

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all your shares in Serabi Mining plc (“the Company”), please forward this document at once, together with the accompanying Form of Proxy, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

Application will be made for Admission of the New Ordinary Shares and dealings will commence on 3 February 2009 and the record date for the capital reorganisation will be 28 January 2009.

SERABI MINING PLC

(Incorporated in England & Wales under the Companies Act 1985 with Registered Number 5135841)

Proposed Capital Reorganisation

and

Notice of General Meeting

Action to be taken by Shareholders is set out on page 4 of this document.

You will find set out at the end of this document, notice of the General Meeting of Shareholders to be held at 11.00 a.m. on 28 January 2009 at 66 Lincoln’s Inn Fields, London, United Kingdom, WC2A 3LH. To be valid for use at the meeting, the Form of Proxy must be completed and returned so as to be received by the Company’s Registrars, Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol, United Kingdom BS99 7NH as soon as possible and, in any event so that it is received no later than 11.00 a.m. on 26 January 2009.

DEFINITIONS

“Act”	the Companies Acts 1985, 1989 and 2006 as amended
“AIM”	AIM, a market operated by London Stock Exchange plc
“AIM Rules”	the AIM Rules for Companies, published by London Stock Exchange plc from time to time
“General Meeting” or “GM”	the general meeting of the Company to be held at 11.00 a.m. on 28 January 2009 at 66 Lincoln’s Inn Fields, London, United Kingdom WC2A 3LH
“Company”	Serabi Mining plc
“Deferred Shares”	the deferred shares of 9.5 pence each in the capital of the Company to be created pursuant to the Share Capital Reorganisation
“Directors” or “Board”	the directors of the Company
“New Ordinary Shares”	the new ordinary shares of 0.5 pence each in the capital of the Company to be created pursuant to the Share Capital Reorganisation
“Notice”	the notice of general meeting which is set out at the end of this document
“Ordinary Shares”	the existing ordinary shares of 10 pence each in the capital of the Company
“Proposals”	the recommended proposals in respect of the Share Capital Reorganisation as set out in this circular
“Share Capital Reorganisation”	the proposed share capital reorganisation, details of which are set out in this circular, to be effected by the passing of the resolutions set out in the notice of General Meeting at the end of this document
“Shareholder”	a holder of Ordinary Shares

Serabi Mining Plc

(Incorporated and registered in England and Wales under the Companies Act 1985, registered no. 05131528)

Directors:

Graham Stuart Roberts (*Chairman*)
Clive Malcolm Line
Michael Hodgson
Bill Clough

Registered Office:

66 Lincoln's Inn Fields
London
United Kingdom
WC2A 3LH

31 December 2008

To Shareholders and, for information only, to the holders of options over Ordinary Shares.

Dear Shareholder

At the end of the third quarter of 2008 the Company announced the need to undertake a strategic review of the business and in particular the Palito mine. This reflected the fact that delays in the delivery of equipment had not allowed the Company during the first six months of the year to carry out the necessary level of planned development of the mine required to sustain required production levels. It had become apparent during the third quarter that it would not be possible to recover the situation without undertaking a substantial development programme which, in turn, required the availability of working capital that was beyond the Company's existing resources. At the time equity markets were already showing significant deterioration in the face of global credit concerns, a situation which became even worse over the following months.

The Company has previously advised shareholders that it is in preliminary discussions with other parties that may or may not lead to an offer being made for the entire share capital of the Company or some other transaction relating to the Company's assets taking place.

The Company has also advised that it will consider the raising of new finance and continues to evaluate the opportunities for this. However, since 12 September 2008, the Company's shares have been trading at a level below the current par value of 10 pence and current company law restricts companies from issuing new shares at a price below their par value. The current par value is therefore a barrier to the Company raising new equity. Whilst the Company has not currently identified any new source of capital, it wishes to be in the position to take advantage of the availability of new funds should the opportunity arise. Accordingly it wishes to undertake a reorganisation of its share capital in order to reduce the par value of its ordinary shares as it considers that it will assist the Company in the process of raising future capital. Shareholders should, however, be aware that there is no guarantee that any new capital can be raised.

Any new funds raised will be applied to meet the ongoing working capital requirements of the business and to permit the company to carry out further exploration programmes on its existing tenements in the Tapajos region of Brazil.

Share Capital Reorganisation

The closing mid-market price of an existing Ordinary Share was 1.45 pence on 30 December 2008, being the last dealing date prior to publication of this document. The Company's share price is therefore below the nominal value of an ordinary share of 10 pence. This prohibits the Company from raising any further equity capital since, in order to comply with the Act, any further shares would have to be issued at a price at or above the nominal value. In order to assist the Company with its ongoing and future activities, the Board wishes to increase the current authorised share capital of the Company and have the ability to raise further equity finance. Accordingly, it is necessary to reduce the nominal value of the existing Ordinary Shares from the present level of 10 pence per share.

It is proposed that:

1. the authorised share capital of the Company be increased from £25,000,000 to £30,000,000;
2. each issued Ordinary Share will be sub-divided and reclassified into one New Ordinary Share of 0.5 pence and one Deferred Share of 9.5 pence; and

3. each authorised but unissued Ordinary Share will be sub-divided into twenty New Ordinary Shares of 0.5 pence each.

The rights attaching to the New Ordinary Shares will, save for the change in nominal value and the entitlement of Shareholders in respect of a return of capital or other distributions arising therefrom, be identical in all respects to those of the existing Ordinary Shares.

The Deferred Shares created on the Share Capital Reorganisation becoming effective will have no voting or dividend rights and, on a return of capital, the right only to receive the amount paid up thereon after the holders of New Ordinary Shares have received the aggregate amount paid up thereon plus £100 per New Ordinary Share. They will in effect be valueless.

No share certificates will be issued in respect of the Deferred Shares, nor will CREST accounts of Shareholders be credited in respect of any entitlement to Deferred Shares, nor will they be admitted to trading on AIM or any other investment exchange. It is the Board's intention, at the appropriate time, to make application to the High Court for the Deferred Shares to be cancelled.

The effect of the Share Capital Reorganisation will mean that each New Ordinary Share held by Shareholders will have nominal value of 0.5 pence each and the number of shares held by the Shareholders shall remain the same. Consequently, the market price of a New Ordinary Share immediately after the completion of the Share Capital Reorganisation should be the same as the market price of an existing Ordinary Share immediately prior to the completion of the Share Capital Reorganisation.

General Meeting

Set out at the end of this document is a notice convening the General Meeting to be held at 66 Lincoln's Inn Fields, London, United Kingdom, WC2A 3LH at 11.00 a.m. on 28 January 2009, at which the following resolutions will be proposed:

Ordinary resolutions

1. To increase the authorised share capital to £30,000,000
2. To authorise the Directors in accordance with Section 80 of the Act to allot relevant securities up to an aggregate nominal value equal to the authorised but unissued share capital of the Company

Special resolutions

3. To sub-divide and reclassify each issued existing Ordinary Share into one New Ordinary Share of 0.5 pence and one Deferred Share of 9.5 pence.
4. To sub-divide each unissued Ordinary Share into twenty unissued New Ordinary Shares.
5. To amend the Company's Articles of Association pursuant to the Share Capital Reorganisation.
6. To authorise the Directors in accordance with Section 89 of the Act to allot relevant securities on a non pre-emptive basis and to empower the Directors, pursuant to section 95 of the Act, to allot equity securities for cash pursuant to the section 80 authority reserved in Resolution 2 above.

Share Certificates

Existing share certificates will remain valid following the Share Capital Reorganisation. No share certificates will be issued in respect of the Deferred Shares.

Action to be Taken

You will find enclosed with this document a Form of Proxy for use at the General Meeting.

Whether or not you intend to be present at the meeting, you are requested to complete the Form of Proxy in accordance with the instructions therein and return it to the Company's registrars, Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol United Kingdom, BS99 7NH as soon as possible and in any event so that it is received no later than 11.00 a.m. on 26 January 2009.

Recommendation

I recommend you to vote in favour of the resolutions at the General Meeting as I and the other Directors intend to do in respect of our beneficial holding amounting to, in aggregate, 39,107,784 existing Ordinary Shares, representing 27.9 per cent of the issued share capital of the Company.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Graham Roberts', with a long horizontal flourish extending to the right.

Graham Roberts
Chairman

