNPM in connection with an exploration authorization is currently R\$3.06 per hectare (the extension of the exploration mining authorization's original term must be requested by the holder at least 60 days prior to its expiration). By the end of the term of the exploration mining authorization, a report must be filed and accepted by the DNPM (the "DNPM Report") either proving the technical and economical feasibility of exploiting a mineral deposit, which results in the granting of a mining concession, or demonstrating the absence of a mineable deposit, which results in the termination of the authorization. Upon submission of the DNPM Report, the DNPM has the right to inspect the area to confirm the accuracy of the report and shall approve the report when the existence of an ore deposit has been confirmed. The holder of an exploration license is allowed to receive a provisional license to sell metals covered by such a license until the granting of a mining concession.

The mining concession (*Concessão de Lavra*) is applicable to and regulates the stage of mining exploitation works. Following approval of the DNPM Report, the holder of the exploration authorization has the exclusive right to request the mining concession, which must be exercised or negotiated within a period of one year, extendible for a further year at the DNPM's sole discretion. The mining concession itself is granted for an indeterminate period of time. The grant of a mining concession is subject to the fulfillment of certain conditions, namely having explored the area, an approved DNPM Report and an undertaking that the area will be adapted to the technical and economic conditions necessary to carry out the mining operations and related works according to what was established under the economic exploitation plan (*Plano de Aproveitamento Econômico*) (the "PAE") related to the concession. The PAE

must be submitted by the holder together with its application requesting the mining concession. The holder of a mining concession pays to the DNPM a royalty on gold of 1% of sales proceeds less sales tax, transportation and insurance costs.

An application for a mining concession must be supported by information regarding the PAE, including a description of the mining plan, the processing plants, proof of the availability of funds or existence of financial arrangements for carrying out the economic development plan and operation of the mine. Applications for mining concessions must also include an independently prepared environmental plan that deals with water treatment, soil erosion, air quality control, revegetation and reforestation (where necessary) and reclamation. The mining concession, once granted, contains terms and conditions of the concession which will include terms and conditions relating to environmental matters.

After the mining concession is published in the official gazette, the applicant has 90 days to request possession of its respective mineral lode or deposit and six months to start the preparatory work as contemplated in the PAE. Once mining has commenced, it cannot be interrupted for a period longer than six consecutive months, except for proven reasons of *force majeure*, otherwise the concession may be revoked. The applicant must file with the DNPM (before March 15 of each year) a detailed statistical mining report. To explore the mine, it is also necessary to obtain environmental permits.

Throughout this process, the surface rights relating to the mining concession remain in the hands of landowners, typically farmers, ranchers or companies. The surface rights must be individually negotiated to allow the holder of a mineral exploration authorization or a mining concession to access the land and conduct the exploration and mining works. Surface owners must be compensated for disturbance of their farming and other activities. The surface rights owners are obliged by law to provide access to the mineral license holder to conduct exploration. If the parties cannot reach an agreement by mutual negotiations, such disputes are resolved by the courts based upon tradition for the region and type of mining.

Site visits by governmental authorities to properties where mining concessions are granted occur on a regular basis and annual progress or status reports must be submitted by the mining company that holds the mining concession. Those visits or reports may require a mining company to adopt changes to the PAE based on the recommendations made by governmental authorities. Failure to comply with the recommendations may result in fines, damages, restitution and imprisonment for officers of the mining company. A mining company's annual operating permit may not be renewed if the mining company has not complied with the recommendations.

Mining concessions can be transferred between parties qualified to hold them. The Brazilian Constitution sets forth, however, that a transfer of a mining concession requires authorization from the competent government authority. Once a mining concession is granted, a mining company is required to obtain an operating permit for each mine that is operated. The operating permit is renewed annually subject to compliance with environmental matters. No significant fees or other payments are required to be paid in connection with the issuance of an exploration authorization, an application for concession or a mining concession.

Environmental

Exploration activities and mining in Brazil are subject to environmental licensing. This consists of an administrative procedure, where the relevant environmental authority evaluates the project and authorizes the company to conduct exploration or exploitation works. There are three types of environmental licenses in Brazil: (i) *Preliminary Licenses* (also called provisory licenses), which certify the viability of the project (including approval of the site and conception) and establish the basic requirements and conditions that must be fulfilled in subsequent phases; (ii) *Installation Licenses*, which authorize commencement of construction (installation of the enterprise or activity) according to the specifications set out in the approved plans and programs and define the environmental control measures, etc.; and (iii) *Operating Licenses*, which are conceded when the project is ready and able to function following an assessment of compliance with the terms of the preceding licenses. The licensing of projects that could potentially or effectively cause degradation are subject to submission to and approval by the environmental authorities of the environmental impact study.

Tax

There are three jurisdictions and tax collection levels in Brazil (as defined by Brazilian tax legislation): the Federal, State and Municipal levels. The main taxes levied are: Corporate Income Tax (*Imposto de Renda Pessoa Jurídica*) (the "IRPJ") with companies generally subject to income tax at a rate of 25%; a project considered to be of priority interest is entitled to a reduction of 75% in the effective income tax rate; and Social Contribution on the Net Profit

(*Contribuição Social sobre o Lucro Líquido*) (“CSLL”) at a current rate of 9% (however, there is a 1% bonus for tax regularity if the company fulfils certain conditions). There are several government incentives for start-up projects in Brazil such as subsidized loan financing and tax exemptions or reductions, which vary according to the characteristics and location of each project. International investors have equal access to these incentives, when compared with local investors.

MINERAL PROPERTIES

The Company’s current material mineral project is the Jardim do Ouro Project.

The information in this section is summarized or extracted from the technical report dated December 22, 2010 by Rodrigo Mello, Geologist MAusIMM and Eduardo Rosselot, C.Eng IMMM, of NCL Brasil Ltda (“NCL”) and entitled “NI 43-101 Technical Report for the Jardim Do Ouro Project, Para State, Brazil” (the “Jardim do Ouro Technical Report”). Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Jardim do Ouro Technical Report, which is available on SEDAR.

Project Description and Location

Location

The Jardim do Ouro Project is located in the Tapajós mineral province in the south east part of the Itaituba Municipality in the west of Pará State in central north Brazil, near the eastern municipal boundary with the Novo Progresso Municipality.

The most important feature of the project is the Palito Mine, which lies some 4.5 km south of the village of Jardim do Ouro and approximately 15 km via road. This village lies on the Transgarimpeira Road some 30 km west-southwest of the town of Moraes de Almeida, located on the junction of the Transgarimpeira and the BR 163 or Cuiabá – Santarém Federal Highway. Moraes de Almeida is approximately 300 km south south-east by road of the municipal capital and similarly named city of Itaituba.

Location of the Tapajos Mineral Province



Project Ownership

The Jardim do Ouro Project is formed by 21,089 ha of tenements granted in the Tapajós Province, including 1,150 ha of mining lease. In addition, there are 33,378 ha in mineral exploration license applications or extensions. Total area for this property is 55,637 ha. The DNPM recently advised the Company that it was proposing to amend certain of the Company's applications for exploration licences to effect a net reduction of the land area subject to the applications by approximately 2,700 ha. The Company has lodged an appeal to reinstate approximately 600 hectares. None of the areas that the DNPM is proposing to exclude from the applications are within the areas that comprise the current exploration plans of the Company.

To retain the exploration properties, Serabi will need to make an annual payment to the DNPM, which is presently calculated as R\$2.02 per hectare for a granted exploration license, and R\$3.06 per hectare for an exploration license extension. To maintain the mining license, Serabi must comply with the conditions set out by the DNPM in respect to annual reporting and environmental compliances, but no taxes are owed, except those incurred on production.

DNPM legislation allows for the extension of up to three years for exploration properties beyond the period of validity, through a process of report presentation and application for an extension.

Those exploration tenements presently granted as exploration extension licenses, cannot be renewed and must either be relinquished or can be upgraded to a mining concession through submission of an application including a mineral resource statement, economic assessment and mining plan and schedule.

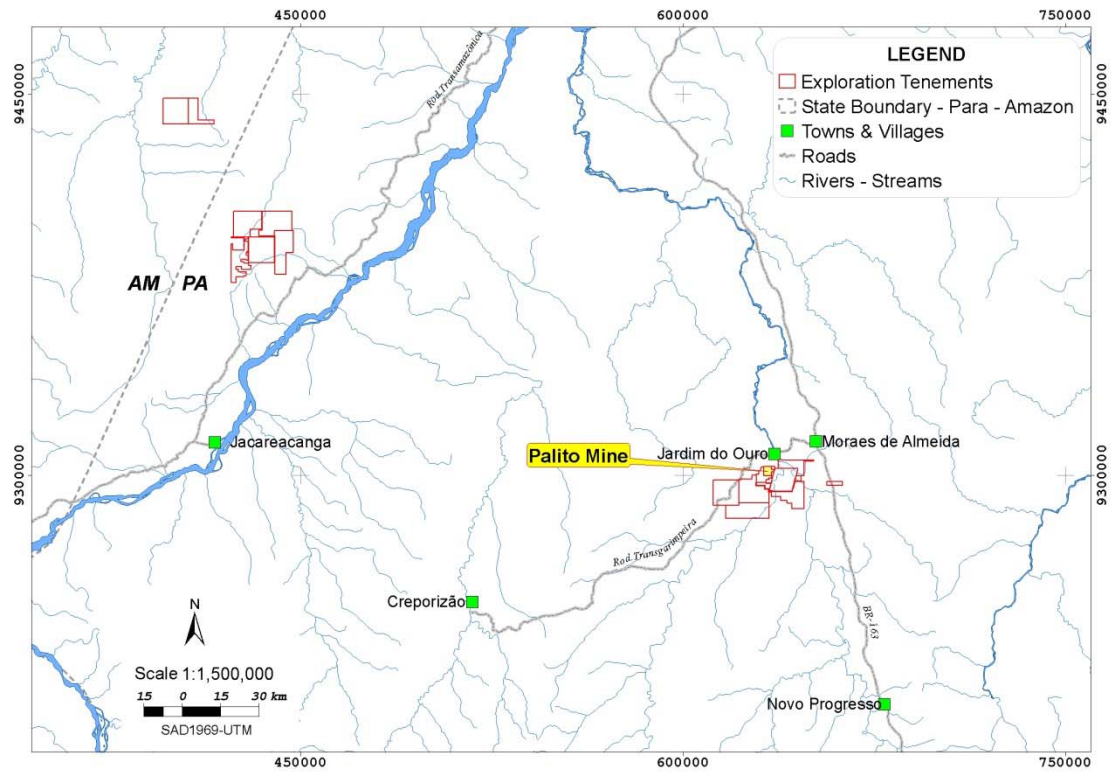
Mining concessions are valid until exhaustion of the resources or cessation of mining. The mining license is valid for an indefinite period. There are no annual fees associated with the maintenance of that license but the holder is subject to paying royalties to the state. The acronym for this royalty is CFEM. The CFEM rates for gold, silver and copper, the primary products of the Palito Mine, are currently 1.0%, 0.2% and 2.0% respectively.

Under applicable mining laws, the holder of a mining license is required to hold an Operating License granted in this case by Secretaria de Estado de Meio Ambiente (SEMA) for the State of Para. This period of validity for such a license is at the discretion of the issuing body. Serabi's current license was issued for a period of two years and expired on December 12, 2010. Serabi has made the necessary application for the license renewal, and while the Company awaits final approval from SEMA, the current license is automatically extended.

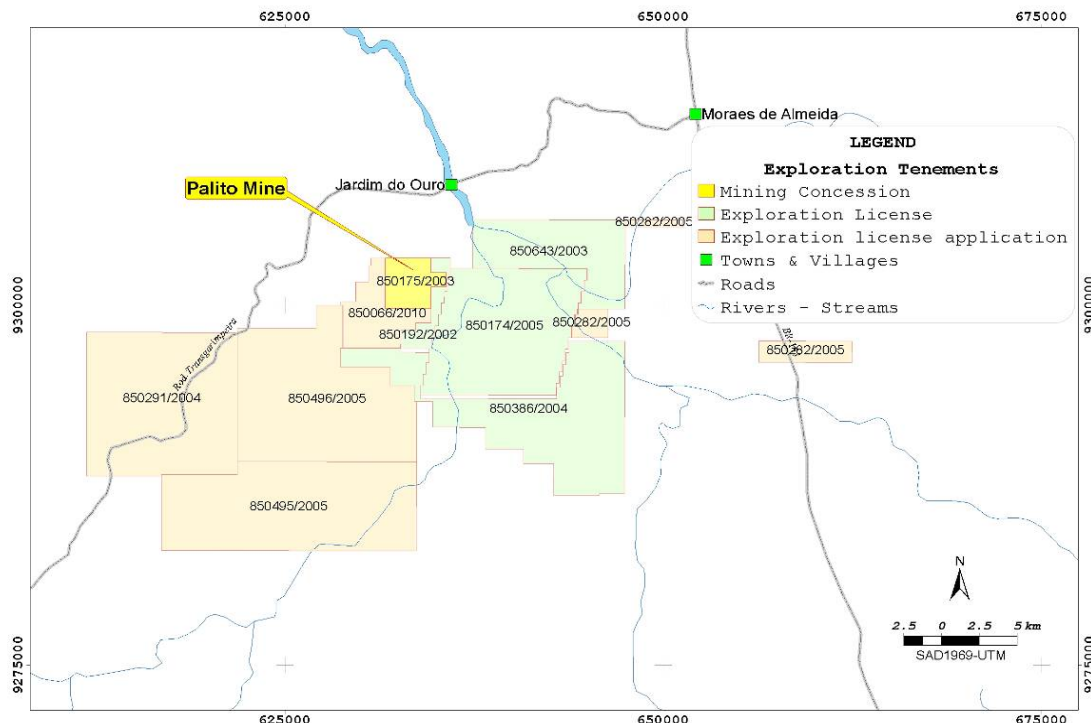
Exploration property boundaries are located by means of geographic coordinates for each vertex, which are published in the DNPM gazette and on the DNPM website. The mining concession is marked by embedded cement filled pylons, at each vertex of the concession, marked in accordance with the published vertices in the DNPM.

The following plans illustrate Serabi's mineral rights and applications in the Tapajos and the Jardim do Ouro Project specifically.

Serabi Controlled exploration and mining tenements in the Tapajós Province



Plan illustrating Serabi's Jardim do Ouro Project Tenements



Besides the Jardim do Ouro Project, Serabi operates two other separate project areas, in the same Tapajós Province, which are not covered in the Jardim do Ouro Technical Report; the Modelo Property, in the state of Pará, 40,000 ha comprising five exploration permits, and the Pison Project, in the state of Amazonas, represented by 14,733 ha comprising one exploration permit and one application.

Surface Rights

Serabi initially acquired the surface rights to the immediate Palito Mine area through a purchase agreement with the existing garimpeiros entered into in 2002 and since that time has acquired from other garimpeiros and/or farmers additional parcels of land with the intention of securing the surface rights. It has also entered into agreement with other parties for access rights in return for making monthly rental payments.

In total, these surface rights cover a total area of 981 ha out of the total Jardim do Ouro tenement holding of 55,637 ha.

Of these surface rights 865 ha, lie within the mining license.

Exploration licenses and Mining license

Serabi has four exploration licenses granted within the Jardim do Ouro area covering a total of 21,089 ha and has a further five exploration licenses in application covering an area of 33,378 ha.

The annual commitments and expiry dates of these licenses are as follows:

<u>License Number</u>	<u>Licence type</u>	<u>Hectares</u>	<u>Annual</u>	<u>Potential</u>	<u>Date of expiry</u>
			<u>Commitment</u>	<u>Commitment</u>	
			<u>R\$</u>	<u>R\$</u>	
850.175/2003	Mining concession	1,149.59			
850.643/2003	Exploration license	4,204.76	12,867		09/08/2012
850.386/2004	Exploration license	8,293.27	25,377		TBD ⁽¹⁾
850.174/2005	Exploration license	7,917.47	24,227		09/08/2012
850.192/2002	Exploration license	673.19	2,060		12/03/2011

<u>License Number</u>	<u>Licence type</u>	<u>Hectares</u>	<u>Annual Commitment R\$</u>	<u>Potential Commitment R\$</u>	<u>Date of expiry</u>
850.291/2004	Application for exploration licence ⁽²⁾⁽³⁾	9,995.38		20,191	
850.282/2005	Application for exploration licence ⁽²⁾⁽³⁾	1,535.76		12,339	
850.495/2005	Application for exploration licence ⁽²⁾⁽³⁾	9,987.90		20,175	
850.496/2005	Application for exploration licence ⁽²⁾⁽³⁾	9,995.47		20,191	
850.066/2010	Application for exploration licence ⁽²⁾⁽³⁾	1,860.83		3,759	

(1) An extension application was submitted on July 16, 2007 and the Company is waiting for the publication of the grant of the licence extension.

(2) The Company is waiting for the publication of the grant of the exploration licences.

(3) Until the DNPM grants exploration licenses they remain subject to amendment by the DNPM.

Environmental Liabilities

The Jardim do Ouro Project contains significant ground disturbance within the Palito Mining lease (850.175/2003), as part of the Palito mining and processing activities. Serabi has complied and is in compliance in all material respects with all environmental regulatory requirements related to the exploration and mining activities pursuant to Brazilian environmental laws, and has taken all necessary actions in order to keep the environmental licenses and permits in force, valid and in good standing

Within the Jardim do Ouro Project, outside of the Palito Mine lease, ground disturbance has been primarily by garimpeiro activities, restricted mainly to creeks, including shallow water filled pits and small open pits from which saprolitic materials have been hydraulically extracted and processed by gravity separation. Serabi has conducted a small program of diamond drilling outside of the mining lease in exploration lease 850.174/2005, consisting of drill pad placement and access road construction. To date this has not been remediated, as ongoing exploration in the area necessitates ongoing activity in the affected area.

Serabi presented a closure plan to the Brazilian mining authority, as part of its plan of economic usage of the mine, as required for the mining license application. In this plan, a value close to R\$2.5 million was estimated to cover closure costs, spread over a period of three years, after the mine exhaustion.

Accessibility, Climate, Local Resources, Infrastructure and Physiology

Access

Access to the area from Itaituba can be achieved by an unsealed road, crossing the Tapajós River at Itaituba via ferry and disembarking at the village of Mirituba, located on the southern bank of the river, opposite Itaituba. The road continues 30 km south of Mirituba along the BR 230 or Transamazonica Road, where the BR 230 terminates at the BR163. The road continues a further 270 km and 43 bridges south along the BR 163 to Moraes de Almeida and a further 30 km WSW along the Transgarimpeira via Jardim do Ouro, located on the Jamanxim River. In Jardim do Ouro, a second ferry is required to traverse the river to the western bank. A further 2 km west of the village the Palito Mine access road turns south for a further 12 km before arriving at the Palito Mine site, located in the Jardim do Ouro Project Area.

Alternatively, road access can be gained from Santarém to the NE or from Cuiabá to the south in Mato Grosso state via the BR 163, taking the Transgarimpeira Road at Moraes de Almeida to Jardim do Ouro and on to Palito.

Road access to the Palito Mine site can be restricted during the tropical wet season from December to May each year.

Access can also be gained by air from Itaituba or alternate airstrips (Santarem or Novo Progresso) using light aircraft. Palito and Jardim do Ouro have 800 m airstrips of compacted earth which are approximately one hour flying time from Itaituba or 1.5 hours flying time from Santarem.

Itaituba is a well established centre with port facilities capable of handling barge transport of heavy equipment and airport facilities for large freight aircraft. The Palito Mine receives much of its supplies and dispatches its copper-gold concentrate product via barges accessed from Itaituba and trucked to site and vice versa.

Electric grid power has been brought to the mine site via a spur line from Novo Progresso. Backup power is supplied by onsite diesel fired generators.

Physiography, climate and vegetation

The Jardim do Ouro Project lies in a region termed the Tapajós valley, specifically in the region termed the Rio Novo Basin, located in the central eastern portion of the Brazilian IBGE SB.21.ZA map sheet, on the left margin of the Rio Novo, proximal to the confluence of the Rio Novo and Jamanxim rivers. These rivers in turn drain north into the Tapajós River near Itaituba and then north east into the Amazon River downstream at Santarém.

The Palito Mine lies at an elevation of 260m RL at the approximate coordinates:

Geographic: 55°47' 31.3" W, 6°18' 54.1" S

UTM: SAD 69, Zone 21S; 633617mE, 9301813 mN

Local physiography consists of a rugged topography forming hills and steep sided valleys in the immediate Palito area, and more subdued undulating hills and valleys in the surrounding project area. There are numerous creeks ("Igarapés") draining the incised topography of the Palito area, all of which drain into the Rio Novo and Jamanxim Rivers located within a few kilometres of the site.

The majority of the immediate Jardim do Ouro Project environment is covered by tropical forest typical of the Amazon region, however north and west of the Palito Mine, the forest has been felled to create pastures for the grazing of livestock along the Transgarimpeira Road.

Many of the drainages radiating away from the Palito Mine site have been worked intensely in the 1980's by the garimpeiros resulting in manmade swamps, permanent wetlands and old forest destruction.

The local climate has two well defined seasons, the rainy season from December to May and the dry season the remainder of the year. Regional rainfall averages around 1400 mm per year although this now fluctuates greatly due to the deforestation effect of local farming.

The temperature does not vary significantly ranging between 24°C and 33°C, with an average of around 26°C. Relative humidity ranges from 70% to 80% depending on the season.

Local Resources

Within the boundaries of the Palito Mine lease there are no permanent inhabitants, however within the greater contiguous tenement holdings in the Jardim do Ouro Project there are a number of cleared grazing properties with permanent dwellings and inhabitants. The nearest community with social services is Itaituba, which has a population of 96,282 (IBGE census of 2007), banking, postal service, health services, communications, education centres, and regular air service to other major cities, including Belém, Manaus and Cuiabá.

Labour employed by the project is preferentially sourced from the local towns and villages, within the state of Pará. Other more job specific professionals unavailable in Pará are sourced preferentially from within Brazil.

Grid electricity is sourced from the neighbouring municipality of Novo Progresso 135 km away, and brought to site via a spur line.

Water is in abundance locally and is sourced from small reservoirs and dams constructed on site for industrial purposes and from water wells for potable water requirements.

Fuel and other major supplies are currently brought in via road from Itaituba and/or Cuiabá via the BR163.

History

The Palito deposit is located in the eastern portion of the Tapajós Mineral Province where the presence of gold has been reported as early as 1747 from the Colonial Portuguese era. Gold production in the Tapajós commenced in the

mid 20th century via garimpeiros reaching a peak in the 1970's and 1980's with estimated production of between 15 to 30 tonnes per year, from over 500,000 garimpeiros. Production has since declined. However there remain in the order of 2,000 to 5,000 garimpeiros producing in the order of five tonnes of gold per year from the region. Total historical production from the Tapajós is estimated at between 15 to 30 million ounces as reported by the CPRM. However, accurate reports do not exist.

Gold mining in the Jardim do Ouro Project area was initiated by garimpeiros during the 1970's who typically worked alluvial and colluvial gold sources up stream until they came upon the residual source. Generally, the garimpeiros worked the residual mineralized saprolite profile containing free primary and secondary gold. In circumstances where extremely high grade was encountered in fresh rock, the garimpeiros sunk shafts and mined the vein underground by gallery development. The mining method employed traditionally was by hand and hydraulic mining in the saprolite, using basic gravity separation and occasionally mercury amalgamation. In the high grade vein material extracted from fresh rock or deeper open casts, the material was crushed and then gravity separated and/or mercury amalgamated.

Modern exploration was initiated in 1994 by RTDM, which conducted surface geochemical sampling, auger drilling, ground and airborne geophysics, and diamond drilling in the Palito Mine area.

The founders of 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 Mine in 2001, forming the basis for Serabi. In 2002, Serabi purchased RTDM's historical Tapajós exploration database and negotiated access to RTDM's exploration drill core library, following RTDM's decision to withdraw from the Tapajós Province.

Following the acquisition of the Palito Mine in 2001, Serabi commenced re-treatment of high-grade gold tailings from the abandoned garimpeiro workings via a small scale milling and CIP plant in late 2002. This plant produced around 3000 ounces of gold bullion in 2003 and provided valuable lessons for operating in the region. Underground mining commenced in late 2003, exploiting fresh rock sulphide bearing ore.

In 2004, gold bullion production ceased during a plant upgrade to process the sulphide ore won from the underground operation. The upgrade to the circuit included the installation of a crushing plant and a flotation circuit. In August 2004, bullion sales resumed and in November 2004, the first copper/gold/silver concentrate was shipped to Europe for processing.

In May 2005, Serabi filed for public listing on the AIM London Stock exchange where it successfully raised £6.9 million net of expenses. In 2005, the Palito Mine operation reached a throughput rate of 150 tpd and produced 17,261 oz gold equivalent.

In 2006, the Palito Mine's production throughput was increased to 340 tpd and changes in the mining methodology began to take effect as the more selective shrinkage stoping method was replaced by bulk longhole stoping. This resulted in a production of 39,197 oz gold equivalent for the year.

In 2007, a further increase in throughput rate to 550 tpd was undertaken to counter the decrease in grade of the run-of-mine feed caused by excessive dilution of the narrow vein ore zones from long hole stoping. The production for that year was of 33,963 oz gold equivalent. During 2007, the mining methodology was reconfigured to minimise the dilution with long hole stoping heights. Resulting methods were adapted and a new selective mining fleet placed on order for delivery in 2008.

In 2008, the delayed arrival of the new selective mining fleet, severely impacted on development and production rates, and as a result the Palito Mine performed well below plan during the year. By midyear it was clear to the Company that to re-establish the Palito Mine to planned production levels, it would be necessary to place the mine into a dedicated phase of development for a period of some 12 months. However, the implications of such a plan on cash flow along with a significant working capital requirement, at a time when the capital markets were in severe decline made it difficult for the Company to secure the necessary funding to implement such a plan. In the absence of any viable alternative plan, the decision was taken to suspend underground mining by the end of 2008. Gold production for 2008 was 19,676 oz gold equivalent.

Also in 2008, exploration activity focused mainly upon mine site step out drilling and the flying of a 6,000 ha VTEM survey. The hosting of gold mineralization in a sulphide host matrix, means that the mineralization is well suited to geophysical exploration methods. The survey rewarded the Company with 18 high priority targets within a 7 km

radius of Palito Mine, which if successfully proven up, would be expected to be incorporated into the current operating infrastructure .

The main priority of 2009 for Serabi was to stay in business, the global financial crisis and virtual cessation of access to capital markets made life very difficult for companies with limited revenue. All exploration activity was placed on hold. Following the suspension of the underground operation, a change of mine plan was submitted to the DNPM and the Company commenced limited gold production from some oxide ore mining, which had been successfully piloted the previous year. This small scale surface oxide ore mining was restricted largely to the top 20 metres from surface, where the mineralization has been weathered. Beyond a depth of 20 metres the oxide mineralization changes into a transition zone, before finally encountering the harder sulphide ore at depth. The oxide ore is very amenable to processing with Serabi's existing CIP plant from which it is possible to produce gold in the form of bullion bars. However, in both the transition and sulphide zones the gold is associated with copper (in the oxide ore the copper has been leached away) and this material can only be treated through flotation, which produces a concentrate.

The reduction in labour costs following the suspension of underground mine production, meant the gold production from oxide mining activity began to generate meaningful though limited revenue which helped meet site costs. It should be noted that the oxide ore mined was from material outside the declared mineral resource. No official resource estimation has been ever undertaken upon this material.

In fact the Company's aim has been to continue mining and processing oxide ore as long as realistically possible to generate sufficient cash flow to cover or partly cover the mining and process costs at Palito Mine and, in so doing, maintaining legal operations at site. During 2009, the Company produced approximately 5,000 gold ounces from oxide mining activities.

At the end of 2009 the Company completed an equity financing, raising US\$4.5 million. These funds allowed the Company to recommence exploration activity.

The following tables summarize total historical production and gold production since the March 2008 cut-off date of mineral resource estimate.

Historical production at Palito Mine to June 2010

Quarter	Tonnes Milled	Head Grade		Plant Total		
		Au (g/t)	Cu (%)	Recovery	Production	
				Au (%)	Au (oz)	Cu (t)
2005 – Q1	8,222	9.33	0.3	84.2	2,077	22.4
2005 – Q2	14,006	8.63	0.33	88.2	3,427	38.2
2005 – Q3	14,315	12.06	0.68	90.2	5,005	81.0
2005 – Q4	21,415	7.65	0.42	91.8	4,837	74.7
2006 – Q1	25,514	9.31	0.47	91.9	7,017	98.0
2006 – Q2	29,851	9.73	0.43	91.3	8,527	107.1
2006 – Q3	29,462	9.2	0.51	91.4	7,974	139.2
2006 – Q4	32,760	9.37	0.73	91.0	8,980	224.6
2007 – Q1	42,705	6.52	0.31	89.8	8,044	125.6
2007 – Q2	45,245	5.95	0.3	91.1	7,888	127.0
2007 – Q3	45,054	5.36	0.23	90.0	7,021	96.2
2007 – Q4	40,481	5.06	0.29	89.9	5,989	110.4
2008 – Q1	34,040	4.52	0.31	89.0	4,217	85.8
2008 – Q2	36,745	5.1	0.26	89.0	4,963	78.9
2008 – Q3	37,704	4.69	0.26	87.4	4,658	81.1
2008 – Q4	29,174	3.92	0.27	89.4	3,165	66.8
2009 – Q1	17,863	4.03	-	90.5	2,134	-
2009 – Q2	19,151	3.24	-	89.3	1,748	-
2009 – Q3	17,470	2.23	-	89.9	1,018	-
2009 – Q4	15,073	1.26	-	78.7	548	-
2010 – Q1	13,291	1.73	-	85.3	786	-
2010 – Q2	4,803	1.82	-	89.8	265	-

Production since March 2008

Limited mining occurred after the March 2008 cut-off date for the mineral resource statement, and is set forth in the table below.

2008	tonnes	Grade Au g/t	Au oz
Oxide ore gold production <u>not included</u> in March 2008 Mineral Resource	21,000	2.50	1,688
Sulphide ore gold production <u>included</u> in the March 2008 Mineral Resource	65,781	4.16	8,799
Sulphide ore gold production <u>not included</u> in the March 2008 Mineral Resource	16,445	4.75	2,512
Total Q2-Q4 2008	103,226	3.92	12,999
2009			
Oxide ore gold production <u>not included</u> in March 2008 Mineral Resource	69,557	2.76	6,173
2010			
Oxide ore gold production <u>not included</u> in March 2008 Mineral Resource	18,094	1.75	1,020
TOTAL MINED + TREATED SINCE Q2 2008	190,877	3.67	22,528

It can be concluded from this production data that only 8,799 oz of gold came from sources within the March 2008 mineral resource, with the remaining 13,729 oz coming from unreported ore sources outside the declared March 2008 geological resource. As a consequence, the mineral resource has not been materially affected by subsequent production up to June 2010.

Geological Setting and Mineralization

The Tapajós Gold Province is located in the western portion of Pará State, central northern Brazil and covers a total of some 100,000 km². The Tapajós is in the southern-central portion of the Amazon Craton, generally termed the Brazilian Shield, as opposed to the northern portion of the Craton referred to as the Guyanian Shield and extends into the littoral countries of the northern South American continent.

The Brazilian Shield is nucleated on the Archaean granite-greenstone terrain of the Carajás-Imataca Province in eastern Pará State, and progressively becomes younger and shallower towards the west, grading into granite dominated then into granite-volcaniclastic terrain of Paleoproterozoic age rocks of the eastern Amazonas State. In the Jardim do Ouro region lithologies are dominated by granitoids of Paleoproterozoic age.

Regional Geology

The Tapajós Province represents a tectonically controlled geological evolution attributed to the Orosirian Proterozoic period, comprising four plutonic events, over a 140 Ma period.

In the Tapajós Province two main units form the basement, the Paleoproterozoic Cuiú-Cuiú metamorphic suite (2.0 - 2.4 Ga) and the Jacareacanga metamorphic suite (>2.1 Ga). The Jacareacanga is considered to be the older suite; however the relationship is not yet well defined.

The Jacareacanga suite is comprised of a sedimentary-volcanic sequence, deformed and metamorphosed to a regional greenschist facies, with units of sericitic and chloritic schists and rare banded iron formations.

The Cuiú-Cuiú suite, which is the basement for the Palito area, is comprised of orthogneisses of dioritic to grandioritic composition, locally mylonitized, deformed tonalitic granitoids and enclaves or rafts of amphibolites.

Both the Cuiú-Cuiú and Jacareacanga suites are intruded by monzogranites of the Paráuari suite (2000 -1900 Ma), tonalites, diorites and granodiorites of the Tropas suite (1907 Ma -1898 Ma) and granites and granodiorites of the

CrepORIZÃO suite (1893 -1853 Ma). These three intrusive suites are considered to have calc-alkaline affiliations and may be considered remnants of a magmatic back arc system interpreted for the region.

Coeval felsic and intermediate rocks; rhyolites, dacites and andesites of the Bom Jardim and Salustiano Formations (1900 – 1853 Ma) and volcanoclastics of the Aruri Formation (1893 -1853 Ma) cut through all older units.

The alkaline, anorogenic, Maloquinha Granite suite (1882 – 1870 Ma) intrudes throughout the Tapajós and is associated with the strong extensional episode, pre-dating the deposition of the Uatumã Volcanics (Irirí Group, Aruri Formation and Salustiano Formation). The Maloquinha Granites are considered to be the deeper intrusive phase of the Uatumã Volcanics and the source of the gold mineralization in the Tapajós.

Younger sedimentary rocks cover the Maloquinha/Uatumã suite of rocks along a NW-SE trending features in the central and western parts of the Tapajós Province.

Regional structural analysis of the Tapajós Province has identified various compressive deformation regimes including ductile, brittle-ductile and brittle. The deformation is interpreted to have occurred as two separate events, the first compressive event, with peak deformation around 1.96 Ma, resulting in the development of ductile and brittle-ductile deformation regimes. The second event occurring at 1.88 Ma resulted in brittle deformation. These events resulted in major north-south, north west-south east and east-west lineament sets.

The geometry of the lineament and structures are compatible with a combination of Riedel fracturing and strike slip fault systems, where the principle vector of compression is oriented in an east-west and ENE-WSW direction

Gold mineralization is not restricted to a particular suite, with deposits located in all suites including; Cuiú-Cuiú Suite (Cuiú-Cuiú), Paráuari Suite (Tocantinzinho, São Jorge and Palito), Tropas Suite (Ouro Roxo), Salustiano and Bom Jardim Formation (V-series deposits, Bom Jardim), Maloquinha Suite (Mamoal). Gold mineralization associated with quartz and hydrothermal alteration assemblages is reported in all the fracture orientations of the Reidel system, and are dominated by fractures oblique to the principle strike-slip shear orientation.

Local Geology

The lithology in the area is dominated by alkaline granitoids. In the immediate Palito Mine area three dominant types of these rocks occur.

To the east, the Rio Novo Granite, a medium to fine grained, inequigranular quartz-plagioclase granite or syenogranite. The Rio Novo Granite is then sharply contacted against the Palito Granite on its western margin, a quartz-plagioclase granite or syenogranite of fine, inequigranular texture, differing visually from the Rio Novo in phenocryst size and density. Proximal and sub-parallel to the contact between these two granites is the Palito Central Fault Zone (PCFZ), a 70° (magnetic) trending zone of -50° NW dipping, slight offset dextral faults.

To the west, the Palito granite has a chilled contact with a biotite-hornblende-quartz-plagioclase granite, hornblende syenogranite or aegerine-riebeckite granodiorite locally termed the Fofóquinha Granodiorite.

Intruded into these alkaline granitoids are feldspar porphyrite dykes and sills of dacitic composition, which occur more prolifically proximal to the PCFZ.

Gabbroic bodies termed the Rio Novo Gabbro are evident in the local area, but are restricted to within the Fofóquinha Unit.

The mineralized structures themselves are generally represented as dark grey-green intensely sericite-silica-pyrite-chalcopyrite +/- chlorite, carbonate, pyrrhotite, sphalerite altered granite hosts, that in many circumstances are no longer recognisable as granitoid protolith. This intense hydrothermal alteration forms the lower grade mineralization selvage and the host to the higher grade quartz-sulphide and massive sulphide zones. Alteration zones range in width from decimetre to metre wide zones. Distal from the structures and intense hydrothermalised zone, the granite hosts are intensely potassically altered, grading in to the regional scale background potassic alteration within 1 to 5m of the mineralized structure.

A description of the lithotypes encountered in the Palito Mine system is given below.

Rio Novo Granite

The Rio Novo Granite occurs in the eastern part of the mine and further to the east encasing the Palito Granite. It contains xenoliths of granodiorite (Fofóquinha Granite), which indicates it is a later phase of the Fofóquinha granite

intrusive, which is confirmed by the satellite image interpretation. This unit cuts the older Paráuari intrusive suites and is overlain by volcanics of the Iri Group.

The Rio Novo granite is porphyritic in texture, of medium grain size, varying slightly to a coarser or finer texture, and varying from a pink to a pink-orange to red or red-greenish colouration depending on the level of hydrothermal alteration. Granophyric textures are also common along with lesser developed miarolitic cavities, silicified broken and brecciated zones which are more intensely hydrothermally and propylitically altered, which gives the rock a grey to greenish coloration. This occurs specifically along the contact with the Palito Granite, in proximity to the contact with the Palito granite, the Rio Novo granite displays a strong red colouration due to potassic metasomatism.

Zones intensely broken by brittle faulting are also common in these rocks, normally with breccia associations and veins of carbonate and fluorite.

The macroscopic and petrographic characteristics of these rocks are not indicative of affinities with alkaline granites of the Maloquinha Suite, resembling more a late stage of the Parauari Suite, but this is yet to be resolved with further geochemistry.

Palito Granite

The Palito Granite hosts the larger proportion of mineralized structures within the Palito Mine system. In surface exposure it is of limited extent, with exposures restricted to old Garimpo workings. Derived soil horizons are a red - brown colour areno-argillaceous type.

The Palito Granite is pervasively potassic altered and presents an intense red colour. The granite is medium grained, inequigranular, with subtle, finer grained local variations in contact zones with the surrounding granites, due to the cooling effect along the edges of the intrusion. Occasionally the granite presents miarolitic cavities, crystalline quartz and poorly developed granophyric textures. In near surface exposures the granite appears strongly hydrothermalised and shows characteristics of differential weathering, reflecting features relating to phased emplacement or magmatic flow.

Fofquinha Granodiorite

This granodiorite occurs to the north and the northwest of the Palito Mine system and appears as a later stage intrusion into the Rio Novo Granite. Outcrop is scarce and as such the granite/granodiorite has been poorly sampled.

The Fofquinha is of medium to coarse grain size (0.5 to 1.0 mm and rarely 10 mm), is inequigranular to slightly porphyritic in texture and can present up to 15 - 35% of mafic minerals, mainly amphibole and iron oxides, especially magnetite. Its colour varies from grey to green grey and the coarse plagioclase crystals show intense zonations. A possible compositional variation from tonalite to monzodiorite has been observed macroscopically.

In some samples the granodiorite is enriched in magnetite which disappears when the rock shows evidence of the effect of potassic metasomatism, probably related to the intrusion of the Rio Novo or Palito granites.

Based on all the above aspects and macroscopic characteristics, it is possible to classify these granitoids as members of the Paráuari Suite.

Rio Novo Gabbro

The Rio Novo Gabbro occurs as rounded intrusions varying from 100 m to 500 m in diameter. The best known occurrence defined to date lies approximately 0.5 km directly west of the Palito Mine system and is clearly defined by airborne magnetics. A second possible gabbro occurrence lies approximately 1.2 km north of the Palito Mine and west of the Tatu prospect. In the field it is easily identified from the occurrence of dark red clay soils.

The gabbro is affected by brittle faulting and hydrothermal alteration which also affected the surrounding granites. Local zones of brecciation and xenoliths of the Fofquinha granodiorite within the gabbro, demonstrate emplacement post dating the granodiorite.

The gabbro probably is a unit of the regionally occurring Ingarana Gabbro. This rock type is described in Projeto PROMIN – Tapajós CPRM (2002) as a stock forming irregularly along NW-SE trending lineaments, intruding into the Paráuari Granite Suite and overlain by the Iri Group of volcanics. The gabbro is denominated the Rio Novo olivine gabbro by the CPRM.

Regionally the Ingarana Gabbro hosts mineralized (gold and sulphide) vein systems, as seen in the Bom Jardim garimpo and along the course of the Igarapé Bom Jardim.

Sub-volcanic Dikes

Sub-volcanic rock types were recognized in the drill core as dikes cutting all lithotypes in the area. The dikes locally reach 30m width, but in general rarely exceed 1m width.

These sub-volcanic rocks are grey-pink or light brown, porphyritic, with a very fine to aphanitic matrix and granitic composition. Mirolitic cavities are common, with small concentrations of mafic minerals and sulphides.

These sub-volcanics are clearly hydrothermally altered, including potassic metasomatism, propylitization, sericitization and sulphidation.

Feldspar porphyries of dacitic and rhyodacitic composition form sub volcanic dikes, cutting through all the lithotypes encountered in the Palito Mine area. They are of light and dark grey to pink colour with white phenocrysts of plagioclase and quartz and occasional biotite within a finer matrix of the same minerals.

These dikes are common in the PCFZ region and occur to a lesser extent away from it. They vary in width from less than a metre to up to 30m. They exhibit all the alteration suites affecting their host granites including potassic metasomatism, propylitization, sericitization and sulphidation.

Deposit Types

Gold deposits within the Tapajós Province can be broadly classified into three main types:

- Mesozonal deposits;
- Epizonal intrusion centred or intrusion related; and
- Alluvial, colluvial and supergene enriched saprolitic deposits.

Primary gold deposit types occur as the first two categories of deposit type; (1) mesozonal and (2) epizonal intrusion related. Tapajós deposits are structurally controlled deposits but host rock control is important in locally providing a necessary factor in the metal precipitation process.

Primary deposit types are generally sited in fractured and sheared host environments such as;

- quartz and quartz sulphide stock work and associated alteration hosted disseminated sulphide;
- quartz vein,
- quartz-sulphide veins +/- selvage alteration hosted disseminated sulphide;
- massive sulphide veins +/- selvage alteration hosted disseminated sulphide; and
- disseminated sulphide within alteration.

Historically in the Tapajós, the third category of deposit types has produced most of the gold won in the region, with a significant contribution from the supergene enriched laterite and saprolite deposits. A large percentage of the gold contained within this category is residual in nature, but physically concentrated along stone lines or weathering fronts, liberated from auriferous veins (quartz, quartz-sulphide or sulphide) nearby and secondarily enriched by redox chemical processes as opposed to being physically transported away from the source.

The exploration potential for the Tapajos Province is considered highly prospective for further discovery of primary deposits. A majority of the primary deposits known in the Tapajós are related to the quartz vein and quartz-sulfide veins. The extensive acid to intermediate volcanics intruded by coeval granitic intrusives provide the conditions for formation of mesothermal and epizonal and/or "epithermal" deposits.

The mesothermal granite-hosted systems are associated with a range of deposit types; porphyry, orogenic lode gold (and intrusion related gold systems. These granite hosted systems all share many characteristics, with distinction among the genetic models becoming difficult to strictly apply in the region.

Within the regional context of the Jardim do Ouro Project, significant granite hosted deposits have recently been discovered that share geological features with the Palito Mine deposit and the Jardim do Ouro Project.

The Tocantinzinho gold deposit owned by Eldorado Gold Corporation (measured and indicated mineral resources of 2.1 million ounces and inferred mineral resources of 0.4 million ounces), which lies approximately 70 km to the NW of the Palito Mine, is a mineralized intrusive granite. The deposit is some 900 m strike length and 200 m wide. The granite has intruded into the TZ structure (a NW-SE trending regional supracrustal structure) which also hosts the

Palito Mine deposit. The vein arrays within the Tocantinzinho deposit are of similar architecture to that of the veins within the Palito Mine. Gold is associated with quartz veins and sulfides (pyrite and chalcopyrite). Hydrothermal alteration of the monzogranites, and a series of later stage microgranite and dacitic/rhyolitic dykes are all very similar attributes between the two deposits.

The Sao Jorge gold deposit owned by Brazilian Gold Corporation (measured and indicated mineral resources of 350,000 ounces and inferred mineral resources of 460,000 ounces) is a series of vertically dipping quartz-sulfide vein sets, located approximately 45 km SE of the Palito Mine deposit and is another gold mineralized system hosted in hydrothermally altered monzogranites, contained in structurally controlled fracture vein systems, striking some 700 m in a NW-SE direction, some 60m wide. This deposit again lies within the TZ structure, (as do Palito and Tocantinzinho).

The TZ structure also hosts a number of significant prospects in addition to these other defined deposits. Magellan's Cuiu-Cuiu, some 150 km NW of the Palito Mine is a significant mineralized system, which is currently undergoing intense drilling activity.

In the nearer district to Jardim do Ouro, but located in parallel TZ structures are a number of significant artisanal operations. Mamoa is a large area of garimpo activity approximately 20 km NNW of the Palito Mine. The area is historically a large producer of saprolite hosted gold, and recent gold prices have reinvigorated the activity in the area.

To the south west (15km) of the Palito Mine the Sao Chico garimpo is currently being operated by Gold Anomaly Ltd. This small Australian listed company is presently constructing a small Gecko, high pressure jig, gravity gold plant to exploit a series of high grade quartz-sulfide veins.

Also south west (20 km) of the Palito Mine, Aurora Gold Corp. has recently published a 130,000 oz gold deposit at the Sao Domingos project. This deposit is a series of narrow high grade veins dipping moderately to the SW and striking NW-SE. The nature of the mineralization is considered the same as Jardim do Ouro Project.

Weight of evidence suggests that Palito is not an isolated deposit, but part of a series of deposits in a significantly gold endowed district (both locally and regionally). It is therefore considered that potential for further discovery of significant primary gold deposits in the Jardim do Ouro Project is favourable. The nature of the deposits in the district also provides potential for deposit styles other than high grade quartz-sulfide vein type encountered at Palito. Potential for larger intrusive-related deposits such as Tocantinzinho and Sao Jorge within the Jardim do Ouro Project is considered a real possibility.

Deposit Geology and Mineralization

The mineralization control of the mineralization type found on the Jardim do Ouro Project is related the schematic mega-system of strike-slip faulting and riedel fracture systems of the Tapajos as described by the CPRM (2008) publication "Província Mineral do Tapajós: Geologia, Metalogenia e Mapa previsional para Ouro em SIG" (Figure 9-1). The Palito Mine veins appear to relate to intersection of "Y" and "P" and/or "R" (sinistral strike-slip) faulting on 305° and 315° and/or 295° orientations respectively within "R" 070° trending structural corridors.

Mineralization is best developed in the veins along the "Y" 305° and "P" 315° orientations, however wider zones are encountered where the "Y" and/or "P" orientation intersects with "R" 295° veins, which are mineralized to a lesser extent. It is also characteristic that the greatest densities of "Y", "P" and "R" vein intersections occur within 070° structural corridors.

Mineralization within the Palito Mine is hosted within all three granitoids encountered in the immediate environment and is intimately associated with vertical to sub-vertical quartz-chalcopyrite-pyrite veins and pyrite disseminations filling the brittle-ductile fault sets. It is postulated that the mineralizing fluids intruded into the existing structural architecture and deposited in dilational jogs within the fractured granites.

In the Jardim do Ouro Project mineralization, where encountered, occurs as a similar style of veins to the Palito Mine; however the host rock varies depending on locality. Mineralization has been encountered within the Rio Novo Gabbro, and within and along contacts with the sub-volcanic dikes in addition to the three host granites at the Palito Mine.

Bonanza gold grades are associated with massive chalcopyrite-pyrite blowouts within the quartz veins, typically on the intersection of "Y" or "P" and "R" veins. The principal vein system at the Palito Mine has a strike length in excess

of 900m along broadly N306°, however this varies from N300° to N325° locally. Individual veins average widths of approximately one metre, varying between 20 cm and up to 4 m.

Secondary gold deposits are also encountered immediately above the mineralized veins, within the regolith profile. These deposits generally manifest themselves within the residual saprolite and laterite portions of the profile. These deposits are developed through the weathering process and often upgrade the primary gold grades within the narrow weathered vein through a supergene enrichment process, which also enlarges the footprint of the sulphide vein mineralization.

The secondary deposits contain free primary gold within the oxidised sulphides in the vein material and free gold associated with the secondary iron oxides (goethite, hematite) along fractures and joint planes within the saprolite adjacent to the veins and in pisolites and lateritic cements at the paleo-surface above the vein.

The secondary deposits are generally not high tonnage deposits, as the residual saprolite profile is only around 5-8m depth, underlying up to 5m of barren transported cover. However they can be up to 10 times broader than the source mineralized vein, due to weathering dispersion of the gold.

These saprolite deposits were favourably targeted by the garimpeiros as they contained enriched gold grades, manifesting as free gold, easily extracted by a gravity process.

The paragenesis of the gold mineralization occurs within pyrite and chalcopyrite associated with sphalerite, argentite and tellurobismuthinite /tetradimite and is typical of deposit types classified as “Au+Ag+Te in syenites, diorites and monzonites with fluorite”.

The principal sulphide composition occurring in the granites is pyrite (30-40%), chalcopyrite (20-25%), arsenopyrite (2-5%) and pyrrhotite (2-10%) with minor occurrences of covellite (2-3%), chalcocite (2-3%), sphalerite and bismuthinite (traces). Electrum occurs as rare inclusions in chalcopyrite and along fractures in the pyrite. Native bismuth and telluro-bismuthinite / tetradimite also occur as inclusions in the pyrite and chalcopyrite. In the granodiorite the dominant sulphide is pyrrhotite (30-40%) with lesser pyrite and chalcopyrite compared to the granites.

The sulphides occur as segregates in the quartz veins, as disseminated within the grey hydrothermal alteration selvage or as massive sulphide veins of decimetre to metre widths. The veins are 30-35% quartz, with the sulphide making up volume, however this may vary from <10% to 90% on occasion.

The quartz veins feature occasional druses of cubiform pyrite which contain only lower gold grades.

Chalcopyrite formed after pyrite, as the chalcopyrite has enveloped pyrite and unfilled and cemented fractured grains of pyrite. Gold is always associated with chalcopyrite in these instances.

Gold occurs as fine grains of 10 to 15 microns confined to the chalcopyrite and arsenopyrite. In many cases the gold grade is highest in zones of hydraulic brecciation, where the alteration zone, sulphides and vein quartz show multiple stages of reactivation.

The nature of the sulphide mineralization at the Palito Mine deposit varies along strike and plunge extents. The deposit is a quartz-sulphide and massive sulphide vein deposit hosted within a granites and granodiorites of the Parauari Suite of intrusives. The nature of the sulphides changes across the deposit from being dominantly pyrite and chalcopyrite in the granites to being dominantly pyrrhotite and pyrite with lesser chalcopyrite in the granodiorite. Within the granodiorites, the pyrrhotite-pyrite sulphides tend to be lower gold grade, due to the lesser occurrence of chalcopyrite, which hosts the gold. This is likely a result of the increased mafic content in the granodiorites affecting the paragenesis of the sulphide deposition.

The hydrothermal alteration of the host rocks is strongly alkaline and has resulted in potassification and ferruginization, which has accentuated the original alkaline character of the host rocks and also resulted in intense silicification.

Hydrothermal alteration associated with mineralization is intense sericitization and chloritization, where intense potassic alteration has resulted in a rock where the original lithotype is no longer compositionally or texturally identifiable. The alteration zone appears as a dark grey rock formed of relict quartz crystals of 0.5mm -1mm in a groundmass of feldspar pseudomorphs of sericite, clay minerals and rare grains of epidote and carbonate.

Quartz is the only major mineral preserved, along with rare zircon and apatite from the protolith. Feldspars are totally pseudomorphed by sericite as well as lesser muscovite and biotite. Chlorite occurs as infill of shears and

veinlets and as rare aggregated crystal masses and occasionally intercalated with biotite with inclusions of zircon and apatite and prehnite.

Grey hydrothermal alteration is confined to the selvage of the rupture fractures and rarely extends more than 0.5m into the host granite. The alteration is generally always present to some degree along the mineralized structures; however the quartz-sulphide and sulphide veins are not always present. On occasion the structure may appear as a sericite, chlorite, and ankerite vein only several centimetres wide before opening up into a traditional hydrothermal selvage.

Distal to this selvage of hydrothermal replacement, there is a zone of intense potassic alteration extending from 1 to 10m outwards to the background country rock potassic metasomatism. Within the granodiorites this potassic alteration is more restricted.

Exploration

Exploration in the Jardim do Ouro Project area commenced with RTDM from 1994 to 1997. Early work focused on testing the depth potential of the near surface garimpeiros in the primary sulphide zones. Six diamond drill holes were completed and the area surrounding the Palito Mine screened with surface geochemistry on surface soil, rock chip and rock grab samples. Preliminary geological mapping covered areas of readily accessible exposures and a broad spaced (300m line spacing) regional aeromagnetic survey was flown.

Serabi commenced exploration in 2002 with surface exploration, mapping, rock chip sampling and the initial stages of diamond drilling and shallow auger drilling. This exploration has been ongoing since 2003 and undertaken and managed by Serabi's own exploration department. At various times since 2003 Serabi has augmented exploration with various programs of third party contractor drilling, geophysics including both airborne, terrestrial and down hole electrical and/or magnetic surveys which are detailed in the following sections. In addition various complementary studies on structure, lineament analysis, satellite imagery and petrology.

Tabled below is a summary of the exploration completed to date, except drilling which is covered in a later section.

Exploration Summary

Year	Company/Contractor	Activity
1994	RTDM	1031 spot soil samples
2003	Serabi	147m of post hole auger drilling (TRRN series holes)
2003	Fugro	Terrestrial geophysics including ground magnetics and dipole-dipole IP
2004	Serabi	11,116.78m of shallow auger drilling (TRJD series holes)
2004	Fugro	Terrestrial geophysics including Fixed Loop electromagnetics and IP
2005	Serabi	1368.47m in underground face sampling and gallery channel sampling
2005	Serabi	18 rock chips
2006	Serabi	1,713m in underground channel sampling
2006	Serabi	3009.83m in post hole auger drilling
2006	Serabi	69 spot soil samples (35m auger drilling), 43 rock chips
2007	Serabi	590.75m in surface trenching
2007	Serabi	1513 spot soil samples (756m auger), 7 rock chips
2007	Serabi	Ground magnetic survey
2007	Fugro	Fixed loop EM and down hole EM surveys
2008	Serabi	4325.79m in underground channel and gallery sampling
2008	Serabi	836 spot soil samples
2008	Serabi	1244.6m of deep auger drilling for 1206 samples
2008	Geotech/Microsurvey	6650 line km of heliborne VTEM, magnetic and laser topography
2008	Senografia	Acquisition of SPOT 5 satellite imagery of Jardim do Ouro, Modelo and Pison Project areas

Year	Company/Contractor	Activity
2009	Serabi	413m of surface trenching
2009	Serabi	977.18m of hard rock channel sampling
2009	Serabi	835.3m of auger sampling comprising 729 samples
2009	Serabi	Data compilation and integrated dataset modeling
2010	Fugro	45 line kms of dipole-dipole IP surveying
2010	Serabi	405m of surface trenching
2010	Serabi	168m hard rock channel sampling

Geophysics

The Jardim do Ouro Project is partially covered by a broad 300m line-spaced airborne magnetic and radiometric survey commissioned by RTDM as part of their Sao Jorge survey in mid 1996.

Serabi commissioned several phases of geophysical surveys during the years preceding this report and a number of reviews.

In 2002, Fugro Ground Geophysics was commissioned to undertake a ground magnetic and dipole-dipole induced polarization survey over the immediate Palito Mine area. This survey was undertaken in December 2002 and reported in early 2003. It defined numerous anomalies in the area and defined well the Palito Main Zone mineralization and numerous other anomalies which were subsequently tested by diamond drilling in following years.

In November 2003, Fugro Ground Geophysics was commissioned to undertake a TEM fixed loop electromagnetic survey over two areas over the adjacent mineralized zones and also augment the ground magnetic coverage. This survey was undertaken in late 2003 and early 2004.

In 2006, Fugro Ground Geophysics was commissioned to undertake further TEM fixed loop electromagnetic surveys over the Chico da Santa Prospect area adjacent to Palito Mine and the southern strike extension of the Palito mineralization at the Palito deposit. Due to equipment failure this survey was conducted over the final months of 2006 with a hiatus over the December to February 2007 period resuming in March and completed in April 2007.

In late 2006, GeoDecon were commissioned to review the 2002 Fugro Ground Geophysics surveys utilizing Serabi's improved geological understanding of the mineralization and structures. This report was received in February 2007.

In 2007, as part of the extended TEM electromagnetic survey, Fugro Ground Geophysics also conducted down hole electromagnetic surveys on 14 drill holes within the Palito Main Zone, Chico da Santa, Ruari's Ridge and Palito West prospects.

In April 2007, a terrestrial ground magnetic survey was undertaken in house by Serabi in the Tatu prospect area of the Jardim do Ouro Project, some 2 km NE of the Palito Mine, targeting the magnetic/quartz vein hosted mineralization apparent in that prospect.

In September of 2007, Geotech/Microsurvey were commissioned to undertake a helicopter borne, Vertical Time Domain Electromagnetic Survey over an area of 6,500 ha within the Jardim do Ouro Project covering the area from the Rio Novo prospect 5 km SE of Palito Mine to 1.5 km NW of the Palito Mine. This survey also included specification for magnetic and laser topography. This survey was conducted at 100 metre line spacing on a NE/SW line direction, perpendicular to the known mineralization trends.

In July 2008, VTEM data processing was completed and reported by David McInnes of Montana GIS, along with the reprocessing of the 2002 Fugro IP data. Significantly, the IP re-processing indicated that the main mineralized vein sets at the Palito Mine could be well constrained in the inversion modeling.

In May 2009, a complete dataset integration (incorporating all geophysical, geological, geochemical and structural datasets) was completed by Serabi. Target generation and appraisal was completed resulting in 18 integrated targets being promoted.

In March 2010, Fugro-LASA-GeoMag geophysics contractors were commissioned to undertake a 45 line km induced polarization survey over three grid areas incorporating 13 of the 18 integrated targets. This data was subsequently processed and modeled by David McInnes in May 2010. This modeling defined nine priority drill targets.

Geochemistry

The Jardim do Ouro Project has been partially covered by a range of geochemical sampling techniques and methodologies since reporting on the project area commenced.

RTDM in the period 1994-1997 undertook various ad-hoc sampling programs, including limited stream sediment sampling, rock chip sampling from both in-situ exposures where possible and float. RTDM also conducted a number of broad regional soil traverses in the region as baseline geochemical orientations.

Since Serabi commenced exploration in 2002, it has completed systematic soil geochemistry coverage over the immediate Palito Mine environment and a number of regional soil grids using Serabi exploration crews and either manual or small motorised auger drills.

The soil geochemistry coverage has been completed on a systematic 100m X 50m grid using soil auger holes to either 2.5m or 5m depths, with sampling intervals every 2.5m. Initially the soil geochemistry was analysed at the Palito laboratory facilities using a methyl isobutyl ketone ("MIBK") or di-isobutyl ketone ("DIBK") digest and atomic absorption spectrometry finish to a detection limit of 100 ppb. Geochemical results showed the mineralized areas in the Palito Mine area were defined by a >400 ppb Au in soil result.

Subsequent assessment and evaluation of the soil results in 2007, suggested that re-analysis using a 10 ppb detection limit could prove useful in defining more subtle footprints of yet undiscovered mineralization. As a result, a program to resubmit all available soil sample historical sample pulps was completed at SGS Geosol laboratories. As a result, re-assessment of the soil geochemistry in the Palito Mine and Jardim do Ouro Project area did not significantly change the values for definition of the known mineralization, however a great level of confidence was gained from the results and better definition of the mineralization was achieved.

Since 2007, all soil geochemical sampling conducted away from the immediate Palito Mine area has been analysed using external laboratories and a 10 ppb lower detection limit.

In 2008, a small program of deeper reconnaissance auger drilling was contracted to Explorer Services of Belem, and managed by Serabi's exploration department. This program was designed to confine the saprolite mineralization at the Bill's Pipe prospect NW of the Palito Mine.

Also in 2008, a regional stream sediment geochemistry sampling program was contracted to Explorer Services to complete coverage of the entirety of the Jardim do Ouro Project. This program involved Serabi defining the sample points and Explorer Services collecting a 200 gm < 200 mesh sample and a 3 kg < 2 mm sample which were subsequently submitted to SGS Geosol of Belo Horizonte for analysis using a 10 ppb detection limit.

This program defined a number of anomalous areas outside the immediate Palito Mine area, defined by a greater than detection (>10 ppb) analysis. To date these anomalous areas have not been followed up.

Remote Sensing

In 2008, Seniografia was contracted to provide Serabi with a series of Spot 5 Satellite images of the Jardim do Ouro Project, along with the Modelo and Pison Project areas.

Also in 2008, as part of the Geotech/Microsurvey geophysical program, Serabi acquired a laser altimetry of the survey area surrounding the Palito Mine and immediate environment.

Serabi have also used in addition publically available Landsat and SRTM terrain images for spatial and lineament analyses.

Exploration Strategy

Serabi has been exploring the Jardim do Ouro Project since 2003 and during this time has gained a robust understanding of the geology, geochemistry and geophysical signatures and controls of the mineralization within the Palito Mine and the Jardim do Ouro Project area.

Serabi believes it has developed a successful formula for the discovery of new deposits in the Jardim do Ouro area, following a tested methodology.

Exploration uses the following process

- Ground selection – NW-SE structural corridor, with NE-SW breaks
- Remote sensing and remote geophysics, VTEM, magnetic
- Ground geophysics (IP, EM) and shallow geochemical sampling and/or drilling (auger/RAB)
- Diamond drilling based on integrated models and ranking.

Specifically, Serabi believes that exploration should focus on structural corridors parallel to, or extensions of the Palito trend (310°) and specifically where the Palito Central Fault (070°) analogies exist.

Topographic highs or the flanks are considered more prospective due to silicification of the country rock making them more resistive to weathering.

IP is a viable method to delineate drill targets on a prospect scale.

The structural setting of the Palito deposit is not unique as lineament analysis defines several other look-alike settings in the immediate area.

The fluid source for the vein mineralization may be close, hence it is worth considering other mineralization models, such as fertile intrusions (gabbros or discrete granite intrusions).

Exploration Program

The exploration strategy is to explore and build Serabi's resources. With existing measured and indicated mineral resources of 224,272 ounces (gold equivalent) and inferred mineral resources of 443,965 ounces (gold equivalent) in place at the Palito Mine, the discovery of just two similar sized deposits from the 18 priority targets identified in the 2008 airborne geophysical survey forms the basis of Serabi's minesite exploration strategy. The exploration activity is therefore focused upon advancing these 18 targets through extensive ground-based geophysical and geochemical programmes. The initial airborne VTEM survey identified anomalous areas of electro-magnetic properties. Previously at the Palito deposit such anomalous zones were shown to be coincident with the existence of areas of massive sulphide mineralization, which represents some 20% of the known mineralized areas of the Palito deposit, with the remaining gold mineralization consisting of a more disseminated form located within quartz sulphide veins. Earlier success at the Palito Mine demonstrated that this type of mineralization can be successfully identified by the use of ground-based IP. By mid 2010, a 45 line-kilometre IP survey had been completed, covering 13 of the original 18 targets. Of these 13 targets, nine targets have been advanced to drill ready status. Drilling of these nine targets commenced in December 2010 with a 7,500m discovery drilling programme.

Serabi has developed a US\$7.63 million, 18 month budget to continue exploration for the discovery of additional mineralized systems in the Jardim do Ouro Project, divided into "near mine" and "regional exploration" initiatives. A fixed exchange rate of R\$1.65/US\$1.00 was used for the purpose of the budget estimation.

The near mine exploration program consists of approximately 7,500m of diamond drilling to test integrated geophysical/geological models developed in 2008-2010. In addition, approximately 45 line kilometres of additional IP surveying is planned to expand on the IP anomalies defined in 2010 and to complete coverage of those integrated targets on the eastern side of the "Rio Novo" river, along strike of the Palito mineralized system.

Geochemical and shallow surface exploration is anticipated in conjunction with the ongoing exploration consisting of grid construction, line cutting and access, surface soil, shallow auger or rotary air blast ("RAB") drilling and trenching.

Regionally, a program of approximately 15,000 ha of new helicopter borne VTEM/magnetic is budgeted to pursue prospective areas NE and SW of the Palito Mine lease along interpreted 070 degree corridors and to the NW along strike of the Palito mineralized system.

Drilling

Totals for metres drilled at Jardim do Ouro Project including exploration and resource work are shown below.

Drilling Summary

Sample Type	Total Metres	No. of Assays	Metres Sampled	No. of Holes
Core-Surface	85744	23183	20133.63	510
Core-Underground	16487	5965	5062.65	336
Reverse Circulation	4410	4036	4260.2	74
RAB	4239	1810	4198.5	320
Auger	16353	7497	16262.11	4472
Channel Samples	15294	15111	11795.97	5724
Total	142527	57602	61713.06	11436

Diamond Drilling

RTDM completed six diamond drill holes in late 1996 in the initial phase of drilling targeting the mineralization associated with the Palito Main Zone and proximal prospects. This drilling totalled 1610.06m in holes FJO-01 to FJO-06. It successfully intersected the mineralization within the Palito Mine system. However the narrow nature of the mineralization and the lack of a large tonnage low grade potential of the system predetermined that RTDM would not continue to develop the project. Serabi has incorporated this drilling into the database and subsequently re-logged and re-sampled the core for confirmatory analysis.

The resource estimation covers diamond drilling up until the cut off period of March 31, 2008. Subsequent exploration surface diamond drilling has been completed in the Palito South and in the Palito West areas. Underground diamond drilling continued within the mine until suspension of mining activities in December 2008.

Surface diamond drill holes not included in the resource estimate are the holes PDD0419 to PDD0454, totaling 8,158m. Significant results from surface diamond drilling not included in the resource estimation are tabled below.

Significant intercepts on surface core drillholes executed after the March 2008 resource estimate

Hole	From (m)	To (m)	Interval	Au g/t	Cu %
PDD0421	15.45	16.00	0.55	8.36	0.22
	186.00	189.87	3.87	18.85	0.31
	277.35	278.53	1.18	1.92	0.83
PDD0423	228.43	229.50	1.07	3.22	0.00
PDD0428	101.28	101.89	0.61	1.64	0.10
PDD0432	270.96	274.90	3.94	3.02	0.02
	279.14	282.94	3.80	7.44	0.23
PDD0436	83.08	83.85	0.77	2.1	0.05
	292.10	293.15	1.05	5.61	0.37
PDD0437	31.64	32.82	1.18	3.75	0.42
	90.07	91.02	0.95	6.23	0.01
PDD0444	55.15	56.12	0.97	3.43	0.04
	58.90	59.83	0.93	34.75	0.24
PDD0447	227.70	228.33	0.63	0.36	0.22
PDD0448	175.23	176.33	1.10	0.99	0.12
	180.08	181.00	0.92	1.06	0.01
PDD0450	54.25	56.80	2.55	2.43	0.55
including	55.65	56.80	1.15	3.56	1.1
PDD0452	75.64	76.55	0.91	5.01	0.04
PDD0424	91.49	92.54	1.05	1.45	0.03
	228.44	229.51	1.07	9.33	0.50
PDD0426	80.41	81.25	0.84	2.39	0.04
	194.85	196.49	1.64	1.91	0.19
PDD0431	65.72	66.30	0.58	22.2	0.05
	114.83	115.39	0.56	15.8	0.06
	140.27	142.00	1.73	6.75	0.09
	275.31	276.48	1.17	2.52	0.06
PDD0445	22.35	23.20	0.85	52.15	0.88
	57.70	58.63	0.93	1.33	0.08
PDD0346Ex	177.17	178.20	1.03	1.52	0.32
PDD0449	15.62	16.28	0.66	9.51	1.74
	93.06	95.20	2.14	9.04	0.16
PDD0451	7.00	8.80	1.80	6.01	0.07
	20.81	22.30	1.49	25.61	0.41
	98.74	99.28	0.54	2.02	0.31
PDD0453	85.84	86.66	0.82	17.1	0.15
PDD0454	79.50	80.45	0.95	11.46	0.11

- (1) Assay intercepts are calculated based on a minimum grade 1g/t Au using a 0.5 gm Au lower cut and a maximum internal waste interval of 1.2m.

Underground diamond drilling not included in the 2008 mineral resource estimate includes drill holes PUD297-PUD334, totaling 2,133m. Significant results from underground diamond drilling not included in the resource estimation are tabled below.

Significant intercepts on underground core drillholes executed after the March 2008 resource estimate

Hole	From (m)	To (m)	Interval	Au g/t	Cu %
PUD0298	31.32	31.84	0.52	1.77	0.08
PUD0298	34.37	35.75	1.38	13.46	0.21
PUD0300	54.89	55.62	0.73	0.99	0.55
PUD0302	8.61	10.14	1.53	2.70	0.02
PUD0303	27.28	36.54	9.26	2.68	0.2
PUD0303	43.88	45.78	1.90	2.93	0.27
PUD0304	39.00	39.51	0.51	2.56	0.17
PUD0304	52.53	53.62	1.09	1.03	0.02
PUD0298	31.32	31.84	0.52	1.77	0.08
PUD0298	34.37	35.75	1.38	13.46	0.21
PUD0300	54.89	55.62	0.73	0.99	0.55
PUD0302	8.61	10.14	1.53	2.70	0.02
PUD0303	27.28	36.54	9.26	2.68	0.2
PUD0303	43.88	45.78	1.90	2.93	0.27
PUD0304	39.00	39.51	0.51	2.56	0.17
PUD0312	15.29	16.30	1.01	5.01	0.09
PUD0312	29.15	30.06	0.91	1.33	0.01
PUD0313	1.38	3.58	2.20	0.96	0.22
PUD0313	6.05	9.66	3.61	21.31	1.75
PUD0313	13.77	15.44	1.67	18.87	0.02
PUD0313	28.84	29.57	0.73	3.11	0.11
PUD0313	45.42	46.15	0.73	1.60	0.26
PUD0313	48.22	50.07	1.85	22.53	0.67
PUD0313	55.05	55.61	0.56	10.65	1.71
PUD0314	0.42	1.47	1.05	2.88	0.05
PUD0314	3.86	6.70	2.84	2.32	0.10
PUD0314	10.58	11.45	0.87	1.15	0.05
PUD0314	38.55	39.48	0.93	20.39	0.25
PUD0315	7.18	14.10	6.92	0.92	0.11
PUD0315	15.65	24.19	8.54	0.70	0.11
PUD0316	11.54	19.48	7.94	8.43	0.36
PUD0317	17.87	23.43	5.56	13.05	0.59
PUD0317	25.41	26.41	1.00	6.63	1.59
PUD0317	28.73	31.05	2.32	0.52	0.14
PUD0317	43.42	49.29	5.87	0.38	0.74
PUD0317	50.26	56.03	5.77	1.77	0.33
PUD0317	70.77	72.70	1.93	3.80	0.14
PUD0318	6.92	11.72	4.80	12.41	1.31
PUD0318	14.11	18.70	4.59	0.62	0.35
PUD0318	47.03	57.82	10.79	52.29	1.74
PUD0318	67.63	76.56	8.93	2.36	0.13
PUD0319	4.08	4.64	0.56	2.80	0.01
PUD0319	5.91	6.58	0.67	2.79	0.04
PUD0319	12.97	18.93	5.96	26.20	0.18
PUD0319	26.27	26.79	0.52	2.09	0.04
PUD0319	30.98	31.48	0.50	14.36	0.02

Hole	From (m)	To (m)	Interval	Au g/t	Cu %
PUD0319	42.70	44.48	1.78	4.33	0.02
PUD0319	50.71	58.09	7.38	3.93	1.23
PUD0319	60.23	64.88	4.65	3.25	0.10
PUD0320	21.58	23.48	1.90	5.77	0.07
PUD0322	15.29	17.25	1.96	0.66	0.04
PUD0324	16.60	18.64	2.04	1.16	0.03
PUD0324	22.18	26.68	4.50	0.94	0.03
PUD0325	11.40	20.73	9.33	2.02	0.07
PUD0325	21.37	26.59	5.22	0.87	0.07
PUD0331	16.68	17.29	0.61	12.89	0.06
PUD0333	12.56	13.46	0.90	3.84	0.02

- (1) Assay intercepts are calculated based on a minimum grade 1g/t Au using a 0.5gm Au lower cut and a maximum internal waste interval of 1.2m

Reverse Circulation Drilling

Reverse Circulation ("RC") drilling has been undertaken by Serabi on two occasions. In 2006, Wilemita Ltda, was commissioned to undertake a drilling program on the Bill's Pipe, Chico da Santa and Ruari's Ridge prospects.

In 2007, GeoLogica Sondagens were contracted to undertake a program of RC drilling on the Chico da Santa prospect.

In both circumstances the use of RC was attempted to expedite the drilling programs and provide a rapid turn-around for diamond drill planning and to assess the potential of the shallower, saprolite and oxide mineralization in the near mine environment.

Due to the shallow, limited extent of the saprolite and weathered profile in the region, RC proved to be less effective than anticipated, due mainly to the depth of the regolith profile encountered and because of the hard abrasive nature of the granites, production was not significantly faster than that of diamond drilling.

In the period May to early July 2009, a small program of 393.6m of RC drilling was conducted to explore for shallow oxide mineralization over existing identified lodes. The program was executed by Serabi's crawler underground drill rig which completed a series of shallow drill holes prefixed with PRC in and around the Palito West and G3 south lodes. The rig was operated by Serabi personnel.

The results of the PRC drilling are not included in the resource estimation as they were completed post the March 31, 2008 cut-off for the estimation.

RAB Drilling

RAB or Rotary Air Blast drilling was undertaken by Serabi in 2009 to test a series of soil geochemistry anomalies in the immediate Palito Mine area. This RAB drilling program was contracted to GeoLogica Sondagens of Belo Horizonte.

The use of RAB drilling was again undertaken to expedite the assessment of soil geochemistry anomalies, which was previously conducted by Serabi's exploration team using auger drilling. Ground conditions and logistical issues proved to be limiting and the RAB drilling was less effective and slower than anticipated.

It should be noted that RAB drilling was used purely as an exploration tool and no RAB results are included in the resource estimation.

Topographic Surveys

Surface Surveys

Surface surveys are carried out by the Serabi survey department using total station and theodolite optical equipment. Surveys include opening lines for soil and drill traverses, marking topographic reference stations, pre-location of

programmed drill collars, relocation of collars and alignment of drill azimuths after drill pad or earthwork preparation, pick up of earthworks, roads and other infrastructure.

Underground Surveys

Underground surveys are carried out by the Serabi survey department using total station and theodolite optical equipment. Underground survey encompasses marking up of planned developments and pick-ups of actual developments, surveying of stopes, drives, raises, winzes and ramps, location and alignment of drill holes and collars.

All active headings are surveyed at 3 day intervals. Gradient lines are extended to the active faces on developments.

Waste development is controlled by survey through the setting of direction lines and gradient using back and fore sights and a bearing.

Survey pickups are processed with the Topograph software package and exported to an Autocad package where they are appended to the archives.

Drill Collar & Down Hole Surveys

All drill collar positions are surveyed in using a theodolite and maintained in the Serabi database.

Drill holes are surveyed down the hole using a Reflex E-Z shot tool, which records the dip and azimuth at selected intervals down the hole, (nominally 30m intervals). These surveys are then recorded by the geology department and maintained along with all relevant surveys in the Serabi database.

Topography

In addition to the locally surveyed collars and topography surrounding the Palito Mine infrastructure, Geotech/Microsurvey completed a laser altimetry survey in conjunction with the airborne geophysical survey over the Jardim do Ouro Project in January 2008.

This survey was completed on 100m spaced 30° angled traverses, collecting altimetry readings, of the altitude of the helicopter in relation to the ground every 0.1 seconds. These altimeter readings were then levelled, through synchronization with helicopter flight altimeter and used to create a digital elevation map of the area surveyed.

Sample Preparation, Analysis and Security

Drill Core Sampling

Drill sampling is undertaken at the geological core logging facilities at the Palito Mine site. Every drill core is cut and sampled. Sampling protocol is such that sample intervals are a minimum of 0.5m and a maximum of 1.2m, although there are a small amount of exceptions to this within the database.

Sample selection is based on geological intervals, if the interval exceeds 1.2m it is divided equally, but not less than 50 cm, into sample intervals covering the zone of interest. Should a zone of interest sampled be less than 50 cm, then the sample interval is extended to exceed the zone of interest, incorporating the country/gangue rock. All exploration drill core is half core sampled, with the samples placed in a plastic bag, clearly marked with the appropriate sample number and sealed. They are then placed into larger 50 litre bags, which are in turn sealed, marked and dispatched to the laboratory.

Part of the core samples, 22% of the total core samples, were analysed at the Palito laboratory. The majority are underground core drillholes, whose necessary turn-over period is shorter than regular surface core holes. The remainder, 88% of the samples (20311 samples within a total of 26137 samples) were sent to either the ALS Chemex, with preparation at Goiás and assaying at Brisbane, in Australia, or to the SGS Geosol laboratory, with preparation at Itaituba and assaying at Belo Horizonte, Brazil. Both laboratories used standard 30g fire assay fusion and aqua regia analysis for gold and copper. Both laboratories are reputed and certified commercial laboratories. Once Palito established an onsite analytical laboratory in 2005, all samples were primarily quarter cored, with quarter core samples sent to the Palito laboratory for analysis via MIBK, which was then changed to DIBK in mid 2006, for gold and aqua regia for copper analysis.

To improve turnaround times, cost saving on analysis, and provide agility to drill hole programming, only half core samples of those intervals returning anomalous gold or copper grade from the Palito Mine site laboratory were dispatched to SGS Geosol for fire assay and copper analysis.

In 2007, this process of quarter and half core analysis was abandoned, due to the establishment of a core preparation facility in Itaituba by SGS Geosol, which improved turnaround time on analysis and also due to the limited capacity of the Palito laboratory to process exploration drill samples due to the increase in mine production and mill samples assuming a higher priority to those of exploration at the site laboratory.

In October 2007, under advice received from NCL, Serabi began sample preparation of half core samples at the onsite laboratory and dispatch of prepared samples to SGS Geosol for analysis. This process continued until February 2008, when again the increased production of drill samples exceeded the preparation facilities of the laboratory and all samples were again dispatched to SGS Geosol via Itaituba for analysis.

In May 2008, Alex Stewart Analytical assumed management of the Palito Mine site laboratory facilities completing a re-design and updating of the laboratory facilities, aimed at enabling certified assays to be undertaken on site without the requirement to send samples offsite for regular analysis. In August 2008, Alex Stewart passed management of the laboratory back to Serabi, having completed the redesign and reappointing of laboratory facilities.

All underground BQ size drill core is whole core sampled, and has undergone the same evolution of sample analysis as the exploration core. All underground drill core is held for a period of 3-6 months post drilling and then disposed as landfill.

Reverse Circulation Drill Sampling

RC sampling was conducted generally on a metre by metre basis for the entire hole with the exception of the RC program completed in 2009 when 1.2m intervals were used.

All samples were passed through a Jones Riffle Splitter quartering the entire sample and repeating until a <2kg sample weight was achieved. The samples were placed in a plastic bag, clearly marked with the appropriate sample number and sealed. They were then placed into larger 50 litre bags, which were sealed, marked and dispatched to the laboratory. When the drill sample was too moist or wet to pass through the riffle splitter, the sample was dried either by sun drying or by oven warming until sufficiently dry to pass through the splitter.

The samples were prepared and assayed by SGS Laboratories by 30g charge fire assay for gold and aqua regia for copper or via a combination of preparation and analysis at Palito laboratory via aqua regia for gold and copper with pulps submitted to SGS for 30g fire assay gold and aqua regia analysis.

Channel Sampling

Channel sampling was routinely completed as grade control for the mining operation. These samples are both faces and back samples collected along the development drives and mining fronts.

The samples are collected using a similar protocol to the diamond drill sampling protocol with a minimum length of 50cm and a maximum length of 1.2m.

Generally 2-5kg of chips for the channel sample is collected. The samples are then delivered to the Palito laboratory where they are prepared and analysed for gold and copper by aqua regia.

RAB & Auger Drilling & Soil Sampling

Serabi has completed over 4,200m of RAB drilling and 16,300m of soil auger drilling (both manual and motorised) in both post hole and spot auger soil sampling. RAB and auger results were not used in the resource estimation.

Analytical Methods and Quality Assurance

Quality assurance during the assaying process is established at the laboratory with well defined protocols for two different types of analytical methods as described below, depending on the types of samples.

Drill Core Methods

Serabi utilized the analytical services of SGS Geosol for all its drill core samples. The laboratory is located at Belo Horizonte, but the sample preparation is performed at their Itaituba facilities.

Method Of Sample Preparation For Assaying

When samples arrive at the SGS Geosol sample preparation facility, they are dried at 110° C. When dry, the entire sample, usually about 2-3 kilograms, is crushed to minus 2 mm size and a 1 kilogram sample split is taken from the crushed product by means of a Jones splitter. This split sample is then ground to a -150 mesh pulp, and a 125 grams-size homogenized fraction removed: 50 grams of which are used for the analysis and 75 grams of which are stored in a marked envelope for future reference.

Prior to sample preparation, samples which have been marked specifically because visible gold had been observed during the rough logging of the full core are handled slightly differently from the normal samples. The entire sample is crushed and ground to -150 mesh. The sample is then passed through a 150 mesh screen. The undersize, the bulk of the sample, is weighed and treated exactly as a normal sample, with 125 grams extracted, 50 grams of which go for fire assay and 75 grams are stored for future use. The oversize is then collected, weighed, pulverized, and treated as a separate sample. Both analyses are reported separately but the laboratory calculates a weighted average of the two results in its final report. This reported single value is ascribed to the sample interval.

Method Of Gold Analysis By Fire Assay/AA Finish

- (a) 50 grams of the pulverized sample is weighed into a crucible which contains a combination of fluxes such as lead oxide, sodium carbonate, borax, silica flour, baking flour or potassium nitrate. After the sample and fluxes have been mixed thoroughly, a silver inquart and a thin layer of borax is added on top.
- (b) The sample is placed into a fire assay furnace at 2000° F for one hour. At this stage, lead oxide is reduced to elemental lead and slowly sinks down to the bottom of the fusion pot or crucible collecting the gold and silver along its way to the bottom of the melt.
- (c) After one hour of fusion, the crucible is removed from the furnace and its contents poured into a conical cast iron mould. Elemental lead, which contains the precious metals, sinks to the bottom of the mould and any unwanted materials, the glassy slag, floats to the top. When cooled, the cone is removed from the mould and by hammering the glass is eliminated and a "lead button" formed.
- (d) The lead button is then put onto a preheated cupel made of bone ash and reintroduced into a furnace for a second stage of separation at 1650° F. The lead button becomes liquefied and reacts with and is absorbed by the cupel. The gold and silver which have higher melting points remain on top of the cupel.
- (e) After 45 minutes of cupellation, the spent cupel is then taken out of the furnace and cooled. The doré bead which contains the precious metals is then transferred into a test tube and dissolved in hot Aqua Regia solution heated by a hot water bath.
- (f) The amount of gold in solution is determined with an Atomic Absorption spectrometer (AA). The gold value, in parts-per-billion, or grams-per-tonne, is calculated by comparison with a set of known gold standards.

Channel Samples Assaying

The channel samples are assayed at the Palito laboratory where they are prepared and analyzed for gold and copper by aqua regia (DIBK).

With the objective of checking the results of the Palito laboratory, a group of channel sub-samples was chosen by NCL and sent to the SGS laboratory, in Belo Horizonte. The criteria adopted was to select the samples contained in the ore body models, in the vicinity of in situ resources, thus excluding the samples located in waste zones and those near the mined out areas. For the proposed list of samples, 99 sub-samples were taken from coarse rejects and 1075 sub-samples were collected from pulp rejects. The tests were to assess the quality of sample preparation and the analytical accuracy and precision of the Palito laboratory through direct comparison with a commercial facility.

The conclusions of such study are that the Palito laboratory Au results presented poor repeatability and a moderate bias when compared with SGS results. However, most of the problems are related to results below 0.7 g/t Au. This seems to be related to a detection limit of the Palito laboratory being higher than expected. If we consider values above this threshold, the repeatability improves significantly, reaching the generally accepted limits of variance (90% of the samples with HARD<20%). Most of the bias also is eliminated using this procedure. For resource estimation, it was decided to adjust the grades of the Palito laboratory, reducing any grade below 0.7 g/t to 0.01 g/t. Although conservative, this procedure has little impact on the average grade of the ore (2% reduction in the grade of the dataset analyzed) and is effective in the improvement of the quality of the information. This procedure also showed improved quality of the coarse rejects results.

For copper analysis, the Palito laboratory yielded results so different to SGS' results that it was recommended not to use the copper results of the Palito laboratory until the procedures used for this metal are reviewed and new tests ensure a better repeatability of results, compared with a commercial laboratory.

These recommendations were accepted by Serabi and adopted: the gold values obtained from the Palito laboratory and below 0.7 g/t were adjusted to 0.01 g/t, and the copper values from the same laboratory were deleted from the database used for the present resource evaluation.

Data Verification

Quality Control Measures and Results

A wide range of standards has been purchased from Rocklabs, for inclusion into all batches dispatched for analysis at both SGS Geosol and Palito laboratories. Blanks are inserted at the start of each batch of samples submitted for analysis and a standard and blank are then alternated every 10 samples, giving approximately 10% of samples submitted as quality control/quality assurance. Historically standards were inserted for each 20/30 samples submitted to the laboratories, but this regime was changed in mid 2007 for tighter control.

Blanks are sourced from a granite outcrop on site and are submitted routinely with each batch.

In addition to standards submitted by Serabi to the laboratories, the laboratories report on their own internal standards and blanks. Laboratory reports also contain duplicates, repeats and laboratory check results.

SGS Standards Performance

The SGS laboratory results for standards are generally within an acceptable difference with the certified grade. Results of the vast majority are within two standard deviations from the expected mean, if considering the population of results from the round robin test realized by Rocklabs.

Mineral Processing and Metallurgical Testing

The ore from the Palito Mine was subject to several metallurgical testwork programs from 2004 to 2007, and a full scale metallurgical plant has been operating continuously at the Palito Mine since Q3 2004 for almost five years. With approximately 550,000 tonnes of ore processed, and approximately 100 Koz of Au produced, there is plenty of empirical data on the metallurgical behaviour of the ore.

Metallurgical Tests

Metallurgical tests have been conducted upon comminution, flotation, cyanide leaching, dense media separation and gravity separation. Most of the testwork results had been carried out at AMMTEC Australia and Knelson Research and Technology Centre, Canada.

Mineral Resource Estimates

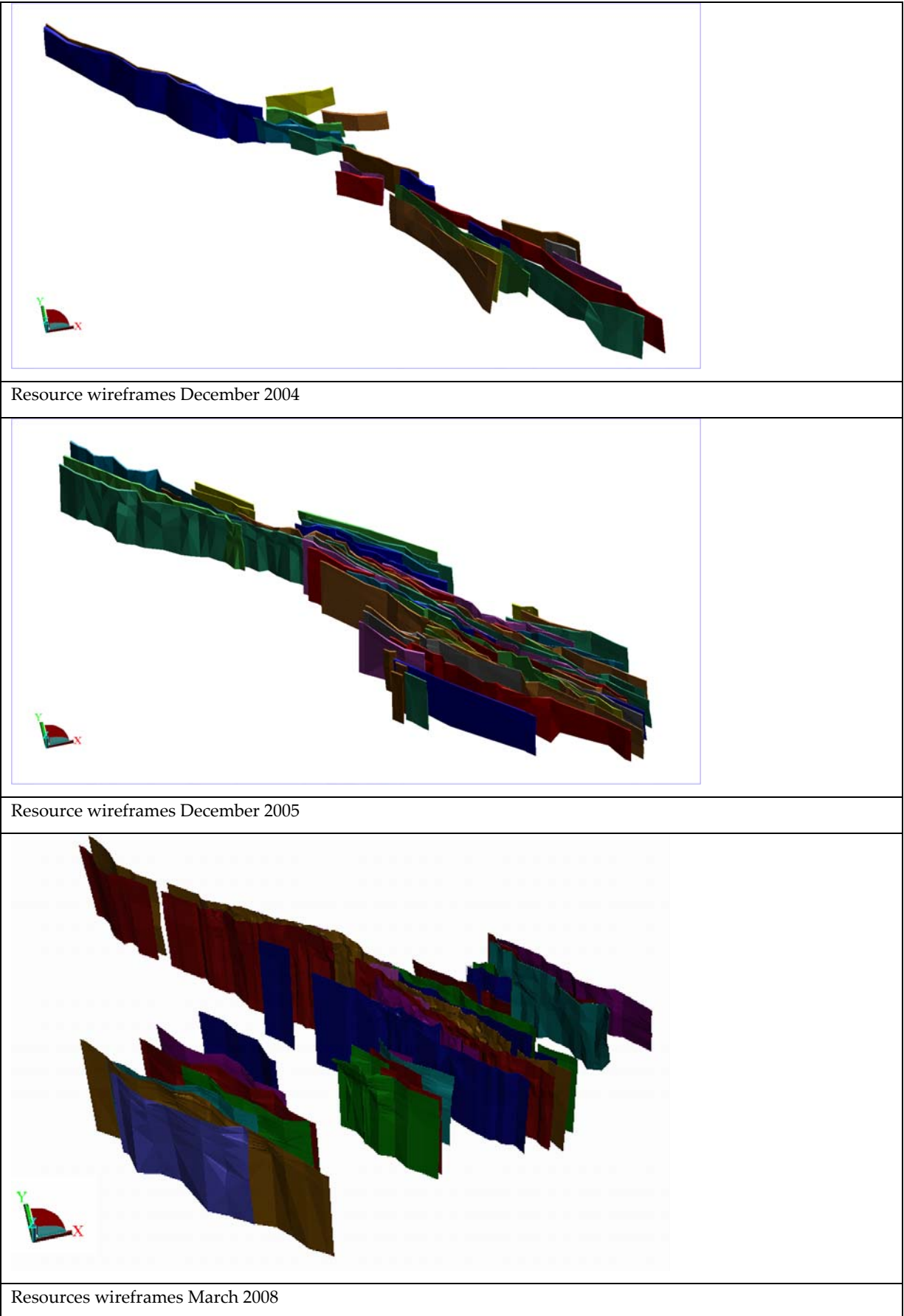
General Considerations

In March, 2008, NCL prepared a resource estimate for the Palito deposit, using 3D modeling and geostatistics. This model has not been updated. Although additional drilling was available and limited mining has occurred, these are considered to be of low impact, therefore this 2008 estimate can be considered as representative of the current mineral resources of the Jardim do Ouro Project.

In this section, the resource evaluation performed in March, 2008 is reported. Only a single ore type was considered in this evaluation, the fresh rock ore formed by hydrothermally altered granite, termed "veins", amenable to the CIL process. Four different deposits were evaluated separately, Palito Main Zone ("PMZ"), Chico da Santa, Palito West and Ruari Ridge.

Mineral resources reported herein were estimated and classified according to the Australian JORC Code, which are equivalent to those of the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM").

Evolution of the orebody modelling for the Palito deposit



Software and Database

The modelling and geostatistical analysis of these deposits were made using three different software packages: Gemcom (modeling, kriging and block model construction), Excel (exploratory data analysis, model validation) and GSLIB (variography and exploratory data analysis).

The data was provided to NCL by Serabi in MS-Access (channel and drillhole data) and DXF format (topography, excavation and mined out areas).

The basic stats of the database received for resource evaluation are below.

Drilling database basic statistics

Sample Type	Nr of samples	Metres drilled	Nr of Holes
Channel	9947	8776	4167
Diamond Drilling	26303	94536	787
RAB	593	626	6
Reverse Circulation	3839	3935	48
Auger	795	1707	49
Total	41477	109580	5057

Specific Gravity

Serabi provided a database with 1,048 measurements of specific gravity, mainly composed of hydrothermally altered granite, which is the typical ore from the mine. Only fresh rock samples were evaluated. The method used is the accepted method for these measurements, considering the observed lack of porosity and voids of the ore and waste granite. After extracting one spurious value the simple average of 2.675 g/cm³ was calculated.

Data Capture

Given the difficulty in creating a solid enclosing all the representative samples, vertical sections were used for constructing the solids, however this resulted in samples further away from the section position not being correctly captured. For this reason, the samples representative of these solids were selected individually. Each interval selected was assigned a Lithological code. In several places, sub economical intervals were selected based on the geology, in order to maintain the continuity of the vein.

Exploratory Data Analysis

Using these lithological codes, NCL summarized statistics for gold and copper on the raw data samples for each lithological unit as shown below.

Exploratory Data analysis for samples within the veins

Au	Palito Main Zone	Chico da Santa	Palito West	Ruari Ridge
Nr of Samples	4,138	151	126	210
Minimum (g/t Au)	0	0.01	0.01	0.01
Maximum (g/t Au)	718.00	66.69	181.00	68.11
Average (g/t Au)	11.93	5.39	10.02	3.08
Standard Deviation	39.20	11.11	26.33	8.73
Coefficient of Variation	3.29	2.06	2.63	2.84
Cu				
Nr of Samples	4,140	152	127	210
Minimum (% Cu)	0	0	0	0
Maximum (% Cu)	21.10	4.70	4.50	2.80
Average (% Cu)	0.16	0.30	0.19	0.12
Standard Deviation	0.85	0.74	0.51	0.34
Coefficient of Variation	5.25	2.48	2.76	2.93

Compositing

After statistical analysis of the length of the original samples, 0.7 m was chosen as the length for compositing the samples in order to have all values at a similar support. Composites with length less than 0.15m (20 % of the chosen composite length) were discarded, representing less than 2% of loss of the samples, in terms of length sampled.

Exploratory Data analysis for composites

Au	Palito Main Zone	Chico da Santa	Palito West	Ruari Ridge	Total
Nr of Samples	6,591	220	156	291	7258
Minimum (g/t Au)	0.00	0.00	0.00	0.00	0.01
Maximum (g/t Au)	700.00	66.69	181.00	68.11	68.11
Average (g/t Au)	12.05	4.73	8.55	3.40	3.40
Standard Deviation	35.60	9.19	23.75	8.67	8.66
Coefficient of Variation	2.96	1.94	2.78	2.55	2.54
Cu					
Nr of Samples	2,350	195	137	208	292
Minimum (% Cu)	0.00	0.00	0.00	0.00	1
Maximum (% Cu)	21.10	4.70	4.50	2.80	2.80
Average (% Cu)	0.39	0.26	0.20	0.11	0.08
Standard Deviation	1.27	0.61	0.51	0.30	0.26
Coefficient of Variation	3.26	2.37	2.50	2.65	3.19

3D Geological Models

Four types of solids were used in the construction of the block model:

1. Orebodies: strictly speaking, interpretation of zones representing the material with reasonable prospects of being mineralized
2. 3D excavations: surveyed tunnels and mined out zones
3. 2D excavations: mined out zones where no survey was available. The 2D lines were put in 3D and extruded, to form a solid whose intersection with the orebodies mark the mined out zones in these
4. Topographic surface based on survey data.

To draw contours of the mineralization, the geology and the grade were used, as observed in the drillholes and excavations. The thickest interval was used, comparing the thickness indicated by either the granite hydrothermally altered (acronym: ZAH) or the gold mineralization, as defined by gold grades above 0.7 g/t. The other factor taken into account in the selection of the intervals was the minimum true thickness of 0.7 m.

The interpretation and modeling of the four main orebodies was a result of teamwork between Serabi and NCL geologists. The other solids or strings used, regarding, excavations and mined out outlines were made available by Serabi in Gemcom format.

Block Model Parameters

The block size used was 5 x 5 x 3 m. It is recognized that a larger block would allow less conditional bias. However, a block of this size would be inadequate for mine planning. For global estimates, it is expected that no significant problem would occur using a block size in the order of one tenth of the drill density, but for grade control, it is recommended that a larger block should be used.

Variography

Three different types of software were used to carry out the variogram analysis to determine grade continuity.

Following the variogram analysis, it was decided the ordinary Kriging algorithm would be the appropriate estimation method. The Kriging parameters used are tabulated below:

	Pass 1	Pass 2	Pass 3
X	20	60	75
Y	10	40	50
Z	10	40	50
Search type	octant	octant	octant
Min Nr octants	4	4	1
Max per octant	8	8	8
Min N Comp.	6	6	2
Max N Comp	64	64	64
Nr of discretizations	2x2x2	2x2x2	2x2x2

Block Model Construction

In addition to the modeled veins, the excavations were also modelled (drifts and stopes). The sequence of block model construction in the Gemcom software is the following:

1. Modelling and kriging of the mineralized veins
2. Add the modelled excavations (3D representations)
3. Add the extruded 2D excavations. This step was necessary in some veins in cases where the excavation had not been surveyed.
4. Extract the blocks above the topographic surface.
5. Classification of the resources by categories

A GEMCOM percent format was used, where the blocks contain a parameter representing the percentage of the block within a certain vein. Each vein was interpolated using samples with the same Rock Code.

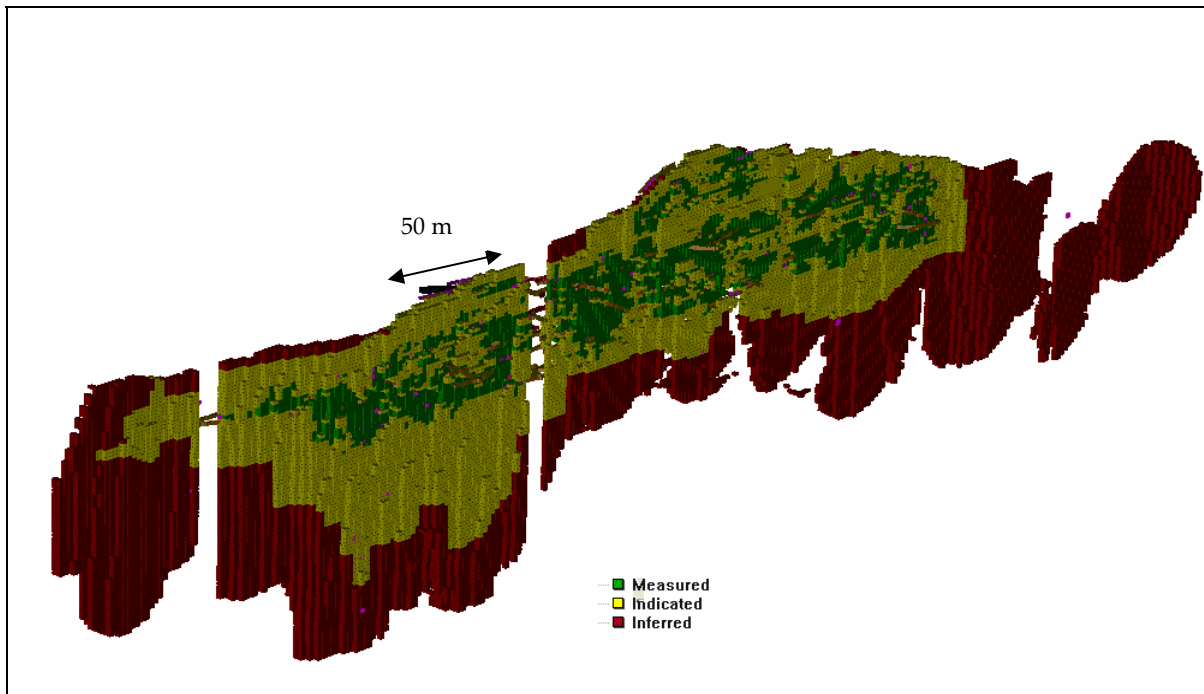
Mineral Resource Classification

The classification methodology was based on discussions between NCL and the Serabi exploration team. The criteria established were as follows:

- **Measured Resources:** Measured resources are the portions of the orebody that are well sampled by channel samples (spacing 3-5 m) and close to mined areas. For practical purposes, an outline was designed around mined drifts and stopes up to a maximum of 20m, which is a distance the team considers that a well defined vein can be extrapolated with confidence. Any indicated block contained in that outline is transformed to measured.

- **Indicated resources:** As defined in the 2nd Pass of the Kriging parameters, blocks which have at least two mineralized intercepts in the defined neighbourhood. The adopted neighbourhood is an ellipsoid measuring 60 m down the plunge and 40 m in the two other directions, which is seen as an adequate given the continuity of the mineralization. The vein code of these intercepts must be same as the block being classified, and the intercepts must be from different octants (required four octants minimum). NCL interpreted the results and where necessary, changed the category of portions of the block model at the geologist's judgment. The idea was to allow a more critical review of the block model, increasing or decreasing the confidence in zones where other geological factors surmount the amount of drilling in order to estimate confidence. Isolated blocks of indicated category were reclassified as inferred, and isolated blocks within major indicated blocks were turned to indicated.
- **Inferred resource:** As defined in the third pass, the search range has a limited enlargement (75m down the plunge and 50m in the other two directions), but for this category, a single drillhole is enough for the definition of inferred resources.

3D View of the G3 vein, with block model, classified. View to NW



Resources were considered only if the grade of the block is above 1.0 g/t Au. This marginal cut off was defined using only mine and processing cost (US\$34/ton), gold price of US\$1200/oz and metallurgical recovery of 93%.

Part of the veins, in zones with lower grade, would not be considered mineral resources, since the possibility of being economical is minimal

Model Validation

To verify the results of the estimates, a set of checks were made on the model for each area:

- Visual validation of grades and classification. Comparison with the previous sections and tabulations was extensively used.
- Comparison between the moving window average grade of composites and kriged values. Since the orebodies are flat aligned with the Y axis, inspection along the northing and elevation are enough to check adherence of block grades to sample grades.
- Comparison between the kriging results and the declustered mean

In all tests the models were considered consistent and robust.

Results

The following table summarizes the mineral resources as at March 31, 2008 and estimated for 1.0 g/t Au cut-off for each area.

Mineral Resources Estimate as at March 31, 2008

	Tonnage	Gold (g/tAu)	Copper (%) Cu)	Contained Gold Ounces	Equivalent Ounces
Measured Resources					
Palito Main Zone (PMZ)	97,448	9.51	0.26	29,793	32,045
Pali West (PW)	—	—	—	—	—
Chico da Santa (CS)	—	—	—	—	—
Ruari Ridge (RR)	—	—	—	—	—
<i>Total Measured Resources</i>	<i>97,448</i>	<i>9.51</i>	<i>0.26</i>	<i>29,793</i>	<i>32,045</i>
Indicated Resources					
Palito Main Zone (PMZ)	593,175	7.15	0.23	136,417	148,546
Pali West (PW)	46,844	13.16	0.26	19,825	20,902
Chico da Santa (CS)	78,987	5.91	0.23	15,011	16,681
Ruari Ridge (RR)	34,740	4.85	0.22	5,420	6,100
<i>Total Indicated Resources</i>	<i>753,745</i>	<i>7.29</i>	<i>0.23</i>	<i>176,673</i>	<i>192,228</i>
TOTAL Measured & Indicated	851,193	7.54	0.23	206,466	224,272
Inferred Resources					
Palito Main Zone (PMZ)	821,405	6.04	0.18	159,614	172,927
Pali West (PW)	200,256	8.22	0.23	52,934	57,140
Chico da Santa (CS)	434,664	6.01	0.23	84,036	93,100
Ruari Ridge (RR)	631,417	4.74	0.43	96,232	120,789
<i>Total Inferred Resources</i>	<i>2,087,741</i>	<i>5.85</i>	<i>0.27</i>	<i>392,817</i>	<i>443,956</i>

- (1) Mineral resources are reported at a cut-off grade of 1.0 g/t.
- (2) Numbers may not add up due to rounding.
- (3) Equivalent gold is calculated using an average long-term gold price of US \$700 per ounce, a long-term copper price of US \$2.75 per pound, average metallurgical recovery of 90.3% for gold and 93.9% for copper.

Conclusions

A mineral resource estimate for the areas Palito Main Zone, Chico da Santa, Palito West and Ruari Ridge has been completed with 25 different mineralized structures. Each vein has been interpreted and 3D wireframes built. The samples contained within these wireframes were selected and the ordinary kriging algorithm used to interpolate block model grades. The models for the different areas were validated by the NCL and Serabi staff, who concluded that the models are consistent with the available geological data.

Mineral Reserve Estimates

No mineral reserves are reported presently for the Jardim do Ouro Project. A previous JORC compliant mineral reserves statement was prepared by NCL in March 2008. However, in recognition that the mine has been under care and maintenance since Q4 of 2008, NCL has not quoted a mineral reserve in the Jardim do Ouro Report.

However, although Serabi's current strategy is to focus on the exploration of the Jardim do Ouro Project, the Company's recent history of operating activities at the Palito Mine area for over five years (Q4 2004 to Q2 2010), has led to the development of significant infrastructure that could be used in the future implementation of the project. This infrastructure includes:

- Underground Mine at the Palito Main Zone
- Ore Processing Facilities
- Tailings Storage Facilities
- Power Supply
- Water Supply
- Mine Camp (accommodation, offices, workshops and warehouses)
- Access Roads and Air Strip

Previously Declared Mineral Reserves

There is a past JORC compliant mineral reserves statement prepared by NCL in March 2008, based on the measured and indicated resources declared at that time.

The mineral reserves estimated and stated in March 2008, were 732,492 tonnes at 7.34 g/t gold and 0.22 % copper, containing 172,836 ounces of gold and 187,538 ounces of equivalent gold. Equivalent gold was calculated using an average long-term gold price of US\$700 per ounce, a long-term copper price of US\$2.75 per pound, average metallurgical recovery of 90.3% for gold and 93.9% for copper. From the total declared contained equivalent gold, 9.5% corresponded to proved reserves in Palito Main Zone and 90.5% to probable reserves.

Reproduced below is a summary of the 2008 JORC compliant reserves statement by category and by mineralized structure. Its inclusion, however, is for reference purposes only and cannot be relied on. The Company does not currently have any mineral reserves.

Mineral Reserve Summary as at March 31, 2008

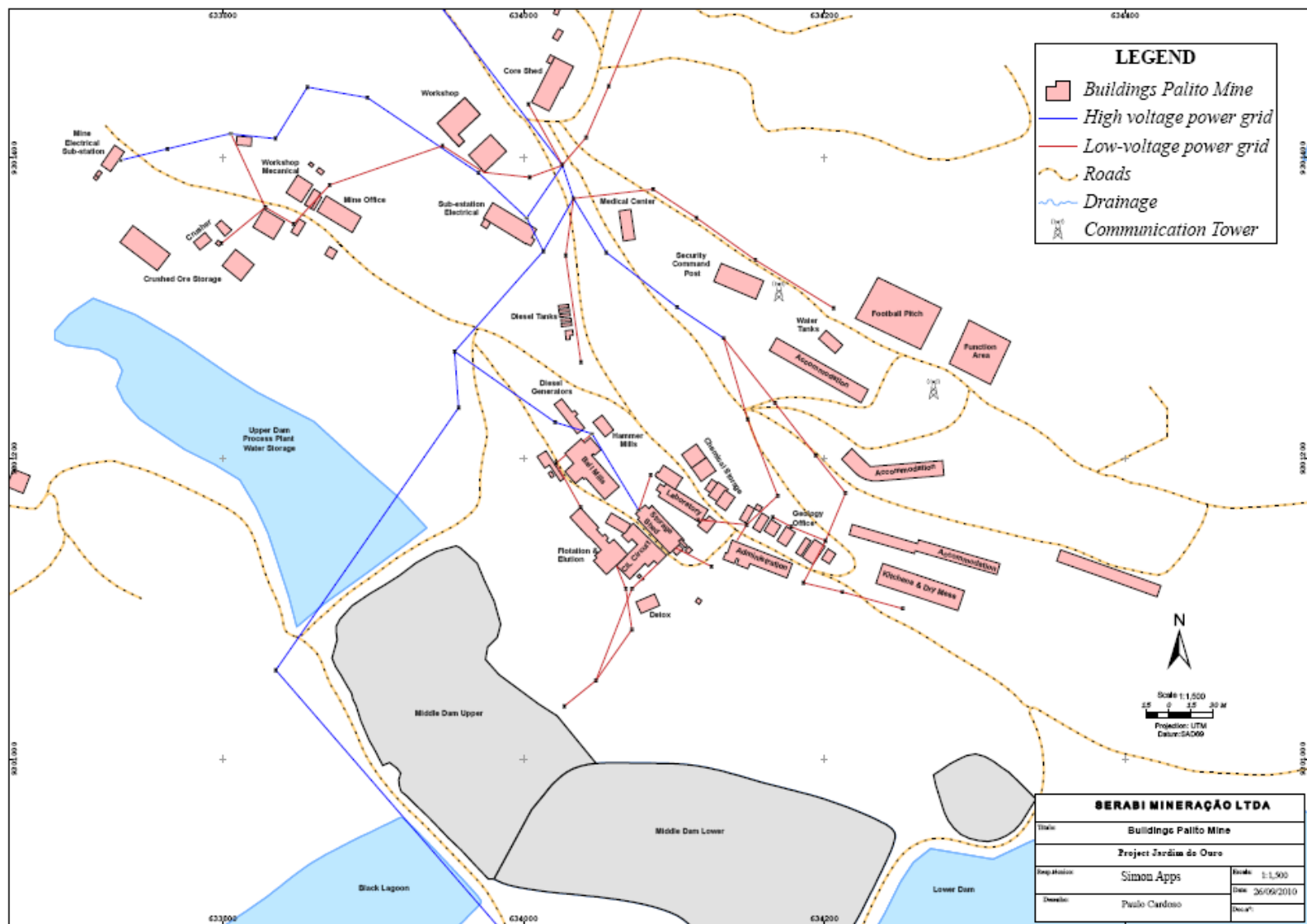
Ore Source	Tonnage	Gold (g/tAu)	Copper (%) Cu)	Contained Gold Ounces	Contained Gold Equivalent Ounces
Proved Reserves					
Palito Main Zone (PMZ)	56,464	9.06	0.29	16,456	17,910
Pali West (PW)	—	—	—	—	—
Chico da Santa (CS)	—	—	—	—	—
Ruari Ridge (RR)	—	—	—	—	—
<i>Total Proved Reserves</i>	<i>56,464</i>	<i>9.06</i>	<i>0.29</i>	<i>16,456</i>	<i>17,910</i>
Probable Reserves					
Palito Main Zone (PMZ)	547,535	6.92	0.22	121,904	132,614
Pali West (PW)	54,642	10.85	0.20	19,063	20,063
Chico da Santa (CS)	55,485	6.52	0.23	11,639	12,786
Ruari Ridge (RR)	18,365	6.39	0.24	3,773	4,166
<i>Total Probable Reserves</i>	<i>676,028</i>	<i>7.19</i>	<i>0.22</i>	<i>156,379</i>	<i>169,628</i>
<i>TOTAL Proved & Probable</i>	<i>732,492</i>	<i>7.34</i>	<i>0.22</i>	<i>172,836</i>	<i>187,538</i>

Infrastructure

The infrastructure includes:

- Underground Mine at the Palito Main Zone
- Ore Processing Facilities
- Tailings Storage Facilities
- Power Supply
- Water Supply
- Mine Camp (accommodation, offices, workshops and warehouses)
- Access Roads and Air Strip

The following figure shows a general layout of the site infrastructure



General Site layout - Infrastructure

Palito Underground Mine

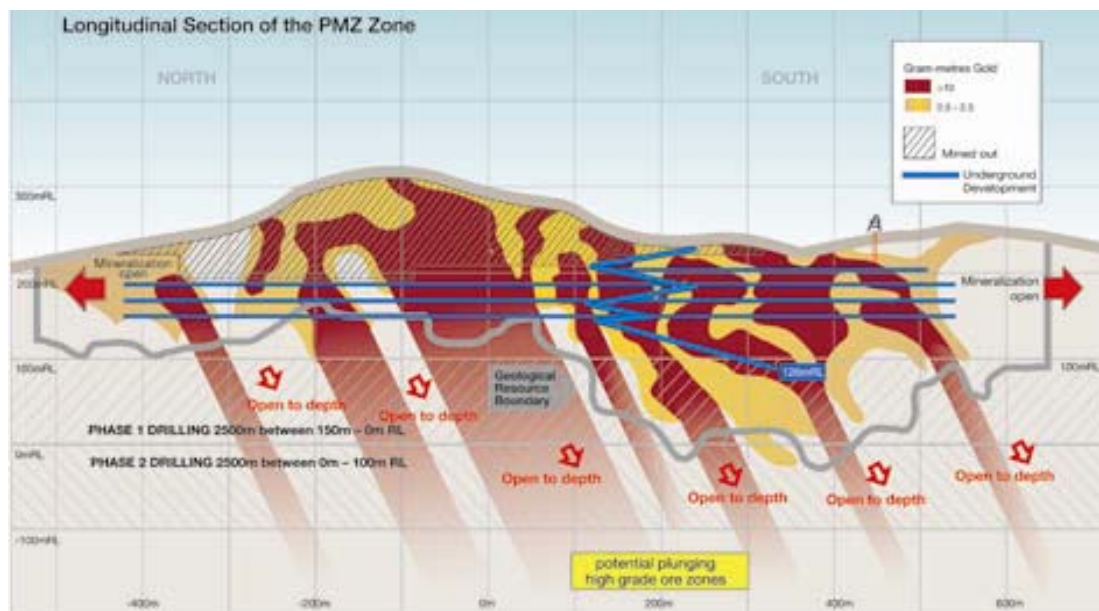
Underground mining at the Palito Mine began in 2004 with production at a rate of 150 tpd, increasing gradually to approximately 600 tpd in year 2008. Total underground mine production during this period was approximately 460,000 tonnes.

Following a successful period of selective mining using a shrinkage stoping method, in an effort to increase production, a more mechanised bulk mining method (long hole open stoping method) was introduced. However, levels of dilution were higher than expected, giving rise to lower than planned head grades. Efforts were made in 2007 to manage dilution and plans established to put in place a more selective mining method albeit still mechanised. New equipment was ordered but was some 6-12 months late in being delivered and commissioned. Essential mine development was consequently delayed, hence when the equipment arrived in mid-2008, the Company found it impossible to recapture this lost development fast enough and with the markets in rapid decline and little access to additional working capital, the underground mining operation was suspended at the end of 2008 and the mine placed on care and maintenance.

The underground portion of the Palito Mine consists of an access ramp located at the footwall of the mineralized structures, providing access to the veins on 12m vertical intervals. The ramp portal is located at elevation 235 masl, and the total ramp development is of the order of 1,000m of ramp, the deepest level being 114m. The mine is currently flooded up to level 178m.

After the underground portion of the Palito Mine was placed in care and maintenance, most of the underground mobile equipment fleet, and part of the stationary mine equipment was sold. The cost and time frame to re-habilitate the underground portion of the Palito Mine is currently unknown.

Palito Mine Long Section



Ore Processing Facilities

The project has a fully implemented process plant that operated continuously producing copper-gold concentrate and bullion for almost five years, from September 2004 until mid 2010. During this period of time, the plant was fed with 550,000 tonnes of ore, of which 85% came from underground portion of the Palito Mine at the Palito Main Zone area. The rest came from low scale near surface open pit mining.

The plant has a capacity to process over 600 tpd of sulphide ore. The process flowsheet consists of a crushing circuit, a milling circuit, and a flotation circuit followed by concentrate filtration and storage facilities. The flotation tailings are fed to a cyanide agitation leaching CIP plant, followed by elution and gold refinement circuits, to produce bullion.

The tailings from the CIP circuit flow to detoxification tanks for neutralisation of cyanide, and are eventually pumped to a tailings storage dam situated 1.5km from the process plant.

By the end of 2008, a circuit to process oxidized ore from the near surface open pit mining was implemented. This circuit consists of feeding the ore directly to two dedicated Hammer mills that discharge to the main ball mills, from where the ore bypasses the flotation circuit, to go directly to the CIP, elution and gold refinement circuits to produce bullion.

The first phase of the Palito plant was built in 2004 using mainly second hand equipment, and was gradually expanded to reach the current configuration. Currently Serabi is preparing the plant to go on a care and maintenance mode, in order to preserve it in good condition.

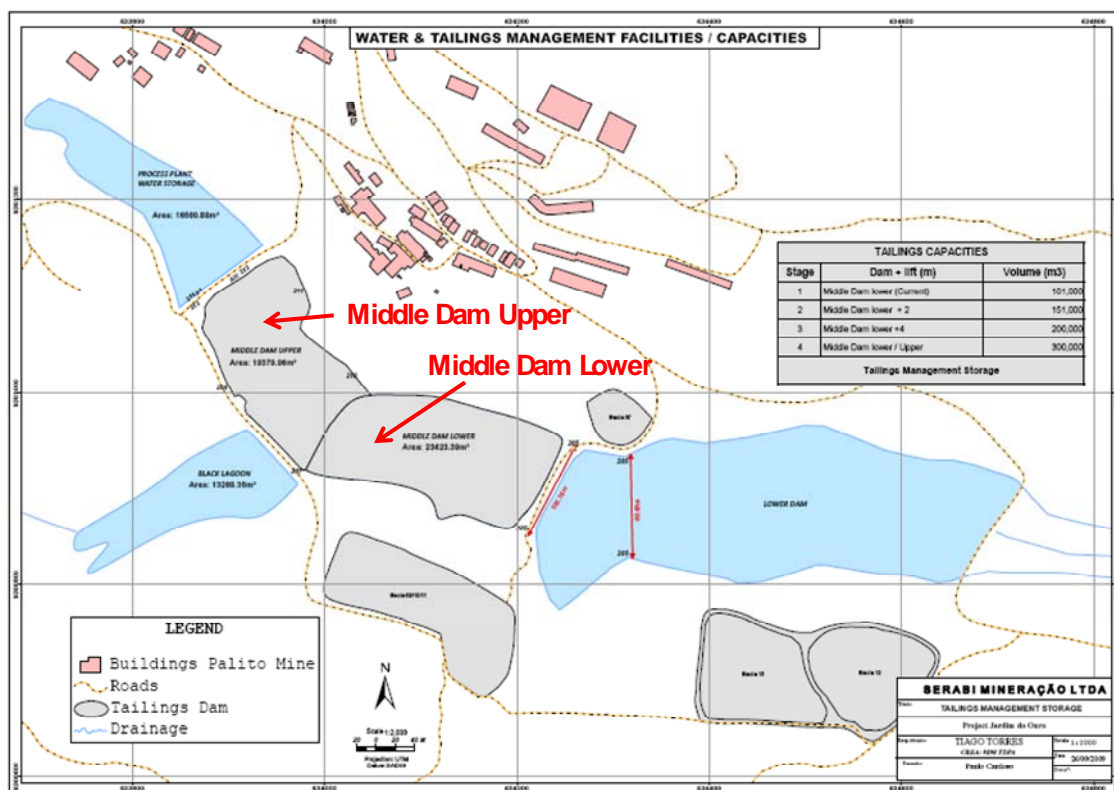
Tailings Disposal Facilities

The final section of the process facility consists of two detoxification tanks for neutralisation of cyanide, from where the tailings are pumped to and deposited in a tailings storage facility situated 1.5km from the process plant.

The tailings storage facilities currently consist of two contiguous dams named Middle Dam Lower and Middle Dam Upper, after a 4m raise of the wall could have a spare capacity of 300,000 m³. This capacity is enough to store between 450,000 tonnes and 500,000 tonnes of tailings. The Company believes the current operating permits allow the Company to raise the dams beyond 4 m.

As the current tailings storage facility sits on top of a prospective geophysical anomaly, and the site has not been subject of condemnation drilling. In 2007, Serabi retained Golder's Associates Brazil to conduct a survey of alternative sites to re-locate the tailings dam. Other alternative sites were identified, but no further engineering or design work was completed.

Existing Tailings Storage Facilities



Power Supply

Power is fed to the project through a 34.5 kV power line constructed by the local electric company CELPA in 2006. The line is 30 km long, connecting with the village of Moraes de Almeida. Originally the line was fed by a diesel power plant located in the village of Novo Progresso, and in 2009 it was connected to the hydro generated northern Brazil power grid, which takes power from the Curua Hydro plant, approximately 100km NE of Novo Progresso..

When the Palito Mine was operating at full capacity, the total installed capacity was 1,300 kW, and the contracted power demand with CELPA was 1,600 kW. After the closure of the underground mine and the processing facilities, the contract with CELPA was reduced to 680 kW in November 2009.

The project also has a backup diesel generating facility to secure the power supply if there is a power cut on the CELPA grid. This generating facility consists of four diesel generators with a capacity of 340 kW each, and a total capacity of 1,360 kW. Apart from the above main generating facility there are two spare ancillary diesel generators with a total capacity of 760 kW.

Water Supply

The project has a water supply system consisting of a dam that contains water from the following sources:

- Mine water that is pumped from the underground working ends
- Recycled process water, after neutralization and decantation.
- Rain water

The total water consumption during the period of normal operation of the mine was in the range between 40 m3/h and 50 m3/h, including the process plant and the mine.

Water is an abundant resource in the area, and the current water supply system is not a limiting factor for a future re-start of the Palito operation or even possible expansions of the processing facilities or the mine throughput.

Fresh drinkable water for use in the camp is supplied by conventional water wells. The total fresh water consumption when the mine was operating at full capacity was approximately 60m3/day.

Camp

Serabi has established a full mining camp at the Palito Mine. The camp consists of accommodation for the personnel, offices, warehouses, maintenance facilities, and a wide variety of services that make the camp self sufficient in many aspects.

The accommodation facilities consist of four units that can host up to 250 people. Serabi Mineracao also provides a daily bus service for employees and contractors living in Jardim do Ouro.

There are mine offices that are basic but in sound condition. Workshops and warehouses are adequately sized and are in good order.

Fuel is stored on site in storage tanks with an approximate capacity of 90,000 L of diesel. All the fuel storage tanks are located in a contained fuel storage area. There is an explosives storage facility located away from the main offices that is currently in care and maintenance.

There is a well equipped laboratory on site, currently being used

The site is self sufficient for most of the required services. 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 has the facilities to provide catering services for all the personnel.

Serabi has built and operates a clinic and hospital at the Palito Mine.

Serabi contracts its own security service. There is a guard house at the entrance to the mine.

Access Roads and Air Strip

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, was implemented in 2006, and is currently fully operative. Serabi Mineracao owns bulldozers, front end loaders and trucks which are used for site construction, road building and road maintenance.

Environmental Studies, Permitting and Social or Community Impact

Environmental Liabilities

The Jardim do Ouro Project contains significant ground disturbance within the Palito Mining lease (850.175/2003), as part of the Palito mining and processing activities. Serabi is in compliance in all material respects with all environmental regulatory requirements related to the exploration and mining activities pursuant to Brazilian environmental laws, and has taken all necessary actions in order to keep the environmental licences and permits in force, valid and in good standing

Within the Jardim do Ouro Project, outside of the Palito Mine lease ground disturbance has been primarily by garimpo activities, restricted mainly to creeks, including shallow water filled pits and small open pits from which saprolitic materials have been hydraulically extracted and processed by gravity separation. Serabi has conducted a small program of diamond drilling outside of the mining lease in exploration lease 850.174/2005, consisting of drill pad placement and access road construction. To date this has not been remediated, as ongoing exploration in the area requires the disturbed areas to remain active.

Serabi presented a closure plan to the Brazilian mining authority as part of the plan of economic usage of the mine, required for the mining license application. In this plan, a value close to R\$2.5 million was estimated to cover closure costs, spread over a period of three years, after the mine exhaustion.

Operating Permit

The Palito Mine has valid operating permits that allow both exploration and operating activities to take place. The key permit in place is the Operating license – Protocol #2711/2008 issued by Secretaria de Estado de Qualidade Ambiental (SEMA), renewable annually. Serabi has made the necessary application for the license renewal, and while the Company awaits final approval from SEMA, the current license is automatically extended.

The license allows the extraction and processing of gold and associated minerals in the mine license area of 1,712ha up to a maximum rate of 700 tonnes per day.

Other valid permits include:

1. Cadastro Ambiental Rural (proof of land ownership and use for industrial purposes) – Protocol # 12787/2010 – issued by SEMA
2. Outorga (license to extract water for industrial use) valid until 12/01/2013 and issued by SEMA - #193/2010
3. Anexo - Outorga (license to extract water for domestic use) valid until 12/01/2013 and issued by SEMA
4. License to Procure, Store, Use Explosives at site - # 1871 issued by Ministry of Defence valid until 30/10/2011

Exploration Interpretation and Conclusions

NCL concluded the following:

- NCL supports Serabi's decision of focusing funds on brown-field exploration. Additional resources would improve the economics of the project, diluting fixed costs and diminishing the risks.
- NCL considers the exploration potential of the Jardim do Ouro Project to be high. This perception is supported by the demonstrated gold endowment of the area, the geophysical anomalies (VTEM and IP) revealed and the data integration work, which leads to the impression that other Palito mineralized systems may be discovered within distance to the mill feasible for truck transport
- With respect to the existing mineral resource, NCL consider that the limits of the deposit are not well defined, with several zones where the limits are still open. Besides the down dip projection of all orebodies, the most important veins, the G2 and G3 at the PMZ area, are open to the north. The other orebodies are relatively insufficiently closed.
- The level of understanding of the structure, alteration and mineralization at the Palito Mine is reasonable for adequate resource evaluation; however, the relationship among them could be improved, thus improving the mine reconciliation.
- Mineralization is well defined in its lateral limits, but is open at the strike extension for most of the orebodies:
- For PMZ, the main veins (G2 & G3) are open to the north, while three of the smaller veins (Cedro, Jatobá and Munguba) are open to both ends.
- The orebodies Ruari Ridge and Chico da Santa are open in both directions, to the north and to south.
- None of the orebodies are closed at depth.

- The Palito laboratory gold results were accepted for the grade interpolation, after transforming any value lower than 0.70 g/t to 0.01 g/t Au. This procedure was used to eliminate the portion of the results with uncertainty greater than the acceptable. However, this procedure does not correct the fact that average grades of channel and UG drillholes, analysed by wet chemistry at the Palito laboratory, are higher than nearby exploration holes, analysed by fire assay at SGS.

Recommendations

NCL have recommended the following:

- Exploration program must continue to test the geophysical anomalies and determine the true potential of the area. A budget of US\$7.6 million is proposed to develop the exploration activities along a period of 18 months. It includes the near mine (up to three km to the existing facilities) and green-field, if farther than that this distance. Support activities are also included.
- The structure affects the mineralization through slip faults which dislocate the veins laterally and possibly through the control of high grade shoots within the veins.
- The Quality Control protocol should be modified, following the recommendations detailed in the section entitled 'Analytical Methods And Quality Assurance'. Batches which failed the Quality Control acceptance threshold, either for blanks and standards, need to be repeated by the laboratory.

Exploration Budget

	<u>US\$</u>
Discovery drilling programme (7,500 metres) - Palito Mine	\$1,909,091
Ground IP over untested geophysical anomalies - Palito Mine	\$209,091
Geochemistry and surface exploration programmes - Palito Mine	\$763,636
VTEM Survey - wider Jardim do Ouro tenements	\$296,970
Geochemistry and surface exploration programmes - wider Jardim do Ouro tenements	\$72,727
Capital purchases	\$424,741
Land rentals and taxes	\$337,212
Brazil exploration staff costs	\$1,373,485
Exploration support expenditures	\$2,243,410
Total exploration budget	<u>\$7,630,363</u>

USE OF PROCEEDS

The net proceeds to the Company from the Offering and the SW Offering are estimated to be \$9,417,920, in the case of the maximum Offering, and \$7,191,520, in the case of the minimum Offering, after deducting (i) the Agent's commission of \$396,000, in the case of the maximum Offering (assuming that no Excluded Purchasers participate in the Offering), and \$202,400, in the case of the minimum Offering (assuming that no Excluded Purchasers participate in the Offering), (ii) the Agent's commission for the brokered component of the SW Offering of \$239,580, and (iii) the estimated expenses of the Offering, the SW Offering and the preparation and filing of this prospectus of \$435,000.

The Company intends to use the net proceeds of the Offering together with its existing cash holdings which, as of January 1, 2011 were US\$8,598,755 (including the proceeds of the SW Offering) approximately as follows:

	<u>Minimum Offering (\$US)</u>	<u>Maximum Offering (\$US)</u>
Discovery drilling programme (7,500 metres) - Palito Mine	\$1,909,091	\$1,909,091
Ground IP over untested geophysical anomalies - Palito Mine	\$209,091	\$209,091
Geochemistry and surface exploration programmes - Palito Mine	\$763,636	\$763,636
VTEM Survey - wider Jardim do Ouro tenements	\$296,970	\$296,970
Geochemistry and surface exploration programmes - wider Jardim do Ouro tenements	\$72,727	\$72,727
Capital purchases	\$424,741	\$424,741
Land rentals and taxes	\$337,212	\$337,212
Brazil exploration staff costs	\$1,373,485	\$1,373,485
Exploration support expenditures	\$2,243,410	\$2,243,410
Total exploration budget	\$7,630,363	\$7,630,363

Working Capital	\$2,600,000	\$4,829,000
Total	\$10,230,363	\$12,459,363

The Company has commenced its exploration programmes and, as at February 28, 2011, has incurred aggregate exploration expenditures of approximately \$785,000 in respect of the proposed total exploration budget, excluding exploration support expenditures.

The Company intends to complete the 7,500 meter drilling programme during the third quarter of 2011. Results will be interpreted on an on-going basis and upon completion of the programme, if not before, the Company expects to be in a position to decide which, if any, of the drill targets warrant further evaluation and the nature of such evaluation.

Within the Palito Mine licence area it will continue programmes of surface geochemistry as part of an on-going programme of mapping the entire licence area. It also intends to commission a ground based IP survey of five geophysical anomalies that remain untested.

An initial 8,000 hectare helicopter borne VTEM survey over other areas within the Jardim do Ouro project was completed in January 2011 and the Company expects its consultants to have received, processed and provided an interpretation of the data during the second quarter of 2011. The Company hopes that the 8,000 hectare survey will identify further target areas for evaluation. Although dependent on contractor availability and the results of the January 2011 VTEM survey, the Company has planned a further VTEM survey for an additional 7,000 hectare area later in the year. The Company will also undertake limited geochemical programmes within selected areas of the Jardim do Ouro Project area to increase its understanding of the area.

The objectives of the programmes that the Company intends to undertake with the use of proceeds are:

- to evaluate the nine drill targets identified through its prior geophysical work and establish which, if any, may host a potentially commercial gold deposit that will warrant further evaluation
- to continue a programme of geochemical mapping to increase its geological understanding of the Palito Mine licence area with a view to identifying or confirming other areas of interest
- to ascertain which, if any, of the remaining five untested geophysical anomalies should be further tested by a discovery drilling programme
- to identify within the Jardim do Ouro Project other potential areas that could host concealed mineralization and would require further evaluation.

Pending the use of the net proceeds described above, the Company may invest all or a portion of the proceeds of the Offering in short-term, high quality, interest bearing corporate, government-issued or government guaranteed securities. While the Company intends to spend the proceeds of the Offering as stated above, there may be circumstances where, for sound business reasons, a re-allocation of funds may be necessary. For the financial year ended December 31, 2009 the Company had negative cash flow from operations and expects to have negative cash-flow from operations for the foreseeable future. The net proceeds from the Offering, the SW Offering and its existing available working capital should be sufficient to fund the operations of the Company over the next 18 months. See "Risk Factors".

DIVIDEND POLICY

The Company does not have a dividend policy in place and has never declared or paid dividends on the Ordinary Shares. Any future dividend payment will be made at the discretion of the board of directors and will depend on their assessment of earnings, capital requirements, the operating and financial condition of the Company and any other factor that they deem necessary to consider at that time.

SELECTED FINANCIAL INFORMATION

The following table sets out selected consolidated financial information for the Company for the periods and as at the dates indicated and is based on the audited and unaudited consolidated financial statements which appear elsewhere in this prospectus and the related notes, and should be read in conjunction with "Management's Discussion and Analysis" included elsewhere in this prospectus. The Company's financial statements are prepared and presented in accordance with International Financial Reporting Standards in force at the reporting date and their interpretations issued by the International Accounting Standards Board and adopted by the European Union rather than Canadian

generally accepted accounting principles and its annual financial statements are audited in accordance with applicable law and International Standards on Auditing (UK and Ireland).

<i>Expressed in US Dollars</i>	For the nine mths ended September 30, 2010	For the nine mths ended September 30, 2009	For the year ended December 31, 2009	For the year ended December 31, 2008	For the year ended December 31, 2007
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Revenues	\$1,171,908	\$4,792,920	\$5,512,804	\$16,523,577	\$25,099,118
Net Income (loss)	\$(3,974,273)	\$(7,437,884)	\$(9,990,502)	\$(10,973,655)	\$(122,879)
Net Income (loss) per Share (basic and diluted)	(1.06) cents	(5.31) cents	(6.16) cents	(7.83) cents	(0.10) cents
Total Current Assets	\$8,412,810	\$3,825,915	\$7,030,342	\$4,864,694	\$25,992,966
Development and Deferred Exploration Costs	\$8,558,842	\$6,478,501	\$6,880,038	\$5,351,921	\$13,254,658
Property Plant and Equipment	\$34,280,250	\$35,922,960	\$35,327,788	\$31,620,364	\$25,831,006
Total Assets	\$51,251,902	\$46,227,376	\$49,238,168	\$43,589,495	\$66,831,146
Total Liabilities	\$5,586,203	\$5,966,225	\$6,033,451	\$5,324,953	\$6,426,898
Shareholder's Equity	\$45,665,699	\$40,261,151	\$43,204,717	\$38,264,542	\$60,404,248
Cash Dividends per Share	-	-	-	-	-

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis of financial condition and results of operations (the "MD&A") of the Company provides an analysis of the Company's financial results and progress. This MD&A is current as at the date of this prospectus. The information in this MD&A should be read in conjunction with the consolidated financial statements of the Company and the related notes thereto included in this prospectus. Additional information relating to the Company can be found on SEDAR at www.sedar.com.

The following discussion contains forward-looking statements that involve numerous risks and uncertainties. Actual results of the Company could differ materially from those discussed in such forward-looking statements as a result of these risks and uncertainties, including those set forth in this prospectus under "Cautionary Statement Regarding Forward-Looking Information" and under "Risk Factors".

This MD&A has been prepared in accordance with IFRS for the years ended December 31, 2007, 2008 and 2009 and for the three and nine months ended September 30, 2010 and 2009.

General

Serabi is an AIM-traded gold exploration company focused on the exploration and development of gold projects in Brazil.

The major focus of the Company's activity has been on the Jardim do Ouro Project, which includes the Palito Mine, where the Company holds a mining licence covering 1,150 hectares and holds or has in application exploration licences totalling some 54,450 hectares around this mining licence. The Palito Mine is a high grade, narrow vein underground mine which was operated by the Company from late 2004 until the end of 2008, when the underground

mining operations were placed on care and maintenance. During this time the mine produced in excess of 110,000 ounces (gold equivalent).

The Company is pursuing a strategy of resource growth before making any decision on when to recommence production at the Palito Mine. Its exploration objective is to identify two or more Palito style and size deposits in close proximity to the Palito Mine and its existing camp and processing infrastructure. Serabi believes that this would allow the opportunity to establish a total resource potential in excess of 1.5 million ounces (gold equivalent) and management believe this could form the foundation for a production base of up to 100,000 ounces (gold equivalent) per annum. The Company has established nine drill targets within three kilometres of the Palito Mine, each of which it believes, based on its exploration results to date, has the potential to yield a Palito style and size deposit. An initial discovery drill programme of 7,500 meters commenced during December 2010 and is expected by the Company to be completed during the third quarter of 2011.

The nine drill targets identified are the cumulative result of a series of exploration activities that commenced in January 2008 when the Company commissioned a 6,000 hectare helicopter borne VTEM survey over and around the Palito mine.

The Company also holds or has in process exploration licences for the Modelo and Pison gold projects. The Company has not currently established any budget or exploration programmes for these projects and is seeking joint venture partners to undertake the next phase of exploration activity required on these properties.

The Company has capitalized US\$30.0 million of costs relating to exploration and mine development since inception, of which US\$2.35 million has subsequently been written off following abandonment of the related projects. All costs relating to the Palito Mine and associated resource and reserve drilling were capitalized up until the end of September 2006. As at the end of September 2006, a total of US\$13.1 million was capitalized as pre-production capital and upon declaration of commercial production this cost was transferred to Mine Asset and amortization of this capital item was commenced on a unit of production basis. A further US\$10.4 million was transferred to Mine Asset in 2008 following the release of a updated mineral reserve and resource estimate for the Palito Mine.

Years Ended December 31, 2009, 2008 and 2007

Discussion of Operations

An overall operating loss for the year ended December 31, 2009 of US\$9.8 million (2008: US\$8.6 million; 2007: US\$1.2 million) was reported. The loss was comprised mostly of non-cash elements of US\$7.7 million (2008: US\$4.4 million; 2007: US\$3.13 million), consisting primarily of depreciation and impairment charges which were adversely impacted by significant currency appreciation. More importantly, the cash consumed by the Company on operations during 2009, as shown in the cash flow statements, was approximately US\$1.5 million (2008: US\$3.8 million; 2007: US\$2.0 million).

In 2009, the Palito Mine operation generated a small loss at the operating level of US\$242,000 (2008: loss of US\$0.4 million; 2007: profit of US\$5.4 million). Administration expenses were reduced by some US\$2 million year-on-year and of the total cost, some US\$265,000 was settled through the issue of shares in lieu of contractual obligations in order maximize cash available for the Company.

The suspension of underground mining operations at the end of 2008 with consequent reductions in personnel and the decision to establish a small-scale surface mining operation is reflected in the revenue and operating costs for 2009. Revenue totalled US\$5,512,804 (2008: US\$16,523,577, 2007: US\$25,099,118) from production of 5,448 ounces (2008: 19,676 ounces (gold equivalent), 2007: 33,963 ounces (gold equivalent)). Operational expenses were reduced proportionately to US\$5,755,002 as the Company sought to ensure that the mining operations functioned on a break even basis. Over the second half of 2009, the mined ore grades were lower than those achieved in the first six months of the year resulting in reduced rates of production in the second half of the year (1,566 ounces), compared with the first half of the year (3,882 ounces)

During 2009, the Company continued to reduce costs in all areas and reduced staff numbers to minimize its cost base and conserve cash resources. Administration costs for the year ended December 31, 2009 totalled \$1,851,937 (2008: US\$3,740,134, 2007: US\$3,446,849), a reduction of over 50% when compared with the previous year. This was the result of cost reduction exercises implemented at the end of 2008 and achieved through reductions in staffing levels and savings on goods and services reflecting reduced activity levels at the Palito Mine. There was a one-off tax credit received in the period totalling US\$563,000 relating to past sales taxes that had been expensed. This refund was treated as a reduction in administration costs.

A total of US\$495,138 was recorded in the year ended December 31, 2009 as a write down of capitalized exploration costs relating to the Company's Sucuba exploration project which the Company relinquished in the period. The remaining value recorded in the financial statements for the year ended December 31, 2009 relates to the remaining projects of the Company, namely the Jardim do Ouro Project, and the Palito Mine, the Modelo Project and the Pison Project. In 2008, the Company wrote off capitalized costs of US\$1,174,269 relating to the Jutai, Castanheira and Rio Marupa exploration projects of the Company which were no longer core to the short term strategy of the Company. In 2007, the Company wrote off \$628,066 of previously capitalized costs related primarily to the Company's Pombo exploration project located in Mato Grosso state, Brazil.

During the year ended December 31, 2009, the Company recorded an additional charge of US\$346,000 to reflect a reassessment of the cost estimates and the timing of the work to be undertaken to rehabilitate the Palito Mine. The overall revised provision of US\$1,055,000 is based on the present value of the expected future cash expenditures and the Company's best estimate of when these expenditures are likely to be incurred. The original provision had been established in 2006 and remained unchanged since that time.

Following the suspension of underground mining operations at the Palito Mine and in order to reduce its outflows of cash, the Company disposed of some of its underground mining plant and equipment and utilized the proceeds to settle finance lease obligations. The major finance lease obligations were settled in the year ended December 31, 2009 and the remaining lease obligations amounting to US\$84,761 expire in 2010. Equipment sales generated a net loss against book value of US\$181,237 in the year ended December 31, 2009 (2008: profit of US\$11,804) but generated sale proceeds of US\$1,220,691, while settlements of the capital portion of lease obligations totalled US\$1,178,381 in the year ended December 31, 2009 (2008: US\$1,402,482, 2007: US\$702,689).

In keeping with normal practice, the Company reviews the carrying value of the mining and exploration assets and assessed the value of the existing assets on the basis of a value in use involving a future recommencement of underground mining operations. On the basis of this assessment, the Company determined that a provision for impairment of US\$4,343,048 was required to be made in the year ended December 31, 2009 (2008 and 2007: nil) to reduce the carrying value to the estimated value in use. The Company will continue to undertake such impairment reviews on an on-going basis in the light of new information and revised assumptions including future commodity prices and exchange rates.

Although elements of the plant and equipment at the Palito Mine were not utilized during the year ended December 31, 2009 following the switch to oxide mining and the reduced plant throughput rates, depreciation rates were applied consistently across all asset classes with the exception of the Mine Asset. Accordingly, variations in the year on year depreciation charges are the result of additions or disposals of fixed assets. In the case of the Mine Asset, amortization charges have in prior years been based on a unit of production basis. As there was no depletion of the estimated mineral resources attributable to the Mine Asset (all production having been from surface oxide material which does not form part of the estimated mineral resources) during the year ended December 31, 2009, no amortization charge was made.

Interest payable during the year ended December 31, 2009 of US\$215,916 was significantly reduced compared with prior years, reflecting, primarily, the termination of the majority of the Company's finance lease commitments.

The Brazilian Real, having weakened dramatically at the end of 2008, subsequently regained much of its lost ground during 2009. Having started the year at a rate of R\$2.356 to the US\$ it closed at R\$1.7412, an appreciation of 26%. This impacted significantly on the balance sheet of the Company and was the prime factor behind the requirement for the Company to recognize an impairment charge on the carrying value of the Palito Mine at the end of 2009. The underlying net present value of the future anticipated cash flows was estimated to be slightly higher than was calculated at the end of 2008. However, the book value of the mine assets (the majority of which are denominated in Brazilian Real) had increased by over US\$6 million year-on-year before the impairment charge, notwithstanding any asset disposals or additional depreciation charge for the calendar year. The increase in the gross book value of the mine assets in US dollar terms was entirely due to the year-on-year exchange rate variations.

The appreciation of the Real also impacted heavily on other areas of the Company's balance sheet. In respect of current assets and current liabilities, the majority of these are also denominated in Brazilian Real (with the exception of cash) and therefore in considering the reported dollar movements it should be recognised that the underlying values in Brazilian Real were relatively unchanged. In the early part of 2009 settlement terms were negotiated in respect of equipment that was subject to leasing arrangements, eliminating the associated on-going liabilities and thus assisting cash flow greatly during the year December 31, 2009.

The provision carried for rehabilitation and restoration costs at the Palito Mine was increased from US\$500,000 as at December 31, 2008 to US\$1,055,000 as at December 31, 2009. Again this was primarily driven by exchange rate movements, as the underlying cost estimates in Brazilian Real are unchanged. This provision is calculated based on the present value of the future expenditures. The reduced interest rates in Brazil also impacted on the discount factor used for this calculation and therefore increased the overall dollar estimate of this future potential liability.

During the year ended December 31, 2009, the Company restricted its levels of capital expenditure and acquired only essential new equipment, spending US\$74,578 (2008: US\$5,608,449 (excluding leased items), 2007: US\$1,155,963 (excluding leased items)). During the year ended December 31, 2008, the Company acquired new plant and equipment at a cost of US\$3,641,646 (2007: US\$1,516,232) as it continued to implement plans established the preceding year to improve its mining operations. Of this expenditure, US\$1,455,188 (2007: US\$857,694) was financed through leasing arrangements primarily for new mining equipment. With the suspension of underground mining operations at the Palito Mine, no expenditures were capitalized in respect of the mine, with any costs associated with the suspension of mining operations being expensed in the year ended December 31, 2009. In the year ended December 31, 2008, the Company capitalized US\$3,352,765 (2007: US\$497,425) of costs in connection with the extension of ramp access into the Palito Mine and other mine development activity.

Exploration expenditures were similarly restricted during the year ended December 31, 2009, with a total cost of US\$604,875 being incurred (2008: US\$5,248,892, 2007: US\$6,017,472). This cost was primarily related to exploration activity around the Palito Mine. In the year ended December 31, 2008, exploration expenditures were primarily incurred on areas in the close vicinity of the Palito Mine, with a total of US\$719,117 related to other projects of the Company, including \$225,800 related to the Rio Marupa exploration project and US\$160,069 in respect of the Pison Project. In the year ended December 31, 2007, exploration expenditures not related to areas of and close to the Palito Mine totalled US\$827,233, of which US\$248,289 related to the Pison Project and US\$260,247 the Jutai exploration project.

The issue of new equity during 2009 raised net proceeds for the Company of US\$4.27 million. The total net value of shares issued was US\$4.43 million the difference arising as some of the shares issued and some of the costs associated with the share issue were non-cash transactions.

As part of the financing that was completed at the end of 2009, the Company issued a £300,000 convertible loan stock instrument, which was subscribed for by Greenwood Investments Limited, who at the time held a 27.5% interest in the share capital of the Company. International Accounting Standard Number 32 ("IAS32") requires that where a company issues a financial instrument that is a blend of debt and equity, the company is required to account for this and allocate appropriate values to the debt and equity components. Under the rules of IAS32, the debt component has been accounted for as a non-current liability, while the equity component is accounted for as Other Reserves within Equity Shareholders' Funds.

At the end of 2009, the Company, the directors and some employees agreed to cancel all of their existing share options. This resulted in a transfer from the share option reserve to the profit and loss reserve of US\$1.7 million. This represents the charge that was originally made to the profit and loss account, as calculated in accordance with IFRS2 and using the Black-Scholes method to reflect the implied value of these options. Under IFRS2, while the original charge was recorded on the face of the profit and loss account, the subsequent reversal on their cancellation (as opposed to exercise) was accounted for as a reserve movement and not as a write back to the profit and loss. New options were issued at the end of the year, which under IFRS2 and using the Black-Scholes method resulted in a charge of US\$47,610 being recorded in the financial statements for the year ended December 31, 2009 in respect of these options. A further charge of US\$119,813 was recorded for the period ended December 31, 2009 in respect of options issued in prior periods.

Financial Condition

On December 31, 2009, the Company's total assets amounted to US\$49,238,168, which compares to the US\$43,589,495 recorded at the end of the preceding financial year and US\$66,831,146 as at December 31, 2007. Total assets are mostly comprised of property plant and equipment which as at December 31, 2009 totalled US\$35,327,788 (2008: US\$31,620,364; 2007: US\$25,831,006), and deferred exploration and development cost which as at December 31, 2009 totalled US\$6,880,038 (2008: US\$5,351,921; 2007: US\$13,254,658), of which US\$5,435,322 relates to capitalized exploration expenditures at, or in close proximity to, the Palito Mine. The Company's total assets also included cash holdings of US\$4,081,882 (2008: US\$1,538,956; 2007: US\$18,629,402).

The Company's total liabilities at December 31, 2009 of US\$6,033,451 (2008: US\$5,324,953, 2007: US\$6,426,898) included accounts payable to suppliers and other accrued liabilities of US\$4,361,854 (2008: US\$3,359,772; 2007: US\$4,290,645). The total liabilities also includes the fair value of US\$216,898 including accrued interest (2008: US\$nil; 2007: US\$nil) attributable to the UK£300,000 loan from a related party, Greenwood Investments Limited, which has a repayment date of October 31, 2014 subject to the right of Greenwood Investments Limited at any time, on one or more occasions, on or before the repayment date, to convert any of the outstanding amounts owed by the Company to Ordinary Shares at a price of 15 pence per Ordinary Share. It also includes the amount of US\$1,374,200 (2008: US\$735,905; 2007: US\$920,135) in respect of provisions including US\$1,055,000 (2008: US\$500,000; 2007: US\$500,000) for the cost of remediation of the current Palito Mine site.

Three and Nine-month periods ended September 30, 2010 and 2009

Discussion of Operations

An overall operating loss for the nine-month period ended September 30, 2010 of US\$3.84 million (2009: US\$7.41 million) was reported, including non-cash elements of US\$1.7 million (2009: US\$6.27 million), being primarily depreciation charges. The cash expended on operations of the Company during the same nine month period, as shown in the cash flow statements, was approximately US\$2.9 million (2009: US\$0.29 million).

The suspension of mining operations at the Palito Mine, following the issuance of a suspension notice by IBAMA in June 2010, contributed to a gross loss for the nine-month period of US\$733,581 compared to an operating loss of US\$224,875 for the nine-month period ended September 30, 2009. While the suspension notice was lifted on September 23, 2010, it is not foreseen that there will be any immediate resumption of mining activities at the Palito Mine.

For the three month period to September 30, 2010, the operating loss was US\$1.58 million (2009: US\$2.98 million). The level of the loss for the quarter reflects the fact that there was negligible revenue, US\$22,909 (2008: US\$1.19 million), following the suspension of all mining activities.

The higher than normal level of administrative expenses for the quarter of US\$561,015 (2009: US\$192,978) reflects the recording of settlements of past labour claims in Brazil that have been made in 2010. Overall however the administration costs for the nine- month period ended September 30, 2010 of US\$1.40 million are comparable with the costs for same period in 2009 of US\$1.37 million.

During the quarter ended September 30, 2010 the Company sold surplus equipment but realized a book loss on the sale of US\$111,106 (2009: profit of US\$33,442).

Over the nine month period ended September 30, 2010, a total US\$1.4 million (2009: US\$0.38 million) was capitalized as exploration costs with the major activity being the undertaking of a ground-based induced polarization survey during the first six months of the year.

The Brazilian Real, has remained relatively stable during the period and having started 2010 at a rate of R\$1.7412 to the US\$ it closed at R\$1.6942, an appreciation of 2.7%. As the majority of the assets and liabilities of the Company excluding cash are historically denominated in Brazilian Real, movements in the exchange rate do impact on the value of the group and any appreciation of the Real has a beneficial impact on the net assets of the Company.

Financial Condition

On September 30, 2010, the Company's total assets amounted to US\$51,251,902, which compares to the US\$49,238,168 recorded in December 31, 2009 and US\$46,227,367 at September 30, 2009. Total assets are mostly comprised of property plant and equipment which as at September 30, 2010 totalled US\$34,280,250 (December 2009: US\$35,327,788), and deferred exploration and development cost which as at September 30, 2010 totalled US\$8,558,842 (December 2009: US\$6,880,038), of which US\$7,079,782 relates to capitalized exploration expenditures at, or in close proximity to, the Palito Mine. The Company's total assets also included cash holdings of US\$5,247,991 (December 2009: US\$4,081,882).

The Company's total liabilities at September 30, 2010 of US\$5,586,202 (December 2009: US\$6,033,451) included accounts payable to suppliers and other accrued liabilities of US\$3,935,912 (December 2009: US\$4,361,854). The total liabilities include the fair value of US\$245,477 including accrued interest (December 2009: US\$216,898) attributable to the £300,000 loan from a related party, which has a repayment date of 31 October 2014 subject to the right of the holder at any time, on one or more occasions, on or before the repayment date, to convert any of the outstanding amounts owed by the Company to Ordinary Shares at a price of 15 pence per Ordinary Share. It also includes the

amount of US\$1,383,057 (December 2009: US\$1,374,200) in respect of provisions including US\$1,055,000 (December 2009: US\$1,055,000) for the cost of remediation of the current Palito Mine site.

Fourth Quarter – 2009

Discussion of Operations

For the three month period ended December 31, 2009, the Company recorded a net loss of US\$2,552,618 (US\$0.01 per share) compared with a loss for the preceding quarter of US\$2,935,958.

A decrease in revenue of US\$471,687 was the result of lower gold production as a consequence of the smaller ore volumes that were available to mine and the lower grades of this mined material. The Company had been unable to identify further significant areas of new surface material of a grade and quantity comparable with that of the Senna deposit which had formed the primary oxide ore source during 2008 and 2009.

Administration costs for the three month period ended December 31, 2009 increased by US\$287,046, reflecting the settlement of various employment claims in the quarter.

Capitalized exploration costs of \$18,171 were written off in the three month period ended December 31, 2009 in respect of areas that the Company relinquished. A further impairment provision of \$760,715 was recorded in the quarter reflecting the changes in the exchange rates used to calculate the potential value in use of the Palito Mine.

Liquidity and Capital Resources

During the calendar year ended December 31, 2009, the Company was primarily reliant upon its existing cash holdings to finance its activities during the year and realised additional cash resources through the sale of certain plant and equipment.

Revenue from gold production for the year ended December 31, 2009 was US\$5.5 million but resulted in an overall gross loss for the year of US\$242,198. Overall the Company's operating activities absorbed US\$1.5 million, and the Company settled obligations under finance leases totalling US\$1.18 million and realised proceeds of US\$1.22 million through the sale of certain plant and equipment.

In the last quarter of 2009, the Company raised net proceeds of US\$4.1 million through the issue of new Ordinary Shares and a further US\$477,780 through a £300,000 convertible loan stock facility which was drawn down on December 14, 2009.

The Company has been generating limited revenue from mining operations and in order to fund its exploration work during the period ended on September 30, 2010, the Company was dependent upon utilising its existing cash resources and raising financing through the issuance of securities. In June 2010, the Company raised £3,600,000 through a private placement of 12 million Ordinary Shares at a price of £0.30 per share (after adjusting for the one for 10 consolidation of the Company's Ordinary Shares on December 21, 2010). On December 2, 2010, the Company completed the SW Offering raising gross proceeds of \$5,538,500.

While the Company has been able to fund its past activities from a combination of revenue generated from gold sales and the issue of new equity and other securities, the future funding requirements are expected to be generated from the issue of further equity, although the board of directors intends to evaluate alternative opportunities for funding the on-going exploration activities of the Company including entering into joint venture arrangements and the use of development grants and loans.

The Company's financing efforts may be affected by the general economic conditions and volatility in the capital markets.

Commitments

The following table sets out the maturity profile of the financial liabilities as at 30 September 2010 and commitments under operating leases.

	Total as at 30 September 2010	Due by 30 September 2011	Due October 2011 to September 2013	Due October 2013 to September 2015	Due after September 2015
<i>Expressed in US Dollars</i>					
Balance sheet liabilities					
Trade and other payables	\$3,775,578	\$3,387,529	\$283,815	\$104,234	-
Accruals	\$182,091	\$182,091	—	—	-
Interest bearing liabilities	\$245,477	—	—	\$245,477	-

Provisions	\$1,383,057	—	—	\$328,057	\$1,055,000
Total balance sheet liabilities	\$5,586,203	\$3,569,620	\$283,815	\$677,768	\$1,055,000
Other commitments					
Operating leases	\$233,529	\$113,262	\$120,657	—	-

Off-Balance Sheet Transactions

There were no off-balance sheet transactions in the period under review.

Outstanding Share Data

The Company has an authorized capital of £30,000,000 comprised of 333,735,776 Ordinary Shares of 5 pence each and 140,139,065 Deferred Shares of 9.5 pence each. As at February 9, 2011, the Company had on issue 44,898,529 Ordinary Shares and 140,139,065 Deferred Shares, and options, warrants and convertible debentures to acquire an additional 8,581,508 Ordinary Shares.

On December 21, 2010, the shareholders of the Company approved a consolidation of the existing ordinary shares on the basis of 10 existing ordinary shares of 0.5 pence each for one new ordinary share of 5 pence each. This had the effect of reducing the shares in issue from 447,740,595 to 44,774,059. See "Description of the Securities Distributed".

Transactions between Related Parties

There were no transactions with related parties in the nine-months ended September 30, 2010.

Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions concerning the future, which, by definition, will seldom result in actual results that match the accounting estimate. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

(i) Valuation of exploration, evaluation and development expenditure, mining property and mining equipment: The value of the Company's exploration, evaluation and development expenditure, mining property and mining equipment is dependent upon the success of the Company in discovering economic and recoverable mineral resources. The estimation of future revenue flows relating to these assets is uncertain and will also be affected by competition, relative exchange rates between the United States dollar and the Brazilian Real and potential new legislation and related environmental requirements.

(ii) Rehabilitation provisions: The Company makes estimates of future site restoration costs (rehabilitation provisions) based upon current legislation in Brazil, technical reports and estimates provided by the Company's senior employees and advisors. These estimates will be affected by actual legislation in place, actual mining activity to be performed and actual conditions of the relevant sites when the restoration activity is to be performed in future periods.

(iii) Impairment testing: The recoverable amounts of cash generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may impact our estimates and may then require a material adjustment to the carrying value of tangible assets and intangible assets.

The Company reviews and tests the carrying value of tangible and intangible assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Expected future cash flows used to determine the value in use of tangible and intangible assets are inherently uncertain and could materially change over time.

(iv) Useful Life of Property, Plant and Equipment: The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property, plant and equipment is based on collective

assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment would increase recorded operating expenses and decrease non-current assets.

Changes in Accounting Policies

The Company reports under IFRS as issued by the International Accounting Standards Board. There have been no material changes in accounting policies in the periods under review.

Financial Instruments and Market Risks

A related party loan of £300,000 was the only financial instrument held by the Company at 30th September 2010. There is no material risk related to this instrument as the loan bears interest at only 1% compounded, matures on 31 October 2014, has no material covenants and prior to the repayment date may be converted at the option of the loan holder at any time, on one or more occasions, on or before the repayment date, to Ordinary Shares at a price of 15 pence per Ordinary Share

The Company may be affected by exchange rate risks, interest rate risks and commodity price risk. Exchange rate risk arises as the Company's functional currency and the currency in which its ultimate revenue is likely to be denominated is the United States dollar while its principal expenditure is in Brazilian Real. Interest rate risk is currently not a material risk for the Company's as it does not currently have any material interest-bearing liabilities. However this may change if the Company were to take on debt finance. Commodity price risk arises as the Company's ultimate revenue will be determined by the gold and copper prices prevailing when and if production is re-commenced at the Palito Mine.

The Company does not undertake any hedging activities to mitigate these risks at this point. The board of directors will continue to monitor the situation and will consider various options to mitigate these risks as it deems appropriate as the business develops.

Outlook

The outlook for the Company is strongly tied to exploration drilling success and later successful development of its gold projects, including obtaining as and when appropriate any necessary additional governmental permits.

Following the successful completion of this Offering, the Company believes it will be adequately financed to pursue its exploration activities and development plans as detailed in the Use of Proceeds section elsewhere in this prospectus.

DESCRIPTION OF THE SECURITIES DISTRIBUTED

Authorized Shares and Attributes of Ordinary Shares and Deferred Shares

The Company has an authorized capital of £30,000,000 comprised of 333,735,776 Ordinary Shares of 5 pence each and 140,139,065 Deferred Shares of 9.5 pence each. Each Ordinary Share entitles the holder to one vote and all the Ordinary Shares rank equally as to dividends, voting powers and participation in assets upon the dissolution or winding up of the Company. The Deferred Shares arose following a subdivision of the Company's shares which was approved on January 28, 2009 by special resolutions of the shareholders of the Company. The Company was incorporated with Ordinary Shares having a par value of 10 pence per share. During 2008, the share price fell below the par value and the Company was therefore obliged to undertake a subdivision of its shares as it was legally precluded from issuing any new shares at a discount to the par value of the shares. Each Ordinary Share with a par value of 10 pence was divided into one new Ordinary Share with a par value of 0.5 pence and a Deferred Share of 9.5 pence. The Deferred Shares carry no voting or dividend rights or any right to participate in the profits or assets of the Company and all the Deferred Shares may be purchased by the Company, in accordance with the Companies Act 2006, at any time for no consideration. In the event of a return of capital, after the holders of the Ordinary Shares have received in aggregate the amount paid up thereon plus £100 per ordinary share, there shall be distributed amongst the holders of Deferred Shares an amount equal to the nominal value of the Deferred Shares and thereafter any further surplus shall be distributed among the holders of Ordinary Shares. As of the date of this prospectus there are in issue 44,898,529 Ordinary Shares of 5 pence each and 140,139,065 Deferred Shares of 9.5 pence each.

Pursuant to a resolution approved at the Company's last annual general meeting of shareholders held on June, 29 2010, Serabi's shareholders waived any pre-emption rights and gave authority to the board of directors of the Company to allot shares, grant rights or convert any security into shares up to an aggregate of £1,638,000 of new Ordinary Shares. This authority expires on the later of the next annual general meeting of shareholders or September 29, 2011. The Company utilized £777,050 of this authority in connection with the SW Offering, an additional £75,525 has been reserved in the event the Penalty Securities are issued and £6,223 has been utilized in connection with other share issues. Under the Articles of Association, the board of directors may call an extraordinary general meeting and request approval from the shareholders to issue further Ordinary Shares which may or may not be subject to pre-emption rights.

On December 21, 2010, the issued and the authorized unissued Ordinary Shares of the Company were consolidated on the basis of one ordinary share with a par value of 5 pence for every 10 Ordinary Shares on issue or authorized to be issued. Following the completion of the consolidation, there were in issue 44,774,059 Ordinary Shares of 5 pence each and 140,139,065 Deferred Shares of 9.5 pence each.

Warrants

The Warrants will be governed by the terms of a warrant indenture dated December 2, 2010 and a supplemental warrant indenture to be dated as of the Closing Date between the Company and the Warrant Agent (together, the "Warrant Indenture") to be entered into on the Closing Date between the Company and Computershare Trust Company of Canada, as warrant agent (the "Warrant Agent"). The following summary of certain provisions of the Warrant Indenture does not purport to be complete. Reference should be made to the full text of the Warrant Indenture, which will be available on SEDAR at www.sedar.com following the completion of the Offering.

The Warrant Indenture will include, among other things, provisions for adjustments in the class, number and price of the Ordinary Shares to be issued upon exercise of the Warrants upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the Ordinary Shares, or the amalgamation of the Company. No adjustment in the exercise price of the Warrants or the number of Ordinary Shares issuable upon the exercise of the Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would change the number of Ordinary Shares issuable upon exercise by at least one one-hundredth of an Ordinary Share.

No fractional Ordinary Shares will be issuable upon the exercise of any Warrants, and no cash or other consideration will be paid in lieu of fractional shares. Holders of Warrants will not have any voting or pre-emptive rights or any other rights to which a holder of Ordinary Shares would be entitled. The Company and the Warrant Agent, may, from time to time, without the consent of the holders of Warrants, amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of the Warrants may only be made by "extraordinary resolution", which is defined in the Warrant Indenture as a resolution proposed at a meeting of the holders of Warrants at which there are at least two holders of Warrants present in person or represented by proxy, representing at least 10% of all the then outstanding Warrants (or if such quorum is not present, then at an adjourned meeting, at which the holders of Warrants present in person or by proxy shall form a quorum) and passed by the affirmative vote of holders of Warrants entitled to acquire not less than 66 2/3% of all the then outstanding Warrants represented at the meeting. All actions which may be taken and all powers that may be exercised by the holders of Warrants at a meeting may be taken and exercised by holders of Warrants representing at least 66 2/3% of the aggregate number of all the then outstanding Warrants by an instrument in writing signed in one or more counterparts by such holder of Warrants in person or by attorney duly appointed in writing.

The Company has designated the Warrant Agent at its offices in Toronto, Ontario, where the Warrants may be surrendered for exercise or exchange.

The Warrants and the Ordinary Shares issuable on the exercise thereof have not been and will not be registered under the U.S. Securities Act or any state securities law, and the Warrants may not be exercised in the United States by or on behalf of a "U.S. person" as defined in Regulation S under the U.S. Securities Act unless an exemption from registration is available and the Company has received an opinion of counsel in form and substance satisfactory to it, acting reasonably, to such effect.

Special Warrants

The Special Warrants were issued pursuant to and are governed by and subject to the terms and conditions of the Special Warrant Indenture. The Special Warrant Indenture provides, among other things, that the holders of Special Warrants will be entitled to receive, upon exercise of the Special Warrants, without payment of any additional consideration or any further action on the part of the holder thereof and subject to adjustment and/or penalty in certain circumstances, one Ordinary Share and one-half of one Warrant for each Special Warrant held.

To the extent not previously redeemed for cancellation by the Company in accordance with their terms, the Special Warrants shall be automatically exercised on behalf of the holder thereof, without any further action on the part of such holder, to acquire the Units on the date that is five business days after the satisfaction by the Company of the following conditions (together, the "Liquidity Conditions") (i) the issuance of a receipt for a (final) prospectus qualifying the distribution of the Units in the Provinces of Ontario and British Columbia; and (ii) the Company obtaining a listing of the Ordinary Shares (including the Ordinary Shares forming part of the Units and the Ordinary Share issuable in exercise of the Warrants) on the Toronto Stock Exchange or the TSX Venture Exchange.

In the event that the Company has not satisfied the Liquidity Conditions prior to 5:00 p.m. (Toronto time) on April 1, 2011 (the "Liquidity Deadline"), each of the then issued and outstanding Special Warrants shall be automatically exercised, for no further consideration and with no further action on the part of the holder thereof, to acquire 1.1 Ordinary Shares and 0.55 Warrants (such 0.1 of an Ordinary Share and 0.05 of a Warrant being collectively referred herein as the "Penalty Securities"). See "Plan of Distribution".

No fractional Ordinary Shares will be issued upon the exercise or deemed exercise of the Special Warrants and holders of the Special Warrants will not have any rights as shareholders of the Company.

In addition, the Special Warrant Indenture provides for and contains provisions designed to protect the holders of the Special Warrants against dilution upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the Ordinary Shares, the amalgamation, merger or corporate reorganization of the Company or a rights offering.

The rights of holders of Special Warrants may be modified. The Special Warrant Indenture provides for meetings by holders of Special Warrants and the passing of resolutions by such holders which are binding on all holders of Special Warrants.

The Special Warrant Agent and the Company may supplement the Special Warrant Indenture for certain limited purposes pursuant to the terms of the Special Warrant Indenture. Additionally, they may make any changes or corrections to the Special Warrant Indenture that are required for the purpose of correction or rectification of any ambiguities, defective or inconsistent provisions, clerical omissions or mistakes and manifest errors therein, provided that, in the opinion of the Special Warrant Agent, relying on the opinion of counsel, the rights of the Special Warrant Agent and of the holders of the Special Warrants as a group are not prejudiced thereby.

The Company has designated the Special Warrant Agent at its offices in Toronto, Ontario, where the Special Warrants may be surrendered for exchange.

The foregoing is a summary only of the terms of the Special Warrants and the Special Warrant Indenture and is qualified by the more detailed provisions of the Special Warrant Indenture. Special Warrant holders may obtain a copy of the Special Warrant Indenture upon request from the Company. The Special Warrant Indenture is also available on SEDAR at www.sedar.com.

CONSOLIDATED CAPITALIZATION

Subsequent to September 30, 2010, the date of the Company's most recent interim financial statement, the Company issued 10,070,000 Special Warrants and compensation options to acquire 435,600 Ordinary Shares, subject to adjustment in certain events. The Special Warrants are exercisable for one Ordinary Share and one-half of one Warrant with each whole Warrant being exercisable for one addition Ordinary Share at a price of \$0.75 until December 2, 2012, subject to adjustment in certain events. In addition, on January 28, 2011, the Company issued 98,000 Ordinary Shares to two directors and 26,470 Ordinary Shares to a consultant in settlement of contractual services. On the completion of the Offering, the Company will have either (i) 63,968,529 Ordinary Shares issued and outstanding and 18,836,508 Ordinary Shares issuable under outstanding options, warrants and other convertible

securities, including the Compensation Options, if the maximum Offering is completed (assuming that no Exempt Purchasers Participate in the Offering), or (ii) 59,568,529 Ordinary Shares issued and outstanding and 16,284,508 Ordinary Shares issuable under outstanding options, warrants and other convertible securities, including the Compensation Options, if the minimum Offering is completed (assuming that no Exempt Purchasers participate in the Offering).

OPTIONS TO PURCHASE SECURITIES

As at March 22, 2011, the Company had 6,045,785 options and warrants issued and outstanding. Each option entitles the holder to acquire one Ordinary Share at the exercise prices detailed below:

Category	Number of Securities Underlying Options/Warrants	Option/Warrant Exercise Price (£)	Option/Warrant Expiration Date	Market Value per Security Underlying Options/Warrants on Date of Grant (£)	Aggregate Market Value of Securities Underlying Warrants as at February 8, 2011 (US\$) ⁽¹⁾
All executive officers and past executive officers, as a group (3 in total) and all non-executive directors and past non-executive directors, as a group (4 in total)	1,455,000 options	0.41	Jan 28, 2021	0.30	773,042
	200,000 options	0.37	Jan 28, 2021	0.30	106,260
	1,550,000 options	0.15	Dec 19, 2019	0.18	823,515
	28,608 options	1.50	Apr 01, 2015	-(2)	15,199
	28,608 options	3.00	Apr 01, 2015	-(2)	15,199
	150,000 options	0.37	Jan 28, 2021	0.30	79,695
Executive officers and past executive officers, of subsidiary entities as a group (4 in total)	175,000 options	0.15	Dec 19, 2019	0.18	92,978
	137,322 options	1.50	Apr 01, 2015	-(2)	72,959
	91,548 options	3.00	Apr 01, 2015	-(2)	48,639
	25,000 options	2.64	Nov 14, 2017	2.67	13,283
All other employees and past employees, as a group (18 in total)	100,000 options	0.37	Jan 28, 2021	0.30	53,130
	175,000 options	0.15	Dec 19, 2019	0.18	92,978
	112,430 options	1.50	Apr 01, 2015	-(2)	59,734
	154,769 options	3.00	Apr 01, 2015	-(2)	82,229
	7,500 options	3.84	Mar 29, 2017	3.99	3,985
Beaumont Cornish Limited	155,000 warrants	0.15	Nov 8, 2013	0.20	82,352
Eldorado Gold Corporation	1,500,000 warrants	0.40	June 16, 2012	0.12	796,950

(1) Based on the closing price of Ordinary Shares on AIM on February 8, 2011 of £0.33 per Ordinary Share.

(2) These options were awarded prior to the shares being publicly traded. No market value therefore existed at the date of grant.

PRIOR SALES

No Ordinary Shares, or securities convertible into Ordinary Shares (other than upon the exercise of director, officer and employee options and such options themselves), have been issued by the Company in the 12 months prior to the date of this prospectus, except as set out in the following table.

Date of Sale	Description of Transaction	Aggregate Number and Type of Securities Issued	Price or Exercise Price Per Security
January 28, 2011 ⁽¹⁾	Treasury Issuance	98,000 Ordinary Shares	\$0.41
January 28, 2011 ⁽²⁾	Treasury Issuance	26,470 Ordinary Shares	\$0.34
December 2, 2010	Treasury Issuance	10,070,000 Special Warrants	\$0.55
December 2, 2010	Issuer Grant	435,600 Compensation Options ⁽³⁾	\$0.55

June 16, 2010

Treasury Issuance

12,000,000 Ordinary Shares

£0.30

- (1) The Company issued 49,000 Ordinary Shares to each of Messrs. Hodgson and Line as a bonus in recognition of their efforts over the preceding 12 months.
- (2) The Company issued the Ordinary Shares to a consultant of the Company in settlement for contracted services.
- (3) Each Compensation Option entitles the holder to acquire one Ordinary Share at a price of \$0.55 until December 2, 2012, subject to adjustment in certain events.

TRADING PRICE AND VOLUME

The outstanding Ordinary Shares are admitted for trading on AIM under the trading symbol "SRB". The following table sets forth the market price ranges and the aggregate volume of trading of the Ordinary Shares on AIM for the periods indicated. The market price ranges and aggregate volumes for periods prior to December 21, 2011 have not been adjusted to reflect the consolidation of the Company's Ordinary Shares completed on December 21, 2010 pursuant to which the issued and the authorized unissued Ordinary Shares of the Company were consolidated on the basis of one ordinary share for every 10 Ordinary Shares on issue or authorized to be issued.

Period	High (£)	Low (£)	Volume
2011			
March (1-22)	0.3550	0.2930	1,499,880
February	0.4088	0.3000	2,233,600
January	0.4402	0.2900	1,141,500
2010			
December (22—31)	0.3996	0.2808	354,600
December (1-21)	0.0400	0.0300	1,199,718
November	0.0420	0.0300	23,747,500
October	0.0435	0.0290	37,298.700
September	0.0480	0.0150	43,524,200
August	0.0225	0.0150	5,069,100
July	0.0220	0.0170	8,133,100
June	0.0274	0.0088	26,954,500
May	0.0220	0.0150	5,554,300
April	0.0250	0.0150	14,059,500
March	0.0272	0.0150	17,980,100

PRINCIPAL SHAREHOLDERS

To the best of the knowledge of the directors and executive officers of the Company, immediately after giving effect to the Offering, no person will be the direct or indirect beneficial owner of, or will exercise control or direction over 10% or more of the Ordinary Shares, except as follows:

Principal Shareholder	Number of Ordinary Shares	Type of Ownership	Percentage of Class ⁽⁴⁾	Percentage of Class after Giving Effect to the Minimum Offering ⁽¹⁾⁽⁴⁾	Percentage of Class after Giving Effect to the Maximum Offering ⁽¹⁾⁽⁵⁾
Eldorado Gold Corporation ⁽²⁾	12,000,000	registered and beneficial	26.7%	24.3%	22.7%
Greenwood Investments Limited ⁽³⁾	9,000,000	registered and beneficial	20.0%	15.1%	14.1%

- (1) Assumes the exercise of all Special Warrants but not the exercise of the Warrants, the SW Compensation Options or the Compensation Options and assumes that neither Eldorado Gold Corporation nor Greenwood Investments Limited participate in the Offering.
- (2) Eldorado Gold Corporation also owns 2,500,000 Special Warrants and 1,500,000 warrants to acquire Ordinary Shares at a price of £0.40 per Ordinary Share until June 16, 2012. The Company has granted to Eldorado Gold Corporation a pre-emptive right entitling Eldorado Gold Corporation to subscribe for its *pro rata* portion of any future financing for so long as Eldorado Gold Corporation owns at least 15% of the issued Ordinary Shares of the Company.
- (3) Greenwood Investments Limited also has the right to acquire up to an additional 2,100,123 Ordinary Shares on conversion of a £300,000 convertible loan (the "Convertible Loan") provided by Greenwood Investments Limited pursuant to convertible unsecured loan agreement dated November 9, 2009. The Convertible Loan bears compounded interest at a rate of 1% per annum and is repayable on October 31, 2014, subject to the right of Greenwood Investments Limited at any time, on one or more occasions, on or before the repayment date to convert any of the outstanding amounts owed by the Company to Ordinary Shares at a price of £0.15 per share. In the event that Greenwood Investments Limited elects to convert all of the outstanding amounts owed by the Company to Ordinary Shares, the Company calculates that it would be obliged to issue a maximum of 2,100,123 Ordinary Shares in satisfaction of the principal owed of £300,000 and the accumulated interest over the life of the Convertible Loan of £15,018.42.
- (4) The Percentage of Class and Percentage of Class after Giving Effect to the minimum Offering, calculated on a fully-diluted basis, are 25.2% and 22.8%, respectively, in respect of Eldorado Gold Corporation, and 16.2% and 14.7%, respectively, in respect of Greenwood Investments Limited, and assuming that neither Eldorado Gold Corporation nor Greenwood Investments Limited participate in the Offering.
- (5) The Percentage of Class and Percentage of Class after Giving Effect to the maximum Offering, calculated on a fully-diluted basis, are 25.1% and 20.8%, respectively, in respect of Eldorado Gold Corporation, and 16.2% and 13.4%, respectively, in respect of Greenwood Investments Limited, and assuming that neither Eldorado Gold Corporation nor Greenwood Investments Limited participate in the Offering.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the name, municipality of residence, position held with the Company, principal occupation and number of shares beneficially owned by each person who is a director and/or an executive officer of the Company. Messrs. Roberts and Line are due to retire by rotation at the next annual general meeting of shareholders of the Company, subject to earlier resignation or removal. The remaining director holds office until the 2012 annual general meeting of shareholders, subject to earlier resignation or removal. The Company has appointed three independent directors to take effect immediately following the closing of the Offering. Since the appointment of these three independent directors will not take effect until immediately following the closing of the Offering, purchasers under this prospectus will not have a direct statutory right of action against them for a misrepresentation in this prospectus. Each of Eldorado Gold Corporation and Greenwood Investments Limited has the right to nominate one director to the board of directors of the Company for so long as it owns at least 15% of the issued Ordinary Shares. Neither Eldorado Gold Corporation nor Greenwood Investments Limited has nominated a director to the board of directors.

Name and Municipality of Residence	Date of Appointment	Position with the Company	Principal Occupation ⁽¹⁾	Ordinary Shares held
MICHAEL J HODGSON Cornwall, UK	February 1, 2007	Chief Executive Officer and	Chief Executive Officer of the	441,320

Name and Municipality of Residence	Date of Appointment	Position with the Company	Principal Occupation⁽¹⁾	Ordinary Shares held
		Director	Company	
CLIVE M LINE ACA Surrey, UK	March 14, 2005	Chief Financial Officer, Secretary and Director	Chief Financial Officer and Director of the Company	466,653
CHRIS SPURWAY Queensland, Australia	-	Chief Geologist	Consultant Geologist	-
ULISSES MELO Minas Gerais, Brazil	-	General Manager, Corporate Development	General Manager, Corporate Development of the Company	-
T. SEAN HARVEY ⁽²⁾⁽³⁾⁽⁴⁾ ONTARIO, CANADA		Proposed Director	Businessman	-(5)
MELVYN WILLIAMS ⁽²⁾⁽³⁾⁽⁴⁾ COLORADO, USA		Proposed Director	Chief Financial Officer, Brigus Gold Corp.	-
DOUGLAS JONES ⁽²⁾⁽³⁾⁽⁴⁾ Perth, Western Australia		Proposed Director	Managing Director, Chalice Gold Mines Limited	-
GRAHAM S ROBERTS ⁽⁶⁾ Surrey, UK	May 25, 2004	Non-executive Chairman and Director	Consultant	278,030

(1) Please see biographies below for details of principal occupation for five preceding years.

(2) Independent director.

(3) Proposed member of the audit committee.

(4) Proposed member of the remuneration committee.

(5) Mr. Harvey owns 100,000 Special Warrants.

(6) Mr. Roberts is the sole current member of the audit committee and the remuneration committee.

The following are brief biographies of the executive officers and directors of the Company.

Michael J Hodgson – Chief Executive Officer and Director

Mike has worked in the mining industry for over 20 years and has extensive international experience. Most recently he worked as chief operating officer and vice president technical services for Canadian-based Orvana Minerals Corporation. Prior to that, he provided consulting services to a number of mining companies in Europe and South America. Previous appointments include manager of technical services and operations for TVX Gold Inc., mining technical consultant at ACA Howe International Ltd. and similar roles at Rio Tinto plc and Zambia Consolidated Copper Mines Ltd. He has, during his career, acquired extensive experience in narrow vein underground mining operations.

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

Clive M Line – Chief Financial Officer, Secretary and Director

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

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

Chris Spurway – Chief Geologist

Chris has worked in mineral exploration for 20 years, predominantly in the gold sector and for the last seven years has focussed on Brazil. Chris' previous recent appointments include Exploration Manager–South America for Troy Resources and Geology Manager for Emmerson Resources Ltd. Prior to this, Chris spent 10 years with AngloGold Ashanti (and takeover target Acacia Resources) in a range of exploration and resource definition roles within the company's projects in Australia. Other geological roles include positions with Tri Origin Minerals and CRA Exploration.

Chris has a BSc (Hons) in Geology from the University of Sydney, and is a member of the AusIMM, the Society of Economic Geologists and the Geological Society of Australia. Chris also holds a Graduate Certificate in Management (University of New England) and other certifications in Management, OH&S, Geology, Geochemistry and Geophysics.

Ulisses Melo – General Manager Brazil

Ulisses, who was previously the Chief Financial Officer of Serabi Mineração SA in Brazil, took over the role of General Manager in April 2009. He has overall responsibility for the day-to-day affairs of Serabi Mineração SA. Prior to joining Serabi, Ulisses spent five years working with the international accounting firm Arthur Andersen and a further 10 years working with Samarco Mineração, Companhia de Fomento Mineral and Rio Capim Caulim S/A as controller and finance director.

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

Graham Roberts – Non-executive Chairman and Director

Graham has over 35 years of international experience in the mining industry and related financial markets. Prior to joining Serabi in 2003, Graham was managing director and group head of investment and corporate banking for BMO Nesbitt Burns (now BMO Capital Markets) in London, a wholly-owned investment banking subsidiary of the Bank of Montreal. Previously, Graham worked as director and 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 providing a full range of cross-border capital markets and advisory services to international mining companies. Before entering the financial services sector, Graham worked for 13 years at Consolidated Gold Fields in the UK and Africa, in corporate finance, mining and exploration across a wide range of base metal and precious metal projects and mines.

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

T. Sean Harvey – Proposed Director

Sean has over 10 years investment banking and merchant banking experience, primarily focused on the basic industry (mining) sector and for the last 10 years has held senior executive and board positions with various mining companies. Mr. Harvey was President and CEO of Orvana Minerals Corp. from 2005 to 2006. Previously, he was President and CEO of TVX Gold at the time of its sale to Kinross Gold in 2003 and, subsequent to that, was President and CEO of Atlantico Gold, a private company involved in the development of the Amapari Project in Brazil, that

was sold to Wheaton River Minerals Ltd. (presently Goldcorp Inc.). Mr. Harvey also currently sits on the board of directors of several other mining companies.

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

Melvyn Williams – Proposed Director

Mel is currently the Chief Financial Officer and Senior Vice President of Finance and Corporate Development of Brigus Gold Corp. Mr. Williams has over 30 years of financial experience, much of that time spent within the mining industry. From November 2003 through January 2004, Mr. Williams served as Chief Financial Officer of Atlantico Gold, a private Brazilian mining company which held the Amapari gold project, and was sold to Wheaton River Minerals Ltd. in January 2004. From 2000 to November 2003, he served as Chief Financial Officer of TVX Gold Inc., a gold mining company with five operating mines and an advanced development project in Greece. His background also includes services with Star Mining Corporation, LAC North America, Riominas LSDA and Rossing Uranium, (both of which are Rio Tinto subsidiaries).

Mel is a Chartered Certified Accountant and received an MBA from Cranfield in the United Kingdom. Mr Williams is also a director of Andina Minerals Inc.

Douglas Jones – Proposed Director

Doug is a geologist with 34 years' experience in international mineral exploration, having worked extensively in Australia, the Americas and Europe. His career has covered exploration for gold in a wide range of geological settings, volcanic and sediment-hosted zinc-copper-lead and IOCG style copper-gold deposits. As Vice President, Exploration for Golden Star Resources Limited from 2003 to 2007, he had oversight of that company's exploration activities in Brazil and has reviewed opportunities in the Tapajos region of Brazil. He is currently the Managing Director of Chalice Gold Mines Limited a gold exploration company listed on the Australian Stock Exchange ("ASX") and the TSX and is also a non-executive director of ASX-listed Liontown Resources Limited and TSX and AIM-listed Minera IRL Limited.

Doug has a BSc in Geology from the University of New England and received his Doctorate from the same university in 1987.

Corporate Cease Trade Orders

To the Company's knowledge, no existing director, proposed director or executive officer of the Company is, as at the date of this prospectus, or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company, including the Company, that: (i) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, in any case that was in effect for more than 30 consecutive days (an "order") that was issued while the director, proposed director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an order that was issued after the director, proposed director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

To the Company's knowledge, no existing director, proposed director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company: (i) is, as at the date of this prospectus, or has been within the 10 years before the date hereof, a director or executive officer of any company, including the Company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

To the Company's knowledge, no existing director, proposed director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Company aims to ensure that each individual's remuneration package is reasonable for the sector in which the Company operates and appropriate to attract, motivate and retain executives of a calibre necessary to ensure achievement of the Company's objectives and enhancement of shareholder value.

The board of directors is responsible for determining the total remuneration package for each executive officer and reviewing this on an annual basis.

The board of directors will propose remuneration packages for each executive officer which will comprise some or all of the following elements:

- (i) basic annual salary;
- (ii) health cover and life assurance;
- (iii) pension contribution; and
- (iv) bonus schemes comprising a combination of cash, shares, deferred shares and share options.

Basic salaries are reviewed annually. The board of directors takes into consideration the remuneration paid by comparable companies in terms of asset size, market capitalisation and complexity of the Company's operations when considering appropriate salary levels.

Any reward of bonuses and share options is linked to the overall performance of the Company and the individual concerned. The board of directors reserves the right to determine at the beginning of specific periods, specific performance targets or goals for each individual and will assess at the end of the period the relative performance. However the Company at this time has no formal performance criteria or specific peer group that it utilises for the purposes of bench-marking.

The Company has no formal policy on the level of cash bonuses that might be paid, however as the Company has no current operational cash flow, it will endeavour to restrict cash bonuses and instead seek to reward performance through the award of options or where permitted, shares, which the Company considers can improve staff retention and will more closely align the reward of the individual to the interests of stakeholders.

The Company grants stock options to its directors and officers and these are intended to provide an incentive to work towards long term corporate performance. In determining the number of options to be granted to any individuals the board of directors will take into account an individual's existing remuneration arrangements as well as the number of options, if any, granted to each individual and the exercise price of such options, to ensure that that awards are in accordance with the policies of any stock exchange on which the Ordinary Shares are listed and closely align the interests of the individuals with the interests of shareholders. The board considers that if the Company is successful in achieving or exceeding its goals, that the value of option awards can represent a significant element of an individual's overall remuneration.

To aid staff retention options vest over a period of two years from the date of grant and the board of directors would hope to be able to make regular awards to further incentivise option-holders to maintain their employment with the Company.

Summary Compensation Table

For the financial year ended December 31, 2009, the Company's only two "Named Executive Officers" (as that term is defined in National Instrument 51-102F6 – *Statement of Executive Compensation*) were Michael Hodgson and Clive Line. The following table sets forth all annual and long term compensation for services in all capacities to the Company for the financial years ended December 31, 2009, 2008 and 2007 in respect of each Named Executive Officer.

Name and Principal Position	Year	Salary (US\$)	Share-based Awards (US\$)	Option-based Awards (US\$)	Non-equity Incentive Plan Compensation		Pension Value (US\$)	All Other Compensation (US\$)	Total Compensation (US\$)
					Annual Incentive Plans (US\$)	Long-term Incentive Plans (US\$)			
MICHAEL HODGSON CEO and Director	2009	111,301	93,363 ⁽¹⁾	62,880	-	-	-	12,353	279,897
	2008	228,053	-	48,028	-	-	-	22,342	298,423
	2007	200,191	-	108,166	-	-	-	19,262	327,619
CLIVE LINE CFO and Director	2009	100,024	95,338 ⁽¹⁾	19,954	-	-	-	(2,189) ⁽²⁾	213,127
	2008	199,546	-	-	-	-	-	19,514	219,060
	2007	210,705	-	-	-	-	-	23,423	234,128

(1) The share awards were made in lieu of unpaid contractual obligations. The share awards were paid directly by the Company to private pension plans in favour of these individuals.

(2) Negative amounts reflect entitlements accrued at the end of the preceding financial year that were not settled in cash.

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth, for each Named Executive Officer, all awards outstanding as at December 31, 2009 under option-based and share-based incentive plans of the Company.

Name	Number of Securities Underlying Unexercised Options (#)	Option Based Award			Share-Based Award	
		Option Exercise Price (£)	Option Expiration Date	Value of Unexercised in-the-money options (US\$)	Number of Shares or Units of Shares that Have Not Vested (#)	Market or Payout Value of Share-Based Awards that Have Not Vested (US\$)
MICHAEL HODGSON CEO and Director	500,000	0.15	Dec 19, 2019	144,900	-	-
CLIVE LINE CFO and Director	500,000	0.15	Dec 19, 2019	144,900	-	-

⁽¹⁾ Based on the closing price of Ordinary Shares on AIM on February 8, 2011 of £0.33 per Ordinary Share and US\$ to £ exchange rate of 1.61.

In each case, two-thirds of the options granted have vested to the individual and the remaining options will vest on December 20, 2011, being the second anniversary of the date of grant. Should the individual leave the employment of the Company prior to that date it is at the discretion of the board of directors and dependent on the circumstances of the departure to permit the remaining options to vest as if the individual had not left the employment of the Company. Further, should any individual leave the employment of the Company it is at the discretion of the board of directors to permit the individual to retain any options that have already vested and the board of directors may as its discretion require that the period for the exercise of the options be reduced as they deem appropriate.

Value Vested or Earned During the Year

The following table sets forth, for each Named Executive Officer, the value of all incentive plan awards issued during the financial year ended December 31, 2009.

Name	Option-Based Awards – Value Vested During the Year (US\$)	Share-Based Awards – Value Vested During the Year (US\$)	Non-Equity Incentive Plan Compensation – Value Earned During the Year (US\$)
MICHAEL HODGSON CEO and Director	19,954	-	-
CLIVE LINE CFO and Director	19,954	-	-

Pension Plan Benefits

The Company does not have a pension plan that provides for payments or benefits to the Named Executive Officers at, following, or in connection with retirement. The Company may at any time as part of its compensation arrangements with any individual elect to pay part of that individual's compensation directly into a personal pension plan operated by that individual.

Employment Arrangements and Termination and Change of Control Benefits

Michael J Hodgson, the Chief Executive Officer of the Company, is entitled to receive an annual base salary of £125,000, the potential, subject to approval of the board of directors, of an annual cash performance bonus and other fringe benefits, such as health, disability, and life insurance. Mr Hodgson is required to devote himself not less than four days per week (to be calculated on a calendar quarter basis) to the performance of his duties and will be available at all times that may be necessary for the proper performance of his duties. Mr. Hodgson was also granted on January 28, 2010, 600,000 stock options exercisable at a price of £0.41 per share. The Company may terminate the employment contract with Mr Hodgson by giving him no less than twelve months notice in writing. During the notice period time he shall be entitled to continue to receive his annual base salary, accrue entitlements to bonuses and receive other fringe benefits. However during all or part of his notice period the Company may not require Mr Hodgson to attend his normal place of work or to perform normal duties. Mr Hodgson's service contract with the Company contains no special provisions and grants no additional entitlements, beyond those set out above, in the event of a change of control.

Clive M Line, the Financial Director of the Company, is entitled to receive an annual base salary of £120,000, the potential, subject to approval of the board of directors, of an annual cash performance bonus and other fringe benefits, such as health, disability, and life insurance. Mr Line is required to devote himself not less than four days per week (to be calculated on a calendar quarter basis) to the performance of his duties and will be available at all times that may be necessary for the proper performance of his duties. Mr. Line was also granted on January 28, 2011, 600,000 stock options exercisable at a price of £0.41 per share. The Company may terminate the employment contract with Mr Line by giving him no less than twelve months notice in writing. During the notice period time he shall be entitled to continue to receive his annual base salary, accrue entitlements to bonuses and receive other fringe benefits. However during all or part of his notice period the Company may not require Mr Line to attend his normal place of work or to perform normal duties. Mr Line's service contract with the Company contains no special provisions and grants no additional entitlements, beyond those set out above, in the event of a change of control.

Stock Option Plans

The Serabi Mining 2011 Share Option Plan

On January 28, 2011, the Company adopted the Serabi Mining 2011 Share Option Plan (the "2011 Option Plan") that reserves for issuance, pursuant to its terms, up to 10% of the number of Ordinary Shares issued or issuable and outstanding from time to time.

The purpose of the Option Plan is to attract, retain and motivate directors, officers, employees and other service providers by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and to benefit from its growth. Pursuant to the terms of the 2011 Option Plan, options may be granted based upon recommendations of the board of directors or a committee appointed thereby to administer the 2011 Option Plan. Options may not be transferred or charged (and any purported transfer or charge will cause the option to lapse forthwith) except, and subject also to applicable securities laws and the policies of any stock exchange upon which the Ordinary Shares may be listed or may trade from time to time, (i) on death where the personal representatives of an option holder shall be entitled to exercise the options to the extent that they had vested at the

date of death prior to the first anniversary of the death of the holder, or (ii) where, subject to the approval of the board or directors which shall not be unreasonably withheld, such assignment is to their spouse or their children or to a trust or settlement set up for the benefit of the holder or their spouse or children. Options may be granted for a term not exceeding ten years. The Ordinary Shares to be purchased upon exercise of each option must be paid for in full by the grantee at the time of exercise. Unless otherwise directed by the board of directors at the date of the grant, each award shall vest as to one third on the date of grant, one third on the first anniversary of grant and the balance vesting on the second anniversary of the date of grant. The board of directors shall also be entitled to establish performance criteria, which may affect the vesting of the options or the rights of the holder to exercise the options.

Options may be granted under the 2011 Option Plan only to directors, officers, employees and consultants of the Company or to their permitted assigns, subject to the rules and regulations of applicable regulatory authorities and any stock exchange upon which the Ordinary Shares may be listed or may trade from time to time.

Options whether vested or not, will otherwise lapse on the tenth anniversary of the date of grant, or if the option holder is a bad leaver (as determined by the board of directors) on the date that the option holder becomes a bad leaver. If an option holder who is not a bad leaver is no longer a director, officer, employee and other service provider prior to the vesting of any option, such option shall also lapse save that, at the sole discretion of the board of directors, the board of directors may determine that such options have not lapsed and shall vest and be exercised within such period as the board of directors may determine. Any option that has already vested as of the date that an option holder who is not a bad leaver ceases to be a director, officer, employee and other service provider shall remain exercisable within the terms of the agreement, for a period of 120 days (or such longer period as the board or directors at its discretion may determine) from the date that the option holder ceases to be a director, officer, employee and other service provider.

The exercise price of options issued is to be determined by the board of directors but shall not be lower than the volume weighted average market price in the five day period preceding the date of grant. Upon exercise in accordance with the terms thereof, each option entitles the holder thereof to acquire one Ordinary Share. No option may be exercised unless the Company has sufficient authorized but unissued share capital and the directors have the relevant authority to allot shares free of any pre-emption rights.

2009 Share Options Awards

In December 2009, the Company issued options to directors and employees of the Company to acquire up to 1,900,000 Ordinary Shares exercisable at 15 pence per Ordinary Share (the "2009 Option Awards"). The awards were made under individual share option agreements. All of the agreements were identical with respect to the terms and conditions of the awards.

Options may not be transferred or charged (and any purported transfer or charge will cause the option to lapse forthwith) except, and subject also to applicable securities laws and the policies of any stock exchange upon which the Ordinary Shares may be listed or may trade from time to time, (i) on death where the personal representatives of an option holder shall be entitled to exercise the options to the extent that they had vested at the date of death prior to the first anniversary of the death of the holder or (ii) to any person nominated by him on written notification of the same to the Company Secretary. Options were granted for a term not exceeding 10 years. The Ordinary Shares to be purchased upon exercise of each option must be paid for in full by the grantee at the time of exercise. Each award shall vest as to one third on the date of grant, one third on the first anniversary of grant and the balance vesting on the second anniversary of the date of grant.

Options whether vested or not, will otherwise lapse on the tenth anniversary of the date of grant, or if the option holder is a bad leaver (as determined by the board of directors) on the date that the option holder becomes a bad leaver. If an option holder who is not a bad leaver is no longer a director, officer, employee and other service provider prior to the vesting of any option, such option shall also lapse save that, at the sole discretion of the Board, the Board may determine that such options have not lapsed and shall vest and be exercised within such period as the Board may determine. Any option that has already vested as of the date that an option holder who is not a bad leaver ceases to be a director, officer, employee and other service provider shall remain exercisable within the terms of the agreement.

Pre IPO Option Awards

Prior to the Company's shares being admitted to trading in AIM in May 2005, the Company had granted options to various directors and employees at that time. As of the date of this prospectus, a total of 278,360 options exercisable at a price of £1.50 on or before April 01, 2016 and a total of 274,925 options exercisable at a price of £3.00 on or before

April 01, 2016 remain outstanding under these arrangements. These awards were made under individual share option agreements and all of the agreements were identical with respect to the terms and conditions of the awards.

All of the options have vested to the holders none of whom are current employees or directors of the Company and may now be exercised at any time up to their expiry.

2005 Serabi Share Option Plan

In February 2006, the Board adopted a share option plan (the “2005 Option Plan”) and made certain awards to employees and directors. As of the date of this prospectus, 7,500 options exercisable at a price of £3.84 on or before January 17, 2017 and 25,000 options exercisable at a price of £26.40 on or before November 14, 2017 remain outstanding under these arrangements.

All of the options have vested to the holders none of whom are current employees or directors of the Company and may now be exercised at any time up to their expiry.

The Company has determined that certain terms of the 2005 Option Plan were no longer appropriate and would not assist in attracting, retaining and motivating future option holders. The Company has terminated the 2005 Option Plan and no further awards will be made under the 2005 Option Plan.

DIRECTORS’ COMPENSATION

The current non-executive director, Mr. Roberts, receives a fixed annual retainer of £25,000 in respect of his service on the board of directors of the Company. Under the terms of his agreement with the Company, Mr. Roberts is required to devote not less than two to three days per month to the affairs of the Company calculated on a quarterly basis. Mr. Roberts is also entitled to be reimbursed for any reasonable travel expenses when he is required to perform his duties at the Company’s offices.

The compensation of the directors going-forward will be considered by the remuneration committee after its reconstitution following the closing of the Offering. See “Statement of Corporate Governance Practices – Remuneration Committee”.

Summary Compensation Table

The following table sets forth all compensation paid, awarded or earned by the non-executive directors of the Company during the financial year ended December 31, 2009.

Name	Fees Earned (US\$)	Share-Based Awards (US\$)	Option-Based Awards (US\$)	Non-Equity Incentive Plan Compensation (US\$)	Pension Value (US\$)	All Other Compensation (US\$)	Total (US\$)
GRAHAM ROBERTS	\$(9,682) ⁽²⁾	45,178 ⁽¹⁾	7,891	-	-	16,829	60,306

⁽¹⁾ The share awards were made in lieu of unpaid contractual obligations. The share award was paid directly by the Company to a private pension plan in favour of this individual.

⁽²⁾ Negative amounts reflect entitlements accrued at the end of the preceding financial year that were not settled in cash.

AUDIT COMMITTEE

In accordance with applicable Canadian securities legislation and, in particular, National Instrument 52-110 – *Audit Committees* (“NI 52-110”), information with respect to the Company’s audit committee is contained below. The full text of the Audit Committee Charter, as passed unanimously by the board of directors, is attached to this prospectus as Appendix A.

Composition of the Audit Committee

Immediately following the closing of the Offering, the audit committee will be reconstituted to comprise Messrs. Williams (Chair), Harvey and Jones. Each proposed member of the audit committee will be considered to be independent within the meaning of NI 52-110. All proposed members of the audit committee are financially literate in that they have the ability to read and understand a set of financial statements that are of the same breadth and

level of complexity of accounting issues as can be reasonably expected to be raised by the Company's financial statements.

Relevant Education and Experience

Mr Williams is a Chartered Certified Accountant and holds an MBA from Cranfield School of Management. Mr Williams has over 30 years of financial experience much of which has been spent in the mining industry. Currently serving as the Chief Financial Officer and Senior Vice President of Finance and Corporate Development of Brigus Gold, he also served as Chief Financial Officer of TVX Gold Inc. Mr. Williams is the Chairman of the Audit Committee of Andina Minerals Inc.

Mr Harvey has qualifications in economics and law and had a 10 year career in investment and merchant banking primarily focused in the mining area taking up executive positions within the mining industry. He has served as the Chief Executive Officer for TVX Gold Inc and Orvana Minerals and is currently the Chairman of Andina Minerals Inc. and serves on the audit committees of Persus Mining Limited and Andina Minerals Inc.

Mr Jones is currently the Managing Director of Chalice Gold Mines an ASX and TSX listed company with gold exploration interests in East Africa. Mr Jones has been involved in various capacities in exploration activities for over 34 years and has managed the budgeting and cost control and reporting activities of exploration programmes and companies across various jurisdictions and for several multi-national corporations.

Pre-Approval Policies and Procedures for Non-Audit Services

The audit committee is responsible for pre-approving all non-audit services to be provided by the external auditor to the Company other than *de minimis* non-audit services referred to in section 2.4 of NI 52-110. In particular, the chair of the audit committee is authorized to approve any non-audit services. Furthermore, the audit committee is required to evaluate the independence and objectivity of the external auditors. The audit committee also has the authority to engage independent legal counsel and other advisors as it determines necessary to carry out its duties and responsibilities.

External Auditor Service Fees

<i>Expressed in US Dollars</i>	Financial Years Ended December 31,	
	<u>2009</u>	<u>2008</u>
Audit Fees ⁽¹⁾	\$96,866	\$155,933
Audit-Related Fees (2)	-	-
Tax Fees (3)	\$7,208	\$25,131
All Other Fees (4)	-	\$7,731
Total Fees	\$104,074	\$188,795

(1) The aggregate audit fees billed.

(2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audits or reviewing the Company's financial statements and are not included under "Audit Fees".

(3) The aggregate fees billed for services related to tax compliance, tax advice and tax planning. The services performed for the fees paid under this category may briefly be described as tax return preparation fees.

(4) The aggregate fees billed for services other than those reported above. The services performed for the fees paid under this category may briefly be described as flow-through accounting services.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Corporate governance relates to the activities of the board of directors of the Company, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the board of directors and who are charged with the day to day management of the Company. The board of directors is committed to sound corporate governance practices which are both in the interest of its shareholders and contribute to effective and efficient decision-making. National Policy 58-201 –

Corporate Governance Guidelines establishes corporate governance guidelines which apply to all public companies. The Company has instituted its own corporate governance practices in light of these guidelines. National Instrument 58-101 – *Disclosure of Corporate Governance Practices* mandates disclosure of corporate governance practices in accordance with Form 58-101F2, which disclosure is set out below.

Board of Directors

The board of directors is currently composed of three directors being Messrs Hodgson, Line and Roberts. Mr. Hodgson is not considered independent by virtue of his position as the Chief Executive Officer of the Company. Mr. Line is not considered independent by virtue of his position as the Chief Financial Officer of the Company. Mr. Roberts is not considered independent by virtue of his former position in management of the Company.

Upon the closing of the Offering, there will be two executive directors, one non-executive director who, while not having held an executive position since November 2008, is not considered independent under applicable Canadian securities laws and three new directors who are independent within the meaning of applicable Canadian securities laws. The new directors are Messrs. Harvey, Williams and Jones, each of whom is considered to be independent.

The Chairman of the board of directors will be selected from one of the three proposed directors. The current members of the board of directors have determined that the existing non-executive director exercises independent judgement on the basis that he has not been involved in an executive capacity in the strategy and day-to-day management since the Palito mine was placed on care and maintenance and the Company has pursued a strategy of exploration and resource growth. With the appointment of three new independent directors, the continuing directors believe that the board of directors will be able to exercise independent judgement. The continuing directors intend to implement procedures in conjunction with the appointment of the proposed directors to ensure that if the independent directors are unanimously opposed to any matter before the Board, then without compromising the constating documents of the Company, the decision of the board of directors on such matters will reflect the decision of the majority of independent directors. Without the approval of the majority of the independent board members, a matter will not be approved.

The board of directors is responsible for the stewardship of the Company through consultation with management of the Company. Any responsibility that is not delegated to management or to the committees of the board of directors remains with the board of directors, subject to the powers of the shareholders' meetings. The frequency of board of directors meetings, as well as the nature of agenda items, varies depending on the state of the Company's affairs and in light of opportunities or risks which the Company faces. Members of the board of directors are in frequent contact with one another and meetings of the board of directors are held as deemed necessary.

Certain of the directors or proposed directors are also directors of other reporting issuers (or equivalent) as follows:

T. Sean Harvey	Allied Gold Limited Perseus Mining Limited Andina Minerals Inc. Victoria Gold Corp.
Melvyn Williams	Andina Minerals Inc.
Doug Jones	Chalice Gold Mines Limited Liontown Resources Limited Mineral IRL Limited

The current board of directors will request that the proposed new directors of the Company establish procedures to ensure that they communicate on a regular basis without the presence of executive management to ensure that they can discuss issues and the performance of the executives in an open and unhindered environment. The three proposed independent directors will also form both the audit committee and the remuneration committee which will not involve executive management representatives and therefore, notwithstanding any further action, are expected to have meetings as a group at least four times per year.

The current board of directors intends that the three proposed directors will select among themselves for a candidate to serve as the Chairman. The Chairman, being independent, will provide leadership for all the non-executive directors of the Company.

The board of directors has been convened eight times in the period during and subsequent to the end of the Company's most recently completed financial year. Mr. Line attended all meetings, Mr. Hodgson and Mr. Roberts

were not present at one meeting each and Mr. Clough attended on three occasions. All of the directors of the Company are made aware in advance and, whether in attendance or not, of the matters to be discussed and the nature of any decisions that are expected to be taken and their opinions tabled at the meetings as required. The board of directors has used written resolutions for certain key decisions to ensure that all directors confirm their approval of certain decisions.

Board Mandate

The board of directors has adopted a written mandate that acknowledges its responsibility for the stewardship of the business and affairs of the Company. The board of directors shall review and assess the adequacy of the board mandate at least annually or otherwise, as it deems appropriate, and make any necessary changes. A copy of this mandate is attached to this prospectus as Appendix B.

Position Descriptions

The board of directors will be responsible for: (a) developing written position descriptions for the Chairman of the board, the chair of each board of directors committee and, together with the CEO, the CEO (which will include delineating management's responsibilities); (b) developing and approving the corporate goals and objectives that the CEO is responsible for meeting; and (c) developing a written description of the expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at board of directors meetings and advance review of meeting materials.

Orientation and Continuing Education

The board of directors will be responsible for: (a) ensuring that all new directors receive a comprehensive orientation, that they fully understand the role of the board of directors and its committees, as well as the contribution individual directors are expected to make (including the commitment of time and resources that the Company expects from its directors) and that they understand the nature and operation of the Company's business; and (b) providing continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure that their knowledge and understanding of the Company's business remains current.

Ethical Business Conduct

All new directors are provided with a written memorandum (the "Memorandum") setting out their responsibilities and duties, including matters relating to behaviour and business ethics. The board of directors relies on its executive directors to oversee the implementation of ethical business practices on a day-to-day basis and considers that given the size of the Company and the relatively small number of employees, that the executive directors are well placed to ensure that all staff act in a professional and ethical manner.

The Memorandum provides guidance to all directors in the event of a conflict of interest. In accordance with AIM rules, the Company's nominated adviser is required to provide a formal opinion on any transactions where a director or related party has an interest. Directors are required to disclose their interests to other board members and are not permitted to participate or vote on any matter in which a director has an interest. A copy of the Memorandum may be obtained by any person or company, upon request, to the attention of the Company Secretary at 30-32 Ludgate Hill, London EC4M 7DR.

In fulfilling its mandate and approving various decisions put forth by management, the board of directors ensures that the measures management take comply with Canadian securities regulations and other applicable legislation. Members of the board of directors are also keenly aware of their fiduciary role with the Company as well as their individual fiduciary duties in their role as directors. In exercising their powers and discharging their duties, the board of directors is required to act honestly and in good faith with a view to the best interests of the Company, and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Nomination of Directors

The Company does not currently have a nominating committee. The board of directors as a whole is responsible for identifying and recommending candidates for the board of directors of the Company. The board of directors reviews and makes determination with respect to (i) the size and composition of the board; (ii) the organization and responsibilities of the appropriate committees of the board; (iii) the evaluation process for the board of directors and committees of the board of directors of the Company and the chairpersons of the board and such committees; and

(iv) creating a desirable balance of expertise and qualifications among board members. The board of directors does not take any formal steps to ensure that objectivity in the nomination process. In the nomination process, the board of directors assesses its current composition and requirements going forward in light of the stage of the Company and the skills required to ensure proper oversight of the Company and its operations.

Remuneration Committee

Immediately following the closing of the Offering, the remuneration committee will be reconstituted to comprise Messrs. Williams (Chair), Jones and Harvey. Each member will be an independent director. The remuneration committee is responsible for determining the compensation of the management and executive, including that of the Chief Executive Officer. The remuneration committee determines the level of compensation the Chief Executive Officer is to receive on an annual basis and relies on the Company's economic performance and the responsibilities and risks involved in being an effective Chief Executive Officer of an exploration and development resource company. The remuneration committee considers the Chief Executive Officer's current compensation to adequately cover such responsibilities and risks.

Assessments

The board of directors is responsible for assessing the effectiveness and contributions of the board of directors as a whole, its committees and individual directors. Periodically at the meeting of the board of directors, the board of directors undertakes this assessment although, no formal report in this regard has been prepared to date.

PLAN OF DISTRIBUTION

Offering

Pursuant to the Agency Agreement, the Company has retained the Agent to act as its agent to offer for sale to the public in the Provinces of British Columbia, Alberta and Ontario, on a reasonable best efforts basis in accordance with the terms of the Agency Agreement, subject to prior sale, if, as and when issued by the Company, a minimum of 4,600,000 and a maximum of 9,000,000 Units at a price of \$0.55 per Unit for gross proceeds of a minimum of \$2,530,000 and a maximum of \$4,950,000. The offering price of the Units was determined by negotiation between the Company and the Agent.

The Agent has agreed to use its reasonable best efforts to secure subscriptions for the Units offered hereunder on behalf of the Company, but is not obligated to buy any Units that are not sold. The obligations of the Agent under the Agency Agreement may be terminated at the discretion of the Agent and the Agent may withdraw subscriptions for Units on behalf of subscribers on the basis of its assessment of the state of the financial markets or upon the occurrence of certain stated events, including any material adverse change in the business or financial condition of the Company.

The Agent may offer selling group participation to other registered dealers, with compensation to be negotiated between the Agent and such selling group participants, but at no additional cost to the Company.

Pursuant to the Agency Agreement, the Company has agreed to pay the Agent a cash commission equal to 8% of the gross proceeds of the Offering (except in respect of Excluded Purchasers where the cash commission shall be equal to 4% of the gross proceeds from the sale of the Units to such Excluded Purchasers). The Agent will also receive Compensation Options entitling the Agent to acquire that number of Ordinary Shares as is equal to 8% of the number of Units sold under the Offering (except in respect of Excluded Purchasers where the Compensation Options shall be equal to 4% of the number of Units sold to such Excluded Purchasers), at the Offering Price at any time prior to 5:00 p.m. (Toronto time) on December 2, 2012. The prospectus qualifies the distribution of the Compensation Options.

Subscriptions for Units offered hereunder will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of the Offering will take place on or about March 30, 2011 or such other date as the Company and the Agent may agree (the "Closing Date"), but no later than April 8, 2011. The Units are to be taken up by the Agent, if at all, on or before a date not later than 90 days after the date of the receipt for the final prospectus. The Company will appoint the Agent as a depositary to hold in trust all funds received from subscriptions until the minimum number of Units have been sold. If the minimum number of Units is not sold within such 90 day period, funds received from prospective purchasers will be returned to them by the depositary without interest or deduction. Except in limited

circumstances, one or more book entry-only certificates representing the Ordinary Shares and Warrants will be issued in registered form to CDS Clearing and Depositary Services Inc. ("CDS"), or its nominee, and deposited with CDS on the Closing Date. A purchaser of Units will receive only a customer confirmation from the registered dealer through which the Units are purchased.

The TSX has conditionally approved the listing of the Ordinary Shares and the Warrants under the symbol "SBI" and "SBI.WT" respectively. Listing is subject to the Company fulfilling all of the requirements of the TSX on or before June 7, 2011.

Pursuant to policy statements of certain securities commissions and the Universal Market Integrity Rules, the Agent may not, throughout the period of distribution, bid for or purchase Ordinary Shares. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Ordinary Shares. These include certain exceptions for market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution or was unsolicited. In accordance with the aforementioned exceptions, in connection with the Offering, the Agent may effect transactions which stabilize or maintain the market price of the Ordinary Shares at levels other than those that might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Ordinary Shares and the Warrants comprising the Units have not been and will not be registered under the U.S. Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Ordinary Shares or Warrants in the United States. In addition, until 40 days after the commencement of the Offering, an offer or sale of Ordinary Shares or Warrants within the United States by any dealer or agent (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made other than in accordance with an exemption from the registration requirements of the U.S. Securities Act and in compliance with applicable state securities laws.

With respect to the United Kingdom, this document is only being and may only be distributed to and directed at: (i) persons outside the United Kingdom; or (ii) persons in the United Kingdom who are: (a) a "qualified investor" within the meaning of Section 86(7) of the United Kingdom Financial Services and Markets Act 2000, as amended (the "FSMA"), acting as principal or in circumstances where Section 86(2) of FSMA applies; and (b) also within the categories of persons referred to in Article 19 (investment professionals) or Article 49 (high net worth companies, unincorporated associations, etc.) of the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Financial Promotion Order") (all such persons together being referred to as "relevant persons"). The securities being offered hereunder are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. This document contains no offer of transferable securities to the public in the United Kingdom within the meaning of sections 85(1) and 102B of the FSMA. This document is not a prospectus for the purposes of Section 85(1) of the FSMA. Accordingly, this document has not been examined or approved as a prospectus by the United Kingdom Financial Services Authority (the "FSA") under Section 87A of the FSMA or by the London Stock Exchange and has not been filed with the FSA pursuant to the rules published by the FSA implementing the Prospectus Directive (2003/71/EC) (the "United Kingdom Prospectus Rules") nor has it been approved by a person authorized under the FSMA, for the purposes of Section 21 of the FSMA.

Except as disclosed in this prospectus, the Company has not made nor will it make any payments in cash, securities or other consideration to a promoter, finder or any other person or company in connection with this Offering. The directors, officers and other insiders of the Company may participate in this Offering.

The Company has agreed that it will not issue or announce the issuance of any Ordinary Shares or any securities convertible into or exchangeable for or exercisable to acquire Ordinary Shares for a period ending on the date that is 120 days following the Closing Date, without the prior written consent of the Agent, such consent not to be unreasonably withheld, other than: (A) as contemplated herein; (B) pursuant to the grant or exercise of stock options based on an existing share incentive plan of the Company; or (C) pursuant to the exercise of the Special Warrants and any outstanding warrants; (D) in connection with any bona fide property acquisitions (including, without limitation, interests in mineral properties) or existing property agreements.

The directors and officers of the Company have agreed that they will not, for a period ending on the date that is 120 days following the Closing Date, directly or indirectly, offer, sell, contract to sell, lend, swap, or enter into any other

agreement to transfer the economic consequences of, or otherwise dispose of or deal with, or publicly announce any intention to offer, sell, contract to sell, grant or sell any option to purchase, hypothecate, pledge, transfer, assign, purchase any option or contract to sell, lend, swap or enter into any agreement to transfer the economic consequences of, or otherwise dispose of or deal with, whether through the facilities of a stock exchange, by private placement or otherwise, any Ordinary Shares or other securities of the Company held by them, directly or indirectly, unless: (A) the directors and officers of the Company first obtain the prior written consent of the Agent, which consent will not be unreasonably withheld or delayed; (B) there occurs a take-over bid or similar transaction involving a change of control of the Company; or (C) for tax planning purposes, to a family member, personal holding company, family trust or registered retirement plan.

Under the terms of the Agency Agreement, the Company agreed to indemnify the Agent against certain liabilities, including liabilities under Canadian securities legislation in certain circumstances, or to contribute to payments the Agent may be required to make because of such liabilities.

SW Offering

Pursuant to the SW Agency Agreement, the Company issued and sold on December 2, 2010, 10,070,000 Special Warrants at a price of \$0.55 per Special Warrant, subject to the terms and conditions of the SW Agency Agreement. The SW Offering Price and the terms of the SW Offering were determined by negotiation between the Company and the Agent.

Under the terms of the SW Agency Agreement, the Company agreed to indemnify the Agent against certain liabilities, including liabilities under Canadian securities legislation in certain circumstances, or to contribute to payments the Agent may be required to make because of such liabilities.

The Special Warrants shall be automatically exercised on behalf of the holder thereof, without any further action on the part of such holder, to acquire the SW Units on the date that is five business days after the satisfaction by the Company of the Liquidity Conditions.

In the event that the Company has not satisfied the Liquidity Conditions prior to the Liquidity Deadline, each of the then issued and outstanding Special Warrants shall be automatically exercised, for no further consideration and with no further action on the part of the holder thereof, to acquire 1.1 Ordinary Shares and 0.55 Warrants (such 0.1 of an Ordinary Share and 0.05 of a Warrant being collectively referred herein as the "Penalty Securities"). This prospectus also qualifies the distribution of Penalty Securities issuable on the exercise of the Special Warrants.

Certificates evidencing the Ordinary Shares and Warrants issuable upon the exercise of the Special Warrants, will be available for delivery upon the exercise of such securities.

RISK FACTORS

The Company, and the Ordinary Shares of the Company, should be considered a highly speculative investment and investors should carefully consider all of the information disclosed in this prospectus prior to making an investment in the Company. In addition to the other information presented in this prospectus, the following risk factors should be given special consideration when evaluating an investment in any of the Company's securities.

Risks Related to the Company and the Mineral Exploration and Mining Industry

Future exploration at the Company's projects or elsewhere may not result in increased mineral resources.

Mineral exploration involves significant risks over a substantial period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. Even if the Company discovers a valuable deposit of minerals, it may be several years before production is possible and during that time it may become economically unfeasible to produce those minerals. There is no assurance that current or future exploration programs will result in any new economically viable mining operations or yield new resources to replace and expand current resources.

There is no guarantee that the Company's applications for exploration licences will be granted on a timely basis or at all or that the existing exploration licences of the Company can be renewed or converted into mining licences. In addition, there can be no assurances that title to any of the Company's mineral properties will not be challenged or disputed.

There is no guarantee that any application for additional exploration licenses may be granted by the DNPM. The DNPM may refuse any application. Persons may object to the granting of any exploration license and the DNPM may take those objections into consideration when making any decision on whether or not to grant a license.

If and when exploration licenses are granted, they will be subject to various standard conditions including, but not limited to prescribed license conditions. Any failure to comply with the expenditure conditions or with any other conditions on which the licenses are held, can result in license forfeiture. Generally, the licenses are granted for a term of three years and further renewal of an exploration license is at the discretion of the DNPM and on such conditions as the DNPM may in its discretion impose. Renewal conditions may include increased expenditures and work commitments or compulsory relinquishment of areas of the licenses comprising the Company's properties. The failure of the DNPM to renew the Company's exploration licences or the imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Company.

Title to, and the area of, mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impaired.

The exploration and development of the Company's properties, including continuing exploration and development projects, and the construction of mining facilities and commencement of mining operations, will require substantial additional financing.

Failure to obtain sufficient financing will result in a delay or indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of a property interest. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders. Failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition and results of operations.

The Company has had negative cash-flow and expects to have negative cash-flow for the foreseeable future.

For the financial year ended December 31, 2009 the Company had negative cash flow from operations and expects to have negative cash-flow from operations for the foreseeable future. The net proceeds from the Offering, the SW Offering and its existing available working capital should be sufficient to fund the operations of the Company over the next 18 months. Failure to raise additional capital when needed would have a material adverse effect on the Company's business, financial condition and results of operations.

The Company faces numerous exploration, development and operating risks.

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices that are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

There is no certainty that the expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries of commercial quantities of ore.

The Company is considered to be a development stage company and although it generated revenue from mining operations in the past those operations have been discontinued. There can be no assurance that the Company will re-commence commercial production, generate any revenues or be able to operate profitably.

The development of the Company's properties will require the commitment of substantial resources to complete exploration programs and to bring the properties into commercial production. There can be no assurance that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as needed consultants, personnel and equipment associated with advancing exploration, development and commercial production of its properties are added. The amounts and timing of expenditures will depend on the progress of ongoing development, the results of consultants' analysis and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Company's acquisition of additional properties and other factors, some of which are beyond the Company's control.

If mineral resource estimates are not accurate, production may be less than estimated which would adversely affect the Company's financial condition and result of operations.

Mineral resource estimates are imprecise and depend on geological analysis based partly on statistical inferences drawn from drilling, and assumptions about operating costs and metal prices, all of which may prove unreliable. The Company cannot be certain that the resource estimates are accurate and cannot guarantee that it will recover the indicated quantities of metals if commercial production is commenced. Future production could differ dramatically from such estimates for the following reasons: mineralization or formations at the properties could be different from those predicted by drilling, sampling and similar examinations; declines in the market price of gold may render the mining of some or all of the resources uneconomic; and the grade of ore may vary significantly from time to time and the Company cannot give any assurances that any particular quantity of metal will be recovered from the resources.

The occurrence of any of these events may cause the Company to adjust the resource estimates or change its mining plans, which could negatively affect the Company's financial condition and results of operation.

The Company's exploration and development properties may not be successful and are highly speculative in nature.

Exploration for gold is highly speculative in nature. The Company's exploration activities in Brazil involve many risks, and success in exploration is dependent upon a number of factors including, but not limited to, quality of management, quality and availability of geological expertise and the availability of exploration capital. The Company cannot give any assurance that its current or future exploration efforts will result in the discovery of a mineral reserve or new or additional mineral resources, the expansion of current resources or the conversion of mineral resources to mineral reserves.

As well, mineral deposits, even though discovered, may be insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by additional factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment and other factors, which may make a mineral deposit unprofitable to exploit.

The Company's mineral properties are in the exploration stage and are without known bodies of mineral reserves, although a mineral resource has been established at the Jardim do Ouro Project. Development of such properties will only follow upon obtaining satisfactory exploration results and the completion of feasibility or other economic studies.

The risks and hazards associated with mining and processing may increase costs and reduce profitability in the future.

Mining and processing operations involve many risks and hazards, including among others: environmental hazards; mining and industrial accidents; metallurgical and other processing problems; unusual and unexpected rock formations; flooding and periodic interruptions due to inclement or hazardous weather conditions or other acts of nature; mechanical equipment and facility performance problems; and unavailability of materials, equipment and personnel. These risks may result in: damage to, or destruction of, the Company's properties or production facilities; personal injury or death; environmental damage; delays in mining; increased production costs; asset write downs; monetary losses; and legal liability.

The Company cannot be certain that its insurance will cover the risks associated with mining or that it will be able to obtain or maintain insurance to cover these risks at affordable premiums. The Company might also become subject to liability for pollution or other hazards against which it cannot insure or against which the Company may elect not to insure because of premium costs or other reasons. Losses from such events may increase costs and decrease profitability.

The Company may experience higher costs and lower revenues than estimated due to unexpected problems and delays.

New mining operations often experience unexpected problems during the development and start-up phases and such problems can result in substantial delays in reaching commercial production. Delays in construction or reaching commercial production in connection with the Company's development of its mines would increase its operating costs and delay revenue growth.

The Company's vulnerability to changes in metal prices may cause its share price to be volatile and may affect the Company's operations and financial results.

If the Company commences production, the profitability of the Company's operations will be dependent upon the market price of mineral commodities. Metal prices fluctuate widely and are affected by numerous factors beyond the

control of the Company. The level of interest rates, the rate of inflation, the world supply of mineral commodities and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and results of operations. Furthermore, reserve calculations and life-of-mine plans using significantly lower metal prices could result in material write-downs of the Company's investment in mining properties and increased amortization, reclamation and closure charges. In addition to adversely affecting the Company's reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

The Company is subject to extensive environmental legislation and the costs of complying with these regulations may be significant. Changes in environmental legislation could increase the costs of complying with applicable regulations and reduce levels of production.

All phases of the Company's operations are subject to environmental regulation in Brazil. There is no assurance that existing or future environmental regulation will not materially adversely affect the Company's business, financial condition and results of operations.

Environmental legislation relating to land, air and water affects nearly all aspects of the Company's operations. This legislation requires the Company to obtain various operating licenses and also imposes standards and controls on activities relating to exploration, development and production. The cost of obtaining operating licenses and abiding by standards and controls on its activities may be significant. Further, if the Company fails to obtain or maintain such operating licenses or breaches such standards or controls imposed on its activities, it may not be able to continue its operations in its usual manner, or at all, or the Company may be subject to fines or other claims for remediation which may have a material adverse impact on its operations or financial results. While the Company is unaware of any existing material environmental liabilities, it cannot guarantee that no such liabilities currently exist or will occur in the future.

Changes in environmental laws, new information on existing environmental conditions or other events may increase future compliance expenditures or otherwise have a negative effect on the Company's financial condition and results of operations. In addition to existing requirements, it is expected that other environmental regulations will likely be implemented in the future with the objective of further protecting human health and the environment. Some of the issues expected to be under future review by environmental agencies include reducing or stabilizing air emissions, mine reclamation and restoration, and water quality. Other changes in environmental legislation could have a negative effect on production levels, product demand, product quality and methods of production and distribution. The complexity and breadth of these issues make it difficult for the Company to predict their impact. The Company anticipates capital expenditures and operating expenses will increase as a result of compliance with the introduction of new and more stringent environmental regulations. Failure to comply with environmental legislation may result in the issuance of clean up orders, imposition of penalties, liability for related damages and the loss of operating permits. While the Company believes it is now in material compliance with existing environmental legislation, it cannot give assurances that it will at all future times be in compliance with all federal and state environmental regulations or that steps to bring the Company into compliance would not have a negative effect on its financial condition and results of operations.

Government approvals and permits are currently, or may in the future be, required in connection with the Company's operations. To the extent such approvals are required and but are not granted, the Company may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties.

Currency fluctuations may affect the costs of doing business and results of operations.

Currency fluctuations may affect the Company's costs and the Company has not entered into any derivative financial instruments to hedge such fluctuations. The Company pays for goods and services in Canadian dollars, U.S. dollars, British Pound Sterling and Brazilian Real and the Company receives the proceeds of financings in Canadian dollars and British Pound Sterling. As a result of the use of these different currencies, the Company is subject to foreign currency fluctuations. Foreign currencies are affected by a number of factors that are beyond the control of the Company. These factors include economic conditions in the relevant country and elsewhere and the outlook for

interest rates, inflation and other economic factors. Adverse fluctuations in the relative value of these currencies could materially and adversely affect the Company's results of operation and financial position.

Compliance with current and future government regulations may cause the Company to incur significant costs and slow its growth.

The Company's activities are subject to extensive Brazilian laws and regulations governing matters relating to occupational health, labour standards, prospecting, exploration, production, exports and taxes. Compliance with these and other laws and regulations could require the Company to make significant capital outlays which may slow its growth by diverting its financial resources. The enactment of new adverse regulations or regulatory requirements or more stringent enforcement of current regulations or regulatory requirements may increase costs, which could have an adverse effect on the Company. The Company cannot give assurances that it will be able to adapt to these regulatory developments on a timely or cost effective basis. Violations of these regulations and regulatory requirements could lead to substantial fines, penalties or other sanctions.

The Company is currently subject to 13 known claims under Brazilian labour legislation by former employees in respect of alleged unpaid compensation. The average monthly salary of the claimants was between R\$436 and R\$7,678 while the claims range between R\$18,597 and R\$1,282,310. The total of current claims is R\$4,133,000. Based on previous experience, it is the Company's belief that settlement will be no more than 15% of the claimed figure and will be settled in instalments over a 12 to 18 month period.

If some or all of the foregoing labour claims are successful or are not settled on the basis anticipated by the Company, there could be material adverse impact on the financial condition of the Company.

The Company is required to obtain and renew governmental permits and licences in order to conduct mining operations, which is often a costly and time-consuming process.

In the ordinary course of business, the Company will be required to obtain and renew governmental permits and licenses for the operation and expansion of existing operations or for the commencement of new operations. Obtaining or renewing the necessary governmental permits is a complex and time-consuming process. The duration and success of the Company's efforts to obtain and renew permits and licenses are contingent upon many variables not within its control including the interpretation of applicable requirements implemented by the permitting or licensing authority. The Company may not be able to obtain or renew permits and licenses that are necessary to its operations, or the cost to obtain or renew permits and licenses may exceed what the Company expects. Any unexpected delays or costs associated with the permitting and licensing process could delay the development or impede the operation of the Company's projects, which could adversely affect the Company's revenues and future growth.

The Company's operations are conducted in Brazil and, as such, the Company's operations are exposed to various levels of political, economic and other risks and uncertainties.

These risks and uncertainties vary from time to time and include, but are not limited to: terrorism; hostage taking; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licences, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitude in Brazil may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income and other taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations or profitability.

The Company is a holding company that conducts operations through foreign subsidiaries and substantially all of its assets are held in such entities.

Any limitation on the transfer of cash or other assets between the parent corporation and such entities, or among such entities, could restrict the Company's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Company's valuation and stock price.

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure.

Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

If the Company loses key personnel or is unable to attract and retain additional personnel, the Company's mining operations and prospects could be harmed.

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, additional key financial, administrative and mining personnel as well as additional operations staff will be required. Although the Company believes it will be successful in attracting, training and retaining qualified personnel, there can be no assurance of such success. If the Company is not successful in attracting, training and retaining qualified personnel, the efficiency of operations may be affected.

The mining industry is intensely competitive in all of its phases and the Company competes with many companies possessing greater financial and technical resources than itself.

Competition in the precious metals mining industry is primarily for mineral rich properties that can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and the capital for the purpose of funding such properties. Many competitors not only explore for and mine precious metals, but conduct refining and marketing operations on a global basis. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Company's prospects for mineral exploration and success in the future.

It may be difficult for investors to enforce judgments against directors, officers and experts resident outside of Canada.

The Company and its subsidiaries are incorporated, continued or otherwise organized under the laws of foreign jurisdictions and some or all of the directors and officers of the Company and some or all of the experts named in this prospectus reside outside of Canada. In addition, some or all of the assets of those persons and the Company and its subsidiaries are located outside of Canada. Although the Company and all non-resident directors and certain non-resident officers of the Company have appointed Heenan Blaikie Corporate Services (Ontario) Inc., 333 Bay Street, Suite 2900, Toronto, Ontario M5H 2T4 as their agent for services of process in Canada, it may not be possible for investors to collect from the Company or such directors and officers or enforce judgments obtained in courts in Canada predicated on the civil liability provisions of securities legislation against the Company, its directors and officers and certain of the experts named in this prospectus. Moreover, it may not be possible for investors to effect service of process within Canada upon the experts referred to above.

Risks Related to the Offering

Currently there is no public market for the Ordinary Shares in Canada, and there can be no assurance that an active market for the Ordinary Shares in Canada will develop or be sustained after this Offering.

If an active public market for the Ordinary Shares does not develop in Canada, the liquidity of an investor's investment may be limited and the share price may decline below its initial public offering price.

The Company has broad discretion in the use of the net proceeds from the Offering and may not use the proceeds effectively.

The Company proposes to use the net proceeds from the Offering as described in "Use of Proceeds" and a portion of the net proceeds have not been allocated for a specific use. In allocating the proceeds, the Company will have broad discretion in the application of the proceeds and could spend the proceeds in ways that do not improve the

Company's business prospects or enhance the value of the Ordinary Shares. The failure to apply these funds effectively could result in financial losses that could have a material adverse effect on the Company's business, cause the price of the Ordinary Shares to decline and delay the development and productivity of the Company's mining operations.

Volatility of Market Price of Ordinary Shares

The trading price of securities of mineral exploration companies is subject to substantial volatility. This volatility is often based on factors both related and unrelated to the financial performance or prospects of the companies involved. The market price of the Ordinary Shares could be subject to significant fluctuations in response to variations in the Company's operating results, financial condition, liquidity and other internal factors and the outcome of the Company's mineral exploration activities. Factors that could affect the market price of the Ordinary Shares that are unrelated to the Company's performance include global commodity prices and market perceptions of the attractiveness of mineral exploration companies.

Because the Company does not intend for the foreseeable future to pay any dividends on its Ordinary Shares, investors seeking dividend income should not purchase Units

The Company does not currently anticipate declaring and paying dividends to its shareholders in the near future. It is the Company's current intention to apply net earnings, if any, in the foreseeable future to increasing its working capital. Prospective investors seeking dividend income should, therefore, not purchase the Units. The Company currently has no revenues, so there can be no assurance that it will ever have sufficient earnings to declare and pay dividends to the holders of its Ordinary shares, and in any event, a decision to declare and pay dividends is at the sole discretion of its board of directors, who currently do not intend to pay any dividends on the Ordinary Shares for the foreseeable future.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Heenan Blaikie LLP, counsel to the Company, and Wildeboer Dellelce LLP, counsel for the Agent, the following is a summary, as of the date hereof, of the principal Canadian federal income tax considerations generally applicable to persons who acquire Units or SW Units under the Offering or SW Offering. This summary is applicable only to a purchaser who, for purposes of the Tax Act and at all relevant times, deals at arm's length with and is not affiliated with the Company and who hold Ordinary Shares, Warrant Shares or Warrants as capital property (a "Holder").

Ordinary Shares, Warrant Shares and Warrants will generally be considered to be capital property to a Holder unless the Holder holds such securities in the course of carrying on a business of trading or dealing in securities or otherwise as part of a business of buying and selling securities or has acquired them in a transaction or transactions considered to be an adventure in the nature of trade.

This summary assumes that the Company is not a "foreign affiliate" or a "controlled foreign affiliate" of any relevant Holder. In general terms, the Company will not be a foreign affiliate or a controlled foreign affiliate if such Holder (together with all non-arm's length persons) holds less than 10% of each class of the issued shares of the Company. The provisions of the Tax Act that apply in respect of holdings in foreign affiliates or controlled foreign affiliates are complex and Holders are advised to consult their own tax advisors regarding these rules.

This summary also assumes that the Company is not and will not at any time be a resident in Canada or a "Canadian corporation" for the purposes of the Tax Act.

This summary does not apply to a Holder that is a "financial institution" as defined in the Tax Act for the purpose of the "mark-to-market" rules, or to a Holder that is a "specified financial institution", as defined in the Tax Act, or to a Holder an interest in which is a "tax shelter investment", as defined in the Tax Act or to a Holder that has elected to report its "Canadian tax results", as defined in the Tax Act, in a currency other than the Canadian currency.

This summary is based on the current provisions of the Tax Act, the regulations thereunder (the "Regulations"), all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Proposed Amendments"), and counsel's understanding of the current published administrative and assessing practices of the Canada Revenue Agency ("CRA"). No assurance can be given that the Proposed Amendments will be enacted in their current proposed form or at all.

For the purposes of the Tax Act, all amounts, including the adjusted cost base of the Ordinary Shares, the Warrant Shares and the Warrants, dividends received on the Ordinary Shares and the Warrant Shares and proceeds of

disposition from the Ordinary Shares, the Warrant Shares and the Warrants, must be determined in Canadian dollars using the rate of exchange quoted by the Bank of Canada at noon on the date such amounts first arose or such other rate of exchange as is acceptable to the CRA.

This summary is of a general nature only and is not exhaustive of all Canadian federal income tax considerations that may be relevant to a particular Holder. It is not intended to be, and should not be construed as, legal or tax advice to any particular Holder. This summary does not otherwise take into account or anticipate any changes in law, whether by judicial, governmental or legislative decision or action, or changes in the administrative or assessing practices of the CRA. This summary also does not take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax considerations. Therefore, any persons contemplating a purchase of Units or SW Units under the Offering should consult their own tax advisors with respect to their particular circumstances.

Residents of Canada

The following portion of this summary is generally applicable to a Holder who, for purposes of the Tax Act and at all relevant times, is or is deemed to be resident in Canada (a "Canadian Holder").

Allocation of Purchase Price

The total purchase price of a Unit to a purchaser must be allocated on a reasonable basis between the Ordinary Share and the one-half of one Warrant to determine the cost of each to the purchaser for purposes of the Tax Act. For its purposes, the Company intends to allocate \$0.505 of the Offering Price for a Unit as consideration for the issue of each Ordinary Share and \$0.045 of the Offering Price as consideration for the issue of each one-half of one Warrant.

Similarly, the total cost of a Special Warrant to acquire a SW Unit to a purchaser must be allocated on a reasonable basis between the Ordinary Share and the one-half of one Warrant to determine the cost of each to the purchaser for purposes of the Tax Act. For its purposes, the Company intends to allocate \$0.505 of the Offering Price for a SW Unit as consideration for the issue of each Ordinary Share and \$0.045 of the Offering Price as consideration for the issue of each one-half of one Warrant.

Although the Company believes that its allocations are reasonable, they are not binding on the CRA or the holder. The Canadian Holder's adjusted cost base of the Ordinary Share comprising a part of each Unit or SW Unit will be determined by averaging the cost allocated to the Ordinary Share with the adjusted cost base to the holder of all Ordinary Shares of the Company owned by the Canadian Holder as capital property immediately prior to such acquisition.

Exercise of Warrants or Special Warrants

No gain or loss will be realized by a holder upon the exercise of a Warrant or a Special Warrant to acquire a Warrant Share or a SW Unit. When a Warrant is exercised, the holder's cost of the Warrant Share acquired thereby will be the aggregate of the holder's adjusted cost base of such Warrant and the exercise price paid for the Warrant Share. The holder's adjusted cost base of the Warrant Share so acquired will be determined by averaging such cost with the adjusted cost base to the holder of all Ordinary Shares of the Company owned by the holder as capital property immediately prior to such acquisition. In the event of the expiry of an unexercised Warrant, the Canadian Holder will realize a capital loss equal to the Canadian Holder's adjusted cost base of such Warrant. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading "*Capital Gains and Capital Losses*".

Disposition and Expiry of Warrants

A disposition or deemed disposition by a Canadian Holder of a Warrant (other than upon the exercise thereof) will generally give rise to a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or less) than such Canadian Holder's adjusted cost base of the Warrant. In the event of the expiry of an unexercised Warrant, the Canadian Holder will generally realize a capital loss equal to the Canadian Holder's adjusted cost base of such Warrant. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading "*Capital Gains and Capital Losses*".

Disposition of Ordinary Shares

A disposition or deemed disposition of Ordinary Shares (including Warrant Shares) by a Canadian Holder will generally give rise to a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or less) than such Canadian Holder's adjusted cost base of the

Ordinary Shares. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading “*Capital Gains and Capital Losses*”.

Capital Gains and Capital Losses

One-half of any capital gain (a “taxable capital gain”) realized by a Canadian Holder must be included in the income of the Canadian Holder for the taxation year in which the disposition occurs. Subject to, and in accordance with, the provisions of the Tax Act, a Canadian Holder may deduct one-half of a capital loss (an “allowable capital loss”) realized by the Canadian Holder against taxable capital gains realized in the taxation year of disposition. Allowable capital losses in excess of taxable capital gains for the taxation year of disposition may be applied to reduce net taxable capital gains realized in the three preceding taxation years or any subsequent taxation year, subject to the provisions of the Tax Act in that regard.

A Canadian Holder that is throughout the relevant taxation year a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 2/3% on its “aggregate investment income” for the year which will include an amount in respect of taxable capital gains.

Taxation of Dividends

Dividends received or deemed to be received on the Ordinary Shares or the Warrant Shares by a Canadian Holder who is an individual will be included in computing the Canadian Holder’s income as ordinary taxable income. Any such dividends will not be eligible for the gross-up and dividend tax credit rules that apply to taxable dividends received from taxable Canadian corporations.

Dividends received or deemed to be received on the Ordinary Shares by a Canadian Holder that is a corporation will be included in computing the Canadian Holder’s income as ordinary taxable income.

Offshore Investment Fund Rules

In the 2010 Canadian Federal Budget, tabled in the House of Commons on March 4, 2010, the Minister of Finance (Canada) announced that certain Proposed Amendments relating to the taxation of Canadian residents investing in foreign investment entities will not be implemented. Rather, the Minister of Finance (Canada) proposed amendments to the existing offshore investment fund property rules in the Tax Act. There can be no assurance that these amendments will be enacted as proposed, or at all.

The offshore investment fund property rules, in certain circumstances, may require a Canadian Holder to include an amount in income in each taxation year in respect of the acquisition and holding of the Ordinary Shares, the Warrant Shares or the Warrants if the value of such shares or warrants may reasonably be considered to be derived, directly or indirectly, primarily from portfolio investments in: (i) shares of the capital stock of one or more corporations, (ii) indebtedness or annuities, (iii) interests in one or more corporations, trusts, partnerships, organizations, funds or entities, (iv) commodities, (v) real estate, (vi) Canadian or foreign resource properties, (vii) currency of a country other than Canada, (viii) rights or options to acquire or dispose of any of the foregoing, or (ix) any combination of the foregoing (“Investment Assets”). In order for these rules to apply to a Canadian Holder, it must be reasonable to conclude, having regard to all the circumstances, that one of the main reasons for the Canadian Holder acquiring or holding the Ordinary Shares, the Warrant Shares or the Warrants was to derive a benefit from portfolio investments in Investment Assets in such a manner that the taxes, if any, on the income, profits and gains from such Investment Assets for any particular year are significantly less than the tax that would have been applicable under Part I of the Tax Act if the income, profits and gains had been earned directly by the Canadian Holder.

Where these rules apply, a Canadian Holder will generally be required to include in income for each taxation year in which the Canadian Holder owns Ordinary Shares, Warrant Shares or Warrants the amount, if any, by which (i) an imputed return for the taxation year computed on a monthly basis, where the amount in respect of each month is calculated as the product obtained when the Canadian Holder’s “designated cost” (within the meaning of the Tax Act) of the Ordinary Shares, Warrant Shares or Warrants at the end of the month is multiplied by 1/12th of the applicable prescribed rate for the period that includes such month, exceeds (ii) any dividends or other amounts included in computing the Canadian Holder’s income for the year (other than a capital gain) in respect of such securities determined without reference to these rules. For these purposes, the designated cost to a Canadian Holder of Ordinary Shares, Warrant Shares or Warrants at any particular time in a taxation year will generally include, among other things, the initial cost of acquisition of the Ordinary Shares, Warrant Shares or Warrants to the Canadian Holder and the total of all amounts required to be included in computing the Canadian Holder’s income for a preceding taxation year as imputed income in respect of such securities under these rules. The prescribed rate is

the amount determined under the Regulations on a quarterly basis as the average equivalent yield of Government of Canada 90-day treasury bills (rounded to the next highest whole percentage) sold during the first month of the immediately preceding quarter (the “Base Rate”). On August 27, 2010, the Minister of Finance released draft legislation that would, if enacted, increase the Base Rate by two percentage points. Any amount required to be included in computing the Canadian Holder's income under the offshore investment fund property rules will be added to the adjusted cost base to the Canadian Holder of its Ordinary Shares, Warrant Shares or Warrants, as applicable.

These rules are complex and their application depends, in part, on the reasons for a Canadian Holder acquiring or holding the Ordinary Shares, the Warrant Shares or the Warrants. Canadian Holders are urged to consult their own tax advisors regarding the application and consequences of these rules in their own particular circumstances.

Foreign Property Information Reporting

A purchaser of Units or SW Units that is a “specified Canadian entity” (as defined in the Tax Act) for a taxation year or a fiscal period and whose total cost amount of “specified foreign property” (as defined in the Tax Act) including the Ordinary Shares, Warrant Shares or Warrants, at any time in the year or fiscal period exceeds \$100,000 will be required to file an information return for the taxation year or fiscal period disclosing prescribed information including the cost amount, any dividends received in the year, and any gains or losses realized in the year in respect of such property.

Subject to certain exceptions, a taxpayer resident in Canada in the year will generally be a specified Canadian entity. Failure to file an information return in respect of specified foreign property may result in penalties to the Canadian Holder. Canadian Holders should consult their own tax advisors regarding these rules.

Non-Residents of Canada

This portion of the summary is applicable only to Holders who, for purposes of the Tax Act and at all relevant times, are not resident or deemed to be resident in Canada, do not use or hold and are not deemed to use or hold their Ordinary Shares, Warrant Shares or Warrants in carrying on business in Canada and deal with the Company at arm's length (a “Non-resident Holder”).

Dividends paid or credited on Ordinary Shares to a Non-resident Holder will not be subject to Canadian withholding tax so long as the Company is not a corporation resident in Canada for the purpose of the Tax Act. If the Company was a corporation resident in Canada for the purpose of the Tax Act, then dividends paid by it to a Non-resident Holder would be subject to Canadian withholding tax equal to 25% of the gross amount of the dividend, subject to possible reduction of the withholding tax rate pursuant to any applicable tax treaty.

Gains realized on a disposition of Ordinary Shares, Warrant Shares or Warrants by a Non-resident Holder will generally not be subject to tax under the Tax Act unless such shares are or are deemed to be taxable Canadian property within the meaning of the Tax Act and the Non-resident Holder is not entitled to relief under an applicable tax treaty.

If the Ordinary Shares are listed on a designated stock exchange, which currently includes the TSX, at the time of disposition, the Ordinary Shares, the Warrants and the Warrant Shares will not constitute taxable Canadian property of a Non-Resident Holder, unless at any time during the 60 month period immediately preceding the disposition, (i) the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm's length, or the Non-Resident Holder together with all such persons, owned 25% or more of the issued Ordinary Shares or any other class of shares of the Company and, (ii) more than 50% of the fair market value of such shares was derived, directly or indirectly, from any combination of real or immovable property situated in Canada, Canadian resource properties (as defined in the Tax Act), timber resource properties (as defined in the Tax Act), or options in respect of, interests in, or civil law rights in such properties. Non-resident Holders are advised to consult their own tax advisors in this regard.

CERTAIN UNITED KINGDOM TAX CONSIDERATIONS

Subject to the qualifications and assumptions contained herein, in the opinion of Farrer & Co LLP, United Kingdom (U.K.) tax counsel to the Company, in relation to U.K. tax matters, the following is, as at the date hereof, a summary of the principal U.K. income tax, capital gains tax and corporation tax consequences generally applicable to non-U.K. resident persons who acquire Ordinary Shares and Warrants under the Offering and who are not “associated persons” in relation to employment related securities. This summary is applicable only to persons who hold the securities as capital assets and does not purport to address all U.K. tax consequences. This information is believed to

be correct and is provided to be helpful to potential investors. This summary assumes that the corporation is a resident of the U.K. for U.K. taxation purposes.

This summary is of a general nature only and is based on current U.K. tax law and published practice, which is subject to change (or changes in interpretation) possibly with retrospective effect.

The commentary below is not an exhaustive list of all U.K. income tax, capital gains tax and corporation tax considerations and it is not intended to be and should not be construed as advice to any particular person.

Prospective investors are advised to consult with their own professional advisors with respect to their own particular circumstances.

United Kingdom Taxation on Operations of the Company

A company resident in the U.K. for corporation tax purposes is liable to U.K. Corporation Tax on its worldwide profits from all sources. The present main rate of Corporation Tax is 28%. From 6 April 2011 the main rate will be 27%, although lower rates may apply to a company that qualifies the Small Profits Rate, as such term is defined in the U.K. Corporation Tax Act 2010.

Non-United Kingdom Residents

Taxation of Dividends

No tax will be withheld by the Company when it pays a dividend or in respect of any other amount treated as a dividend.

Taxation on a Disposal of Shares

Holders who are not resident or ordinarily resident in the U.K. (for United Kingdom tax purposes) will not normally be liable to U.K. taxation on chargeable gains or corporation tax arising from a disposal of their shares unless they are carrying on a trade, profession or vocation in the U.K. through a permanent establishment or branch or agency in connection with which the shares are held.

Stamp Duty Reserve Tax

The following statements are intended as a general guide to the current tax law and practice in the UK concerning the application of UK stamp duty or stamp duty reserve tax ("SDRT") in the circumstances set out. Persons who are in any doubt about their tax position should consult their own professional advisers.

There is generally no UK stamp duty or SDRT on the issue of shares by companies incorporated in the UK. Accordingly, no UK stamp duty or SDRT should be payable by investors who are issued Ordinary Shares directly by the Company. Subsequent transfers of Ordinary Shares will give rise to stamp duty at the rate of 0.5% of the consideration paid. Where there is an agreement to sell Ordinary Shares but there is no instrument of transfer, SDRT would be payable at the rate of 0.5% of the consideration payable under the agreement.

Payments of stamp duty are rounded up to the nearest £5 and payments of SDRT are rounded up to the nearest penny. The payment of SDRT in respect of a transfer will frank any stamp duty due and vice versa.

The issue of Ordinary Shares to CDS (or any similar non-European Union based depositary or clearance service) will give rise to a charge to UK stamp duty (or SDRT if there is an agreement but no instrument) at 1.5% of the offering price of such shares. Subsequent transfers of Ordinary Shares within CDS will not give rise to a charge to stamp duty or to SDRT. Transfers of Ordinary Shares held outside CDS into CDS will also give rise to UK stamp duty (or SDRT if there is an agreement but no instrument) at 1.5% of the open market value of the Ordinary Shares as at the date of transfer. Persons wishing to transfer Ordinary Shares held outside CDS into CDS will be required to meet the UK stamp duty or SDRT payable by CDS on the transfer and to provide evidence to the UK registrar that such stamp duty or SDRT has been paid in order for the transfer to be registered.

Accordingly, until such time as sufficient Ordinary Shares have been transferred to CDS to allow shareholders resident in North America to transfer shares between each other within CDS, a person resident in North America who wishes to acquire a number of Ordinary Shares in excess of the Ordinary Shares available to acquire within CDS will have to acquire such further shares outside of CDS and should then transfer such shares to CDS. Such persons will be required to meet the UK stamp duty (or SDRT if there is an agreement but no instrument) payable by CDS (at 1.5% of the consideration payable for such shares) on the transfer and to provide evidence to the UK registrar that such stamp duty or SDRT has been paid in order for the transfer to be registered.

If an existing holder of Ordinary Shares wishes to transfer his Ordinary Shares onto the Canadian register, he will be required to transfer the Ordinary Shares to CDS and pay UK stamp duty (or SDRT if there is an agreement but no instrument) at 1.5% of the open market value of the Ordinary Shares as at the date of transfer.

EXPERTS

The legal matters relating to the securities offered hereby will be passed upon by Heenan Blaikie LLP on behalf of the Company and by Wildeboer Dellelce LLP on behalf of the Agent. Partners and associates of each of Heenan Blaikie LLP and Wildeboer Dellelce LLP do not own any of the issued and outstanding Ordinary Shares as of the date of this prospectus.

Certain information in this prospectus relating to the Company's mineral projects is summarized or extracted from the Jardim do Ouro Technical Report which was prepared by Rodrigo Mello and Eduardo Rosselot of NCL (Brasil) Ltda. To the best knowledge of the Company, none of the foregoing persons, has any interest in any securities of the Company or its associates or affiliates, nor do they expect to receive or acquire any such interests.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no pending legal proceedings to which the Company is or is likely to be a party or of which its subsidiary or properties are or are likely to be subject except as follows.

In June 2010, the Company's wholly owned subsidiary Serabi Mineracao SA ("SMS") was held to be in breach of certain conditions of its operating licence by the Brazilian Federal Environmental Agency IBAMA, as a result of which SMS was required to suspend activities at the Palito Mine and a fine was levied of R\$3,597,300 (approximately US\$2.2 million). On 23rd September 2010, the Company announced that IBAMA had lifted the notice having acknowledged that the conditions of the operating licence which had given rise to the original suspension notice had been fulfilled. On February 16, 2011, the Company received confirmation from IBAMA that the original penalty of R\$3,597,300 (approximately US\$2.2 million) had been cancelled. At the same time, IBAMA notified the Company that it had assessed a revised penalty of R\$1,500 (approximately US\$903) in respect of the alleged administrative breaches. The Company paid this fine.

Under Brazilian labour legislation former employees have two years in which to file any claim with the labour courts in respect of alleged unpaid compensation irrespective of whether the employee was dismissed or terminated their employment of their own accord. There are currently 13 known claims pending settlement. The average monthly salary of the claimants was between R\$436 and R\$7,678 while the claims range between R\$18,597 and R\$1,282,310. The total of current claims is R\$4,133,000. Based on previous experience it is the Company's belief that settlement will be no more than 15% of the claimed figure and will be settled in instalments over a 12 to 18 month period.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than the compensation agreements and other agreements and transactions which are described in the section entitled "Directors and Executive Officers", none of the directors or executive officers of the Company and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction within the past three years or in any proposed transaction that has materially affected or will materially affect the Company.

AUDITORS

The auditors of the Company are PKF (UK) LLP of Farringdon Place, 20 Farringdon Road, London EC1M 3AP, England.

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent in Canada for the Ordinary Shares of the Company is Computershare Investor Services Inc, Toronto, Ontario. Computershare Investor Services PLC, Bristol, United Kingdom is the Company's registrar and transfer agent for its Ordinary Shares in the United Kingdom. Computershare Trust Company of Canada, Toronto, Ontario is the warrant agent in Canada for the Special Warrants and the Warrants.

MATERIAL CONTRACTS

The following are the material contracts of the Company within the two years before the date of this prospectus, other than contracts entered into in the ordinary course of business that are either outstanding as at the date of this prospectus, or are to be entered into as a result of the Offering:

1. the Agency Agreement, discussed under "Plan of Distribution";
2. the Warrant Indenture, discussed under "Securities to be Distributed";
3. the SW Agency Agreement, discussed under "Plan of Distribution";
4. the Special Warrant Indenture, discussed under "Plan of Distribution";
5. the subscription agreement dated June 15, 2010 between the Company and Eldorado Gold Corporation pursuant to which Eldorado Gold Corporation subscribed for 12,000,000 Ordinary Shares of 0.5 pence each in the Company at a price per Ordinary Share of £0.30 pence. Eldorado Gold Corporation has agreed not to dispose of these Ordinary Shares until June 22, 2011. The Company has also agreed that provided Eldorado Gold Corporation continues to own 15% or more of the issued share capital of the Company, Eldorado Gold Corporation will have the right to nominate a director to the board of directors of the Company. The Company has granted Eldorado Gold Corporation warrants exercisable at any time prior to June 16, 2010 to acquire up to a further 1.5 million Ordinary Shares exercisable at £0.40 per Ordinary Share. The Company has also granted an option entitling Eldorado Gold Corporation to subscribe for such number of Ordinary Shares as would enable Eldorado Gold Corporation to maintain its percentage interest in the share capital of the Company in the event that the Company issues Ordinary Shares for cash (or cash equivalent), provided that Eldorado Gold Corporation continues to own 15% or more of the issued share capital of the Company; and
6. the Orderly Marketing Agreement dated November 9, 2009, between the Company and Beaumont Cornish Limited, the Company's Nominated Adviser and Greenwood Investments Limited pursuant to which Greenwood Investments Limited made an undertaking not to dispose of any of the Ordinary Shares it held in the Company for a period of 12 months which expired on November 17, 2010. Serabi agreed that, while Greenwood Investments Limited holds more than 15% or more of the issued share capital of the Company, Greenwood Investments Limited shall have the right but not the obligation to nominate a director to the board of directors of the Company.

The material contracts described above, together with the Jardim do Ouro Technical Report may be inspected at the offices of the Company's solicitors, Heenan Blaikie LLP, 333 Bay Street, Suite 2900, Bay Adelaide Center, Toronto, Ontario during normal business hours during the period of the distribution of the securities being distributed hereunder and for a period of 30 days thereafter. The reports noted above and the material contracts are also available on SEDAR at www.sedar.com.

CONTRACTUAL RIGHT OF RESCISSION FOR SPECIAL WARRANT HOLDERS

The Company has granted to each holder of Special Warrants a contractual right of rescission in connection with the prospectus-exempt transaction under which the Special Warrants were initially acquired. The contractual right of rescission provides that if a holder of Special Warrants who acquires Ordinary Shares and Warrants on the exercise of the Special Warrants as provided for in this prospectus is, or becomes, entitled under the securities legislation of a jurisdiction to the remedy of rescission because the prospectus or an amendment to the prospectus contains a misrepresentation:

- (a) the holder is entitled to rescission of both the holder's exercise of its Special Warrants and the private placement transaction under which the Special Warrants were initially acquired;
- (b) the holder is entitled in connection with the rescission to a full refund of all consideration paid to the Agent or the Company, as the case may be, on the acquisition of the Special Warrants; and
- (c) if the holder is a permitted assignee or transferee of the interest of the original Special Warrants subscriber, the holder is entitled to exercise the rights of rescission and refund as if the holder was the original subscriber.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the Provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus or any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies are exercised by the purchaser within the time limit prescribed by the securities legislation of the

purchaser's province. **The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.**

EXEMPTIONS

The Company was granted a waiver from the application of the escrow requirements of National Policy 46-201 – Escrow for Initial Public Offerings to the principals of the Company in connection with the Offering. While the Offering constitutes the Company's initial public offering in Canada, the waiver was granted on the basis of the Company's representations and submissions that the Company has been a public company admitted for trading on AIM since 2005, that certain of the Company's principals were previously subject to escrow, that there has been continuity in management since the listing on AIM, and that management's shareholdings have been stable.

GLOSSARY OF MINING TERMS

The following is a glossary of technical terms that appear in this prospectus:

“**Ag**” means silver.

“**Au**” means gold.

“**assay**” in economic geology, means to analyze the proportions of metal in a rock or overburden sample; to test an ore or mineral for composition, purity, weight or other properties of commercial interest.

“**CIM**” means the Canadian Institute of Mining, Metallurgy and Petroleum.

“**CIP**” or “Carbon in Pulp” means a process used in gold extraction by addition of cyanide.

“**chalcopyrite**” is a sulphide of copper and iron.

“**cut-off grade**” the lowest grade of mineralized material that qualifies as ore in a given deposit; rock of the lowest assay included in an ore estimate.

“**deposit**” is a mineralized body which has been physically delineated by sufficient drilling, trenching, and/or underground work, and found to contain a sufficient average grade of metal or metals to warrant further exploration and/or development expenditures; such a deposit does not qualify as a commercially mineable ore body or as containing ore reserves, until final legal, technical, and economic factors have been resolved.

“**DNPM**” means the Departamento Nacional de Producao Mineral.

“**electromagnetics**” is a geophysical technique tool measuring the magnetic field generated by subjecting the sub-surface to electrical currents.

“**garimpeiro**” is a local artisanal miner.

“**geochemical**” refers to geological information using measurements derived from chemical analysis.

“**geophysical**” refers to geological information using measurements derived from the use of magnetic and electrical readings.

“**geophysical techniques**” include the exploration of an area by exploiting differences in physical properties of different rock types. Geophysical methods include seismic, magnetic, gravity, induced polarization and other techniques; geophysical surveys can be undertaken from the ground or from the air.

“**gold equivalent**” refers to quantities of materials other than gold stated in units of gold by reference to relative product values at prevailing market prices.

“**gossan**” is an iron-bearing weathered product that overlies a sulphide deposit.

“**grade**” is the concentration of mineral within the host rock typically quoted as grams per tonne (g/t), parts per million (ppm) or parts per billion (ppb).

“**g/t**” means grams per tonne.

“**hectare**” or a “**ha**” is a unit of measurement equal to 10,000 square metres.

“**IBAMA**” is the Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renovaveis.

“**indicated mineral resource**” is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

“**inferred mineral resource**” is that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

“IP” refers to induced polarization, a geophysical technique whereby an electric current is induced into the sub-surface and the conductivity of the sub-surface is recorded.

“measured mineral resource” is that part of a mineral resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

“mineralization” the concentration of metals and their chemical compounds within a body of rock.

“mineralized” refers to rock which contains minerals e.g. iron, copper, gold.

“mineral reserve” is the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined.

“mineral resource” is a concentration or occurrence of diamonds, natural solid inorganic material or natural fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth’s crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.

“mt” means million tonnes.

“NCL” means NCL Brasil Ltda.

“NI 43-101” means Canadian Securities Administrators’ National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

“ore” means a metal or mineral or a combination of these of sufficient value as to quality and quantity to enable it to be mined at a profit.

“oxides” are near surface bed-rock which has been weathered and oxidised by long-term exposure to the effects of water and air.

“ppm” means parts per million.

“RC” refers to reverse circulation drilling.

“RAB” refers to rotary air blast drilling.

“saprolite” is a weathered or decomposed clay-rich rock.

“sulphide” refers to minerals consisting of a chemical combination of sulphur with a metal.

“tailings” are the residual waste material that it is produced by the processing of mineralized rock.

“tpd” means tonnes per day.

“Vein” is a generic term to describe an occurrence of mineralized rock within an area of non mineralized rock.

“VTEM” refers to versa time domain electromagnetic, a particular variant of time-domain electromagnetic geophysical survey to prospect for conductive bodies below surface.

INDEX TO FINANCIAL STATEMENTS

Auditors' Consent.....	F - 2
Report to the Directors on the equivalence of financial reporting frameworks.....	F - 3
Independent Auditors' Reports.....	F - 4
Audited Annual Financial Statements for the years ended December 31, 2009, 2008 and 2007	F - 11
Unaudited Interim Financial Statements for the nine months and three months ended September 30, 2010 and 2009	F - 40

AUDITORS' CONSENT

We have read the prospectus of Serabi Mining plc (the "Company") dated March 23, 2011 relating to the distribution of (i) a minimum of 4,600,000 and a maximum of 9,000,000 Units, and (ii) 10,070,000 SW Units of the Company. We have complied with the Standards for Investment Reporting issued by the Auditing Practices Board for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our reports to the members of the Company on the consolidated balance sheet of the Company as at December 31, 2009, 2008 and 2007 and the consolidated statements of comprehensive income, changes in equity and cash flows for each of the years in the three year period ended December 31, 2009. Our reports are dated May 27, 2010, June 25, 2009 and May 12, 2008.

PKF (UK) LLP

London, England

23 March 2011

REPORT TO THE DIRECTORS ON THE EQUIVALENCE OF FINANCIAL REPORTING FRAMEWORKS

The financial statements for the years ended 31 December 2009, 31 December 2008 and 31 December 2007 of Serabi Mining plc, were prepared in accordance with International Financial Reporting Standards in force at the reporting date and their interpretations issued by the International Accounting Standards Board and adopted by the European Union (IFRS), and those parts of the Companies Acts 1985 and 2006 applicable to companies reporting under IFRS. In our opinion, there would be no difference in the financial statements presented for the years ended 31 December 2009, 31 December 2008 and 31 December 2007 had these been prepared in accordance with International Financial Reporting Standards in force at the reporting date and their interpretations issued by the International Accounting Standards Board.

PKF (UK) LLP

Registered Auditors

London UK

23 March 2011

AUDIT REPORTS IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

The following audit reports have been extracted without adjustment from the Company's statutory financial statements for each of the three years ended 31 December 2009.

YEAR ENDED 31 DECEMBER 2009

Independent Auditors' Report

To the members of Serabi Mining plc

We have audited the financial statements of Serabi Mining plc for the year ended 31 December 2009 which comprise the Group statement of comprehensive income, the Group and Company balance sheets, the Group and Company statements of changes in equity, the Group and Company cash flow statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

SCOPE OF THE AUDIT

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2009 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

EMPHASIS OF MATTER – GOING CONCERN

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1(a) to the financial statements concerning the Group and the Company's ability to continue as a going concern. The Company is pursuing plans to raise further finance through a number of routes in order to meet its working capital requirements and is currently progressing these however none of these have yet been completed. This along with other matters explained in note 1(a) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group and company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Jason Homewood (Senior statutory auditor)

for and on behalf of PKF (UK) LLP, Statutory auditors

London, UK

27 May 2010

YEAR ENDED 31 DECEMBER 2008

Independent Auditors' Report

To the members of Serabi Mining plc

We have audited the Group and Parent Company financial statements ("the financial statements") of Serabi Mining plc for the year ended 31 December 2008 which comprise the consolidated income statement, the Group and Company balance sheets, statements of changes in shareholders' equity and cash flow statements and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information in the Directors' Report includes that specific information presented in the Chairman's Statement, Chief Executive's Review and Finance Review that is cross referenced from the business review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Directors' Remuneration Report, the Chairman's Statement, the Chief Executive's Review and the Finance Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 December 2008;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter – Going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosure made in note 1(a) to the financial statements concerning the Company's and the Group's ability to continue as a going concern. The Group incurred a net loss of £10,973,655 during the year ended 31 December 2008 and the ability of the Company's Brazilian subsidiary to continue operations is dependent on continuing to manage its existing liabilities and maintaining current production levels, pending either the receipt of new funding or a sale of the business by the Company. These conditions, along with the other matters explained in note 1(a) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's and the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company and the Group was unable to continue as a going concern.

PKF (UK) LLP

Registered Auditors

London, UK

25 June 2009

YEAR ENDED 31 DECEMBER 2007

Independent Auditors' Report

To the members of Serabi Mining plc

We have audited the Group and Parent Company financial statements ('the financial statements') of Serabi Mining plc for the year ended 31 December 2007 which comprise the consolidated income statement and the consolidated and Company balance sheets, cash flow statements and statements of changes in equity and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information in the Directors' Report includes that specific information presented in the Chairman's Statement, Chief Executive's Operational Review and Finance Review that is cross referenced from the business review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Directors' Remuneration Report, the Chairman's Statement, the Chief Executive's Operational Review and the Finance Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its loss for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 December 2007;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PKF (UK) LLP

Registered Auditors

London UK

12 May 2008

COMPATIBILITY OF INTERNATIONAL STANDARDS ON AUDITING (UK AND IRELAND) AND INTERNATIONAL STANDARDS ON AUDITING WITH CANADIAN GAAS

In accordance with the requirement contained in National Instrument 52-107 we report below on the compatibility of Canadian Generally Accepted Auditing Standards ("Canadian GAAS") and International Standards on Auditing (UK and Ireland) and International Standards on Auditing.

This report is made solely to the company's directors, as a body. Our audit work has been undertaken so that we might state to the company's directors those matters we are required to state to them in this auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's directors as a body, for our audit work, for this report, or for the opinions we have formed.

We conducted our audits for the three years ended 31 December 2009 in accordance with International Standards of Auditing (UK and Ireland) and International Standards on Auditing. There are no material differences in the form or content of our audit reports (except as noted below) as compared to auditors' reports prepared in accordance with Canadian GAAS and if these reports were prepared in accordance with Canadian GAAS they would not contain a reservation.

In our audit reports for each of the two years ended 31 December 2008 and 31 December 2009 we included an Emphasis of Matter paragraph in respect of going concern. These did not represent qualified audit reports under International Standards on Auditing (UK and Ireland) or International Standards on Auditing. In Canada, reporting standards for auditors' reports do not require the Emphasis of Matter paragraphs that were included in the audit opinions included above.

In Canada, reporting standards for auditors require that an auditor's opinion state that the consolidated accounts of the company present fairly, in all material respects, the financial position of the company and its results of operations and its cash flows. In the United Kingdom, reporting standards for auditors require that an auditors' opinion states that the consolidated accounts of a company give a true and fair view of the state of the company's affairs and its profit for the year.

In all other respects, there are no material differences in the form and content of the above noted auditors' reports.

PKF (UK) LLP

Registered auditors

London, UK

23 March 2011

**CONSOLIDATED FINANCIAL INFORMATION FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND
2007**

The following consolidated audited financial information on Serabi Mining plc (“the Company”) has been extracted without material adjustment from the Company's statutory financial statements for the three years ended 31 December 2009. It does not include any information relating solely to the Company. The statutory financial statements were prepared in accordance with International Financial Reporting Standards in force at the reporting date and their interpretations issued by the International Accounting Standards Board and adopted by the European Union (IFRS), and those parts of the Companies Acts 1985 and 2006 applicable to companies reporting under IFRS. There would be no difference in the information presented had the financial statements been prepared in accordance with International Financial Reporting Standards in force at the reporting date and their interpretations issued by the International Accounting Standards Board. The financial statements for the year end 31 December 2009 were approved by the Board on 27 May 2010. The financial statements for the year ended 31 December 2008 were approved by the Board on 25 June 2009. The financial statements for the year ended 31 December 2007 were approved by the Board on 12 May 2008.

SERABI MINING PLC

Consolidated Statements of Comprehensive Income

		For the year ended 31 December 2009 US\$	For the year ended 31 December 2008 US\$	For the year ended 31 December 2007 US\$
	Notes			
CONTINUING OPERATIONS				
Revenue	2	5,512,804	16,523,577	25,099,118
Operating expenses		(5,755,002)	(16,964,067)	(19,708,212)
Gross (loss)/profit		(242,198)	(440,490)	5,390,906
Administration expenses		(1,851,937)	(3,740,134)	(3,446,849)
Share-based payments		(147,038)	(123,498)	(177,913)
Write-off of past exploration costs		(495,138)	(1,174,269)	(628,066)
Increase in rehabilitation provision		(346,000)	–	–
(Loss)/gain on asset disposals		(181,237)	11,804	–
Impairment	18	(4,343,048)	–	–
Depreciation of plant and equipment		(2,157,026)	(2,132,633)	(1,530,243)
Depreciation of mine asset		–	(997,473)	(795,878)
Operating loss	3	(9,763,622)	(8,596,693)	(1,188,043)
Foreign exchange (loss)/gain		(14,533)	(1,629,138)	1,725,397
Interest payable	4	(215,916)	(1,219,107)	(1,119,116)
Interest receivable	4	3,569	471,283	586,969
(Loss) / profit before taxation		(9,990,502)	(10,973,655)	5,207
Income tax expense	5	–	–	(128,086)
Loss for the period from continuing operations^{(1) (2)}		(9,990,502)	(10,973,655)	(122,879)
Other comprehensive income (net of tax)				
Exchange differences on translating foreign operations		10,072,895	(11,303,603)	3,117,363
Total comprehensive income/(loss) for the period⁽²⁾		82,393	(22,277,258)	2,994,484
Loss per ordinary share (basic and diluted)	7	(6.16c)	(7.83c)	(0.10c)

(1) All revenue and expenses arise from continuing operations

(2) The Group has no minority interests and all income/(losses) are attributable to the equity holders of the Parent Company

SERABI MINING PLC
Consolidated Balance Sheets

	Notes	2009 US\$	2008 US\$	2007 US\$
Non-current assets				
Goodwill	8	–	1,752,516	1,752,516
Development and deferred exploration costs	8	6,880,038	5,351,921	13,254,658
Property, plant and equipment	9	35,327,788	31,620,364	25,831,006
Investments in subsidiaries	10	–	–	–
Other receivables	12	–	–	–
Total non-current assets		42,207,826	38,724,801	40,838,180
Current assets				
Inventories	11	1,259,764	931,413	3,341,954
Trade and other receivables	12	275,538	992,698	1,903,452
Prepayments		1,413,158	1,401,627	2,118,158
Cash at bank and in hand	13	4,081,882	1,538,956	18,629,402
Total current assets		7,030,342	4,864,694	25,992,966
Current liabilities				
Trade and other payables	14	4,170,712	3,197,543	4,163,638
Accruals		122,269	136,762	87,111
Interest bearing liabilities	16	80,499	1,046,936	839,986
Total current liabilities		4,373,480	4,381,241	5,090,735
Net current assets		2,656,862	483,453	20,902,231
Total assets less current liabilities		44,864,688	39,208,254	61,740,411
Non-current liabilities				
Trade and other payables	14	68,873	25,467	39,896
Provisions	15	1,374,200	735,905	920,135
Interest bearing liabilities	16	216,898	182,340	376,132
Total non-current liabilities		1,659,971	943,712	1,336,163
Net assets		43,204,717	38,264,542	60,404,248
Equity				
Called up share capital	17	26,848,814	25,285,679	25,285,679
Share premium reserve		36,268,991	33,402,649	33,402,649
Option reserve		1,523,444	3,061,095	2,923,543
Other reserves		260,882	–	–
Translation reserve		2,269,157	(7,803,738)	3,499,865
Accumulated losses	20	(23,966,571)	(15,681,143)	(4,707,488)
Equity shareholders' funds attributable to owners of the parent		43,204,717	38,264,542	60,404,248

SERABI MINING PLC

Consolidated Statements of Changes in Shareholders' Equity

Group	Share Capital US\$	Share premium US\$	Share option reserve US\$	Other reserves US\$	Translation reserve US\$	Accumulated losses US\$	Total equity US\$
Equity shareholders' funds at 31 December 2006	19,338,351	15,351,674	2,818,722	–	382,502	(4,693,443)	33,197,806
Foreign currency adjustments	–	–	–	–	3,117,363	–	3,117,363
Loss for year	–	–	–	–	–	(122,879)	(122,879)
Total comprehensive income for the year	–	–	–	–	3,117,363	(122,879)	2,994,484
Share option expense	–	–	213,655	–	–	–	213,655
Issue of ordinary shares	5,884,593	19,419,158	–	–	–	–	25,303,751
Conversion of options	62,735	31,368	(108,834)	–	–	108,834	94,103
Share issue expenses	–	(1,399,551)	–	–	–	–	(1,399,551)
Equity shareholders' funds at 31 December 2007	25,285,679	33,402,649	2,923,543	–	3,499,865	(4,707,488)	60,404,248
Foreign currency adjustments	–	–	–	–	(11,303,603)	–	(11,303,603)
Loss for year	–	–	–	–	–	(10,973,655)	(10,973,655)
Total comprehensive income for the year	–	–	–	–	(11,303,603)	(10,973,655)	(22,277,258)
Share option expense	–	–	137,552	–	–	–	137,552
Equity shareholders' funds at 31 December 2008	25,285,679	33,402,649	3,061,095	–	(7,803,738)	(15,681,143)	38,264,542
Foreign currency adjustments	–	–	–	–	10,072,895	–	10,072,895
Loss for year	–	–	–	–	–	(9,990,502)	(9,990,502)
Total comprehensive income for the year	–	–	–	–	10,072,895	(9,990,502)	82,393
Issue of new ordinary shares	1,563,135	3,129,079	–	–	–	–	4,692,214
Costs associated with issue of new ordinary shares	–	(262,737)	–	–	–	–	(262,737)
Equity portion of convertible loan stock	–	–	–	260,882	–	–	260,882
Cancellation of share options	–	–	(1,705,074)	–	–	1,705,074	–
Share option expense	–	–	167,423	–	–	–	167,423
Equity shareholders' funds at 31 December 2009	26,848,814	36,268,991	1,523,444	260,882	2,269,157	(23,966,571)	43,204,717

SERABI MINING PLC
Consolidated Cash Flow Statements

	For the year ended 31 December 2009 US\$	For the year ended 31 December 2008 US\$	For the year ended 31 December 2007 US\$
Cash outflows from operating activities			
Operating loss	(9,763,622)	(8,596,693)	(1,188,043)
Depreciation – plant, equipment and mining properties	2,157,026	3,130,106	2,326,121
Impairment charges	4,343,048	–	–
Increase in rehabilitation provision	346,000	–	–
Loss on sale of assets	181,237	–	–
Option costs	167,423	123,498	177,913
Share based payment expense	334,987	–	–
Write-off of past exploration costs	495,138	1,174,269	628,066
Interest paid	(215,916)	(1,219,107)	(1,119,116)
Foreign exchange	(650,272)	(1,496,018)	(968,729)
Changes in working capital			
Decrease/(increase) in inventories	452	2,024,099	(348,915)
Decrease/(increase) in receivables, prepayments and accrued income	1,179,755	1,049,230	(691,942)
(Decrease)/increase in payables, accruals and provisions	(96,684)	3,019	(795,730)
Net cash flow from operations	(1,521,428)	(3,807,597)	(1,980,375)
Investing activities			
Proceeds of sale of fixed assets	1,220,691	23,393	–
Purchase of property, plant and equipment	(74,578)	(5,608,449)	(1,155,963)
Exploration and development expenditure	(620,490)	(5,248,892)	(6,017,472)
Capital and loan investments in subsidiaries	–	–	–
Interest received	3,569	471,283	586,969
Net cash inflow/(outflow) on investing activities	529,192	(10,362,665)	(6,586,466)
Financing activities			
Issue of ordinary share capital	4,266,740	–	25,303,751
Capital element of finance lease payments	(1,178,381)	(1,402,482)	(702,689)
Conversion of options	–	–	94,103
Issue of convertible loan stock	477,780	–	–
Payment of share issue costs	(172,250)	–	(1,399,551)
Net cash inflow/(outflow) from financing activities	3,393,889	(1,402,482)	23,295,614
Net increase/(decrease) in cash and cash equivalents	2,401,653	(15,572,744)	14,728,773
Cash and cash equivalents at beginning of period	1,538,956	18,529,795	3,791,202
Exchange difference on cash	141,273	(1,418,095)	9,820
Cash and cash equivalents at end of period	4,081,882	1,538,956	18,529,795

SERABI MINING PLC

Report and consolidated financial statements for the years ended 31 December 2009, 2008 and 2007

Notes to the Consolidated Financial Statements

1 Significant accounting policies

(a) Basis of preparation

Serabi Mining plc (the "Company") is a public limited company listed on AIM, part of the London Stock Exchange, incorporated and domiciled in the United Kingdom. The public registered office and principal place of business are disclosed in the corporate directory section of the Annual Report.

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

The financial statements have been prepared in accordance with International Financial Reporting Standards in force at the reporting date and their interpretations issued by the International Accounting Standards Board and adopted for use within the European Union (IFRS), and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Company has not adopted any standards or interpretations in advance of the required implementation dates. There has been no significant measurement impact on the consolidated financial statements from new standards or interpretations effective in 2009. The Company has adopted the provisions of IFRS 8 and IAS1 the effect of which have been purely presentational. The provisions of IAS23 – Borrowing Costs also became effective but the Company has not utilized any new borrowing to directly fund the acquisition of non-current assets.

It is not anticipated that the adoption in the future of the new or revised standards or interpretations that have been issued by the International Accounting Standards Board will have a material impact on the Group's earnings or shareholders' funds. The following standards which have not yet become effective are expected to impact the financial statements of future periods:

IFRS 3 – Business combinations/consolidated and separate financial statements – a revision to IFRS 3 effective from 1 July 2009 will change the accounting for goodwill, the cost of business combinations, and the methodology of accounting for business combinations that are undertaken on a staged basis. These changes will be accounted for prospectively and only affect acquisitions made in future financial periods.

Going concern

Following a review of the Company's financial position and its budgets and plans, the Directors have concluded that sufficient financial resources will be available to meet the Company's current and foreseeable working capital requirements, this being a period of not less than twelve months from the date of signing these financial statements. On this basis, they consider it appropriate to prepare the financial statements on the going concern basis. The Company is pursuing plans under which it is seeking to secure additional funding through a number of routes including a plan to secure a loan from Superintendencia do Desenvolvimento da Amazonia ("SUDAM") a government body responsible for assisting business development in the Amazon region of Brazil. Although not all of these potential sources of funding are guaranteed and in particular the potential loan from SUDAM remains subject to certain conditions which the Group may not be able to fulfill, the Directors are confident that additional equity or loan funding will be available as required and that there remains sufficient flexibility in its plans to be able to restrict future expenditure if needed.

Impairment

The Directors have undertaken a review of the carrying value of the mining and exploration assets of the Group, and considered the implications of the operational difficulties experienced and the current operational status of Palito. Following this review they have assessed the value of the existing assets on the basis of value in use involving a future recommencement of underground mining operations which is dependent on the ability of the Group to raise future finance and to operate the mine in line with the mine plan that forms the basis of the value in use calculation. The carrying values of assets have not been adjusted to reflect a failure to raise sufficient funds, only maintaining the current levels of operation or that if a sale transaction were undertaken the proceeds may not realise the value as stated in the accounts.

(b) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is recognised where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of the acquisition is less than the fair value of net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

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

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

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(ii) Transactions eliminated on consolidation

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

(c) Foreign currencies

The Group's presentation currency is US Dollars and has been selected based on the currency of the primary economic environment in which the Group as a whole operates.

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

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

The US Dollar/Sterling exchange rate at 31 December 2009 was 1.5926 (2008: 1.4479, 2007: 1.99631). The US Dollar/Brazilian Real exchange rate at 31 December 2009 was 1.7412 (2008:2.3560, 2007: 1.7741).

(d) Property, plant and equipment

(i) Owned assets

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

Upon demonstration of the feasibility of commercial production, any past deferred exploration, evaluation and development costs related to that operation are reclassified as Mining Properties. They are stated at cost less amortisation charges and any provision for impairment. Amortisation is calculated on the Unit of Production basis.

(ii) Leased assets

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

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

(iii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment, the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

(iv) Depreciation

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

Mining assets

Processing plant	three – seven years
Other plant and assay equipment	two – ten years
Heavy vehicles	eight years
Light vehicles	three years
Land and buildings	ten – twenty years
Mining properties	unit of production

Other assets

Furniture and fittings	five years
Office equipment	four years
Communication installations	five years
Computers	three years

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

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

(e) Deferred exploration and evaluation costs

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

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

(f) Trade and other receivables

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

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

Receivables in respect of sale of gold/copper concentrate are revalued using metal prices ruling at the balance sheet date.

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

(g) Cash and cash equivalents

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

(h) Impairment

Whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable, an asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less cost to sell and value in use) if that is less than the asset's carrying amount.

Impairment reviews for deferred exploration and evaluation costs are carried out on a project-by-project basis, with each project representing a single cash-generating unit. An impairment review is undertaken when indicators of impairment arise but typically when one of the following circumstances applies:

- (i) unexpected geological occurrences that render the resource uneconomic;
- (ii) title to the asset is compromised;
- (iii) variations in metal prices that render the project uneconomic; and
- (iv) variations in the currency of operation.

(i) Share capital

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

Called up share capital is recorded at par value of 0.5 pence per ordinary share and 9.5 pence per deferred share.

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

(j) Borrowings

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

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

(k) Employee benefits

(i) Share-based payment transactions

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

(ii) Share options

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

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

(iii) Pension costs

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

(l) Provisions

Provisions are recognised when:

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

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

(m) Trade and other payables

Trade and other payables are not interest bearing and are stated at cost.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value.

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

Gold bullion and concentrate and any other production inventories are valued at the lower of cost and net realisable value. Cost will reflect appropriate mining, processing, transport and labour costs as well as an allocation of mine services overheads.

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.

(o) Revenue

Revenue represents amounts receivable in respect of sales of gold and by-products. Revenue represents only sales for which contracts have been agreed and for which the product has been delivered to the purchaser in the manner set out in the contract. Revenue is stated net of any applicable sales taxes.

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

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

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

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

(p) Expenses

(i) Operating lease payments

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

(ii) Finance lease payments

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

(iii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method and interest receivable on funds invested. Interest income is recognised in profit or loss as it accrues, using the effective interest method.

(q) Taxation

The charge for taxation is based on the result for the year and takes into account deferred tax. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet method.

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

(r) Compound Financial Instruments

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

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

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

(s) Segmental reporting

The Group has only one primary business unit namely the conduct of gold mining and exploration in Brazil. For management purposes, however the Group recognises separate cost centres within the business for internal purposes and an analysis of activities by these cost centre is provided within the notes to these financial statements. The operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

(t) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to the Group's cash-generating units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

(u) Investments in subsidiaries

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

(v) Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements and assumptions about the future in the use of accounting estimates. These will, by definition, seldom equal the related actual results and adjustments

will consequently be necessary. Estimates are continually evaluated, based on experience and reasonable expectations of future events.

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

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

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Impairment of goodwill and other assets

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

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

Provisions

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

2 Segmental analysis

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

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

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

Revenue

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

	2009		2008	
Major Customers (accounting for more than 10% of the Group's revenues)	\$	%	\$	%
Customer 1	5,158,612	93.6	3,865,498	23.4
Customer 2	–	–	12,170,367	73.7

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

	2009			2008		
	Brazil	Unallocated	Total	Brazil	Unallocated	Total
	\$	\$	\$	\$	\$	\$
Revenue	5,313,213	199,591	5,512,804	15,756,118	767,459	16,523,577
Operating expenses	5,352,524	404,478	5,755,502	16,412,794	551,273	16,964,067
Operating loss/(gain)	39,311	202,887	242,198	656,676	(216,186)	440,490
Administration expenses	790,954	1,060,983	1,851,937	2,226,113	1,514,021	3,740,134
Share based payments	–	147,038	147,038	–	123,498	123,498
Write off of past exploration costs	433,303	61,835	495,138	897,716	276,553	1,174,269
Increase in rehabilitation provision	346,000	–	346,000	–	–	–
Impairment	4,114,832	228,216	4,343,048	–	–	–
Depreciation and loss/(gain) on asset disposals	1,945,060	393,203	2,338,263	2,806,763	311,539	3,118,302
Operating loss	7,669,460	2,094,162	9,763,622	6,587,268	2,009,425	8,596,693
Foreign exchange loss	(160,034)	174,567	14,533	398,524	1,230,614	1,629,138
Interest expense/(income)	180,405	31,942	212,347	1,060,709	(312,885)	747,824
Loss before taxation	7,689,831	2,300,671	9,990,502	8,046,501	2,927,154	10,973,655

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

	Total non-current assets	
	31 December 2009	31 December 2008
	\$	\$
Brazil – operations	35,287,719	31,554,487
Brazil – exploration	6,880,038	5,351,921
Brazil – goodwill	–	1,752,516
Other	40,069	65,877
	42,207,826	38,724,801

An analysis of total assets by location is as follows:

	Total assets		
	31 December 2009	31 December 2008	31 December 2007
	\$	\$	\$
Brazil	44,989,667	41,302,371	41,952,511
Other	4,248,501	2,287,124	24,878,635
	49,238,168	43,589,495	66,831,146

During the year, the following amounts incurred by area were capitalized as development and deferred exploration costs:

	For the year ended 31 December 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
	\$	\$	\$
Brazil	620,490	4,626,243	5,232,040
Other	20,385	622,649	785,432
	640,875	5,248,892	6,017,472

During the year, the following amounts were capitalized as property, plant and equipment:

	For the year ended 31 December 2009 \$	For the year ended 31 December 2008 \$	For the year ended 31 December 2007 \$
Brazil (non-leased assets)	283,578	5,548,708	1,152,808
Brazil (leased assets)	—	1,455,188	839,494
Other	—	59,741	21,355
	283,578	7,063,637	2,013,657

3 Operating loss

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

	For the year ended 31 December 2009 \$	For the year ended 31 December 2008 \$	For the year ended 31 December 2007 \$
Staff Costs	3,214,278	9,974,277	7,223,770
Depreciation (plant and equipment)	2,157,026	2,132,633	1,530,243
Depreciation (mining properties)	—	997,473	795,878
Impairment of property plant and equipment	2,590,532	—	—
Impairment of goodwill	1,752,516	—	—
Cost of inventories recognized as an expense	1,244,714	4,151,115	7,808,008
Operating lease charges	342,470	414,074	60,189

b. Auditors' Remuneration

	For the year ended 31 December 2009 \$	For the year ended 31 December 2008 \$	For the year ended 31 December 2007 \$
Fees payable to the group's auditor for the audit of the group's annual financial statements	67,855	92,139	48,534
Fees payable to the group's auditor and its associates for other services:			
audit of the Group's subsidiaries pursuant to legislation	29,011	63,794	63,661
tax services	7,208	25,131	24,738
all other services	—	7,731	11,990

4 Interest payable and receivable

	For the year ended 31 December 2009 \$	For the year ended 31 December 2008 \$	For the year ended 31 December 2007 \$
Interest payable on short-term trade finance	(35,511)	(158,314)	(286,447)
Interest payable on lease obligations	(61,053)	(144,807)	(150,880)
Other interest	(119,352)	(915,986)	(681,789)
Interest payable	(215,916)	(1,219,107)	(1,119,116)
Interest receivable on short-term deposits	3,569	471,283	586,969
Net interest	212,347	(747,824)	(532,147)

5 Taxation

	For the year ended 31 December 2009 \$	For the year ended 31 December 2008 \$	For the year ended 31 December 2007 \$
Current tax			
UK tax	–	–	–
Foreign tax	–	–	128,086
Deferred tax	–	–	–
Total	–	–	128,086

The tax provision for the current period varies from the standard rate of corporation tax in the UK of 28% (2008: 28.5% 2007 : 30%). The differences are explained as follows:

	For the year ended 31 December 2009 \$	For the year ended 31 December 2008 \$	For the year ended 31 December 2007 \$
Loss on ordinary activities before tax	(9,990,502)	(10,973,655)	5,207
Tax thereon at UK corporate tax rate of 28% (2008: 28.5% 2007: 30%)	(2,797,340)	(3,127,492)	1,562
Factors affecting the tax charge:			
expenses not deductible for tax purposes	1,543,871	852,257	327,750
income not taxable	–	(1,932,750)	(627,393)
higher rate tax overseas	(116,515)	(634,852)	–
unrecognised tax losses carried forward	1,369,984	4,842,837	298,081
underprovision for foreign tax in prior periods	–	–	128,086
Tax charge	–	–	128,086

The Group has total tax losses of US\$29.6 million (2008: US\$20.4 million) giving rise to a potential deferred tax asset of US\$9.4 million (2008: US\$6.5 million, 2007: US\$2.9 million). This asset has not been recognised in the financial statements because of uncertainty as to the time period over which the asset may be recovered.

6 Employee information

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

	For the year ended 31 December 2009 Number	For the year ended 31 December 2008 Number	For the year ended 31 December 2007 Number
Management and administration	16	37	27
Exploration	3	12	41
Mine development and operations	62	262	325
Total	81	311	393

	\$	\$	\$
Staff costs			
Wages and salaries	2,102,146	7,452,004	5,926,620
Cost of incentive scheme shares and Director shares vested	167,423	130,034	213,655
Social security costs	434,431	1,606,335	998,906
Termination costs	270,268	717,488	–
Pension contributions	240,110	68,416	84,589
Total	3,214,378	9,974,277	7,223,770

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

Serabi Mineração Ltda contributes via social security payments to the state pension scheme which operates in Brazil and to which all its employees are entitled.

Key management and directors' remuneration

Key management comprises the Executive and Non-executive Directors only. Their compensation is:

	For the year ended 31 December 2009 \$	For the year ended 31 December 2008 \$	For the year ended 31 December 2007 \$
Salary and short-term employee benefits	206,090	708,292	810,145
Post employment benefits	4,277	58,154	64,871
Share-based payments	359,944	48,028	108,166
Total	570,311	814,474	983,182

The remuneration of the highest paid Director during the year was US\$279,897 (2008: US\$298,423, 2007 US\$327,619) which included US\$93,363 which was paid by way of an issue of shares as a contribution to his money purchase pension plan. The Company made further cash contributions to his money purchase pension scheme of US\$8,788 (2008: US\$20,525, 2007: US\$17,813). The remuneration also includes the valuation of options granted in accordance with IFRS 2 of US\$62,880 (2008: US\$48,028, 2007: US\$108,166).

During the year ended 31 December 2009 all of the Directors (2008: four, 2007: four) were entitled to accrue retirement benefits under money purchase schemes. As of 21 December 2009 each of the Directors waived their rights to receive future contributions to their money purchase retirement benefit schemes unless they agreed to forego basic salary in lieu.

7 Loss per share

The calculation of the basic loss per share of 6.16 cents (2008 loss per share: 7.83 cents, 2007 loss per share: 0.10 cents) is based on the loss attributable to ordinary shareholders of US\$9,990,502 (2008: loss of US\$10,973,655, 2007: loss of US\$122,879) and on the weighted average number of ordinary shares of 162,309,378 (2008: 140,139,065, 2007: 124,716,130) in issue during the period. No diluted earnings per share is presented as the effect of the exercise of share options would be to decrease the loss per share.

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

8 Intangible assets

Goodwill

	31 December 2009 \$	31 December 2008 \$	31 December 2007 \$
Cost			
Balance at 31 December	1,752,516	1,752,516	1,752,516
Amortisation			
Opening Balance	–	–	–
Impairment Charge (note 18)	(1,752,516)	–	–
Closing Balance	(1,752,516)	–	–
Net book value at end of period	–	1,752,516	1,752,516

Development and deferred exploration costs

	31 December 2009 \$	31 December 2008 \$	31 December 2007 \$
Cost			
Opening balance	5,351,921	13,254,658	6,454,074
Exploration and development expenditure	640,875	5,248,892	6,017,472
Write-off of past exploration costs	(495,138)	(1,174,269)	(628,066)
Exchange	1,570,728	(1,617,946)	1,411,178
Transfer to tangible assets (plant and equipment)	(188,348)	(10,359,414)	–
Total as at end of period	6,880,038	5,351,921	13,254,658

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

9 Tangible assets

Property, plant and equipment

	Land and buildings – at cost \$	Mining property – at cost \$	Plant and equipment – at cost \$	Total \$
2009				
Cost				
Balance at 31 December 2008	2,052,278	24,077,127	12,165,687	38,295,092
Additions	–	209,000	74,578	283,578
Transfer from development and deferred exploration costs	–	–	188,348	188,348
Exchange	1,856,322	7,047,290	2,660,937	11,564,549
Disposals	–	–	(1,764,676)	(1,764,676)
At 31 December 2009	3,908,600	31,333,417	13,324,874	48,566,891
Depreciation				
Balance at 31 December 2008	(1,227,098)	(1,699,137)	(3,748,493)	(6,674,728)
Charge for period	(494,401)	–	(1,662,625)	(2,157,026)
Impairment charge (note 18)	(86,130)	(2,037,683)	(466,719)	(2,590,532)
Exchange	(824,774)	(500,561)	(1,055,558)	(2,380,893)
Eliminated on sale of asset	–	–	564,076	564,076
At 31 December 2009	(2,632,403)	(4,237,381)	(6,369,319)	(13,239,103)
Net book value at 31 December 2009	1,276,197	27,096,036	6,955,555	35,327,788
Net book value at 31 December 2008	825,180	22,377,990	8,417,194	31,620,364

Included in Plant and equipment, are assets acquired under finance leases with net book value of US\$237,282 (2008: US\$1,197,619, 2007 US\$2,297,532). The associated liabilities are secured by the lessor's title to the leased assets. Further details regarding the impairment charge and the impairment review undertaken by the Directors, are set out in note 18.

Property, plant and equipment

	Land and buildings – at cost \$	Mining property – at cost \$	Plant and equipment – at cost \$	Total \$
2008				
Cost				
Balance at 31 December 2007	2,653,614	16,462,008	12,209,624	31,325,246
Additions	69,226	3,352,765	3,641,646	7,063,637
Transfer from development and deferred exploration costs	–	10,359,414	–	10,359,414
Exchange	(670,562)	(6,097,060)	(3,574,322)	(10,341,944)
Disposals	–	–	(111,261)	(111,261)
At 31 December 2008	2,052,278	24,077,127	12,165,687	38,295,092
Depreciation				
Balance at 31 December 2007	(1,154,678)	(1,134,093)	(3,205,469)	(5,494,240)
Charge for period	(465,745)	(997,473)	(1,666,888)	(3,130,106)
Exchange	393,325	432,429	1,043,438	1,869,192
Eliminated on sale of asset	–	–	80,426	80,426
At 31 December 2008	(1,227,098)	(1,699,137)	(3,748,493)	(6,674,728)
Net book value at 31 December 2008	825,180	22,377,990	8,417,194	31,620,364
Net book value at 31 December 2007	1,498,936	15,327,915	9,004,155	25,831,006

Property, plant and equipment

	Land and buildings – at cost \$	Mining property – at cost \$	Plant and equipment – at cost \$	Total \$
2007				
Cost				
Balance at 31 December 2006	2,201,439	13,623,179	8,860,453	24,685,453
Additions	–	497,425	1,516,232	2,013,657
Exchange	425,175	2,341,404	1,835,070	4,628,649
Disposals	–	–	(2,131)	(2,131)
At 31 December 2007	2,653,614	16,462,008	12,209,624	31,325,624
Depreciation				
Balance at 31 December 2006	(532,884)	(232,097)	(1,716,384)	(2,481,365)
Charge for period	(465,745)	(795,878)	(1,064,498)	(2,326,121)
Exchange	(156,049)	(106,118)	(425,688)	(687,855)
Eliminated on sale of asset	–	–	1,101	1,101
At 31 December 2007	(1,154,678)	(1,134,093)	(3,205,469)	(5,494,240)
Net book value at 31 December 2007	1,498,936	15,327,915	9,004,115	25,831,006
Net book value at 31 December 2006	1,668,555	13,391,082	7,144,069	22,203,706

10 Investments held as fixed assets

The Group consists of the following subsidiary undertakings:

Name	Incorporated	Activity	% holding
Serabi Mineração Ltda	Brazil	Gold mining and exploration	100%*
Serabi Mining Ltd	British Virgin Islands	Investment	100%
Serabi Mining Services Pty Ltd	Australia	Dormant	100%

* indirectly held.

11 Inventories

	31 December 2009 \$	31 December 2008 \$	31 December 2007 \$
Bullion and work in progress	–	100,821	948,437
Consumables	1,259,764	830,592	2,393,517
Inventories	1,259,764	931,413	3,341,954

The replacement cost of stocks does not differ materially from the amount stated above.

12 Trade and other receivables

	31 December 2009 \$	31 December 2008 \$	31 December 2007 \$
Current			
Trade receivables	136,142	912,235	1,817,843
Other receivables	139,396	80,463	85,609
Trade and other receivables	275,538	992,698	1,903,452

13 Cash and cash equivalents

	31 December 2009 \$	31 December 2008 \$	31 December 2007 \$
Cash at bank and in hand	4,081,882	1,538,956	18,629,402
Bank overdraft	–	–	(99,607)
Cash and cash equivalents	4,081,882	1,538,956	18,529,795

14 Trade and other payables

	31 December 2009 \$	31 December 2008 \$	31 December 2007 \$
Current			
Trade payables	2,774,628	1,796,576	2,422,185
Other payables	392,741	274,789	653,741
Employee benefits	315,243	225,741	241,410
Other taxes and social security	688,100	900,437	846,302
Trade and other payables	4,170,712	3,197,543	4,163,638
Non-current			
(Between one and five years)			
Other payables	68,873	–	–
Other taxes and social security	–	25,467	39,896
	68,873	25,467	39,896

15 Non-current provisions

Contingency provision

	31 December 2009	31 December 2008	31 December 2007
	\$	\$	\$
Opening balance	235,905	420,135	299,749
Released in year	–	(103,015)	53,468
Exchange	83,295	(81,215)	66,918
Closing balance	319,200	235,905	420,135

Environmental rehabilitation provision

	31 December 2009	31 December 2008	31 December 2007
	\$	\$	\$
Opening balance	500,000	500,000	500,000
Provided for in year	555,000	–	–
Closing balance	1,055,000	500,000	500,000
Total non-current provisions	1,374,200	735,905	920,135

The contingency provision covers claims that may be brought by former employees of Serabi Mineracao Limitada against that company. Brazilian labour law entitles a former employee to lodge within two years of leaving the company claims for alleged unpaid remuneration and compensation in the event of dismissal. The Company whilst contesting each claim has made provision in respect of all known claims. This additional provision is based on a best estimate of potential future claims that might arise.

The environmental rehabilitation provision has been established to cover any asset decommissioning and rehabilitation obligations. Such obligations include the dismantling of infrastructure, removal of residual materials and remediation of disturbed areas. The provision does not allow for any additional obligations expected from future developments.

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

16 Interest bearing liabilities

Leasing arrangements

Finance leases relate to mining equipment with varying lease terms between one and three years. Following the lease periods the Group will own these assets. The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

Finance lease liabilities

	Minimum lease payments		
	31 December 2009	31 December 2008	31 December 2007
	\$	\$	\$
No later than one year	84,761	1,119,870	821,864
Later than one year and not later than five years	–	188,376	398,439
	84,761	1,308,246	1,220,303
Future finance charges	(4,262)	(78,970)	(103,792)
Present value of minimum lease payments	80,499	1,229,276	1,116,511

Convertible loan stock

A convertible unsecured loan stock instrument was entered into on 9 November 2009 pursuant to which Greenwood Investments Ltd ("Greenwood") made available to the Company a facility of £300,000 on the following terms.

- the loan could be drawn down by the Company at any time on or before 31 December 2010;
- interest will accrue at the rate of 1 per cent. per annum and is compounded;

- the loan is repayable on 31 October 2014 subject to the right of Greenwood at any time, on one or more occasions, on or before the repayment date to convert any of the outstanding amounts owed by the company to Ordinary Shares at a price of 1.5 pence per share;
- if Greenwood is unable to convert as a result of being prevented by applicable rules and legislation or in the event that conversion is unduly onerous on Greenwood (which includes an obligation under Rule 9 of the City Code to make a mandatory offer) the repayment date will be extended;
- the Company has no ability to pre-pay any amount drawn down with out the prior written consent of Greenwood; and
- the loan may be treated by Greenwood as repayable in the event of the happening of certain events of default.

The full amount of the convertible loan stock was drawn down on 14 December 2009.

The fair value of the liability component of this convertible loan stock amounted to £136,191 (US\$216,898) on initial recognition, using cash flows discounted at a rate of 15.0 per cent. based on an anticipated borrowing rate for the Company for a similar debt facility without the equity conversion option. The equity element amounting to £163,809 (US\$260,882) is recorded in Other Reserves as part of Equity Shareholders' Funds.

	31 December 2009 \$	Group 31 December 2008 \$	31 December 2007 \$
Interest bearing liabilities – current			
Finance leases	80,499	1,046,936	740,379
Bank overdraft	–	–	99,607
	80,499	1,046,936	839,986
Interest bearing liabilities – non-current			
Finance leases	–	182,340	376,132
Convertible Loan Stock	216,898	–	–
	216,898	182,340	376,132

17 Share capital

	2009		2008		2007	
	Number	£	Number	£	Number	£
Authorized						
Ordinary shares of 0.5 pence each (2008 & 2007: 10 pence each)	3,337,357,765	16,686,789	250,000,000	25,000,000	250,000,000	25,000,000
Deferred shares of 9.5 pence each	140,139,065	13,313,211	–	–	–	–
	30,000,000		25,000,000		25,000,000	

On 28 January 2009, the shareholders approved:

- the sub-division of the existing issued share capital into 140,139,065 ordinary shares of 0.5 pence each and 140,139,065 deferred shares of 9.5 pence each;
- that each of the 109,860,935 authorized but unissued ordinary shares of 10 pence each capital be sub-divided and re-designated into 20 ordinary shares of 0.5 pence each; and
- that the authorized share capital be increased by £5 million through the creation of 1,000,000,000 new ordinary shares of 0.5 pence each.

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

the holders of deferred shares an amount equal to the nominal value of the deferred shares and thereafter any further surplus shall be distributed amongst the holders of ordinary shares.

	2009		2008		2007	
	Number	\$	Number	\$	Number	\$
Allotted, called up and fully paid						
Ordinary shares of 0.5 pence each (2008: 10 pence each)	327,740,595	2,827,419	140,139,065	25,285,679	140,139,065	25,285,679
Deferred shares of 9.5 pence each	140,139,065	24,021,395	–	–	–	–
		26,848,814		25,285,679		25,285,679

Movements in issued share capital

	31 December 2009 Number	31 December 2009 \$	31 December 2008 Number	31 December 2008 \$	31 December 2007 Number	31 December 2007 \$
Ordinary shares						
Opening balance	140,139,065	25,285,679	140,139,065	25,285,679	110,751,608	19,338,351
Sub-division of shares	–	(24,021,395)	–	–	29,069,768	5,884,593
Issue of shares for cash	187,601,530	1,563,135	–	–	317,689	62,735
Closing balance	327,740,595	2,827,419	140,139,065	25,285,679	140,139,065	25,285,679

	31 December 2009 Number	31 December 2009 \$	31 December 2008 Number	31 December 2008 \$	31 December 2007 Number	31 December 2007 \$
Deferred shares						
Opening balance	–	–	–	–	–	–
Sub-division of shares	140,139,065	24,021,395	–	–	–	–
Closing balance	140,139,065	24,021,395	–	–	–	–

The following share issues of Ordinary Shares have occurred during the year ended 31 December 2009:

10th November 2009	Placing of 144,534,500 Ordinary shares at a price of 1.5 pence each
10th November 2009	Issue of 5,054,551 Ordinary shares to certain suppliers and consultants in settlement of outstanding liabilities of £77,503
10th November 2009	Issue of 6,394,467 Ordinary shares to Directors in settlement of accrued but unpaid remuneration and benefits amounting to £95,917 issued at 1.5 pence each
3rd December 2009	Issue of 26,151,612 Ordinary shares at a price of 1.5 pence pursuant to an Open Offer and Placing
3rd December 2009	Issue of 5,466,400 Ordinary shares at a price of 1.5 pence pursuant to subscriptions from Directors

There were no issues of Ordinary Shares during the year ended 31 December 2008.

The following share issues occurred during the year ended 31 December 2007:

- (i) 29,069,768 shares were issued for cash at 43 pence per share raising a total of £11.8 million net of expenses; and
- (ii) 317,689 options were exercised raising £47,653.

Options to subscribe for ordinary shares

Pre-IPO share option plan

At the beginning of the period there were 10,682,521 options outstanding to Directors and certain employees of the Group under this plan.

All vesting conditions in respect of these options have been met by the holders.

On 21 December 2009 the Company and the Directors agreed to terminate their agreements in respect of all the options granted to the Directors amounting to 5,149,582 options held by those Directors under this Scheme.

Year ended 31 December 2009

Option period	Exercise price	Grant Date	Options in issue at start of period	Options exercised during period	Options Cancelled/ lapsed during period	Options in issue at end of period	Weighted average share price on date of exercise	Weighted average remaining life of option (years)
30 Nov 05 – 01 Apr 16	£0.15	25 Apr 05	5,793,279	–	2,975,314	2,817,965	n/a	6.25
01 Apr 06 – 01 Apr 16	£0.30	25 Apr 05	4,889,242	–	2,174,268	2,714,974	n/a	6.25
As at 31 December 2009			10,682,521	–	5,149,582	5,532,939		
Weighted average exercise price			21.9p	–	21.3p	22.4p		

Year ended 31 December 2008

30 Nov 05 – 01 Apr 16	£0.15	25 Apr 05	5,793,279	–	–	5,793,279	n/a	7.25
01 Apr 06 – 01 Apr 16	£0.30	25 Apr 05	4,889,242	–	–	4,889,242	n/a	7.25
As at 31 December 2008			10,682,521	–	–	10,682,521		
Weighted average exercise price			21.9p	–	–	21.9p		

Year ended 31 December 2007

30 Nov 05 – 01 Apr 16	£0.15	25 Apr 05	6,110,968	317,689	–	5,793,279	£0.442	8.25
01 Apr 06 – 01 Apr 16	£0.30	25 Apr 05	4,889,242	–	–	4,889,242	n/a	8.25
As at 31 December 2007			11,000,210	317,689	–	10,682,521		
Weighted average exercise price			21.9p	15.0p	–	21.9p		

KBC/Ambrian options

Pursuant to the Company's Initial Public Offer on 10 May 2005, the Company granted to each of KBC Peel Hunt Ltd and Ambrian Partners Limited as joint brokers an option to subscribe for 266,667 new ordinary shares at a price of 33 pence. Each of these options may have been exercised at any time from 10 May 2005 to 9 May 2010. These options have therefore now lapsed.

Serabi Mining plc Long-term Incentive Plan 2005

The Company has in place a Long-term Incentive Plan. During the year no options were issued under this plan.

On 21 December 2009 the Company, the Directors and certain employees agreed to terminate their agreements in respect of all the options granted to them under this Scheme amounting to 1,650,000 options held by those individuals.

During the year a charge of US\$57,515 has been recorded in these financial statements in respect of these options. In respect of cancelled options all charges that would have been recorded in future periods in reflection of the original vesting period of those options have, in accordance with IFRS 2, been charged in the current period being the period in which the options were cancelled.

Year ended 31 December 2009

Option period	Exercise price	Grant date	Options in issue at start of period	Options issued during period	Options Cancelled/ lapsed during period	Options in issue at end of period	Weighted average share price on date of exercise	Weighted average remaining life of option (years)
18 Jan 07 – 17 Jan 17	£0.3225	18 Jan 07	1,000,000	–	1,000,000	–	n/a	
28 Mar 07 – 27 Mar 17	£0.3840	28 Mar 07	75,000	–	–	75,000	n/a	7.24
15 Nov 07 – 14 Nov 17	£0.3685	15 Nov 07	400,000	–	400,000	–	n/a	
15 Nov 07 – 14 Nov 17	£0.2640	15 Nov 07	250,000	–	–	250,000	n/a	7.88
11 Jun 08 – 10 Jun 18	£0.2065	11 Jun 08	250,000	–	250,000	–	n/a	
As at 31 December 2009			1,975,000	–	1,650,000	325,000		
Weighted average exercise price			31.2p		31.6p	29.2p		
Year ended 31 December 2008								
18 Jan 07 – 17 Jan 17	£0.3225	18 Jan 07	1,000,000	–	–	1,000,000	n/a	8.05
28 Mar 07 – 27 Mar 17	£0.3840	28 Mar 07	150,000	–	75,000	75,000	n/a	8.24
15 Nov 07 – 14 Nov 17	£0.3685	15 Nov 07	400,000	–	–	400,000	n/a	8.88
15 Nov 07 – 14 Nov 17	£0.2640	15 Nov 07	450,000	–	200,000	250,000	n/a	8.88
11 Jun 08 – 10 Jun 18	£0.2065	11 Jun 08	–	250,000	–	250,000	n/a	9.45
As at 31 December 2008			2,000,000	250,000	275,000	1,975,000		
Weighted average exercise price			32.3p		29.7p	31.2p		
Year ended 31 December 2007								
18 Jan 07 – 17 Jan 17	£0.3225	18 Jan 07	–	1,000,000	–	1,000,000	n/a	9.05
28 Mar 07 – 27 Mar 17	£0.3840	28 Mar 07	–	150,000	–	150,000	n/a	9.24
15 Nov 07 – 14 Nov 17	£0.3685	15 Nov 07	–	400,000	–	400,000	n/a	9.88
15 Nov 07 – 14 Nov 17	£0.2640	15 Nov 07	–	450,000	–	450,000	n/a	9.88
As at 31 December 2007			–	2,000,000	–	2,000,000		
Weighted average exercise price				32.3p		32.3p		

Other Options

On 1 June 2008, the Company granted 100,000 options at an exercise price of 18.75 pence per share to the providers of certain consulting services to the Company. These options expire on 31 May 2010. As of the date of this report these options have not been exercised.

2009 Option Plan

During the year the Company granted the following options to Directors and employees under option agreements the terms of which, following consultation with its advisers, the Board considers are more suited to the current size and strategy of the Company than those which could be issued under the existing Long Term Incentive Plan 2005.

Date of grant	Number of options granted	Exercise price	Exercise period	Fair value
21 Dec 09	19,000,000	1.5p	21 Dec 09 to 20 Dec 19	0.8p

In compliance with IFRS 2 the Company has attributed a fair value to the issue of the options and has used the Black-Scholes calculation method to calculate this fair value. The fair value of these options is being charged to the profit and loss account or capitalized as an intangible asset as appropriate over the vesting period. The following assumptions were made in the calculation of the fair value:

Risk free rate	1.00%
Volatility (based on share performance)	50.00%
Expected life of option (average)	four years

During the year a charge of US\$47,610 has been recorded in these financial statements in respect of these options.

18 Impairment

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

At the end of 2008, the Group placed the underground mining operations on to care and maintenance following difficulties in achieving the required operational performance from the mine which would have necessitated the injection of further capital which at that time was not available to the Group. Since the end of 2008, the Group has continued a much reduced operation at Palito focused on the exploitation of the near small near surface oxide deposits which can be mined through open pit mining methods. The Group is currently embarking on a programme of identifying additional underground gold deposits in close proximity to the Palito mine, with a view to enhancing the reserve and resource base of this mineral district and ultimately to be in a position to re-open the Palito underground mine and also to start operation at two or more satellite mines nearby.

The Directors have considered each of the Group's exploration and development assets on a project-by-project basis. It has considered three general cash generating units for the purpose of this assessment. These are:

- the Palito mine itself including the pre-operating cost, exploration expenditures on establishing the current declared reserve and resource base, land and buildings and plant and machinery associated with the mining operations
- exploration expenditures on areas within the Palito environs but which have not yet been exploited and do not form part of the current declared reserves and resources; and
- exploration expenditures on other tenements.

Following this review and making estimates of the value in use, the Directors have concluded that an impairment charge against the carrying value of the assets of the Group relating to the Palito mine is required. The Directors have concluded that the estimated value in use is US\$35,287,719 compared with the carrying value of the assets of the cash generating group of US\$39,630,767.

In respect of the assets of the Company it has been concluded that the estimated value of future cash flows that could be received by the Company deriving from this cash generating unit is US\$32,278,601. As a result an impairment provision of US\$10.7million has been recorded to reduce the assets to this value.

A provision was also made against the Company assets in the prior year to reduce the carrying amount to the estimated value of the future cash flows receivable. Management have reviewed this calculation and believe that the treatment in respect of available tax losses was inappropriate and have re-estimated the net present value of the future cash flows expected at 31 December 2008 on a consistent basis with the current year. As a result, the impairment charge and the Company's loss for the year ended 31 December 2008 has reduced by US\$13.2 million and net assets increased by the same amount against those previously reported.

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

Group

The carrying value for the Group of the Palito cash generating unit comprises:

	Carrying value before impairment	Impairment provision	Carrying value after impairment
	\$	\$	\$
Goodwill	1,752,516	1,752,516	–
Mining Property	29,133,719	2,037,683	27,096,036
Land and Buildings	1,362,327	86,130	1,276,197
Plant and Equipment	7,382,205	466,719	6,915,486
	39,630,767	4,343,048	35,287,719

No impairment provision has been made in respect of any of the other cash generating units.

In deriving the estimates of the value in use in respect of the Palito mine the Directors' have calculated a Net Present Value of the projected cash flows to be derived by the Group and by the Company from the exploitation of the known reserves of 187,538 gold equivalent ounces as estimated at the end of March 2008.

The Net Present Value calculation used the following key assumptions:

Commencement of operations	1 January 2012
Long Term Gold Price	US\$850
Exchange Rate Br R\$ to US\$	1.7412
Discount factor	15%
Cost estimates	Based on historic cost and usage data
Mine Plan	A period of development of some 12 months with development ore initially stockpiled for a five month period during which time no processing or gold production occurs. Processing commencing thereafter and after the initial 12 month period stoping activities are recommenced and thereafter a steady state and ratio of production from stoping and development activity can be maintained
Average monthly plant throughput rate	15,000 tonnes per month
Average annual gold production (2013 onwards)	41,500 gold equivalent ounces
Production Period	5 years

As required by IAS 36 no benefit has been recognised for any additional value that could be generated from the assets through improving the performance of the assets through additional cash outflows. For this reason the mine life has been terminated upon exhaustion of the known reserves and no recognition taken of other mineral resources at Palito.

The gold price used is based on a consensus forecasts from analysts, whilst in accordance with IAS 36 the BrR\$:US\$ exchange rate used is that prevailing at 31 December 2009. The rate on 24 May 2010 was BrR\$1.86: US\$1.00.

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

Group

		\$
Delay of project start-up to January 2013	Decrease in NPV	4,603,000
Decrease in gold price by 5%	Decrease in NPV	3,313,000
Appreciation of BrR\$:US\$ exchange rate by 10%	Decrease in NPV	3,185,000
Increase in discount factor by 1%	Decrease in NPV	1,599,000
Increase in cost estimates by 10%	Decrease in NPV	4,255,000

19 Capital management

The Group has historically sourced capital through share issues on the London Stock Exchange and the Board had managed the capital structure of the Group and aligned this with the risk profiles of its underlying assets. The Group raised finance in the last quarter of 2009 through a combination of the issue of new shares and convertible loan stock and is using these funds to advance exploration activity around the Palito mine. It is expected that the Company will require additional financing to continue to advance exploration and ultimately to commence production activity. It will, where possible and appropriate, endeavour to access capital markets other than the equity markets in order to introduce this additional finance into the Group and will continue to seek to minimize capital requirement and expenditure on other projects in the near term.

20 Company statement of comprehensive income

A separate statement of comprehensive income for Serabi Mining plc has not been prepared as permitted by the Section 408 of the Companies Act 2006. The loss of the Company during 2009 was US\$12,745,924 (2008 restated: loss of US\$11,709,461, 2007: loss of US\$1,676,095).

21 Commitments and contingencies

Capital commitments

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

Management estimates that the cost over the next twelve months of fulfilling the current contracted commitments on all the properties in which the Group has an interest is US\$359,445.

Operating lease commitments

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

	31 December 2009 \$	31 December 2008 \$	31 December 2007 \$
Commitments falling due:			
within one year	60,519	271,890	–
between one year and five years	121,038	251,870	–
Total	181,557	523,760	–

Contingencies

Employment legislation in Brazil allows former employees to bring claims against an employer at any time for a period of two years from the date of cessation of employment and regardless of whether the employee left the company voluntarily or had their contract terminated by the company. The Group considers that it operates in compliance with the law at all times but is aware that claims are made against all companies in Brazil on a regular basis. Whilst the Group makes provision or accrues for all known claims further claims may arise at any time.

22 Related party transactions

During the period the Company has made loans to subsidiary entities totalling US\$1,539,000 (2008: US\$13,258,583, 2007: US\$5,894,367). The Company has loans outstanding to subsidiaries totalling US\$31,707,231 (2008: US\$30,261,815, 2007: US\$17,536,972) before any provision for the impairment of these loans (see note 12). In addition Serabi Mining plc has purchased all of the copper/gold concentrate production of its wholly-owned subsidiary entity Serabi Mineracao Limitada for a value of USD\$258,665 (2008: US\$11,569,021, 2007: US\$ nil). The price paid is referenced to market values on the date of each sale. The Company makes an onward sale of the concentrate to a refinery and assumes the credit, price, exchange rate and assay risks involved in final settlement with the refinery.

The Company provided guarantees during the year on behalf of Serabi Mineracao Limitada in respect of finance lease entered into by that company for the acquisition of plant and machinery. During the year all obligations under these finance leases were discharged and the Company released from its guarantee obligations.

23 Financial instruments

The Group's and the Company's financial assets at 31 December 2009 which comprise trade and other receivables and cash, and in the case of the Company include amounts due from subsidiaries, are classified as loans and receivables. All of the Group's and Company's financial liabilities which comprise trade and other payables, accruals and interest bearing liabilities, are classified as liabilities measured at amortised cost.

The Group and the Company have not entered into any derivative transactions and it is not currently the Group's policy to undertake trading in financial instruments.

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

Commodity price risk

The Group and the Company are exposed to fluctuations in commodity prices and in particular the price of gold and copper. It is not currently the Group's intention to enter into any arrangements to protect itself from changes in the prices of these commodities. The Group does however closely monitor the prices of these commodities and will consider the use of hedging contracts, where appropriate, in future.

At the end of the financial year neither the Group nor the Company had any unsold or part-paid production and accordingly the results for the year and the equity position of the Group and of the Company are not affected by any change in commodity prices subsequent to the end of the year.

For comparative purposes an analysis of the effect of a 10% movement in average commodity prices on the Group's profit and loss and equity for 2008 was as follows:

	2009		2008		2007	
	P&L	Equity	P&L	Equity	P&L	Equity
	\$000	\$000	\$000	\$000	\$000	\$000
A 10% increase in the average commodity price	–	–	291	291	290	290
A 10% decrease in the average commodity price	–	–	(291)	(291)	(398)	(398)

Interest rate risk

The Group currently finances its operations through equity financing, has a short-term trade finance facility and the Group has fixed rate finance leases.

Group

	Weighted average effective interest rate %	Non-interest bearing \$	Floating \$	Fixed interest maturity One year or less \$	Over one to five years \$	Total \$
2009						
Financial assets						
Cash	0.16	–	4,081,882	–	–	4,081,882
Receivables	–	275,538	–	–	–	275,538
Total		275,538	4,081,882	–	–	4,357,420
Financial liabilities						
Payables and accruals	–	4,361,854	–	–	–	4,361,854
Interest bearing liabilities	5.95	–	–	80,499	216,898	297,397
Total		4,361,854	–	80,499	216,898	4,659,251

	Weighted average effective interest rate %	Non-interest bearing \$	Floating \$	Fixed interest maturity One year or less \$	Over one to five years \$	Total \$
2008						
Financial assets						
Cash	5.50	–	1,538,956	–	–	1,538,956
Receivables	–	992,698	–	–	–	992,698
Total		992,698	1,538,956	–	–	2,531,654
Financial liabilities						
Payables and accruals	–	3,359,772	–	–	–	3,359,772
Interest bearing liabilities	10.93	–	–	1,046,936	182,340	1,229,276
Total		3,359,772	–	1,046,936	182,340	4,589,048

	Weighted average effective interest rate %	Non-interest bearing \$	Floating \$	Fixed interest maturity One year or less \$	Over one to five years \$	Total \$
2007						
Financial assets						
Cash	4.89	–	18,629,402	–	–	18,629,402
Receivables	–	1,903,452	–	–	–	1,903,452
Total		1,903,452	18,629,402	–	–	20,532,854
Financial liabilities						
Payables and accruals	–	4,290,645	–	–	–	4,290,645
Interest bearing liabilities	11.38	–	99,607	740,379	376,132	1,216,118
Total		4,290,645	99,607	740,379	376,132	5,506,763

There is not considered to be any material interest rate risk. The Group's policy is to retain surplus funds as short-term deposits, of up to four weeks duration, at prevailing market rates and to pay trade payables within their credit terms.

The fair value of all financial instruments is approximately equal to book value due to their short-term nature.

Liquidity risk

To date the Group has relied on shareholder funding, short-term trade finance and fixed rate finance leases to finance its activities. The Group has drawn down on a convertible loan stock instrument (see note 16) which is repayable in 2014 but otherwise does not have any other borrowing or credit facilities. The Group's objectives when managing its capital are to maintain financial flexibility to achieve its development plans, safeguard its ability to continue to operate as a going concern through management of its costs whilst optimising its access to capital markets by endeavouring to deliver increase in value of the Group for the benefit of shareholders. In establishing its capital requirements the Group will try to take account of the risks inherent in its plans and proposed activities and prevailing market conditions. During 2009 the Group raised new funding through the issue of new shares and a convertible loan stock instrument and continued development of the Group's projects will be dependent on the ability to attract additional funding, through joint ventures, asset disposals, new equity or debt. There is no guarantee that the Group will be able to secure adequate funding in the future or that the terms of such financing will be acceptable.

The following table sets out the maturity profile of the financial liabilities 31 December 2009

	\$
Due in less than one month	3,878,822
Due between one month and three months	134,194
Due between three months and one year	360,464
	4,373,480

Currency risk

Although the Parent Company is incorporated in the United Kingdom its financial statements and those of the Group are denominated in US Dollars.

Share issues have been priced solely in Sterling. Expenditure is in US Dollars, Sterling, Euros, Australian Dollars and Brazilian Real.

The table below shows the effect on the Group's operating loss (before interest and other income) and equity of a 10% movement of the Brazilian Real against the US Dollar:

	2009		2008		2007	
	P&L (Loss on ordinary activities before interest and other income)	Equity	P&L (Loss on ordinary activities before interest and other income)	Equity	P&L (Loss on ordinary activities before interest and other income)	Equity
	\$000	\$000	\$000	\$000	\$000	\$000
10% strengthening of the Brazilian Real against the US Dollar	(374)	4,222	(1,354)	3,278	(2,021)	1,970
10% weakening of the Brazilian Real against the US Dollar	306	(3,454)	1,732	(2,682)	1,654	(1,612)

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

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

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

The Group considers book value to equal fair value.

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

	31 December 2009	31 December 2008	31 December 2007
	\$	\$	\$
US Dollar	10,648	743,701	1,727,599
Sterling	4,008,751	779,568	16,891,589
Australian Dollar	3,073	9,661	7,853
Brazilian Real	59,410	6,026	2,361
	4,081,882	1,538,956	18,629,402
Brazilian Real	—	—	(99,607)
Total	4,081,882	1,538,956	18,529,795

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

Credit risk

The Group's exposure to credit risk is limited to its cash and cash equivalents and trade and other receivables amounting to US\$4,357,420 (2008: US\$2,531,654, 2007: US\$ 20,532,854). It is the Group's policy to only deposit surplus cash with financial institutions that hold good credit ratings and to provide credit in respect of receivables only with parties that themselves have good credit history or otherwise to hold some form of lien pending settlement.

**CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER
2010, AND THE THREE MONTH PERIOD ENDED 30 SEPTEMBER 2010**

SERABI MINING PLC

Consolidated Statements of Comprehensive Income

		For the Nine months ended 30 September 2010 (expressed in US\$)	For the Three months ended 30 September 2010 (unaudited)	For the year ended 31 December 2009 (audited)	For the nine months ended 30 September 2009 (unaudited)	For the Three months ended 30 September 2009 (unaudited)
	Notes					
CONTINUING OPERATIONS						
Revenue		1,171,908	22,909	5,512,804	4,792,920	1,191,571
Operating expenses		(1,905,489)	(411,103)	(5,755,002)	(4,568,045)	(1,506,070)
Gross profit/(loss)		(733,581)	(388,194)	(242,198)	224,875	(314,499)
Administration expenses		(1,403,406)	(561,015)	(1,851,937)	(1,371,913)	(192,978)
Option costs		(75,307)	(25,103)	(147,038)	(60,174)	(20,013)
Write-off of past exploration costs		—	—	(495,138)	(476,967)	(476,967)
Increase in rehabilitation provision		—	—	(346,000)	(346,000)	(346,000)
Loss on asset disposals		(115,800)	(111,106)	(181,237)	(176,219)	33,442
Impairment	11	—	—	(4,343,048)	(3,582,333)	(1,159,596)
Depreciation of plant and equipment		(1,514,897)	(497,439)	(2,157,026)	(1,625,894)	(499,788)
Operating loss		(3,842,991)	(1,582,857)	(9,763,622)	(7,414,625)	(2,976,399)
Foreign exchange (loss)/gain		(31,481)	241,092	(14,533)	166,815	73,060
Finance costs		(121,595)	(61,016)	(215,916)	(191,822)	(32,886)
Investment income		21,794	16,691	3,569	1,748	267
Loss before taxation		(3,974,273)	(1,386,090)	(9,990,502)	(7,437,884)	(2,935,958)
Income tax expense		—	—	—	—	—
Loss for the period from continuing operations ^{(1) (2)}		(3,974,273)	(1,386,090)	(9,990,502)	(7,437,884)	(2,935,958)
Other comprehensive income (net of tax)						
Exchange differences on translating foreign operations		955,544	2,193,512	10,072,895	9,374,318	3,254,662
Total comprehensive (loss)/income for the period ⁽²⁾		(3,018,729)	807,422	82,393	1,936,434	318,704
Loss per ordinary share (basic and diluted) ⁽¹⁾	4	(1.06c)	(0.31c)	(6.16c)	(5.31c)	(2.10c)

(1) All revenue and expenses arise from continuing operations.

(2) The Group has no non-controlling interests and all income / (losses) are attributable to the equity holders of the Parent Company.

SERABI MINING PLC
Consolidated Balance Sheets

(expressed in US\$)	Notes	As at 30 September 2010 (unaudited)	As at 31 December 2009 (audited)	As at 30 September 2009 (unaudited)
Non-current assets				
Development and deferred exploration costs	5	8,558,842	6,880,038	6,478,501
Property, plant and equipment	6	34,280,250	35,327,788	35,922,960
Total non-current assets		42,839,092	42,207,826	42,401,461
Current assets				
Inventories	7	1,352,402	1,259,764	1,094,059
Trade and other receivables		251,122	275,538	328,187
Prepayments and accrued income		1,561,295	1,413,158	1,487,400
Cash at bank and cash equivalents	8	5,247,991	4,081,882	916,269
Total current assets		8,412,810	7,030,342	3,825,915
Current liabilities				
Trade and other payables		3,387,529	4,170,712	4,073,090
Accruals		182,091	122,269	311,775
Interest bearing liabilities		—	80,499	122,957
Total current liabilities		3,569,620	4,373,480	4,507,822
Net current assets		4,843,190	2,656,862	(681,907)
Total assets less current liabilities		47,682,282	44,864,688	41,719,554
Non-current liabilities				
Trade and other payables		388,049	68,873	90,827
Provisions		1,383,057	1,374,200	1,367,577
Interest bearing liabilities		245,477	216,898	—
Total non-current liabilities		2,016,583	1,659,971	1,458,404
Net assets		45,665,699	43,204,717	40,261,150
Equity				
Share capital	10	27,752,834	26,848,814	25,285,679
Share premium		40,754,032	36,268,991	33,402,649
Option reserve		1,614,094	1,523,444	3,121,269
Other reserves		260,882	260,882	—
Translation reserve		3,224,701	2,269,157	1,570,580
Accumulated loss		(27,940,844)	(23,966,571)	(23,119,027)
Equity shareholders' funds		45,665,699	43,204,717	40,261,150

The interim financial information has not been audited and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. Whilst the financial information has been compiled in accordance with International Financial Reporting Standards ("IFRS") it does not contain sufficient financial information to comply with IFRS. The Group statutory accounts for the year ended 31 December 2009, prepared under IFRS as adopted in the EU, have been filed with the Registrar of Companies. The auditors' report on these accounts was unqualified but did contain an Emphasis of Matter with respect to the ability of the Company and the Group to continue as a going concern. The auditors' report did not contain a statement under Section 498 (2) or 498 (3) of the Companies Act 2006.

SERABI MINING PLC

Consolidated Statements of Changes in Shareholders' Equity

(expressed in US\$) (unaudited)	Share capital	Share premium	Share option reserve	Other reserves	Translation reserve	Accumulated loss	Total equity
Equity shareholders' funds at 31 December 2008	25,285,679	33,402,649	3,061,095	—	(7,803,738)	(15,681,143)	38,264,542
Foreign currency adjustments	—	—	—	—	9,374,318	—	9,374,318
Loss for the period	—	—	—	—	—	(7,437,884)	(7,437,884)
Total comprehensive income for the period	—	—	—	—	9,374,318	(7,437,884)	1,936,434
Share option expense	—	—	60,174	—	—	—	60,174
Equity shareholders' funds at 30 September 2009	25,285,679	33,402,649	3,121,269	—	1,570,580	(23,119,027)	40,261,150
Foreign currency adjustments	—	—	—	—	698,577	—	698,577
Loss for the period	—	—	—	—	—	(2,552,618)	(2,552,618)
Total comprehensive income for the period	—	—	—	—	698,577	(2,552,618)	(1,854,041)
Issue of new ordinary shares	1,563,135	3,129,079	—	—	—	—	4,692,214
Share issue costs	—	(262,737)	—	—	—	—	(262,737)
Equity portion of convertible loan stock	—	—	—	260,882	—	—	260,882
Cancellation of share options	—	—	(1,705,074)	—	—	1,705,074	—
Share option expense	—	—	107,249	—	—	—	107,249
Equity shareholders' funds at 31 December 2009	26,848,814	36,268,991	1,523,444	260,882	2,269,157	(23,966,571)	43,204,717
Foreign currency adjustments	—	—	—	—	955,544	—	955,544
Loss for the period	—	—	—	—	—	(3,974,273)	(3,974,273)
Total comprehensive income for the period	—	—	—	—	955,544	(3,974,273)	(3,018,729)
Issue of new ordinary shares	904,020	4,520,100	—	—	—	—	5,424,120
Share issue costs	—	(35,059)	—	—	—	—	(35,059)
Share option expense	—	—	90,650	—	—	—	90,650
Equity shareholders' funds at 30 September 2010	27,752,834	40,754,032	1,614,094	260,882	3,224,701	(27,940,844)	45,665,699

SERABI MINING PLC
Consolidated Cash Flow Statements

	For the nine months ended 30 September 2010 (unaudited)	For the Year Ended 31 December 2009 (audited)	For the nine months ended 30 September 2009 (unaudited)
(expressed in US\$)			
Operating activities			
Operating loss	(3,842,991)	(9,763,622)	(7,414,625)
Depreciation – plant, equipment and mining properties	1,514,897	2,157,026	1,625,894
Impairment charges	—	4,343,048	3,582,333
Increase in rehabilitation provision	—	346,000	346,000
Loss on sale of assets	115,800	181,237	176,219
Option costs	75,307	167,423	60,174
Share based payment expense	—	334,987	—
Write-off of past exploration costs	—	495,138	476,967
Interest paid	(93,016)	(215,916)	(191,822)
Foreign exchange loss	(53,045)	(650,272)	(770,105)
Changes in working capital			
(Increase) / decrease in inventories	(54,618)	452	118,806
(Increase) / decrease in receivables, prepayments and accrued income	(73,268)	1,179,755	1,039,725
(Decrease) / increase in payables, accruals and provisions	(496,467)	(96,684)	665,091
Net cash flow from operations	(2,907,401)	(1,521,428)	(285,343)
Investing activities			
Proceeds from sale of fixed assets	246,745	1,220,691	1,169,502
Purchase of property, plant and equipment	—	(74,578)	(71,450)
Exploration and development expenditure	(1,420,722)	(620,490)	(378,998)
Interest received	21,794	3,569	1,748
Net cash inflow/(outflow) on investing activities	(1,152,183)	529,192	720,802
Financing activities			
Issue of ordinary share capital	5,424,120	4,266,740	—
Capital element of finance lease payments	(78,327)	(1,178,381)	(1,134,575)
Issue of convertible loan stock	—	477,780	—
Payment of share issue costs	(35,059)	(172,250)	—
Net cash inflow/(outflow) from financing activities	5,310,734	3,393,889	(1,134,575)
Net increase/(decrease) in cash and cash equivalents	1,251,150	2,401,653	(699,116)
Cash and cash equivalents at beginning of period	4,081,882	1,538,956	1,538,956
Exchange difference on cash	(85,041)	141,273	76,429
Cash and cash equivalents at end of period	5,247,991	4,081,882	916,269

SERABI MINING PLC

Notes to the Consolidated Financial Statements

1. Basis of preparation

These interim accounts are for the nine month period ended 30 September 2010. Comparative information has been provided for the unaudited nine month period ended 30 September 2009 and the audited twelve month period from 1 January to 31 December 2009. A statement of comprehensive income is also included in respect of the three month period ended 30 September 2010 and comparative information has been provided for the three month period ended 30 September 2009.

The accounts for the period have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the accounting policies are consistent with those of the annual financial statements for the year ended 31 December 2009 and those envisaged for the financial statements for the year ended 31 December 2010:

- The financial statements are presented in US Dollars. They are prepared on the historical cost basis or the fair value basis where the fair valuing of relevant assets and liabilities has been applied.
- The financial statements have been prepared in accordance with International Financial Reporting Standards in force at the reporting date and their interpretations issued by the International Accounting Standards Board and adopted for use within the European Union (IFRS), and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.
- The Company has not adopted any standards or interpretation in advance of the required implementation dates. It is not anticipated that the adoption in the future of the new or revised standards or interpretations that have been issued by the International Accounting Standards Board will have a material impact on the Group's earnings or shareholders' funds.

(i) Going Concern and availability of project finance

In common with many companies in the exploration and development stages, the Company raises its finance for exploration and development programmes in discrete tranches. The directors have prepared cash flow projections for the period to June 2012 which indicates that existing funds will be sufficient to fund the group and its commitments for the foreseeable future. The directors have therefore concluded that it is appropriate to prepare the condensed financial statements on a going concern basis.

However further funds will be required in order to successfully develop any successful exploration targets and bring the Palito mine back into operation. Whilst the directors are confident that they are taking all the necessary steps to ensure that the funding will be available, there can be no certainty that this will be the case. Were the funding not to become available in an appropriate timescale the directors would need to consider alternative strategies and an impairment review would be required in respect of the capitalized expenditure on the Palito project. No adjustments to asset carrying values that may be necessary should the company be unsuccessful have been recognised in the financial statements.

(ii) Impairment

The Directors have undertaken a review of the carrying value of the mining and exploration assets of the Group, and considered the implications of the operational difficulties experienced and the current operational status of Palito. Following this review they have assessed the value of the existing assets on the basis of value in use involving a future recommencement of underground mining operations which is dependent on the ability of the Group to raise future finance and to operate the mine in line with the mine plan that forms the basis of the value in use calculation. The carrying values of assets have not been adjusted to reflect a failure to raise sufficient funds, only maintaining the current levels of operation or that if a sale transaction were undertaken the proceeds may not realise the value as stated in the accounts.

(iii) Inventories

Inventories - are valued at the lower of cost and net realisable value.

(iv) Property, plant and equipment

Property, plant and equipment are depreciated over their useful lives.

(v) Mining property

The Group commenced commercial production at the Palito mine effective 1 October 2006. Prior to this date all revenues and operating costs were capitalized as part of the development costs of the mine. Effective from 1 October 2006 the accumulated development costs of the mine were re-classified as Mining Property costs and such cost is being amortised over the anticipated life of the mine on a unit of production basis. As the underground mine is currently on care and maintenance and there is no depletion of the reserves and resources attributable to the mine, no amortization charge has been recorded in the period.

(vi) Revenue

Revenue represents amounts receivable in respect of sales of gold and by-products. Revenue represents only sales for which contracts have been agreed and for which the product has been delivered to the purchaser in the manner set out in the contract. Revenue is stated net of any applicable sales taxes. Any unsold production and in particular concentrate is held as inventory and valued at production cost until sold.

2. Segment Reporting

The Group currently operates with one business segment being mineral exploration and development and one geographical segment being Brazil.

3. Taxation

Taxation represents a provision for corporate taxes due on taxable profits arising in Brazil. No deferred tax asset arising from carried forward losses incurred outside of Brazil has been recognised in the financial statements because of uncertainty as to the time period over which this asset may be recovered.

4. Earnings per share

The calculation of the basic loss per share of 1.06 cents per share (31 December 2009: loss of 6.16 cents; 30 September 2009: loss of 5.31 cents) is based on the loss attributable to ordinary shareholders of \$3,974,273 (31 December 2009: loss of US\$9,990,502; 30 September 2009: loss of US\$7,437,884) and on the weighted average number of ordinary shares in issue during the period of 374,773,562 ordinary shares (31 December 2009: 162,309,378; 30 September 2009: 140,139,065).

5. Exploration and development costs

	30 September 2010 (unaudited)	31 December 2009 (audited)	30 September 2009 (unaudited)
Cost			
Opening balance	6,880,038	5,351,921	5,351,921
Exploration and development expenditure	1,436,066	640,875	378,998
Write-off of past exploration costs	—	(495,138)	(476,967)
Exchange	242,738	1,570,728	1,412,897
Transfer to property, plant and equipment	—	(188,348)	(188,348)
Balance at end of period	8,558,842	6,880,038	6,478,501

In drawing up the results to 30 September 2009, the directors have reviewed the timing of the impairment charges made during the year ended 31 December 2009 and determined that a charge of approximately US\$475,000 should be recorded in the period ended 30 June 2009. Originally this write down was recorded in the 6 month period ended 31 December 2009.

6. Property, plant and equipment

	30 September 2010 (unaudited)	31 December 2009 (audited)	30 September 2009 (unaudited)
Cost			
Balance at beginning of period	48,566,891	38,295,092	38,295,092
Additions	—	283,578	280,450
Transfer from intangible assets	—	188,348	188,348
Exchange	1,179,687	11,564,549	10,607,880
Disposals	(543,000)	(1,764,676)	(1,710,203)
Balance at end of period	49,203,578	48,566,891	47,661,567
Accumulated depreciation			
Balance at beginning of period	13,239,103	6,674,728	6,674,728
Charge for period	1,514,898	2,157,026	1,625,894
Impairment charge	—	2,590,532	1,829,817
Exchange	349,783	2,380,893	2,165,535
Eliminated on sale of asset	(180,456)	(564,076)	(557,367)
Balance at end of period	14,923,328	13,239,103	11,738,607
Net book value at end of period	34,280,250	35,327,788	35,922,960

7. Inventories

	30 September 2010 (unaudited)	31 December 2009 (audited)	30 September 2009 (unaudited)
Consumables	1,352,402	1,259,764	1,094,059
Inventories	1,352,402	1,259,764	1,094,059

8. Cash and cash equivalents

	30 September 2010 (unaudited)	31 December 2009 (audited)	30 September 2009 (unaudited)
Cash at bank and in hand	5,247,991	4,081,882	916,269
Cash and cash equivalents	5,247,991	4,081,882	916,269

9. Maturity profile of financial liabilities and commitments

The following table sets out the maturity profile of the financial liabilities as at 30 September 2010 and commitments under operating leases.

	Total at 30 September 2010 (unaudited)	Due by 30 September 2011 (unaudited)	Due October September 2011 to September 2013 (unaudited)	Due October 2013 to September 2015 (unaudited)	Due after September 2015 (unaudited)
Balance sheet liabilities					
Trade and other payables	3,775,578	3,387,529	283,815	104,234	—
Accruals	182,091	182,091	—	—	—
Interest bearing liabilities	245,477	—	—	245,477	—
Provisions	1,383,057	—	—	328,057	1,055,000
Total balance sheet liabilities	5,586,203	3,569,620	283,815	677,768	1,055,000
Other commitments					
Operating leases	233,529	113,262	120,657	—	—

10. Share capital

	30 September 2010 (unaudited) Number	30 September 2010 (unaudited) \$	31 December 2009 (audited) Number	31 December 2009 (audited) \$	30 September 2009 (unaudited) Number	30 September 2009 (unaudited) \$
Ordinary Shares						
Opening balance	327,740,595	2,827,419	140,139,065	25,285,679	140,139,065	25,285,679
Sub-division of shares	—	—	—	(24,021,395)	—	(24,021,395)
Issue of shares for cash	120,000,000	904,020	187,601,530	1,563,135	—	—
Balance at end of period	447,740,595	3,731,439	327,740,595	2,827,419	140,139,065	1,264,284

	30 September 2010 (unaudited) Number	30 September 2010 (unaudited) \$	31 December 2009 (audited) Number	31 December 2009 (audited) \$	30 September 2009 (unaudited) Number	30 September 2009 (unaudited) \$
Deferred Shares						
Opening balance	140,139,065	24,021,395	—	—	—	—
Sub-division of shares	—	—	140,139,065	24,021,395	140,139,065	24,021,395
Balance at end of period	140,139,065	24,021,395	140,139,065	24,021,395	140,139,065	24,021,395

The following share issues of Ordinary Shares have occurred during the period:

16th June 2010 Placing of 120,000,000 Ordinary shares at a price of 3.0 pence each

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

On 21 December 2010, the shareholders approved the consolidation of the Ordinary Shares in issue on the basis of one new Ordinary Share for every 10 Existing Ordinary Shares. As a result of this consolidation the number of shares that would have been in issue at the end of the period would be 44,774,059.

11. Impairment

Consistent with the review process performed as at 31 December 2009, the Directors have undertaken an impairment review of the Group's exploration, development and production assets.

The Directors note that the carrying value of the assets relating to the Palito Mine have reduced compared with the value at 31 December 2009. This is as a result of variation in exchange rates, depreciation charges made during the period and asset disposals. At the same time the Net Present Value of the Palito project has reduced in value compared with the calculation undertaken as of 31 December 2009. Such reduction is due to the variations in the exchange rates ruling at the end of the period and changes in assumptions. The resulting Net Present Value still supports the carrying value of US\$34.3 million and therefore the Directors have not made any adjustment to the impairment provision currently carried in the books of the group.

In deriving an estimate of the value in use in respect of the Palito mine the Directors' have calculated a Net Present Value of the projected cash flow to be derived from the exploitation of the previously declared reserves of 187,538 gold equivalent ounces as estimated at the end of March 2008. The key assumptions underlying the Net Present Value are unchanged from those detailed in the Annual Report 2009 save that commencement of operations has been set as 1 October 2013 (eighteen months later than previously), the exchange rate Br\$ to US\$ has been set at 1.6942 (December 2009 - 1.7412), operating costs have been increased by a factor of 15% to allow for inflationary effects and the long term gold price has been set at US\$1,000. The value in use of Palito taking into account these parameters has been estimated at US\$34.3 million (December 2009 - US\$35.3 million)

12. Contingent Liability

In June 2010, the Company's wholly owned subsidiary Serabi Mineracao Limitada ("SML") was held to be in breach of certain conditions of its operating licence by the Brazilian Federal Environmental Agency, IBAMA, as a result of which SML was required to suspend activities at the Palito Mine and a fine was levied of R\$3,597,300 (approximately US\$2.2 million). On 23 September 2010, the Company announced that IBAMA had lifted the notice having

acknowledged that the conditions of the operating licence which had given rise to the original suspension notice had been fulfilled. IBAMA has not yet made any formal decision regarding the fine. The Directors understand that IBAMA is of the view that the original proposed fine was unnecessarily severe relative to the alleged breached. Whilst they are confident that the initial fine imposed will be waived or significantly reduced, at this stage the Directors are not in a position to estimate with any certainty what level of penalty, if any, may become due. Accordingly no provision for any penalty has been accrued at this time.

13. Post Balance Sheet Event

On 3 December 2010 the Company announced that it had placed 10,070,000 Special Warrants raising gross proceeds of C\$5,538,500. The net proceeds raised from the Offering are intended to be applied to Serabi's on-going exploration activities at and around the Palito mine and in the evaluation of the wider 60,000 hectare Jardim do Ouro tenement holding that surrounds the Palito Mine, and for general corporate purposes. Following the approval of shareholders to a consolidation of the shares on the basis of 1 New Ordinary Share for every 10 Existing Ordinary Shares in a General Meeting held on 21 December 2010, the proceeds of the Offering which had been held in escrow were released to the Company on 23 December 2010.

SCHEDULE "A"
SERABI MINING PLC
AUDIT COMMITTEE MANDATE

General

The board of directors (the "**Board**") of Serabi Mining plc. (the "**Company**") has delegated the responsibilities, authorities and duties described below to the audit committee (the "**Committee**"). For the purpose of this mandate the term "Company" shall include the Company and its subsidiaries.

The Committee shall be directly responsible for overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company. The Committee shall be directly responsible for the appointment, compensation, and oversight of the work of any external auditor engaged by the Company for the purpose of preparing or issuing an audit report or related work (including resolution of disagreements between management of the Company and the external auditor regarding financial reporting). In so doing, the Committee will comply with all applicable Canadian securities laws, rules and guidelines, any applicable stock exchange requirements or guidelines and any other applicable regulatory rules.

Members

1. The Committee will be comprised of a minimum of three directors. Each Committee member shall satisfy the independence, financial literacy and experience requirements of applicable Canadian securities laws, rules and guidelines, any applicable stock exchange requirements or guidelines and any other applicable regulatory rules. In particular, each member shall be "independent" and "financially literate" within the meaning of National Instrument 52-110 *Audit Committees* ("**NI 52-110**") (except as otherwise set forth in the limited exemptions contained therein). Determinations as to whether a particular director satisfies the requirements for membership on the Committee shall be made by the Board.
2. Members of the Committee shall be appointed annually by the Board at the first meeting of the Board after the annual general meeting of shareholders. Each member shall serve until such member's successor is appointed, unless that member resigns or is removed by the Board or otherwise ceases to be a director of the Company. The Board shall fill any vacancy if the membership of the Committee is less than three directors.
3. The Chair of the Committee will be designated by the Board, on the recommendation of the Corporate Governance and Nominating Committee, or, if it does not do so, the members of the Committee may elect a Chair by vote of a majority of the full Committee membership. The Chair of the Committee shall be responsible for overseeing the performance by the Committee of its duties, for assessing the effectiveness of the Committee and individual Committee members and for reporting periodically to the Board.

Meetings

4. The Committee will meet at least quarterly and at such times and at such locations as the Chair of the Committee shall determine, provided that meetings shall be scheduled so as to permit the timely review of the Company's quarterly and annual financial statements and related management discussion and analysis, if applicable. Notice of every meeting shall be given to the external auditor, who shall, at the expense of the Company, be entitled to attend and to be heard thereat. The external auditor or any member of the Committee may also request a meeting of the Committee. The Committee shall have an in-camera session without non-independent directors and management as a regular feature of each regularly scheduled meeting. The external auditor and management employees of the Company shall, when required by the Committee, attend any meeting of the Committee. Any director of the Company may request the Chair of the Committee to call a meeting of the Committee and may attend at such meeting or inform the Committee of a specific matter of concern to such director, and may participate in such meeting to the extent permitted by the Chair of the Committee.
5. Meetings of the Committee shall be validly constituted if a majority of the members of the Committee is present in person or by telephone conference. A resolution in writing signed by all the members of the Committee entitled to vote on that resolution at a meeting of the Committee is as valid as if it had been passed at a meeting of the Committee.

6. The Committee shall submit the minutes of all meetings to the Board, and when requested to, shall discuss the matters discussed at each Committee meeting with the Board.

Committee Charter and Performance

7. The Committee shall have a written charter that sets out its mandate and responsibilities and the Committee shall review and assess the adequacy of such charter and the effectiveness of the Committee at least annually or otherwise, as it deems appropriate, and propose recommended changes to the Corporate Governance and Nominating Committee who will do the same and recommend changes to the Board for its approval. Unless and until replaced or amended, this mandate constitutes that charter.

Committee Authority and Responsibilities:

8. General

The overall duties of the Committee shall be to:

- (a) assist the Board in the discharge of its duties relating to the Company's accounting policies and practices, reporting practices and internal controls;
- (b) establish and maintain a direct line of communication with the Company's external auditor and assess their performance;
- (c) oversee the work of the external auditor engaged to prepare or issue an auditor's report or to prepare other audit, review or attest services for the Company, including resolution of disagreements between management and the external auditor regarding financial reporting;
- (d) ensure that management has designed, implemented and is maintaining an effective system of internal controls and disclosure controls and procedures;
- (e) monitor the credibility and objectivity of the Company's financial reports;
- (f) report regularly to the Board on the fulfillment of the Committee's duties, including any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the external auditor or the internal audit function;
- (g) assist, with the assistance of the Company's legal counsel, the Board in the discharge of its duties relating to the Company's compliance with legal and regulatory requirements; and
- (h) assist the Board in the discharge of its duties relating to risk assessment and risk management.

9. External Auditor

The external auditor will report directly to the Committee and the Committee should have a clear understanding with the external auditor that such auditor must maintain an open and transparent relationship with the Committee and that ultimate accountability of the auditor is to the shareholders of the Company. The duties of the Committee as they relate to the external auditor shall be to:

- (a) review management's recommendations for the appointment of the external auditor, and in particular their qualifications, objectivity and independence, and recommend to the Board a firm of external auditors to be engaged and the compensation of such external auditor;
- (b) review the performance of the external auditor, including the fee, scope and timing of the audit, and make recommendations to the Board regarding the appointment or termination of the external auditor;
- (c) review, where there is to be a change of external auditor, all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102 – *Continuous Disclosure Obligations* or any successor legislation ("NI 51-102"), and the planned steps for an orderly transition;
- (d) review all reportable events, including disagreements, unresolved issues and consultations, as defined in NI 51-102, on a routine basis, whether or not there is to be a change of external auditor;

- (e) ensure the rotation of partners on the audit engagement team of the external auditor in accordance with applicable law, standards or rules;
- (f) review and pre-approve non-audit services to be provided to the Company by the external auditor, other than *de minimus* non-audit services referred to in Section 2.4 of NI 52-110. In connection therewith, the Chair of the Committee is authorized to pre-approve any non-audit services, provided that such pre-approval is presented to the Committee at its first scheduled meeting following such pre-approval;
- (g) review and approve the engagement letters of the external auditor, both for audit and permissible non-audit services, including the fees to be paid for such services;
- (h) review the nature of and fees for any non-audit services performed for the Company by the external auditor and consider whether the nature and extent of such services could detract from the external auditor's independence in carrying out the audit function; and
- (i) meet with the external auditor, as the Committee may deem appropriate, to consider any matter which the Committee or external auditor believes should be brought to the attention of the Board or shareholders of the Company.

10. ***Audits and Financial Reporting***

The duties of the Committee as they relate to audits and financial reporting shall be to:

- (a) review the audit plan with the external auditor and management;
- (b) review with the external auditor and management all critical accounting policies and practices of the Company (including any proposed changes in accounting policies), the presentation of the impact of significant risks and uncertainties, all material alternative accounting treatments that the external auditor has discussed with management, other material written communications between the external auditor and management (such as any management letter or schedule of unadjusted differences), and key estimates and judgments of management that may in any such case be material to financial reporting;
- (c) review the contents of the audit report;
- (d) question the external auditor and management regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;
- (e) review the scope and quality of the audit work performed;
- (f) review the adequacy of the Company's financial and auditing personnel;
- (g) review the co-operation received by the external auditor from the Company's personnel during the audit, any problems encountered by the external auditor and any restrictions on the external auditor's work;
- (h) review the appointments of the Chief Financial Officer, persons performing any internal audit function and any key financial executives involved in the financial reporting process;
- (i) review with management and the external auditor the Company's interim unaudited financial statements and the annual audited financial statements in conjunction with the report of the external auditor thereon, and obtain an explanation from management of all significant variances between comparative reporting periods before recommending approval by the Board and the release thereof to the public; and
- (j) review the terms of reference for an internal auditor or internal audit function.

11. ***Internal Controls***

The duties of the Committee as they relate to internal control over financial reporting shall be to:

- (a) review the evaluation of internal controls by the persons performing the internal audit function and the external auditor, together with management's response to the recommendations, including subsequent follow-up of any identified weaknesses. Particular emphasis will be given to the

adequacy of internal controls to prevent or detect any payments, transactions or procedures that might be deemed illegal or otherwise improper; and

- (b) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

12. ***Accounting and Disclosure Policies***

The duties of the Committee as they relate to accounting and disclosure policies and practices shall be to:

- (a) review the effect of regulatory and accounting initiatives and changes to accounting principles, which would have a significant impact on the Company's financial reporting as reported to the Committee by management and the external auditor;
- (b) review the appropriateness of the accounting policies used in the preparation of the Company's financial statements and consider recommendations for any material change to such policies;
- (c) review the status of material contingent liabilities as reported to the Committee by management;
- (d) review the status of corporate tax returns and potentially significant tax problems as reported to the Committee by management;
- (e) review any errors or omissions in the current or prior years' financial statements;
- (f) review and recommend approval by the Board before their release all public disclosure documents containing audited or unaudited financial results, including all press releases containing financial results, offering documents, annual reports, annual information forms and management's discussion and analysis containing such results; and
- (g) satisfy itself that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements other than the public disclosure referred to in clause (f), above, and periodically assess the adequacy of these procedures.

13. ***Other***

The other duties of the Committee shall include:

- (a) reviewing any inquiries, investigations or audits of a financial nature by governmental, regulatory or taxing authorities;
- (b) reviewing annual operating and capital budgets;
- (c) reviewing and reporting to the Board on difficulties and problems with regulatory agencies which are likely to have a significant financial impact;
- (d) reviewing and approving the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company;
- (e) inquiring of management and the external auditor as to any activities that may be or may appear to be illegal or unethical; and
- (f) at the request of the Board, investigating and reporting on such other matters as it considers necessary or appropriate in the circumstances.

Authority to engage independent counsel and outside advisors

- 14. The Committee has the authority to engage independent counsel and other advisors it determines necessary to carry out its duties, to set and pay the compensation for any advisors employed by the Committee and to communicate directly with the internal and external auditors.
- 15. The Company shall provide appropriate funding, as determined by the Committee, in its capacity as a committee of the Board, for payment (a) of compensation to the external auditors employed by the issuer for the purposes of rendering or issuing an audit report and to any advisors engaged by the committee, and (b)

ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

SCHEDULE “B”
SERABI MINING PLC
MANDATE OF THE BOARD OF DIRECTORS

Introduction

The term “**Company**” herein shall refer to Serabi Mining plc. and the term “**Board**” shall refer to the board of directors of the Company. The Board is elected by the shareholders and is responsible for the stewardship of the business and affairs of the Company. The Board seeks to discharge such responsibility by reviewing, discussing and approving the Company’s strategic planning and organizational structure and supervising management to ensure that the foregoing enhance and preserve the underlying value of the Company.

Although directors may be elected by the shareholders to bring special expertise or a point of view to Board deliberations, they are not chosen to represent a particular constituency. The best interests of the Company as a whole must be paramount at all times.

Chairman and Composition and Quorum

1. The Board will be comprised of a minimum of one member and a maximum of ten members, the majority of which shall be, in the determination of the Board, “independent” for the purposes of National Instrument 58-101 *Disclosure of Corporate Governance Practices*. Each Board member shall satisfy the independence and experience requirements, if any, imposed by applicable securities laws, rules or guidelines, any applicable stock exchange requirements or guidelines and any other applicable regulatory rules.
2. The chairman of the Board will be elected by vote of a majority of the full Board membership, on the recommendation of the Corporate Governance and Nominating Committee. The chairman of the Board with the assistance of the lead director (who shall be an independent director), if any, will chair Board meetings and shall be responsible for overseeing the performance by the Board of its duties, for setting the agenda of each Board meeting (in consultation with the Chief Executive Officer (the “CEO”)), for communicating periodically with committee chairs regarding the activities of their respective committees, for assessing the effectiveness of the Board as a whole as well as individual Board members and for ensuring the Board works as a cohesive team and providing the leadership essential to achieve this.

Meetings

3. Meetings will be scheduled to facilitate the Board carrying out its responsibilities. Additional meetings will be held as deemed necessary by the Chairman of the Board. The independent directors of the Board shall hold regularly scheduled meetings at which non-independent directors and management are not in attendance. Any director of the Company may request the Chairman of the Board to call a meeting of the Board.
4. Meetings of the Board shall be validly constituted if a majority of the members of the Board is present in person or by telephone conference. A resolution in writing signed by all the members of the Board entitled to vote on that resolution at a meeting of the Board is as valid as if it had been passed at a meeting of the Board.

Board Charter and Performance

5. The Board shall have a written charter that sets out its mandate and responsibilities and the Board shall review and assess the adequacy of such charter and the effectiveness of the Board at least annually or otherwise, as it deems appropriate, and make any necessary changes. Unless and until replaced or amended, this mandate constitutes that charter. The Board will ensure that this mandate or a summary that has been approved by the Board is disclosed in accordance with all applicable securities laws or regulatory requirements in the Company’s annual management information circular or such other annual filing as may be permitted or required by applicable securities regulatory authorities.

Duties of Directors

6. The Board discharges its responsibility for overseeing the management of the Company’s business by delegating to the Company’s senior officers the responsibility for day-to-day management of the Company. The Board discharges its responsibilities both directly and through its committees. In addition to these regular committees, the Board may appoint *ad hoc* committees periodically to address certain issues of a

more short-term nature. In addition to the Board's primary roles of overseeing corporate performance and providing quality, depth and continuity of management to meet the Company's strategic objectives, principal duties include the following:

Appointment of Management

- (a) The Board has the responsibility for approving the appointment of the CEO and all other senior management, and approving their compensation, following a review of the recommendations of the Compensation Committee. To the extent feasible, the Board shall satisfy itself as to the integrity of the CEO and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the Company.
- (b) The Board from time to time delegates to senior management the authority to enter into certain types of transactions, including financial transactions, subject to specified limits. Investments and other expenditures above the specified limits and material transactions outside the ordinary course of business are reviewed by and subject to the prior approval of the Board.
- (c) The Board oversees that succession planning programs are in place, including programs to appoint, train, develop and monitor management.

Board Organization

- (d) The Board will respond to recommendations received from the Corporate Governance and Nominating Committee and the Compensation Committee, but retains the responsibility for managing its own affairs by giving its approval for its composition and size, the selection of the Chair of the Board, candidates nominated for election to the Board, committee and committee chair appointments, committee charters and director compensation.
- (e) The Board may delegate to Board committees matters it is responsible for, including the approval of compensation of the Board and management, the conduct of performance evaluations and oversight of internal controls systems and health, safety and environmental policies, but the Board retains its oversight function and ultimate responsibility for these matters and all other delegated responsibilities.

Strategic Planning

- (f) The Board has oversight responsibility to participate directly, and through its committees, in reviewing, questioning and approving the mission of the business and its objectives and goals.
- (g) The Board is responsible for adopting a strategic planning process and approving and reviewing, on at least an annual basis, the business, financial and strategic plans by which it is proposed that the Company may reach those goals, and such strategic plans will take into account, among other things, the opportunities and risk of the business.
- (h) The Board has the responsibility to provide input to management on emerging trends and issues and on strategic plans, objectives and goals that management develops.

Monitoring of Financial Performance and Other Financial Reporting Matters

- (i) The Board is responsible for enhancing congruence between shareholder expectations, corporate plans and management performance.
- (j) The Board is responsible for:
 - (i) adopting processes for monitoring the Company's progress toward its strategic and operational goals, and to revise and alter its direction to management in light of changing circumstances affecting the Company; and
 - (ii) taking action when Company performance falls short of its goals or other special circumstances warrant.
- (k) The Board is responsible for approving the audited financial statements, interim financial statements and the notes and Management's Discussion and Analysis accompanying such financial statements.

- (l) The Board is responsible for reviewing and approving the Company's annual budget, if any, presented by management.
- (m) The Board is responsible for reviewing and approving material transactions outside the ordinary course of business and those matters which the Board is required to approve under the Company's governing statute, including the payment of dividends, issuance, purchase and redemptions of securities, acquisitions and dispositions of material capital assets and material capital expenditures.

Environmental Matters

- (n) The Board is responsible for overseeing, with the assistance of relevant board committees, if any, the establishment of health, safety and environmental policies for its operations that are consistent with accepted industry practice and comply with applicable laws and regulatory requirements.

Risk Management

- (o) The Board has responsibility for the identification of the principal risks of the Company's business and ensuring the implementation of appropriate systems to effectively monitor and manage such risks with a view to the long-term viability of the Company and achieving a proper balance between the risks incurred and the potential return to the Company's shareholders.
- (p) The Board is responsible for the Company's internal control and management information systems.

Policies and Procedures

- (q) The Board is responsible for:
 - (i) developing the Company's approach to corporate governance, including developing a set of corporate governance principles and guidelines for the Company and approving and monitoring compliance with all significant policies and procedures related to corporate governance; and
 - (ii) approving policies and procedures designed to ensure that the Company operates at all times within applicable laws and regulations and to the highest ethical and moral standards and, in particular, adopting a written code of business conduct and ethics which is applicable to directors, officers and employees of the Company and which constitutes written standards that are reasonably designed to promote integrity and to deter wrongdoing.
- (r) The Board enforces its policy respecting confidential treatment of the Company's proprietary information and Board deliberations.

Communications and Reporting

- (s) The Board is responsible for approving and revising from time to time as circumstances warrant a disclosure policy to address communications with shareholders, employees, financial analysts, the media and such other outside parties as may be appropriate.
- (t) The Board is responsible for:
 - (i) overseeing the accurate reporting of the financial performance of the Company to shareholders, other security holders and regulators on a timely and regular basis;
 - (ii) overseeing that the financial results are reported fairly and in accordance with generally accepted accounting standards and related legal disclosure requirements;
 - (iii) taking steps to enhance the timely disclosure of any other developments that have a significant and material impact on the Company;
 - (iv) reporting annually to shareholders on its stewardship for the preceding year; and
 - (v) overseeing the Company's implementation of systems which accommodate feedback from stakeholders.

Position Descriptions

- (u) The Board is responsible for:

- (i) developing position descriptions for the Chairman of the Board, the lead director, if applicable, the chair of each Board committee and, together with the CEO, the CEO (which will include delineating management's responsibilities);
- (ii) developing and approving the corporate goals and objectives that the CEO is responsible for meeting; and
- (iii) developing a description of the expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at Board meetings and advance review of meeting materials.

Orientation and Continuing Education

- (v) The Board is responsible for:
 - (i) ensuring that all new directors receive a comprehensive orientation, that they fully understand the role of the Board and its committees, as well as the contribution individual directors are expected to make (including the commitment of time and resources that the Company expects from its directors) and that they understand the nature and operation of the Company's business; and
 - (ii) providing continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure that their knowledge and understanding of the Company's business remains current.

Nomination of Directors

- (w) In connection with the nomination or appointment of individuals as directors, the Board is responsible for:
 - (i) considering what competencies and skills the Board, as a whole, should possess;
 - (ii) assessing what competencies and skills each existing director possesses; and
 - (iii) considering the appropriate size of the Board, with a view to facilitating effective decision making.

In carrying out each of these responsibilities, the Board will consider the advice and input of with the assistance of the relevant board committee, if any.

- (x) Director nominees shall be selected by a majority of the independent directors.

Board Evaluation

- (y) The Board is responsible for ensuring that the Board, its committees and each individual director are regularly assessed regarding his, her or its effectiveness and contribution. An assessment will consider, in the case of the Board or a Board committee, its mandate or charter and in the case of an individual director, any applicable position description, as well as the competencies and skills each individual director is expected to bring to the Board.

Authority to engage outside advisors

7. The Board has the authority to engage independent counsel and other outside advisors as it determines necessary to carry out its duties including, but not limited to, identifying and reviewing candidates to serve as directors or officers, and to set and pay the compensation for any such advisors employed by the Board.
8. The Company shall provide appropriate funding, as determined by the Board, for payment (a) of compensation to any advisors engaged by the Board, and (b) of ordinary administrative expenses of the Board that are necessary or appropriate in carrying out its duties.

CERTIFICATE OF THE COMPANY

Dated March 23, 2011

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta and Ontario.

(Signed) *Michael J Hodgson*
Chief Executive Officer

(Signed) *Clive M Line*
Chief Financial Officer

**On behalf of the Board of Directors of
Serabi Mining plc**

(Signed) *Michael J Hodgson*
Director

(Signed) *Graham S Roberts*
Director

(Signed) *Clive M Line*
Director

CERTIFICATE OF THE AGENT

Dated March 23, 2011

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta and Ontario.

FRASER MACKENZIE LIMITED

(Signed) *J.C. St-Amour*
Director, Investment Banking

