2009

Serabi Mining plc
Interim Report

Serabi owns and operates the Palito mine in the Tapajos region of Northern Brazil. The Group has established at Palito a Proved and Probable Reserve of 187,538 gold equivalent ounces within an overall Measured and Indicated Resource of 224,272 gold equivalent ounces, with an additional 443,956 gold equivalent ounces of Inferred Resources and has identified numerous geological anomalies in close proximity to these existing resources.

Serabi also has a portfolio of a further 153,000 hectares of exploration land holdings within the region. To date there has been little systematic exploration in the region covering an area of approximately 100,000 km^2 in the southwest of Para state. However, historic production in the region from alluvial and small scale surface mining operations by local garimpeiros has officially been estimated at up to 10 million ounces whilst actual production is believed to be two to three times higher.

QUALIFIED PERSONS STATEMENT

All technical information contained within this Interim Report has been reviewed by and verified by Michael Hodgson as required by the AIM Guidance Note on Mining, Oil and Gas Companies dated March 2006. Michael Hodgson is an Economic Geologist by training with 20 years experience in the mining industry. He holds a BSc (Hons) Geology, University of London, a MSc Mining Geology, University of Leicester and is a Fellow of the Institute of Materials, Minerals and Mining and a Chartered Engineer of the Engineering Council of the UK.

REPORT OF THE CHAIRMAN AND THE CHIEF EXECUTIVE

SUMMARY OF REPORT OF THE CHAIRMAN AND THE CHIEF EXECUTIVE

- Production for the first six months of the year was 3,775 ounces
- Operating profit of $539,000
- Results impacted by strong gold price and relative weakness of the Brazilian Real
- Drill programme underway to identify additional oxide ore sources

The continuing modest success of the oxide mining operations at Palito has made a valuable contribution to the Company's cash flow this year, potentially allowing us the opportunity to benefit from the improved markets and investor sentiment, compared with those prevailing in the earlier part of this year. The oxide ores had not previously formed a significant part of our production strategy for Palito because of processing issues when being treated together with the sulphide ore. For this reason we had never focused before on establishing significant oxide resources; what resources had been identified were an incidental consequence of exploration targeted towards the underlying sulphide mineral deposits.

Production for the first six months of the year was 3,775 ounces with an average head grade of 3.42 g/t gold. Whilst this represents a high grade for an open pit operation, the nature of the ore bodies means that ore volumes are limited and thus by necessity each pit is fairly small. From this production we have recorded a small operating profit for the six months ended 30 June 2009 of $539,000, although after taking account of administration costs and depreciation charges the Group recorded an overall loss of $2.02 million (before impairment charges), compared with $3.33 million for the corresponding period of 2008.

We have benefited during the period from a strong gold price and the relative weakness of the Brazilian Real. The gold price for the first six months averaged US$915 per ounce and traded in a range of US$813 to US$990, whilst the average exchange rate of the Brazilian Real to the US Dollar was 2.208. However, the Brazilian Real has been strengthening throughout this year as inward flows of foreign money have helped rebuild the country's currency reserves. These inward flows are a mixture of direct infrastructure and manufacturing investments driven by a renewed confidence in the long-term global economic recovery, the expectation that the stronger emerging market economies will again drive demand, institutional investment into the recovering stock market, equity issues by the largest Brazilian corporations and finally the restoration of the "carry trade" attracted by the high prevailing interest rates available in Brazil. At the end of June 2009 the exchange rate stood at 1.95 and has appreciated further over the last two months, at times appearing to test but not break the 1.80 barrier. The gold price has meanwhile showed signs of further strengthening and has traded in a range between US$908 and US$1,004 per ounce. These conditions clearly have an effect on the on-going profitability of the operation and we continue to seek ways of reducing the cost base to mitigate any potential adverse effects of currency fluctuations.

> Any new capital raised would be directed towards detailed evaluation of the 18 priority targets in close proximity to Palito.

REPORT OF THE CHAIRMAN AND THE CHIEF EXECUTIVE CONTINUED

Administration charges for the period include a one-off charge for employment terminations of personnel in Brazil of $189,000. Combined with cost reduction initiatives that are already in hand, we would expect to see a reduction in administration costs for the remainder of the year. Additionally the Directors have agreed to defer a proportion of salary payments in order to conserve cash. Administration costs include an amount of $126,000 that has been accrued but not paid in respect of remuneration of the Directors. The half year depreciation expense on plant and equipment includes some one-off charges totalling $215,000; we would also therefore expect charges for the remainder of the year to be reduced accordingly. No amortisation expense has been made in respect of the carrying cost of the Palito underground mine itself on the basis that during the period there has been no exploitation of the underground reserves and resources which underpin this asset value. When production is recommenced from underground operations the Group will again amortise this cost over the remaining anticipated useful life.

An effect of the appreciation of the Brazilian Real has been to increase the carrying value of all assets that are owned by our 100% owned Brazilian subsidiary company, Serabi Mineracao Ltda, which maintains its accounting records in Real. This has resulted in an increase in the carrying value of Property Plant and Equipment of US$5.4 million compared with the value as at 31 December 2008. This increase in carrying value has impacted on the impairment review that the Directors are required to undertake. The uplift in value has resulted in the carrying value of the Palito mine and its related infrastructure, being greater than the estimated net present value of the projected cash flows that could be derived. Further information regarding the impairment review is set out in the notes to the Interim financial statements, but it has necessitated that the Group record an impairment provision of US$2.4 million for the six months ended 30 June 2009, in order to reduce the carrying value to the Director's estimate of the value in use of Palito which at 30 June 2009 was estimated as US$34.4 million.

As was noted at the time of this year's Annual General Meeting ("AGM") on 18 August and in our June 2009 Investor Update, heavy seasonal rains earlier this year precluded us from undertaking any systematic exploration of the oxide potential and, for this reason, production has so far only been derived from the limited number of known occurrences previously outlined. However, a drill programme is now underway that we hope will lead to the identification of additional oxide ore feed and thus establish a longer term source of gold production. Test work is also underway to assess the viability of reprocessing Palito's tailings as a further source of gold production.

We consider there are now two paths that can be pursued in order to generate returns for shareholders. Either a transaction could be undertaken that would result in value being generated through the disposal of the projects in Brazil or we attract new funding either directly or through the introduction of a joint venture partner in order to advance identified projects and thus enhance the underlying value of those assets. As noted in our investor newsletters, the production levels that we are likely to be able to sustain from the oxide gold sources and the resulting cash flow this will generate, is unlikely to be adequate to allow the Company to grow and so new capital is needed for this purpose.

Since the AGM, when we detailed the strategic options that were being pursued, we have continued to progress all avenues but at this stage are not in a position to provide any further updates to shareholders. The month of August is traditionally a quiet month for any corporate activity and this year the holiday effect would appear to have been exaggerated by the general malaise of the markets. However, we would hope that before the next Quarterly Investor Update (due for release at the end of October) we might be in a position to provide some positive news on the corporate front, in addition to some initial results from the oxide exploration drilling that is now underway.

"Our operational focus for the rest of the year will be to continue to optimise the current oxide mining operations and adding additional oxide resources."

Our operational focus for the rest of the year will be to continue to optimise the current oxide mining operations, adding additional oxide resources and in so doing extending the life of this activity and giving the Group the opportunity to assess the potential for sustainable increases in production. Meanwhile, if successful in identifying a joint venture partner or raising capital as outlined above, the resulting funds would be directed towards further detailed evaluation of the 18 priority targets that have been identified in close proximity to Palito, with the objective of establishing a larger reserve and resource base that could support an expanded underground mining operation in the future.

The first six months of 2009 have been difficult but as the results demonstrate, one that has been better than might have been expected at the start of the year. The remaining six months of the year will continue to be challenging but we have entered the period with an improved level of optimism and a wider range of options than existed in January. There remains considerable work to be done in re-building value for shareholders and the Group is reliant on a small group of individuals who have demonstrated their continuing belief in the long-term potential of the Group's assets and have already shown a substantial commitment to the Company. Whilst Serabi's future and growth is dependent on a number of factors, their continuing involvement will be a significant factor in the Group's on-going development and we hope that their dedication and belief will ultimately be realised, concurrent with the generation of significant improvements in shareholder value.

GRAHAM ROBERTS
CHAIRMAN

MIKE HODGSON
CHIEF EXECUTIVE
21 SEPTEMBER 2009

PALITO – OPERATING RESULTS[1]

	UNIT	2009 Q1	2009 Q2	2009 YTD	2008 YTD
Milled – total	**tonnes**	**17,580**	**19,151**	**36,731**	**66,506**
– daily average		**197**	**210**	**203**	**365**
Head-grade[2]	**grammes/tonnes**	**3.78**	**3.09**	**3.42**	**4.82**
Recovery	**%**	**92.3**	**94.7**	**93.6**	**89.0**
Gold[3]	**ounces**	**1,973**	**1,802**	**3,775**	**10,738**

[1] Provisional.
[2] Ore feed to the process plant.
[3] For 2008 includes copper and silver credits.

STATEMENT OF COMPREHENSIVE INCOME

		Group		
(expressed in US$)	Notes	**For the six months ended 30 June 2009 (unaudited)**	For the six months ended 30 June 2008 (unaudited)	For the year ended 31 December 2008 (audited)
CONTINUING OPERATIONS				
Revenue		**3,601,349**	9,887,239	16,523,577
Operating expenses		**(3,061,975)**	(9,499,132)	(16,964,067)
Gross profit		**539,375**	388,107	(440,490)
Administration expenses		**(1,178,935)**	(1,635,070)	(3,740,134)
Share-based payments		**(40,161)**	(89,926)	(123,498)
Write-off of past exploration costs		**—**	(502,591)	(1,174,269)
Loss on sale of fixed assets		**(209,661)**	—	—
Depreciation of plant and equipment		**(1,126,106)**	(983,785)	(2,132,633)
Depreciation of mine asset		**—**	(502,069)	(997,473)
Provision for impairment	8	**(2,422,737)**	—	—
Operating loss		**(4,438,226)**	(3,325,334)	(8,596,693)
Foreign exchange gain		**93,755**	1,732,583	(1,629,138)
Finance costs		**(158,936)**	(385,365)	(1,219,107)
Investment income		**1,481**	366,874	471,283
Loss before taxation		**(4,501,926)**	(1,611,242)	(10,973,655)
Income tax expense		**—**	—	—
Loss for the period from continuing operations[(1) (2)]		**(4,501,926)**	(1,611,242)	(10,973,655)
Other comprehensive income (net of tax)				
Exchange differences on translating foreign operations		**6,119,656**	2,033,961	(11,303,603)
Total comprehensive income/(loss) for the period[(2)]		**1,617,730**	422,719	(22,277,258)
Loss per ordinary share (basic and diluted)[(1)]		**(3.21c)**	(1.29c)	(7.83c)

[(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.

CONSOLIDATED BALANCE SHEET

		Group		
(expressed in US$)	Notes	**As at 30 June 2009 (unaudited)**	As at 30 June 2008 (unaudited)	As at 31 December 2008 (audited)
Non-current assets				
Goodwill		**—**	1,752,516	1,752,516
Development and deferred exploration costs	3	**6,225,795**	6,461,865	5,351,921
Property, plant and equipment	4	**34,445,949**	43,348,962	31,620,364
Total non-current assets		**40,671,744**	51,563,343	38,724,801
Current assets				
Inventories	5	**1,005,956**	3,844,888	931,413
Trade and other receivables		**264,388**	1,169,402	992,698
Prepayments and accrued income		**1,089,099**	3,229,146	1,401,627
Cash at bank and in hand	6	**1,370,442**	9,681,080	1,538,956
Total current assets		**3,729,885**	17,924,516	4,864,694
Current liabilities				
Trade and other payables		**3,254,544**	5,427,102	3,197,543
Accruals		**205,627**	18,789	136,762
Interest bearing liabilities		**150,200**	1,493,372	1,046,936
Total current liabilities		**3,610,371**	6,939,263	4,381,241
Net current assets		**119,514**	10,985,253	483,453
Total assets less current liabilities		**40,791,258**	62,548,596	39,208,254
Non-current liabilities				
Trade and other payables		**84,037**	4,733	25,467
Provisions		**784,788**	845,427	735,905
Interest bearing liabilities		**—**	771,859	182,340
Total non-current liabilities		**868,825**	1,622,019	943,712
Net assets		**39,922,433**	60,926,577	38,264,542
Equity				
Called up share capital	7	**25,285,679**	25,285,679	25,285,679
Share premium reserve		**33,402,649**	33,402,649	33,402,649
Option reserve		**3,101,256**	3,023,153	3,061,095
Translation reserve		**(1,684,082)**	5,533,826	(7,803,738)
Profit and loss account		**(20,183,069)**	(6,318,730)	(15,681,143)
Equity shareholders' funds		**39,922,433**	60,926,577	38,264,542

The interim financial information has not been audited and does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The Group statutory accounts for the year ended 31 December 2008, 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 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.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(expressed in US$) (unaudited)	Share capital	Share premium	Share option reserve	Translation reserve	Profit and loss account	Total equity
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	—	—	—	2,033,961	—	2,033,961
Loss for the period	—	—	—	—	(1,611,242)	(1,611,242)
Total comprehensive income for the period	—	—	—	2,033,961	(1,611,242)	422,719
Share option expense	—	—	99,610	—	—	99,610
Equity shareholders' funds at 30 June 2008	25,285,679	33,402,649	3,023,153	5,533,826	(6,318,730)	60,926,577
Foreign currency adjustments	—	—	—	(13,337,564)	—	(13,337,564)
Loss for the period	—	—	—	—	(9,362,413)	(9,326,413)
Total comprehensive income for the period	—	—	—	(13,337,564)	(9,362,413)	(22,699,977)
Share option expense	—	—	37,942	—	—	37,942
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	—	—	—	6,119,656	—	6,119,656
Loss for the period	—	—	—	—	(4,501,926)	(4,501,926)
Total comprehensive income for the period	—	—	—	6,119,656	(4,501,926)	1,617,730
Share option expense	—	—	40,161	—	—	40,161
Equity shareholders' funds at 30 June 2009	**25,285,679**	**33,402,649**	**3,101,256**	**(1,684,082)**	**(20,183,069)**	**39,922,433**

CONSOLIDATED STATEMENT OF CASH FLOWS

(expressed in US$)	Group **For the six months ended 30 June 2009 (unaudited)**	For the six months ended 30 June 2008 (unaudited)	For the year ended 31 December 2008 (audited)
Operating activities			
Operating loss	**(4,438,226)**	(3,325,334)	(8,596,693)
Depreciation – plant, equipment and mining properties	**1,126,106**	1,485,854	3,130,106
Impairment provision	**2,422,737**	—	—
Loss on sale of plant and equipment	**209,661**	—	—
Option costs	**40,161**	89,926	123,498
Write-off of past exploration costs	**—**	502,591	1,174,269
Interest paid	**(158,936)**	(385,365)	(1,219,107)
Foreign exchange	**(90,224)**	366,215	(1,496,018)
Changes in working capital			
Decrease/(increase) in inventories	**104,715**	(151,299)	2,024,099
Decrease/(increase) in receivables, prepayments and accrued income	**1,290,312**	(32,621)	1,049,230
(Decrease)/increase in payables, accruals and provisions	**(394,453)**	597,677	3,019
Net cash inflow/(outflow) from operating activities	**111,853**	(852,366)	(3,807,597)
Investing activities			
Proceeds of sale of fixed assets	**903,017**	—	23,393
Purchase of property, plant and equipment	**(59,780)**	(3,669,452)	(5,608,449)
Exploration and development expenditure	**(139,037)**	(3,875,826)	(5,248,892)
Interest received	**1,481**	366,874	471,283
Net cash inflow/(outflow) from investing activities	**705,681**	(7,178,404)	(10,362,665)
Financing activities			
Capital element of finance lease payments	**(1,057,638)**	(725,808)	(1,402,482)
Net cash outflow from financing activities	**(1,057,638)**	(725,808)	(1,402,482)
Net decrease in cash and cash equivalents	**(240,104)**	(8,756,578)	(15,572,744)
Cash and cash equivalents at beginning of period	**1,538,956**	18,529,795	18,529,795
Exchange difference on cash	**71,590**	(92,137)	(1,418,095)
Cash and cash equivalents at end of period	**1,370,442**	9,681,080	1,538,956

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These interim accounts are for the six month period ended 30 June 2009. Comparative information has been provided for the unaudited six month period ended 30 June 2008 and the audited twelve month period from 1 January to 31 December 2008.

The accounts for the period have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" and with the policies which the Group will adopt for its annual accounts notably:

➔ 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 the measurement and presentation principles of 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 adoption of new accounting standards that are in effect for the calendar year ended 31 December 2009 notably IAS 1 (revised) "Presentation of Financial Statements", IFRS 8 "Operating Segments" and IAS 23 "Borrowing Costs".

(I) GOING CONCERN

In respect of the financial statements of the Company and the Group for the year ended 31 December 2008 and which were approved by the Board on 25 June 2009, the Directors, following a review of the Company's financial position and its budgets and plans, concluded that sufficient financial resources would 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 approval of those financial statements. On this basis, they considered it appropriate to prepare those financial statements on the going concern basis. The Directors consider that it remains appropriate to prepare the financial statements for the period ended 30 June 2009 on the same going concern basis. However, they would anticipate that the Company will, prior to the end of a twelve month period ending in September 2010, need to receive additional funds to supplement its current cash holdings. The level of such fund raising, if any, will also be dependent of the on-going results of the current gold mining operations in Brazil and the potential for these to generate any cash surpluses that can be remitted to the Company to meet its on-going working capital requirements. The Company has received expressions of interest regarding the exploration and mining assets of the Group and in the event that the Company undertakes a sale of whole or part of the interests of its operating subsidiary this may result in an injection of liquid or tradeable assets which may significantly enhance the liquidity of the Company. Otherwise additional funding is likely to be achieved through the issue of new equity.

The Group as a whole has limited cash resources and, whilst its gold mining operations in Brazil have been cash generative during 2009, any disruption or significant decline in the current levels of operation could have a significant effect on the Group's liquidity. The viability of the Group's operations in Brazil is dependent upon the ability to continue to manage the accrued liabilities of the subsidiary entity, to identify additional sources of ore to maintain production and any operational difficulties not adversely affecting short-term cash flow or requiring an injection of capital that is beyond the limited capability of the Company to provide. The Directors are currently seeking and have held discussions regarding terms relating to new sources of finance that would provide the Group with a stronger financial base but there can be no guarantee that such funding will be forthcoming.

The use of any funds raised will be dependent on the levels of funding that are available and the Directors will determine the strategy of the Group accordingly. In the meantime the Group will continue to seek to conduct its operations in a manner that will allow it to continue to at least cover the cost base of its operating subsidiary, will dispose of assets if such action is necessary and continue to exercise tight control over its available working capital. In the event that it is necessary to dispose of assets to support the activities of the Group it is possible that such disposals may be undertaken at values below current carrying values. Ultimately if it is not possible to raise additional funds from any source and the Company cannot afford to provide funds to its operating subsidiary, it may become necessary to place the Group's Brazilian subsidiary into administration, in order that the Company can continue as a going concern.

(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 is depreciated over its useful life.

(V) MINING PROPERTY

The Group commenced commercial production at the Palito mine effective from 1 October 2006. Prior to this date all revenues and operating costs were capitalised 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.

(VI) REVENUE

Revenues are recognised only at the time of sale. Any unsold production and in particular concentrate is held as inventory and valued at production cost until sold.

2. 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.

3. EXPLORATION AND DEVELOPMENT COSTS

	30 June 2009 (unaudited)	31 December 2008 (audited)
Cost		
Opening balance	**5,351,921**	13,254,658
Exploration and development expenditure	**139,037**	5,248,892
Write-off of past exploration costs	**—**	(1,174,269)
Exchange	**923,185**	(1,617,946)
Transfer to tangible assets	**(188,348)**	(10,359,414)
Balance at end of period	**6,225,795**	5,351,921

4. PROPERTY, PLANT AND EQUIPMENT

	30 June 2009 (unaudited)	31 December 2008 (audited)
Cost		
Balance at beginning of period	**38,295,092**	31.325,246
Additions	**59,780**	7,063,637
Transfer from intangible assets	**188,348**	10,359,414
Exchange	**6,749,819**	(10,341,944)
Disposals	**(1,524,285)**	111,261
Balance at end of period	**43,768,754**	38,295,092
Depreciation		
Balance at beginning of period	**6,674,728**	5,494,240
Charge for period	**1,157,265**	3,130,106
Provision for impairment	**670,221**	—
Exchange	**1,339,822**	(1,869,192)
Eliminated on sale of asset	**(519,231)**	(80,426)
Balance at end of period	**9,322,805**	6,674,728
Net book value at 30 June 2009	**34,445,949**	31,620,364

5. INVENTORIES

	30 June 2009 (unaudited)	30 June 2008 (unaudited)	31 December 2008 (audited)
Bullion and work in progress	**—**	1,464,835	100,821
Consumables	**1,005,956**	2,380,053	830,592
Inventories	**1,005,956**	3,844,888	931,413

6. CASH AND CASH EQUIVALENTS

	30 June 2009 (unaudited)	30 June 2008 (unaudited)	31 December 2008 (audited)
Cash at bank and in hand	**1,370,442**	9,681,080	1,538,956
Bank overdraft	**—**	—	—
Cash and cash equivalents	**1,370,442**	9,681,080	1,538,956

7. SHARE CAPITAL

Called up capital	**30 June 2009 (unaudited) Number**	**30 June 2009 (unaudited) $**	31 December 2008 (audited) Number	31 December 2008 (audited) $
Balance at beginning of period	**140,139,065**	**25,285,679**	140,139,065	25,285,679
Issue of shares for cash	**—**	**—**	—	—
Exercise of options	**—**	**—**	—	—
Balance at end of period	**140,139,065**	**25,285,679**	140,139,065	25,285,679

8. IMPAIRMENT

Consistent with the review process performed as at 31 December 2008, the Directors have undertaken an impairment review of the Group's exploration, development and production assets. The Directors note that as a result of changing exchange rates between 31 December 2008 and 30 June 2009 the value of these assets in the accounts of the Group has increased. The majority of the assets are held by and recorded in the accounts of the Serabi Mineracao Limitada, the Group's 100% owned Brazilian subsidiary, the financial statements of which are denominated in Brazilian Real. Following this review and making estimates of the value in use, the Directors have concluded that as a result of the variation in exchange rates the carrying value of the Palito mine property and its associated infrastructure has increased to a level in excess of the valuation supported by the value in use calculation. As a result and in accordance with the provisions of IAS 36 – Impairment of Assets, the Directors have agreed to make an impairment charge of US$2,422,737 against the carrying value of the assets of the Group relating to the Palito mine. No impairment charge has been made in respect of any of the remainder of the Group's exploration and development projects.

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 known 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 2008 save that commencement of operations has been set as 1 July 2011 (six months later than previously), the exchange rate BrR$ to US$ has been set at 1.9516 (previously 2.356) and the long term gold price set at US$800 (previously $750). The value in use taking into account these parameters of Palito has been estimated at US$34.4 million (previously US$34.8 million).

SHAREHOLDER INFORMATION

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BOARD OF DIRECTORS
Graham Roberts – Non-executive Chairman
Mike Hodgson – Chief Executive
Clive Line – Finance Director
Bill Clough – Non-executive Director

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