



Serabi Mining plc
Annual Report

2009

COMPANY NUMBER S131528

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Welcome to Serabi Mining plc

Serabi owns and operates the Palito Mine in the Tapajos region of Northern Brazil. It 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 km² 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.

The Group has a Measured and Indicated Resource of 224,272 ounces and an Inferred Resource of 443,956 ounces at Palito and has identified numerous geological anomalies in close proximity to these existing resources.

Chairman's Statement

Summary of Chairman's Statement

Eldorado's acquisition of Brazauro is an endorsement of the potential of the Tapajos

The objective is to target and expand the resource base to at least 1.5 million ounces

The Open Offer allowed our smaller shareholders to participate in the financing on the same terms

UK listed exploration companies are trading at significantly lower valuations per ounce of resource than their Canadian and Australian listed peers

I believe that the Company has over the past year made significant progress in re-building itself. It has always been our belief that the Tapajos region has significant potential. While, to date the task of identifying and proving this potential has rested with a number of junior companies, Eldorado Gold, a well established mid-tier Canadian gold producer, became the first major gold company to take a significant position in the region when, earlier this month, it agreed an all paper acquisition of TSX-V listed Brazauro Resources Corp. at a valuation equivalent to approximately C\$122 million.

Brazauro's Tocantinzinho project is located some 55 kilometers to the northwest of Palito. This is the first real sign of a major gold company entering the Tapajos and thereby endorsing the potential of this undoubted future goldfield.

In 2009, I noted that the changed economic environment had led to significant new challenges and uncertainties for all. This time last year the markets for most metals were depressed, currency markets were volatile and finance from the capital markets was very limited at best. It has therefore been a welcome surprise that as of today many metal prices have returned to close to their pre-crisis levels, investment has returned to the developing countries with direct consequence for their currencies and stock markets have regained much of their lost ground. However, despite evidence of recovery, there is still a long road ahead.

Last year it was clear that companies would have to work much harder to raise money and management would need to be more creative to source equity from non-traditional sources and institutional-based investors. The financing that Serabi completed at the end of last year reflected this and the Company's management engaged in initiatives across Europe, the Far East and South America. From the resulting outcome I am very pleased to welcome Greenwood Investments as a significant strategic investor in Serabi and, furthermore, that through the accompanying Open Offer it was also possible to enable our smaller shareholders to participate in the financing on the same terms.

The success of the financing has significantly improved the prospects for the Company. At the time of the Annual Report last year we expected that the most likely outcome for Palito remained some form of joint venture or disposal whereby control would have inevitably passed to another group and moved the future potential value outside of our control. I am therefore pleased that we now have the opportunity to pursue a disciplined strategy that we believe is right for the project and which, if results are as we hope, should yield the best value for shareholders.

We have essentially returned Serabi to being an exploration company for now but history shows that for junior companies this can be where the biggest returns can be made for shareholders. Last year's funding now enables the management to start to unlock the potential value of the considerable technical base and exploration results already established at Palito, with the objective of targeting an expanded resource base of at least 1.5 million ounces, which could then lead to the redevelopment of a larger, more robust mining operation.

Capital markets remain, however, mostly subdued and very cautious towards new equity or debt, this being particularly reflected in the very limited number of IPOs on AIM. While some overseas capital markets are showing signs of faster recovery and an appetite for smaller company resource stocks, the AIM market has suffered a more protracted downturn and there continues to be limited finance available for the small-cap growth companies, although sentiment has certainly improved year-on-year.

This also reflects the continuing disparity in the relative valuations ascribed to mining companies listed in different jurisdictions. Recent investment research of the mining sector indicates that UK listed exploration companies trade at significantly lower valuations per ounce of resource than their Canadian and Australian listed peers, a pattern not untypical prior to the 2004-2007 boom on AIM. Certainly some of these countries were less exposed to the global downturn and with the improvements in metal and oil prices on which these economies have a greater dependency investor sentiment appears more favourable than here in the UK. The requirement for management to explore new funding sources, including overseas markets, therefore remains.

2009 was certainly a year of two contrasting halves for Serabi, fortunately finishing on a more optimistic note. The challenges we faced last year were substantial and the credit for a successful conclusion to the year should go to the management team, who I thank for their hard work, dedication and loyalty. The Company continues to face many challenges over the coming year but thankfully now from a much improved position.

Graham Roberts

Chairman

27 May 2010

Chief Executive's Review

Summary of Chief Executive's Review

The 2009 equity financing has allowed the initiation of an exploration programme to deliver resource and reserve growth at Palito

Oxide production from the Senna zone in the first six months of 2009 allowed the Company to minimise its cash burn

The 2008 VTEM survey had demonstrated the potential for locating deposits similar and in close proximity to Palito

The completion of an equity financing at the end of 2009 raising US\$4.5 million allowed the Company to conclude last year on a positive note, with the ability to initiate an important exploration programme that we hope will deliver the necessary resource and reserve growth that we believe is required to re-establish mining operations at Palito. Furthermore, I hope that the exploration results will be just the first step in realising some of the wider potential of the Tapajos region. With previous artisanal gold production estimated at up to 30 million ounces and, with the exception of Palito, no modern commercial scale mines having yet been established, the underlying hard rock resources across this 100,000 square kilometre region are still waiting to be located and mined.

The action that Serabi had taken late in 2008 meant that we were operating with a significantly reduced cost base as we entered 2009. Furthermore, we had been able to conserve some cash resources and still had some small scale but finite gold production from surface mining of some areas of oxide ore at Palito. The oxide production started out as a short term measure while we implemented a phased closure of the underground mine. We expected that the garimpeiros would have historically mined most of the oxide ore prior to ceasing their operations at Palito and certainly would have exploited the more significant and higher grade occurrences. We were therefore fortunate to identify in the Senna area the intact gold bearing oxide zone which overlaid the main sulphide zones that had been identified by drilling during 2007 and 2008. The production from this zone during the first six months of 2009 generated sufficient cash flow to cover our costs in Brazil during this critical period and allowed the Group to minimise its cash burn.

At the start of 2009 the prospect of raising new funds for junior mining companies such as Serabi was non-existent and much time and effort was therefore spent trying to attract partners or buyers for the Company's projects in order to help secure the future. Whilst we held detailed discussions with a number of parties, it became clear that many were without the necessary resources (financial or otherwise) to bring value to the Palito project.

It became clear to the Board as the half-year approached that the markets were showing signs of improvement and that those groups still interested in Serabi (who remained on the whole North American in origin) expected that there would be market interest in North America for a "Palito type" story allowing them to raise money if they could acquire the project from Serabi for a share-based consideration. However, whilst, the junior equity market in London at the time remained depressed, it was clear that without an established presence and listing in Canada, Serabi was too small to take advantage of the better market conditions that existed there.

The interest from many potential parties was based on what we believed was a misplaced assessment that the issues which had led to the suspension of underground mining operations at Palito in 2008 could be easily fixed and operations quickly re-established. Our view remains that there is no quick solution to recommencing profitable and sustainable underground mining at Palito. While it is feasible to re-start Palito now, it represents a high risk strategy with little potential reward until a larger resource and consequently more robust mine plan can be established. As previously demonstrated the cash costs of a small scale operation in this part of Brazil will inevitably be high, driven principally by the fixed costs of running a mine in a relatively remote location. Before re-starting Palito we believe it is therefore necessary to build the resource and reserve base to a level that will support continuous and sustainable annual production in the 65,000 to 70,000 ounce range. At this level the fixed costs would have less impact on the total unit production costs and I anticipate that given the current gold price an attractive operating margin would be achievable.

As a result we were concerned that pursuing a paper-based sale would unduly diminish value for Serabi's shareholders, whilst furthermore failing to realistically address the principal issues. Instead we decided that there was a need to go back to first principles with the Palito project and therefore embarked on a lengthy series of meetings with potential investors to ascertain and seek support for the required exploration programme. This would be focused on establishing two or more Palito "look-a-likes" in close proximity using the results from the highly successful airborne electromagnetic (VTEM) geophysical survey that the Company had completed in 2008. The results of this work had demonstrated the potential for locating similar deposits nearby and the Board considered that having spent significant time and effort in successfully stabilising the company's financial situation, following up this potential represented the best risk/reward strategy going forward.

Notwithstanding some improvement from mid-year, generally the London market remained difficult during the year and whilst there was some investor interest this was insufficient to fund any reasonable level of exploration activity. Our search for new investors therefore looked further afield including Europe, South America and the Far East. Following these initiatives Greenwood Investments Limited emerged as a suitable strategic investor interested in taking a significant equity position in Serabi, thereby enabling us to proceed with the equity financing required to embark on the first stage of the proposed exploration programme.

Exploration

Having established through the VTEM survey 18 priority targets within a 7 kilometre radius of Palito, the next stage to advance these targets is to undertake an extensive ground-based geophysical and geochemical programme. The initial airborne VTEM survey has identified anomalous areas of electromagnetic properties. Previously at Palito such anomalous zones were shown to be coincident with the existence of areas of massive sulphide mineralisation, which represents some 20% of the known mineralised areas of the Palito deposit with the remaining gold mineralisation consisting of a more disseminated form located within quartz sulphide veins. Our experience at Palito has demonstrated that this type of mineralisation can be successfully identified by the use of ground-based geophysics, using a technique known as Induced Polarisation ("IP").

The objectives of the first stage of the programme are:

- > to establish the true size of the anomalies through mapping of the quartz sulphide veins using IP,
- > to establish which of the initial sample of VTEM targets were most likely to be gold bearing (whilst the gold occurs in zones of massive sulphide mineralisation not all such mineralisation is gold bearing), and
- > to design and execute a limited drilling programme of discovery holes into the most prospective of these anomalies.

Dependent on the results of this programme, it is then intended to extend a similar work programme to the remaining anomalies and/or extend the drilling programme on any discoveries as the next step in establishing and building additional compliant resources in the area, which could ultimately form the basis of an expanded mining operation. The speed with which these programmes can be undertaken and their extent will be dependent on results and the availability of funds at the time.

Chief Executive's Review Continued

80% of the mineralisation at Palito is in disseminated form within quartz sulphide veins which can be identified using IP

The 2010 IP Survey over some of the VTEM targets has identified nine drill targets

We will continue to review and reassess our theories and programmes to maximise our chances of success

Following the successful outcome of the financing at the end of 2009, it took the first two months of 2010 to receive tenders and begin preparatory work in anticipation of the arrival of contractors. In mid-March our preferred IP contractor, Fugro, mobilised to site to undertake the initial 45 line-kilometre survey and, in advance of their arrival, Serabi's personnel had already cleared 37 kilometres for access. The results of this survey have only just become available but are well beyond the expectations we had at this stage. We have identified nine drill targets and will be undertaking further IP surveys to cover the remaining areas and to further extend and delineate some of the significant anomalies identified in the initial work. We hope to finalise a contract with a drilling contractor shortly which will allow the drill programme to commence in July 2010.

Our goal remains to build Serabi's resources to 1.5 million ounces. With an existing resource of 670,000 gold equivalent ounces in place at Palito, the discovery of just two similar sized deposits from the 18 priority targets that we have identified, should be sufficient to achieve this. The nature of the deposits does, however, not lend itself to a wild-cat drilling approach and we will take all steps to avoid committing to significant and high cost exploration on drilling targets until they have been fully defined through the use of surface and near-surface exploration techniques, as is currently being carried out.

Operations

On the operational front we have continued small scale production from the mining of near-surface oxide ore. The fact that the gold occurs in near vertical narrow vein structures inevitably means that there is a limited volume of potential ore available to be mined from such features and this in turn dictates the level of production that can be achieved at the moment. In addition, the depth that can be mined is limited by the nature of the ore. Beyond a depth of 15 to 20 metres the oxide mineralisation changes into a transition zone, before finally encountering the harder sulphide ore at depth. The oxide ore is very amenable to processing with our existing Carbon in Leach plant from which we can produce gold in the form of bullion bars which are readily marketable. 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. Unfortunately there are insufficient volumes of near surface transition and sulphide ore to justify concentrate production at this moment in time.

Our objective therefore continues to be to mine and process ore in order to generate sufficient cash flow to cover the mining and process costs at Palito and, in so doing, ensure that we do not put at risk the mining and other permits that will be required when full scale operations are re-commenced in the future. It is noteworthy that to-date Serabi has been the only commercial mining company in the region to have been granted a full mining licence and we do not wish to jeopardise this.

We were fortunate in the early part of 2009 to find in the Senna area, an oxide zone of good volume and grade. This provided a source of ore for some 6 months but subsequent to that oxide occurrences have tended to be smaller volumes and it has been difficult to maintain a sustainable feed to the plant. We have carried out tests on the potential to retreat some of the historical mine tailings, which are considerable in volume, but we either need to pre-concentrate these prior to processing or need the capacity to process larger volumes than at present for these to become economic. The fineness of the material has also so far hindered our efforts at pre-concentration but we continue to explore this option.

The effects of past garimpo mining has hindered our efforts to identify new sources of oxide ore. Processed material from the past activities of the garimpeiros has often been transported from its original location and therefore contaminates or overlies potential sites, frequently resulting in misleading results. However the current IP geophysical programme should highlight some potential opportunities which we will be following up. In particular we hope that it might highlight areas where the depth of transported overburden may be greater than we originally thought and therefore where we need to excavate deeper trenches to expose the original surface level and possible oxide veins.

After a very difficult period, I feel that the long term outlook for Serabi is now more positive. We know that many of the world's major gold producers are monitoring the Tapajos region and the progress of junior exploration companies such as Serabi. They recognise the considerable potential of the region but as is normal, the cycle dictates that the juniors will undertake the pioneering exploration first and only when they have substantiated the true potential will the majors enter the fray. To succeed we must be thorough, use resources, both cash and people, wisely and constantly reassess exploration theories and interpretations in the light of new data. All too often the costly and fruitless pursuit of an original theory can be avoided if minds are open to alternative possibilities and, conversely, many a project has been abandoned only to be resurrected in new hands when the available data was reviewed by fresh eyes. We will continue to review and reassess our theories and programmes to maximise our chances of success and optimise the use of our resources.

Mike Hodgson
Chief Executive

27 May 2010

Finance Review

Summary of Finance Review

The Palito operation itself generated a small operating loss of US\$242,000 during the year

Administration expenses have been reduced by US\$2 million year-on-year

The 26% appreciation of the Brazilian Real year-on-year has resulted in increased asset values in US dollar terms

The issue of new equity raised gross proceeds of US\$4.27 million

We intend to seek joint venture partners and locally sourced "soft loans" as alternative sources of financing on-going exploration activity

Much of the past year has been one of significant uncertainty and the long term financial position of the Group for much of the time was a cause for concern. It is therefore very pleasing to report that as a Group we ended 2009 in a much stronger position than we started, thus able to exercise greater control over our destiny. As with any exploration company we will be dependent on raising new capital to advance our projects and will have to exercise sound judgement over these future capital requirements as we strive to maximise the returns for shareholders. As primarily an exploration company the use of our cash and control over expenditures therefore becomes keener than ever.

We have reported an overall operating loss for the year of US\$10 million however this result is comprised mostly of non-cash elements of US\$7.7 million consisting primarily of depreciation and impairment charges which were adversely impacted by significant currency appreciation. More importantly the cash consumed by the Group on operations during 2009, as shown in the cash flow statements was approximately US\$1.5 million

At Palito the operation generated a small loss at the operating level of US\$242,000. Given the uncertainty that surrounded its future at the start of 2009, this result is a testament to the hard work and commitment shown by the mine staff to make the oxide mining operation work. Last year 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 to maximise cash available for the Company.

The Brazilian Real, having weakened dramatically at the end of 2008, subsequently regained much of its lost ground last year. Having started the year at a rate of BrR\$2.356 to the US\$ it closed at BrR\$1.7412, an appreciation of 26%. This has impacted significantly on the balance sheet of the Group and is the prime factor behind the requirement for the Group to recognise an impairment charge on the carrying value of the Palito Mine at the end of the year. The underlying NPV of the future anticipated cash flows is 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) have 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. This increase in the gross book value of the mine assets in US dollar terms is entirely due to the year-on-year exchange rate variations.

The appreciation of the Real has also impacted heavily on other areas of the balance sheet. In respect of our current assets and current liabilities, the majority of these are also denominated in Brazilian Real (with the exception of cash) but the dollar movements need to be viewed whilst recognising that the underlying values in Brazilian Real are relatively unchanged. In the early part of 2009 we were able to negotiate settlement terms 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.

We have also increased the provision carried for rehabilitation and restoration costs at Palito. Again this is 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 have also impacted on the discount factor used for this calculation and therefore increased the overall dollar estimate of this future potential liability.

The issue of new equity at the end of the year 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 small convertible loan stock instrument, which was subscribed for by Greenwood Investments Limited, who also hold a 27.5% interest in the share capital of the Company. The loan is for £300,000 and further details relating to this loan stock are set out in Note 16. International Accounting Standard Number 32 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 therefore been accounted for as a non-current liability, whilst 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 has 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, whilst the original charge is recorded on the face of the profit and loss account, the subsequent reversal on their cancellation (as opposed to exercise) must be 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 in respect of these options. A further charge of US\$119,813 has been recorded in these accounts in respect of options issued in prior periods.

The Company's immediate future lies in the success of our exploration activity, which in turn will drive our need to secure the necessary capital to continue to advance our projects towards development. We will continue to look at all forms of funding and are only too aware that we cannot rely upon traditional capital markets to be available when we need them. We also intend to continue to seek joint venture partners where favourable terms can be negotiated and will continue to explore the possibility of locally sourced "soft loans" in order to minimize equity dilution for shareholders. Our over-riding concern is to maximise the value that we can add to our projects, whilst, with proper consideration of the risk and proper exploration process, achieving this with the lowest possible level of funding. In this way we will maximise the returns for our shareholders.

Clive Line

Finance Director

27 May 2010

Directors and Senior Management

Graham Roberts, BSc, C Eng, FIMMM, 59

Non-Executive Chairman

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 WI 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.

He 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.

Mike Hodgson, BSc, MSc, C Eng, FIMM, 49

Chief Executive

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 Materials, Minerals and Mining, a Chartered Engineer of the Engineering Council of UK and a "Qualified Person" in accordance with the Canadian National Instrument 43-101 – Standards of Mineral Disclosure for Mineral Projects.

Clive Line, BA, ACA, 49

Finance Director and Company Secretary

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 successful 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.

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

Bill Clough, BSc(Geol), BCom(Hons), 49

Non-executive

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

Bill is also non-executive chairman of Brazilian-based nickel resources company, Mirabela Nickel Limited. He also has significant interests in a number of other ASX and AIM listed and unlisted international exploration and mining companies including Exco Resources Ltd, Sally Malay Mining Ltd and Albion Ltd. In 1984, Bill joined his family's engineering construction company, Clough Engineering Group, as business development manager. Bill was appointed to the Clough Limited board as a non-executive director in 1994 until December 2002. Clough Limited was listed on the Australian Stock Exchange in 1998.

Bill holds a BSc in Geology and a BCom in Finance from the University of Western Australia.

Senior Management in Brazil

Ulisses Melo

General Manager

Ulisses who was previously the Chief Financial Officer of Serabi Mineração Limitada in Brazil took over the role of General Manager in April 2009. He has overall responsibility for the day-to-day affairs of the Company. Prior to joining Serabi, he spent five years working with that international accounting firm Arthur Andersen and a further ten 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.

Directors' Remuneration Report

For the year ended 31 December 2009

REMUNERATION COMMITTEE

The Remuneration Committee comprises the two Non-executive Directors. It is responsible for determining and agreeing with the Board the framework for the remuneration of the Chief Executive, all other Executive Directors, the Chairman of the Company (if an Executive Director), the Company Secretary and such other members of the Executive management as it feels appropriate to consider. Furthermore it is responsible for determining the total individual remuneration packages of each Director including, where appropriate, bonuses, incentive payments and share options.

It also considers recommendations from the Executive Directors in respect of proposals for bonuses, incentive payments and share options to be awarded to senior managers within the Group and makes recommendations on the overall remuneration plans adopted by the Company. The remuneration of the Non-executive Directors is a matter that is dealt with by the Board as a whole.

The Remuneration Committee is comprised of Mr Roberts and Mr Clough.

REMUNERATION POLICY

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 is responsible for determining the total remuneration package for each Executive Director and reviewing this on an annual basis.

EXECUTIVE REMUNERATION

The Executive Directors' remuneration packages consist of the following elements:

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

Basic salaries are reviewed annually. The Board 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.

NON-EXECUTIVE REMUNERATION

The remuneration package for Non-executive Directors is established by the Board as a whole but Non-executive Directors do not vote on any changes to their own fees.

Remuneration currently consists of a fixed fee which is set to reflect prescribed time commitments and the relative responsibilities of each Non-executive Director on the affairs of the Company. Additional consultancy fees are paid if the input required exceeds the anticipated levels. The Non-executive Directors currently hold share options. Whilst the award of share options by the Company to Non-executive Directors is contrary to the recommendations of the Combined Code, the Board believes that given the nature and size of the Company, the small size of the Board and the need to conserve cash resources, it is appropriate that the remuneration of the Non-executive directors be aligned with the success and growth of the Company.

Directors' Remuneration Report

For the year ended 31 December 2009

DIRECTORS AND THEIR INTERESTS

Ordinary shares and options

The Directors of the Company, who held office during the year and as of 31 December 2009, had the following interests in the ordinary shares of the Company according to the register of Directors interests

	Shares held at 31 December 2009	Shares held at 31 December 2008	Share options held at 31 December 2009	Share options held at 31 December 2008	Option price	Exercise period
Graham Roberts	2,780,301	845,834	–	1,373,222	15p	30 Nov 05 to 1 Apr 16
			–	915,481	30p	1 Apr 06 to 1 Apr 16
			2,000,000	–	15p	21 Dec 09 to 20 Dec 19
Bill Clough ⁽¹⁾	40,078,617	37,828,617	–	1,029,916	15p	30 Nov 05 to 1 Apr 16
			–	686,611	30p	1 Apr 06 to 1 Apr 16
			1,000,000	–	15p	21 Dec 09 to 20 Dec 19
Michael Hodgson	3,923,200	90,000	–	600,000	32.25p	18 Jan 08 to 17 Jan 17
			–	400,000	36.85p	15 Nov 08 to 14 Nov 17
			5,000,000	–	15p	21 Dec 09 to 20 Dec 19
Clive Line	4,176,533	343,333	–	572,176	15p	30 Nov 05 to 1 Apr 16
			–	572,176	30p	1 Apr 06 to 1 Apr 16
			5,000,000	–	15p	21 Dec 09 to 20 Dec 19

(1) Bill Clough is a Director and sole shareholder of WM Clough Pty Limited and the beneficial owner of Gigantic Resources Inc. He is also deemed to be a beneficiary of shares held by McRae Investments Pty Limited

On 21 December 2009, the Company and the Directors agreed to cancel all the existing share options outstanding to the Directors and also agreed amendments to the Service Agreements including reduction of notice periods (periods of either 12 months or 6 months to periods of either 6 months or 3 months) and levels of remuneration of each of the Directors. On the same day the Company issued new share options to each of the Directors. The Company has estimated the annual saving as a result of these revised contractual arrangements to be in excess of UK£200,000.

During the year ended 31 December 2009 the Company's shares have traded between 0.43 pence and 3.97 pence. On 31 December 2009 the closing price was 1.625 pence.

Remuneration

Director	Remuneration settled in Cash		Remuneration settled by Issue of Shares		IFRS 2 charge for options granted \$	Other \$	Total \$	For the year to 31 December 2008 \$
	Salary \$	Pension \$	Salary \$	Pension \$				
Graham Roberts	(9,682) ⁽¹⁾	11,532	–	45,178	7,981	5,297	60,306	153,837
Bill Clough	(7,325) ⁽¹⁾	(10,944) ⁽¹⁾	31,259	–	3,991	–	16,981	93,484
Michael Hodgson	111,301	8,788	–	93,363	62,880	3,565	279,897	298,423
Clive Line	100,024	(5,099) ⁽¹⁾	–	95,338	19,954	2,910	213,127	219,060
Richard Robinson	–	–	–	–	–	–	–	26,318
Roger Davey	–	–	–	–	–	–	–	23,352
Total	194,318	4,277	31,259	233,879	94,806	11,772	570,311	814,474

(1) Negative figures appear because entitlements accrued at the end of the preceding financial year were not settled in cash.

Included in remuneration for the year to 31 December 2008 are pension costs of US\$58,154.

Mr Robinson and Mr Davey resigned as Directors on 6 December 2008.

At 31 December 2008 accruals had been made in respect of salary or pension due but not paid as of that date. Where these sums have subsequently been settled through the issue of shares this has been reflected as a reduction in the amount settled through a cash payment.

The IFRS 2 charge includes the amount of US\$42,926 in respect of options granted to Mr Hodgson in prior periods which were cancelled during the year.

Directors' Report

For the year ended 31 December 2009

The Directors present their report together with the audited financial statements for the year ended 31 December 2009

RESULTS AND DIVIDENDS

The Group loss for the year after taxation amounts to US\$9,990,502 (2008 loss of US\$10,973,655). The Directors do not recommend the payment of a dividend. The results for the year are set out on page 18 in the Statement of Comprehensive Income.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is that of a holding company and a provider of support and management services to its operating subsidiary. Together with its subsidiaries (see note 10) it is involved in the development of gold and other metals mining projects in Brazil and the operation of the Palito Gold Mine in the Tapajos region of Brazil.

A detailed review of activities, future developments and the Company's projects is included in the Chairman's Statement, the Chief Executive's Operational Review and the Finance Review on pages 4 to 9.

SUBSTANTIAL SHAREHOLDINGS

As at 24 May 2010 the Company was aware of the following holdings of 3% or more in the Company's issued share capital:

Name	Number of shares held	Percentage
Greenwood Investments Limited	90,000,000	27.5%
McRae Investments Pty Ltd ⁽¹⁾	19,799,651	6.0%
WM Clough Pty Ltd ⁽¹⁾	20,011,536	6.1%
F&C Asset Management plc	29,814,911	9.1%
TD Waterhouse Nominees	14,756,558	4.5%
JM Finn Nominees	12,277,500	3.7%
Asterion AV	10,452,397	3.2%

(1) Bill Clough is a Director and the sole shareholder of WM Clough Pty Ltd and is a Director of and has a minority interest in McRae Investments Pty Ltd. Bill Clough is also the beneficial owner of Gigantic Resources Inc which holds 267,430 ordinary shares representing 0.19% of the ordinary shares in total.

SHARE CAPITAL

Movements in share capital during the period are disclosed in note 17 to the financial statements.

Issues of share options to Directors and employees have been made as follows:

Date of issue	Number issued	Price	Expiry
21 December 2009	19,000,000	1.5 pence	20 Dec 19

At the same time under agreements made between the company and the respective individuals, a total of 6,799,582 options were cancelled. Further details are set out in note 17 to the financial statements.

CREDITOR PAYMENT POLICY

It is the Group's policy to settle all amounts due to creditors in accordance with terms and conditions agreed between the Group and suppliers, provided that all trading terms and conditions have been complied with. As at 31 December 2009, the Group had 224 (2008: 34) days' purchases outstanding in creditors.

Directors' Report

For the year ended 31 December 2009

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have, as required by the AIM Rules of the London Stock Exchange, elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with those standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

CORPORATE GOVERNANCE

The Directors believe that the Company complies with the principles set out in The Combined Code on Corporate Governance published in June 2008 by the Financial Reporting Council so far as they consider is appropriate, having regard to the size and nature of activities of the Group.

BOARD COMPOSITION

The Directors who served during the year are shown on page 12.

The Directors have responsibility for the overall corporate governance of the Group and recognise the need for the highest standards of behaviour and accountability. The Directors are committed to the principles underlying best practice in corporate governance and intend to comply with the principles of the Combined Code in such respects as they consider appropriate for a company of its size and nature. The Board has a wide range of experience directly relevant to the Company and its activities and its structure ensures that no one individual or group dominates the decision making process.

COMMITTEES

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

Audit Committee

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported on and monitored, considering and setting appropriate accounting policies and reviewing the Auditors' Report relating to accounts and internal control systems. The Audit Committee is comprised of the Non-executive Chairman.

Executive Committee

The Board has appointed an Executive Committee to oversee and coordinate the day-to-day running of the Company

It is empowered to make decisions over a number of areas without reference to the full Board and specifically to deal with all matters relating to the daily operation of the Company

The Executive Committee comprises the Chief Executive and the Finance Director. The Executive Committee is responsible for the daily operation of the Company and for making recommendations to the Board regarding short and medium-term budgets, targets and overall objectives and strategies for the Company.

Remuneration Committee

The Remuneration Committee is responsible for establishing the policies of Executive remuneration and determining the remuneration and benefits of the individual Executive Directors. Full disclosure of the policies can be found in the Remuneration Report on pages 11 and 12.

SHARE DEALING

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

INTERNAL CONTROLS

The Directors acknowledge their responsibility for the Company's system of internal controls and procedures and for reviewing the effectiveness of these and ensuring that management of its subsidiaries review the internal controls and procedures operating in the subsidiaries. Such controls and procedures are designed to safeguard the Company's and the Group's assets and ensure reliability of reporting information, financial and otherwise, for both internal use and external publication. Whilst conscious that no system can provide absolute assurance against material misstatement, fraud, or loss, the Directors are satisfied that having regard to the Company's size and stage of development, the system of controls is currently adequate and effective.

MANAGEMENT OF FINANCIAL RISKS

The Board endeavours to balance the financial risks that the Company may have exposure to, with the desire to maximise value and returns for shareholders.

The Group has 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 are 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 is 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 the Board feels that it would be in the best interests of the Group to do so.

Interest rate risk

The Group currently finances its operations through equity financing, a fixed-rate convertible loan stock instrument and fixed-rate finance leases.

There is not considered to be any material interest rate risk. The Group's policy is to retain surplus funds as short-term deposits at prevailing market rates.

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.

Directors' Report

For the year ended 31 December 2009

MANAGEMENT OF FINANCIAL RISKS (CONTINUED)

Credit risk

The Group's exposure to credit risk is limited to its cash and cash equivalents and trade and other receivables. The Group deposits surplus cash with financial institutions that hold good credit ratings. The Group currently receives full settlement by bank transfer on delivery of its product to the purchaser to minimise its exposure to credit risk on its receivables.

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. Income is principally denominated in US Dollars. Expenditure is generally denominated in US Dollars, Sterling, Euros, Australian Dollars and Brazilian Real.

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 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.

POST BALANCE SHEET EVENTS

Between the end of the financial period and the date of these financial statements, there has been no item, transaction or event of material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the continuing operations of the entity, the results of these operations or the state of affairs of the entity in future financial periods.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and all Executive officers of the Company against liability incurred as such a Director, Company Secretary or Executive officer to the extent permitted under legislation.

AUDITORS

PKF (UK) LLP have expressed their willingness to continue in office. A resolution to re-appoint them as auditors will be put before the forthcoming Annual General Meeting.

Disclosure of audit information

As far as each of the Directors is aware at the time this report was approved:

- (a) there is no relevant available information of which the auditors are unaware, and
- (b) they have taken all steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

By order of the Board



Clive Line
Company Secretary
27 May 2010

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 Groups 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, indicates 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

Statement of Comprehensive Income

For the year ended 31 December 2009

		Group	
		For the year ended 31 December 2009 US\$	For the year ended 31 December 2008 US\$
	Notes		
CONTINUING OPERATIONS			
Revenue	2	5,512,804	16,523,577
Operating expenses		(5,755,002)	(16,964,067)
Gross loss		(242,198)	(440,490)
Administration expenses		(1,851,937)	(3,740,134)
Share-based payments		(147,038)	(123,498)
Write-off of past exploration costs		(495,138)	(1,174,269)
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)
Depreciation of mine asset		–	(997,473)
Operating loss	3	(9,763,622)	(8,596,693)
Foreign exchange loss		(14,533)	(1,629,138)
Interest payable	4	(215,916)	(1,219,107)
Interest receivable	4	3,569	471,283
Loss before taxation		(9,990,502)	(10,973,655)
Income tax expense	5	–	–
Loss for the period from continuing operations^{(1) (2)}		(9,990,502)	(10,973,655)
Other comprehensive income (net of tax)			
Exchange differences on translating foreign operations		10,072,895	(11,303,603)
Total comprehensive income/(loss) for the period⁽²⁾		82,393	(22,277,258)
Loss per ordinary share (basic and diluted)	7	(6.16c)	(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

Balance Sheets

As at 31 December 2009

COMPANY NUMBER 5131528

	Notes	Group		Company	
		2009 US\$	2008 US\$	2009 US\$	2008 US\$ (restated)
Non-current assets					
Goodwill	8	–	1,752,516	–	–
Development and deferred exploration costs	8	6,880,038	5,351,921	729,424	949,527
Property, plant and equipment	9	35,327,788	31,620,364	1,448,825	2,085,351
Investments in subsidiaries	10	–	–	10,913,322	14,427,794
Other receivables	12	–	–	19,956,521	25,253,189
Total non-current assets		42,207,826	38,724,801	33,048,092	42,715,861
Current assets					
Inventories	11	1,259,764	931,413	–	–
Trade and other receivables	12	275,538	992,698	137,932	646,046
Prepayments		1,413,158	1,401,627	45,787	47,050
Cash at bank and in hand	13	4,081,882	1,538,956	4,020,169	1,516,250
Total current assets		7,030,342	4,864,694	4,203,888	2,209,346
Current liabilities					
Trade and other payables	14	4,170,712	3,197,543	551,701	539,190
Accruals		122,269	136,762	122,268	136,762
Interest bearing liabilities	16	80,499	1,046,936	–	–
Total current liabilities		4,373,480	4,381,241	673,969	675,952
Net current assets		2,656,862	483,453	3,529,919	1,533,394
Total assets less current liabilities		44,864,688	39,208,254	36,578,011	44,249,255
Non-current liabilities					
Trade and other payables	14	68,873	25,467	–	–
Provisions	15	1,374,200	735,905	–	–
Interest bearing liabilities	16	216,898	182,340	216,898	–
Total non-current liabilities		1,659,971	943,712	216,898	–
Net assets		43,204,717	38,264,542	36,361,113	44,249,255
Equity					
Called up share capital	17	26,848,814	25,285,679	26,848,814	25,285,679
Share premium reserve		36,268,991	33,402,649	36,268,991	33,402,649
Option reserve		1,523,444	3,061,095	1,523,444	3,061,095
Other reserves		260,882	–	260,882	–
Translation reserve		2,269,157	(7,803,738)	–	–
Accumulated losses	20	(23,966,571)	(15,681,143)	(28,541,018)	(17,500,168)
Equity shareholders' funds attributable to owners of the parent		43,204,717	38,264,542	36,361,113	44,249,255

The financial statements were approved and authorised for issue by the Board of Directors on 27 May 2010 and signed on its behalf by



Clive Line
Finance Director
27 May 2010

Statements of Changes in Shareholders' Equity

For the year ended 31 December 2009

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 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

Company	Share capital US\$	Share premium US\$	Share option reserve US\$	Other reserves US\$	Accumulated losses US\$	Total equity US\$
Equity shareholders' funds at 31 December 2007	25,285,679	33,402,649	2,923,543	–	(5,790,707)	55,821,164
Comprehensive income for year (restated – note 18)	–	–	–	–	(11,709,461)	(11,709,461)
Share option expense	–	–	137,552	–	–	137,552
Equity shareholders' funds at 31 December 2008 (restated – note 18)	25,285,679	33,402,649	3,061,095	–	(17,500,168)	44,249,255
Comprehensive income for year	–	–	–	–	(12,745,924)	(12,745,924)
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	(28,541,018)	36,361,113

Cash Flow Statements

For the year ended 31 December 2009

	Group		Company	
	For the year ended 31 December 2009 US\$	For the year ended 31 December 2008 US\$	For the year ended 31 December 2009 US\$	For the year ended 31 December 2008 US\$ (restated)
Cash outflows from operating activities				
Operating loss	(9,763,622)	(8,596,693)	(12,745,924)	(11,709,461)
Depreciation – plant, equipment and mining properties	2,157,026	3,130,106	331,629	245,992
Impairment charges	4,343,048	–	10,678,532	8,327,610
Increase in rehabilitation provision	346,000	–	–	–
Loss on sale of assets	181,237	–	61,575	–
Option costs	167,423	123,498	167,423	123,498
Share based payment expense	334,987	–	334,987	–
Write-off of past exploration costs	495,138	1,174,269	61,835	265,855
Interest paid	(215,916)	(1,219,107)	(35,554)	(158,314)
Foreign exchange	(650,272)	(1,496,018)	68,616	1,641,926
Changes in working capital				
Decrease/(increase) in inventories	452	2,024,099	–	–
Decrease/(increase) in receivables prepayments and accrued income	1,179,755	1,049,230	507,558	(610,680)
(Decrease)/increase in payables accruals and provisions	(96,684)	3,019	(93,419)	21,820
Net cash flow from operations	(1,521,428)	(3,807,597)	(662,742)	(1,851,754)
Investing activities				
Proceeds of sale of fixed assets	1,220,691	23,393	–	–
Purchase of property, plant and equipment	(74,578)	(5,608,449)	–	(331,089)
Exploration and development expenditure	(620,490)	(5,248,892)	–	(622,649)
Capital and loan investments in subsidiaries	–	–	(1,539,000)	(13,258,583)
Interest received	3,569	471,283	2,612	471,283
Net cash inflow/(outflow) on investing activities	529,192	(10,362,665)	(1,536,338)	(13,741,038)
Financing activities				
Issue of ordinary share capital	4,266,740	–	4,266,740	–
Capital element of finance lease payments	(1,178,381)	(1,402,482)	–	–
Issue of convertible loan stock	477,780	–	477,780	–
Payment of share issue costs	(172,250)	–	(172,250)	–
Net cash inflow/(outflow) from financing activities	3,393,889	(1,402,482)	4,572,270	–
Net increase/(decrease) in cash and cash equivalents	2,401,653	(15,572,744)	2,373,140	(15,592,792)
Cash and cash equivalents at beginning of period	1,538,956	18,529,795	1,516,250	18,526,555
Exchange difference on cash	141,273	(1,418,095)	130,779	(1,417,513)
Cash and cash equivalents at end of period	4,081,882	1,538,956	4,020,169	1,516,250

Notes to the Financial Statements

For the year ended 31 December 2009

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 principal activities of the Group are described in the Directors' Report on page 12.

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 IAS 1, the effect of which have been purely presentational. The provisions of IAS 23 – 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.

1 Significant accounting policies (continued)

(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). The US Dollar/Brazilian Real exchange rate at 31 December 2009 was 1.7412 (2008: 2.3560).

(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 capitalised 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.

Notes to the Financial Statements

For the year ended 31 December 2009

1 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(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 capitalised 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 capitalised 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.

1 Significant accounting policies (continued)

(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 capitalised 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

Notes to the Financial Statements

For the year ended 31 December 2009

1 Significant accounting policies (continued)

(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.

1 Significant accounting policies (continued)**(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.

Notes to the Financial Statements

For the year ended 31 December 2009

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.

Major Customers (accounting for more than 10% of the Group's revenues)	2009 \$	%	2008 \$	%
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 \$
Brazil	44,989,667	41,302,371
Other	4,248,501	2,287,124
	49,238,168	43,589,495

During the year, the following amounts incurred by area were capitalised as development and deferred exploration costs

	Group	
	For the year ended 31 December 2009 \$	For the year ended 31 December 2008 \$
Brazil	620,490	4,626,243
Other	20,385	622,649
	640,875	5,248,892

During the year, the following amounts were capitalised as property, plant and equipment

	Group	
	For the year ended 31 December 2009 \$	For the year ended 31 December 2008 \$
Brazil (non-leased assets)	283,578	5,548,708
Brazil (leased assets)	—	1,455,188
Other	—	59,741
	283,578	7,063,637

3 Operating loss

a Group operating loss for the year is stated after charging the following

	Group	
	For the year ended 31 December 2009 \$	For the year ended 31 December 2008 \$
Staff Costs	3,214,278	9,974,277
Depreciation (plant and equipment)	2,157,026	2,132,633
Depreciation (mining properties)	—	997,473
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
Operating lease charges	342,470	414,074

b Auditors' Remuneration

	Group	
	For the year ended 31 December 2009 \$	For the year ended 31 December 2008 \$
Fees payable to the group's auditor for the audit of the group's annual financial statements	67,855	92,139
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
tax services	7,208	25,131
all other services	—	7,731

Notes to the Financial Statements

For the year ended 31 December 2009

4 Interest payable and receivable

	Group	
	For the year ended 31 December 2009 \$	For the year ended 31 December 2008 \$
Interest payable on short-term trade finance	(35,511)	(158,314)
Interest payable on lease obligations	(61,053)	(144,807)
Other interest	(119,352)	(915,986)
Interest payable	(215,916)	(1,219,107)
Interest receivable on short-term deposits	3,569	471,283
Net interest	212,347	(747,824)

5 Taxation

	Group	
	For the year ended 31 December 2009 \$	For the year ended 31 December 2008 \$
Current tax		
UK tax	-	-
Foreign tax	-	-
Deferred tax	-	-
Total	-	-

The tax provision for the current period varies from the standard rate of corporation tax in the UK of 28% (2008 28.5%). The differences are explained as follows:

	Group	
	For the year ended 31 December 2009 \$	For the year ended 31 December 2008 \$
Loss on ordinary activities before tax	(9,990,502)	(10,973,655)
Tax thereon at UK corporate tax rate of 28% (2008 28.5%)	(2,797,340)	(3,127,492)
Factors affecting the tax charge		
expenses not deductible for tax purposes	1,543,871	852,257
income not taxable	-	(1,932,750)
higher rate tax overseas	(116,515)	(634,852)
unrecognised tax losses carried forward	1,369,984	4,842,837
Tax charge	-	-

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). 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
Management and administration	16	37
Exploration	3	12
Mine development and operations	62	262
Total	81	311
	\$	\$
Staff costs		
Wages and salaries	2,102,146	7,452,004
Cost of incentive scheme shares and Director shares vested	167,423	130,034
Social security costs	434,431	1,606,335
Termination costs	270,268	717,488
Pension contributions	240,110	68,416
Total	3,214,378	9,974,277

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 \$
Salary and short-term employee benefits	206,090	708,292
Post employment benefits	4,277	58,154
Share-based payments	359,944	48,028
Total	570,311	814,474

The remuneration of the highest paid Director during the year was US\$279,897 (2008 US\$298,423) 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). The remuneration also includes the valuation of options granted in accordance with IFRS 2 of US\$62,880 (2008 US\$48,028).

During the year ended 31 December 2009 all of the Directors (2008 four) were entitled to accrue retirement benefits under money purchase schemes. As of 31 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.

Notes to the Financial Statements

For the year ended 31 December 2009

7 Loss per share

The calculation of the basic loss per share of 6.16 cents (2008 loss per share 7.83 cents) is based on the loss attributable to ordinary shareholders of US\$9,990,502 (2008 loss of US\$10,973,655) and on the weighted average number of ordinary shares of 162,309,378 (2008 140,139,065) 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

	Group 31 December 2009 \$	Group 31 December 2008 \$
Cost		
Balance at 31 December 2008 and 31 December 2009	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

Development and deferred exploration costs

	Group		Company	
	31 December 2009 \$	31 December 2008 \$	31 December 2009 \$	31 December 2008 \$
Cost				
Opening balance	5,351,921	13,254,658	949,527	1,112,164
Exploration and development expenditure	640,875	5,248,892	20,385	622,649
Write-off of past exploration costs	(495,138)	(1,174,269)	(61,835)	(265,855)
Exchange	1,570,728	(1,617,946)	–	–
Transfer to tangible assets (plant and equipment)	(188,348)	(10,359,414)	(178,653)	(519,431)
Total as at end of period	6,880,038	5,351,921	729,424	949,527

The value of these assets is dependent on the development of mineral deposits.

9 Tangible assets

Property, plant and equipment

	Group				Company		
	Land and buildings – at cost \$	Mining property – at cost \$	Plant and equipment – at cost \$	Total \$	Plant and equipment – at cost \$	Mining property – at cost \$	Total \$
2009							
Cost							
Balance at 31 December 2008	2,052,278	24,077,127	12,165,687	38,295,092	892,161	2,167,502	3,059,663
Additions	–	209,000	74,578	283,578	–	–	–
Transfer from development and deferred exploration costs	–	–	188,348	188,348	178,653	–	178,653
Exchange	1,856,322	7,047,290	2,660,937	11,564,549	–	–	–
Disposals	–	–	(1,764,676)	(1,764,676)	(465,672)	–	(465,672)
At 31 December 2009	3,908,600	31,333,417	13,324,874	48,566,891	605,142	2,167,502	2,772,644
Depreciation							
Balance at 31 December 2008	(1,227,098)	(1,699,137)	(3,748,493)	(6,674,728)	(450,134)	(524,178)	(974,312)
Charge for period	(494,401)	–	(1,662,625)	(2,157,026)	(331,629)	–	(331,629)
Impairment charge (note 18)	(86,130)	(2,037,683)	(466,719)	(2,590,532)	(21,679)	(400,297)	(421,976)
Exchange	(824,774)	(500,561)	(1,055,558)	(2,380,893)	–	–	–
Eliminated on sale of asset	–	–	564,076	564,076	404,098	–	404,098
At 31 December 2009	(2,632,403)	(4,237,381)	(6,369,319)	(13,239,103)	(399,344)	(924,475)	(1,323,819)
Net book value at 31 December 2009	1,276,197	27,096,036	6,955,555	35,327,788	205,798	1,243,027	1,448,825
Net book value at 31 December 2008	825,180	22,377,990	8,417,194	31,620,364	442,027	1,643,324	2,085,351

Included in Plant and equipment, are assets acquired under finance leases with net book value of US\$237,282 (2008 US\$1,197,619). 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

	Group				Company		
	Land and buildings – at cost \$	Mining property – at cost \$	Plant and equipment – at cost \$	Total \$	Plant and equipment – at cost \$ (restated)	Mining property – at cost \$ (restated)	Total \$ (restated)
2008							
Cost							
Balance at 31 December 2007	2,653,614	16,467,008	12,209,624	31,325,246	527,509	1,648,071	2,175,580
Additions	69,226	3,352,765	3,641,646	7,063,637	331,089	–	331,089
Transfer from Group Company	–	–	–	–	33,563	–	33,563
Transfer from development and deferred exploration costs	–	10,359,414	–	10,359,414	–	519,431	519,431
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	892,161	2,167,502	3,059,663
Depreciation							
Balance at 31 December 2007	(1,154,678)	(1,134,093)	(3,205,469)	(5,494,240)	(179,204)	(118,443)	(297,647)
Charge for period	(465,745)	(997,473)	(1,666,888)	(3,130,106)	(171,873)	(74,119)	(245,992)
Transfer from Group Company	–	–	–	–	(23,151)	–	(23,151)
Impairment charge	–	–	–	–	(75,906)	(331,616)	(407,522)
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)	(450,134)	(524,178)	(974,312)
Net book value at 31 December 2008	825,180	22,377,990	8,417,194	31,620,364	442,027	1,643,324	2,085,351
Net book value at 31 December 2007	1,498,936	15,327,915	9,004,155	25,831,006	348,305	1,529,628	1,877,933

Notes to the Financial Statements

For the year ended 31 December 2009

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

	Company	
	31 December 2009 \$	31 December 2008 \$ (restated)
Carrying value at start of period	14,427,794	17,339,256
Impairment provision (note 18)	(3,514,472)	(2,911,462)
Carrying value at end of period	10,913,322	14,427,794

The value of these investments is dependent on the development of mineral deposits

11 Inventories

	Group		Company	
	31 December 2009 \$	31 December 2008 \$	31 December 2009 \$	31 December 2008 \$
Bullion and work in progress	–	100,821	–	–
Consumables	1,259,764	830,592	–	–
Inventories	1,259,764	931,413	–	–

The replacement cost of stocks does not differ materially from the amount stated above

12 Trade and other receivables

	Group		Company	
	31 December 2009 \$	31 December 2008 \$	31 December 2009 \$	31 December 2008 \$ (restated)
Current				
Trade receivables	136,142	912,235	–	596,053
Other receivables	139,396	80,463	137,932	49,993
Trade and other receivables	275,538	992,698	137,932	646,046
Non-current				
Amounts owed by subsidiaries	–	–	31,707,231	30,261,815
Impairment provision (note 18)	–	–	(11,750,710)	(5,008,626)
Other receivables	–	–	19,956,521	25,253,189

13 Cash and cash equivalents

	Group		Company	
	31 December 2009 \$	31 December 2008 \$	31 December 2009 \$	31 December 2008 \$
Cash at bank and in hand	4,081,882	1,538,956	4,020,169	1,516,250
Bank overdraft	–	–	–	–
Cash and cash equivalents	4,081,882	1,538,956	4,020,169	1,516,250

14 Trade and other payables

	Group		Company	
	31 December 2009 \$	31 December 2008 \$	31 December 2009 \$	31 December 2008 \$
Current				
Trade payables	2,774,628	1,796,576	121,199	86,865
Other payables	392,741	274,789	–	–
Employee benefits	315,243	225,741	10,966	32,789
Other taxes and social security	688,100	900,437	–	–
Amounts due to subsidiaries	–	–	419,536	419,536
Trade and other payables	4,170,712	3,197,543	551,701	539,190
Non-current				
(Between one and five years)				
Other payables	68,873	–	–	–
Other taxes and social security	–	25,467	–	–
	68,873	25,467	–	–

Notes to the Financial Statements

For the year ended 31 December 2009

15 Non-current provisions

Contingency provision

	Group		Company	
	31 December 2009 \$	31 December 2008 \$	31 December 2009 \$	31 December 2008 \$
Opening balance	235,905	420,135	-	-
Released in year	-	(103,015)	-	-
Exchange	83,295	(81,215)	-	-
Closing balance	319,200	235,905	-	-

Environmental rehabilitation provision

	Group		Company	
	31 December 2009 \$	31 December 2008 \$	31 December 2009 \$	31 December 2008 \$
Opening balance	500,000	500,000	-	-
Provided for in year	555,000	-	-	-
Closing balance	1,055,000	500,000	-	-
Total non-current provisions	1,374,200	735,905	-	-

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

	Group Minimum lease payments	
	31 December 2009 \$	31 December 2008 \$
No later than one year	84,761	1,119,870
Later than one year and not later than five years	-	188,376
	84,761	1,308,246
Future finance charges	(4,262)	(78,970)
Present value of minimum lease payments	80,499	1,229,276

16 Interest bearing liabilities (continued)**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 15 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 without 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

	Group	
	31 December 2009 \$	31 December 2008 \$
Interest bearing liabilities – current		
Finance leases	80,499	1,046,936
	80,499	1,046,936
Interest bearing liabilities – non-current		
Finance leases	–	182,340
Convertible Loan Stock	216,898	–
	216,898	182,340
	Company	
	31 December 2009 \$	31 December 2008 \$
Interest bearing liabilities – non-current		
Convertible Loan Stock	216,898	–

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For the year ended 31 December 2009

17 Share capital

	2009		2008	
	Number	£	Number	£
Authorised				
Ordinary shares of 0.5 pence each (2008: 10 pence each)	3,337,357,765	16,686,789	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

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 authorised 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 authorised 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	
	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
Deferred shares of 9.5 pence each	140,139,065	24,021,395	–	–
		26,848,814		25,285,679

Movements in issued share capital

	31 December 2009 Number	31 December 2009 \$	31 December 2008 Number	31 December 2008 \$
Ordinary shares				
Opening balance	140,139,065	25,285,679	140,139,065	25,285,679
Sub-division of shares	–	(24,021,395)	–	–
Issue of shares for cash	187,601,530	1,563,135	–	–
Closing balance	327,740,595	2,827,419	140,139,065	25,285,679

	31 December 2009 Number	31 December 2009 \$	31 December 2008 Number	31 December 2008 \$
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

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

17 Share capital (continued)**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 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		

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.

Notes to the Financial Statements

For the year ended 31 December 2009

17 Share capital (continued)

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		

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 capitalised 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\$13.2million 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.

Notes to the Financial Statements

For the year ended 31 December 2009

18 Impairment (continued)

Company

The carrying value for the Company relating to the Palito cash generating unit comprises

	Carrying value before impairment \$	Impairment provision \$	Carrying value after impairment \$
Loans and Investments into Brazil	47,058,256	17,439,805	29,618,451
Loans to other subsidiaries	1,988,231	736,839	1,251,392
Mining Property	1,974,940	731,913	1,243,027
Plant and Equipment	263,316	97,585	165,731
	51,284,743	19,006,142	32,278,601

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

Company

		\$
Delay of project start-up to January 2012	Decrease in NPV	4,210,000
Decrease in gold price by 5%	Decrease in NPV	2,668,000
Appreciation of BrR\$ US\$ exchange rate by 10%	Decrease in NPV	2,106,000
Increase in discount factor by 1%	Decrease in NPV	1,444,000
Increase in cost estimates by 10%	Decrease in NPV	2,871,000

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).

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:

	Group		Company	
	31 December 2009 \$	31 December 2008 \$	31 December 2009 \$	31 December 2008 \$
Commitments falling due				
within one year	60,519	271,890	60,519	55,020
between one year and five years	121,038	251,870	121,038	165,060
Total	181,557	523,760	181,557	220,080

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 totaling US\$1,539,000 (2008 US\$13,258,583). The Company has loans outstanding to subsidiaries totalling US\$31,707,231 (2008 US\$30,261,815) 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 US\$258,665 (2008 US\$11,569,021). 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.

Notes to the Financial Statements

For the year ended 31 December 2009

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	
	P&L \$000	Equity \$000	P&L \$000	Equity \$000
A 10% increase in the average commodity price	-	-	291	291
A 10% decrease in the average commodity price	-	-	(291)	(291)

An analysis of the effect of a 10% movement in average commodity prices on the Company's profit and loss and equity is as follows:

	2009		2008	
	P&L \$000	Equity \$000	P&L \$000	Equity \$000
A 10% increase in the average commodity price	-	-	291	291
A 10% decrease in the average commodity price	-	-	(291)	(291)

23 Financial instruments (continued)**Interest rate risk**

The Group and Company 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		Total \$
				One year or less \$	Over one to five years \$	
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
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

Notes to the Financial Statements

For the year ended 31 December 2009

23 Financial instruments (continued)

Interest rate risk (continued)

Company

	Weighted average effective interest rate %	Non-interest bearing \$	Floating \$	Fixed interest maturity		Total \$
				One year or less \$	Over one to five years \$	
2009						
Financial assets						
Cash	0.16	–	4,020,169	–	–	4,020,169
Receivables	–	10,264,262	–	–	–	10,264,262
Total		10,264,262	4,020,169	–	–	14,284,431
Financial liabilities						
Payables and accruals	–	673,969	–	–	–	673,969
Interest bearing liabilities	–	–	–	–	–	–
Total		673,969	–	–	–	673,969
2008						
Financial assets						
Cash	5.50	–	1,516,250	–	–	1,516,250
Receivables	–	17,622,401	–	–	–	17,622,401
Total		17,622,401	1,516,250	–	–	19,138,651
Financial liabilities						
Payables and accruals	–	675,952	–	–	–	675,952
Interest bearing liabilities	–	–	–	–	–	–
Total		675,952	–	–	–	675,952

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

	2009	
	Group \$	Company \$
Due in less than one month	3,878,822	142,437
Due between one month and three months	134,194	–
Due between three months and one year	360,464	531,532
	4,373,480	673,969

23 Financial instruments (continued)

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 Groups operating loss (before interest and other income) and equity of a 10% movement of the Brazilian Real against the US Dollar

	2009		2008	
	P&L (Loss on ordinary activities before interest and other income) \$000	Equity \$000	P&L (Loss on ordinary activities before interest and other income) \$000	Equity \$000
10% strengthening of the Brazilian Real against the US Dollar	(374)	4,222	(1,354)	3,278
10% weakening of the Brazilian Real against the US Dollar	306	(3,454)	1,732	(2,682)

The Company's operating loss and equity has no risk to movements in the Brazilian Real against the US Dollar

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 Groups 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

	Group	
	31 December 2009 \$	31 December 2008 \$
US Dollar	10,648	743,701
Sterling	4,008,751	779,568
Australian Dollar	3,073	9,661
Brazilian Real	59,410	6,026
Total	4,081,882	1,538,956

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) 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

The Company's exposure to credit risk amounted to US\$24,114,622 (2008 US\$19,138,651) Of this amount US\$19,956,521 (net of impairment charge) is due from subsidiary companies

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at the offices of Farrer & Co 66 Lincoln's Inn Fields, London WC2A 3LH on 29 June 2010 at 9.30 pm for the following purposes

ORDINARY BUSINESS

To consider and if thought fit to pass the following resolutions which will be proposed as ordinary resolutions

- 1 That the Directors' Report and financial statements of the Company for the year ended 31 December 2009 be received and adopted
- 2 To re-elect Michael Hodgson as a Director Michael Hodgson retires by rotation in accordance with the Articles of Association and being eligible offers himself for re-election
- 3 To re-elect William Clough as a Director William Clough retires by rotation in accordance with the Articles of Association and being eligible offers himself for re-election
- 4 To re-appoint PKF (UK) LLP as auditors of the Company to hold office from the conclusion of the meeting to the conclusion of the next Annual General Meeting at which accounts are laid before the Company and to authorise the Directors to fix the auditors' remuneration

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions, of which resolution 5 will be proposed as an ordinary resolution and resolution 6 will be proposed as a special resolution

- 5 THAT the Directors of the Company be and they are generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 (the "2006 Act") to exercise all the powers of the Company to allot shares, grant rights to subscribe for or convert any security into shares (the "Rights") and deal with or dispose of any equity securities (as defined by Section 560 of the 2006 Act) of the Company up to an aggregate amount of £1,638,700 provided that this authority is for a period expiring at the conclusion of the next Annual General Meeting of the Company, except that the Company may before the expiry of the authority make an offer or agreement which would or might require the Rights to be allotted after the expiry of such period and the Directors may allot the Rights in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired and provided further that this authority shall be in substitution for all previous authorities conferred upon the Directors pursuant to Section 551 of the 2006 Act or under section 80 of the Companies Act 1985 (the "1985 Act")
- 6 THAT subject to the passing of the previous resolution, the Directors of the Company be and they are generally empowered pursuant to Section 570(1) and 573 of the 2006 Act and in accordance with the Articles of Association of the Company, to allot equity securities (as defined in Section 560 of the 2006 Act) for cash pursuant to the authority conferred by the previous resolution up to an aggregate nominal value equal to £1,638,700 as if Section 561 of the 2006 Act did not apply to any such allotment provided that this power shall expire on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution. The Company may before the expiry of the authority make an offer or agreement which would or might require equity securities to be allotted after the expiry of such period and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired and provided further that this authority shall be in substitution for all previous authorisations conferred upon the Directors pursuant to Sections 570 and 573 of the 2006 Act or under section 95 of the 1985 Act

By order of the Board

Clive Line
Company Secretary
66 Lincoln's Inn Fields
London WC2A 3LH
27 May 2010

NOTES

- 1 A member entitled to attend and vote at the meeting convened by the notice set out overleaf is entitled to appoint a proxy (or proxies) to attend and to vote in his place. A proxy need not be a member of the Company.
- 2 A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the member.
- 3 A form of proxy is enclosed. To be effective, it must be deposited at the office of the Company's registrars so as to be received not later than 48 hours before the time appointed for holding the Annual General Meeting. If you subsequently want to terminate the authority of the proxy you must send notice to that effect to the Company's registrars so that it is received by the Company before the start of the meeting. Completion of the proxy does not preclude a member from subsequently attending and voting at the meeting in person if he or she so wishes.
- 4 The register of interests of the Directors and their families in the share capital of the Company and copies of contracts of services of Directors with the Company or with any of its subsidiary undertakings will be available for inspection at the registered office of the Company during normal business hours (Saturdays and public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting.
- 5 In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members not later than close of business on the day which is two days before the day of the meeting or, if the meeting is adjourned, shareholders entered on the Company's register of members not later than close of business on the day which is two days before the time fixed for the adjourned meeting shall be entitled to attend and vote at the meeting.

EXPLANATION OF RESOLUTIONS 5 AND 6**Resolution 5 – authority to allot shares**

Under the Companies Act 2006 the Directors of a Company may only allot unissued shares if authorised to do so by the shareholders in general meeting. Resolution 5 renews the Director's existing authority granted at the AGM held 18 August 2009 and authorises the Directors to allot shares up to a number equivalent to the current issued share capital of the Capital. The authority will expire at the next Annual General Meeting of the Company.

Resolution 6 – authority to allot shares for cash

The Directors may only allot shares for cash on a non-pre-emptive basis to existing shareholders in the Company if authorised to do so by the shareholders in general meeting. This resolution renews the authority granted to the Directors at the AGM held on 18 August 2009 to allot shares for cash and dis-applies the pre-emption rights of shareholders in respect of a number of shares equivalent to the current issued share capital of the Capital.

Glossary

Alteration	A change in the mineralogical composition of a rock commonly brought about by reactions with hydrothermal solutions or by pressure changes
CIP	Carbon in Pulp – a process used in gold extraction by addition of cyanide
Chalcopyrite	A sulphide of copper and iron
Decline	Inclined roadway within the mine leading from the mine entrance
Development	Excavations used to access underground workings
Dilution	The mixing of barren non-mineral bearing rock (waste) with mineral bearing rock (ore) Usually expressed as a percentage of ore to waste
Electromagnetics	A geophysical exploration tool measuring the magnetic field generated by subjecting the ground to electrical currents
Face	The exposed rock area at the end of each development drive
Garimpeiro	Local artisanal miners
Geochemical	Geological information using measurements derived from chemical analysis
Geophysical	Geological information using measurements derived from the use of magnetic and electrical readings
Gold equivalent	Quantities of materials other than gold stated in units of gold by reference to relative product values at prevailing market prices
Gossan	An iron-bearing weathered product that overlies a sulphide deposit
Grade	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)
High grade feed	Mined product which is delivered to the process plant and has a grade above the targeted average
Jumbo drill rig ("Jumbo")	A self propelled and steered machine used to drill holes in rock which in turn will be charged with explosives and blasted
Level spacing	The vertical distance between floors of the development drives (levels)
Long-hole stoping	A mechanical method where ore is mined out between two sub-levels by drilling a series of "long-holes" (6–9 metres at Palito), which are subsequently charged with explosives and blasted The broken ore is then loaded and moved to surface
Mineralised	Rock which contains minerals e.g. iron, copper, gold
Oxides	Near surface bed-rock which has been weathered and oxidised by long-term exposure to the effects of water and air
Ramp	Interchangeable with "Decline"
Saprolite	A weathered or decomposed clay-rich rock
Scoop-trams	Self propelled and steered machines used to collect and transport broken rock within the mine
Shrink stoping	A highly selective but labour intensive mining methodology using hand-held machines to drill and blast ore from the stopes
Stopes	The area of mineralised rock that lies between the roof of one development drive and the floor of the development drive immediately above
Stoping	A generic method for extracting ore in underground mining
Strike	The direction of bearing of a bed or layer of rock in the horizontal plane
Structure	A term used to describe an area of rock typically where it shows differing composition or properties to the surrounding rocks
Sulphide	Minerals consisting of a chemical combination of sulphur with a metal
Tailings	The residual waste material that it is produced by the processing of mineralised rock
Tracked mining	A mining method where the equipment used in the mine is not self-steering and is reliant upon a system of metal rail-tracks to be directed within the mine
Vein	A generic term to describe an occurrence of mineralised rock within an area of non mineralised rock
VTEM	The name given to a particular variant of a helicopter-borne time-domain electromagnetic geophysical survey system

Shareholder Information

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COMPANY NUMBER

5131528

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Clive Line

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