

INVESTOR UPDATE

Quarterly Period to December 31, 2006

HIGHLIGHTS

- ▶ Expansion projects at the Palito mine result in 127% year-on-year production increase to 39,197 oz gold equivalent in 2006, compared with 17,261 oz in 2005
- ▶ Record quarterly production of 11,687 oz gold equivalent achieved in December, a 20% increase over the third quarter
- ▶ Further positive production developments expected at Palito early in 2007 with the introduction of additional mining equipment and increased use of new mining method
- ▶ Commissioning of new mill significantly increases process capacity
- ▶ Follow-up work at various Jardim do Ouro projects highlights further potential close to the Palito mining operation



MANAGEMENT REVIEW

At the start of 2006 we indicated two areas of focus for management:

- (i) Increasing production at Palito
- (ii) Evaluation and development of the company's project portfolio at Jardim do Ouro and across the Tapajos

The benefits of widespread investment at the Palito mine were evident throughout last year, but none more so than in the fourth quarter, in which production reached 11,687 oz gold equivalent, a 20% increase on the previous quarter or 111% compared with the same period in 2005. In addition, throughout 2006 all key production measures showed good improvement, resulting in annual production growth of 127% to 39,197 oz gold equivalent.

We have already set a provisional target for Palito in 2007 of 50,000 oz gold equivalent and cash operating costs of approximately US\$225 per ounce, these results highlight considerable progress towards these goals. Furthermore, a number of items are already set to impact on first half results this year: decline access completed to the next level, purchase of additional mining equipment, increased use of long-hole stoping and increased process capacity following the successful commissioning of the fourth ball mill at the end of 2006. In addition to the potential direct impact on production, these developments are also expected to result in improved reliability, efficiencies and safety.

Meanwhile, investigations previously highlighted on other initiatives that could result in additional improvements to production, have reached an advanced stage, notably the test work on the use of an upgrade process to beneficiate lower grade material. The possible introduction of such an upgrade circuit would have major positive economic implications for the Palito mine and, in particular, potential satellite resources. Results from these studies are expected during the first quarter of 2007.

Against this background the focus during 2007 remains similar to that of last year but with some important distinctions:

- (i) Increased production, accompanied by improved efficiencies, leading to stable cash flow generation that can be used to grow the company
- (ii) The establishment and development of additional resources at Jardim do Ouro, across the Tapajos and potentially elsewhere in Brazil
- (iii) Continue to strengthen the position of the company through the above and other initiatives

Resources and management time has to date, by necessity, been largely focused on making a success of the Palito mine and establishing assets and facilities from which to build in the future. Having achieved many of these goals at Palito increased emphasis will now be placed on developing the company from its strong foundation, which we expect will become increasingly evident in 2007.

Following the establishment of a successful process at Palito, the priority will move to identify additional resources within the district that could provide ore for incremental production expansion. Although Serabi has extensive potential adjacent to the Palito mine, projects further away may also be considered depending on their size, grade and the potential application of an upgrade process.

Evaluation work during the fourth quarter focused on such advanced projects at Jardim do Ouro, notably Bill's Pipe, Ruari's Ridge, Palito West, Sao Chico and Rio Nova South. Significant gold showings have been identified at each of these locations, associated with known sulphide mineralisation similar to that currently being mined at Palito. We expect to provide further results from these programmes during the first quarter.

For Serabi 2006 marks the end of the beginning, with profitable **production** established, new operational **developments** taking place and **exploration** set to expand.

Graham Roberts
Chairman

Bill Clough
CEO

"Having achieved many goals at Palito increased emphasis will now be placed developing the Company from its strong foundation, which we expect will become increasingly evident in 2007"

EXPLORATION <i>Gathering pace</i>	<ul style="list-style-type: none"> ▪ Expanded facilities and team in place ▪ Extensive project portfolio in prime gold region ▪ High-grade vein/stockwork deposits identified ▪ Potential for large tonnage porphyry/IOCG deposits
DEVELOPMENT <i>Growth potential</i>	<ul style="list-style-type: none"> ▪ Infrastructure in place ▪ Continuing mining and process improvements ▪ Near term expansion potential ▪ Well placed to exploit new opportunities
PRODUCTION <i>Sound performance</i>	<ul style="list-style-type: none"> ▪ Commercial production achieved ▪ Set for additional growth ▪ Cost reductions anticipated ▪ Quality resource provides strong foundation



OPERATING REVIEW

PALITO MINE

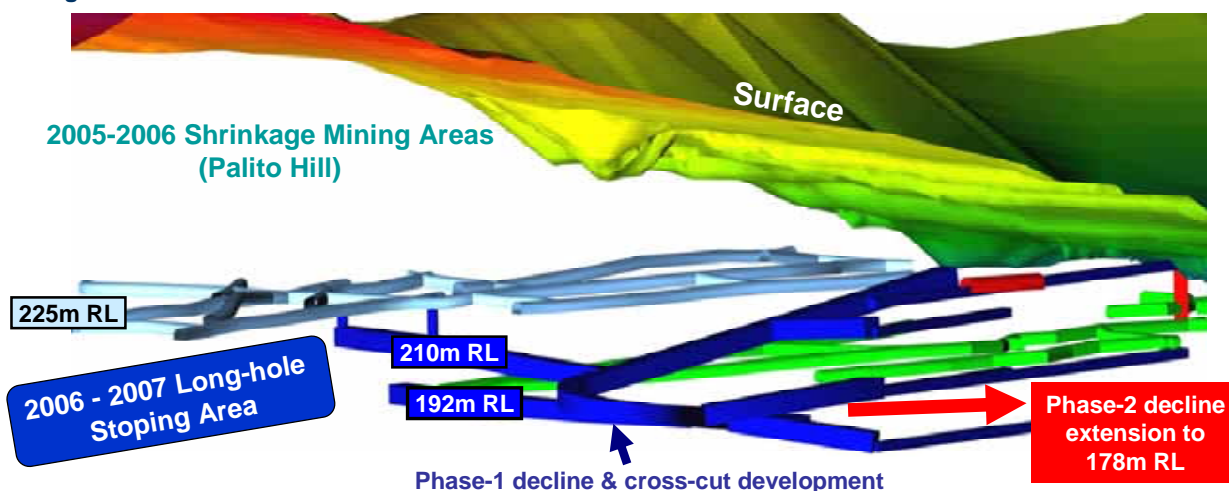
Mining

Improved underground mining rates continued into the fourth quarter, with a year-on-year increase of 175% and more than four-fold since the beginning of 2005. The challenge is now to establish sufficient access drives and development fronts necessary to maintain and grow production further. To assist in this regard important progress has recently been made with the following items:

- ▶ Production development drives established on levels 210m RL and 192m RL
- ▶ Phase-2 decline extension completed to access deeper ore on the next level at 178m RL
- ▶ Additional Jumbo drill and LHD loader purchased, due on site Q1

Supported by these developments, the first long-hole stope mining commenced shortly before the end of December on 210m RL. Early results have been successful, with good ore extraction and limited dilution. As more development drives are completed and additional equipment arrives, mining this year will increasingly transition to long hole stoping at depth, resulting in improved production and efficiencies throughout the year.

2007 Mining Plans



Plant

The new Mill-4 was placed on its foundations late in November and following additional engineering and test work, was successfully commissioned shortly before Christmas. Initial results have been very good with daily mining rates subsequently averaging over 450 tonnes. Even before the introduction of Mill-4, throughput from the existing mills had shown some improvement over the prior periods as earlier availability problems were overcome. However, the success of Mill-4 now enables additional maintenance on the existing mills, notably Mill-3, which can now be used either as back-up or for additional capacity depending on future requirements.

		Palito – Operating Results					2005
		2006 ⁽¹⁾					
		Q1	Q2	Q3	Q4	Year-end ⁽²⁾	Year-end
Total mined (per day)	t	32,820 (365)	34,055 (374)	42,357 (460)	42,007 (457)	151,239 (414)	54,993 (151)
Mined ore (per day)	t	31,555 (351)	31,864 (350)	34,598 (376)	34,072 (370)	132,089 (362)	54,993 (151)
Milled (per day)	t	25,514 (283)	29,851 (328)	29,492 (321)	32,760 (356)	117,618 (322)	57,958 (159)
Head grade	g/t	9.3	9.7	9.2	9.4	9.4	9.2
Recovery	%	91.9	91.3	91.4	91.0	91.4	89.4
Gold	oz	7,017	8,527	7,974	8,980	32,498	15,345
Copper	t	98.0	107.1	139.2	224.6	568.9	216.2
Gold equivalent ⁽³⁾	oz	7,927	9,815	9,768	11,687	39,197	17,261

⁽¹⁾ Provisional ⁽²⁾ Reflects rounding and/or minor adjustments at year-end ⁽³⁾ Includes Copper and Silver

EXPLORATION, DEVELOPMENT AND GENERAL OUTLOOK

After more than two year's operating at Palito, extensive underground mining and development has demonstrated the good continuity of ore mineralisation. High-grade ore shoots ('cheroots') found at Palito, show that discreet mineralised zones can extend more than 200 metres on strike, averaging 1 to 2 metres width, with localised grades often exceeding 50g/t gold and more than 1% copper. In a number of places the same mineralised features have been mined over at least 100 metres down-dip and still remain open at depth. Such continuity forms a good foundation for future mining.



Drilling from surface and underground highlights ore potential in all directions

Drilling in 2005 extended the Palito Main Zone (PMZ) mineralisation from 20 to 54 veins, from 900 metres to 1,050 on strike and from 125 metres to 220 metres depth, whilst remaining open in all directions. Further work in 2006 has continued to confirm these trends, highlighting similar NW-SE, steeply dipping high-grade veins across a structural corridor at least 500 metres in width. Together with other nearby projects in the Jardim do Ouro district, these features will form primary evaluation targets during 2007 that could eventually result in the development of satellite operations from which to feed the centrally located process plant at Palito.

With commercial production established at Palito and having expanded the company's support facilities, Serabi is now well placed to build on its strategic position. Deployment of four surface and three underground drilling rigs, combined with improved systems, will greatly assist future evaluation and development programmes. In this regard last year's achievements and objectives for 2007 are summarised in the following table.

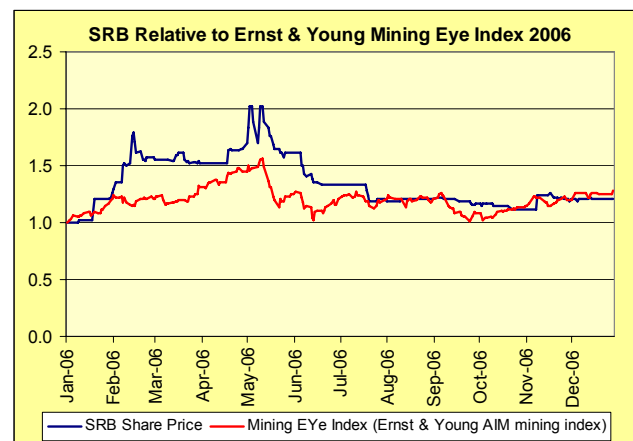
2006 Progress and 2007 Objectives

Period	2006 Achievements	2007 Objectives
Palito Mine	<ul style="list-style-type: none"> Commercial production declared October 2006 Mining and mill rates increased to over 450 tpd Phase 1 and 2 decline completed, trackless mining and long hole stoping underway Infrastructure and capital projects to support near term production targets completed 	<ul style="list-style-type: none"> Production of 50,000oz gold equivalent Improve operating efficiencies and lower cash costs to approximately US\$225 /oz Assess and develop initiatives to expand production Complete long term mine plan
Palito Mine Resources	<ul style="list-style-type: none"> Global PMZ resource increased 74% to 825,900 oz of gold equivalent Introduction of underground drilling improves definition of mining resources 	<ul style="list-style-type: none"> Improve resource definition for mine planning Continue PMZ strike and depth drilling
Exploration and development	<ul style="list-style-type: none"> Geological support facilities expanded Four surface exploration drill rigs operating 	<ul style="list-style-type: none"> Escalate assessment and acquisition of projects through increased exploration budget from US\$3 million to US\$5 million
Jardim do Ouro	<ul style="list-style-type: none"> Assessment of projects reaches an advanced stage as drilling gets underway 	<ul style="list-style-type: none"> Drill priority targets and establish new resource areas for potential mining
Tapajos Projects	<ul style="list-style-type: none"> Exploration starts on regional projects Preliminary drill programme completed at Pombo 	<ul style="list-style-type: none"> Identify at least one priority project and establish preliminary resource for possible mining Instigate assessment of potential large tonnage projects
Corporate	<ul style="list-style-type: none"> Institutional funding £2.60m @ 40p Developed institutional and retail investor relations programme 	<ul style="list-style-type: none"> Expand investor initiatives Consolidate strategic position Consider new opportunities in Brazil

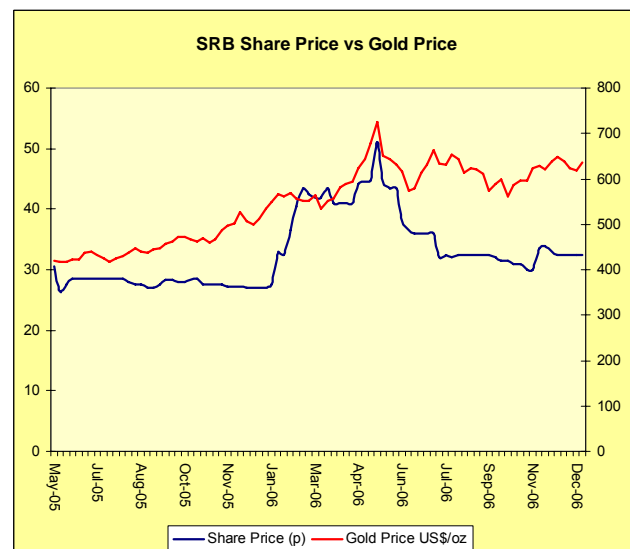


2006 SHARES AND MARKET FOCUS

2006 was a year of three parts. The period to early May, dominated by a rampant gold price and ever higher base metal prices too, saw investor interest surge and share prices alike. After the gold price reached a 26-year high of US\$725/oz on May 12, the sector turned down until early October as a result of subsequent price weakness accompanied by a number of AIM market 'casualties', after which a limited degree of interest has slowly returned. While mirroring these general trends, the price of Serabi shares showed a strong out-performance of the sector through much of the year before coming in line since late summer onwards. Most notably the liquidity of the shares has significantly improved during 2006, with turnover of the public float increased from 20% in 2005 to 64% last year.



Ernst & Young's Mining EYE is a share index tracking the combined performance of the top twenty mining companies on AIM



As an established producer current metal prices still remain very beneficial to Serabi and have enabled ongoing capital projects to be funded from the operating cash flow being generated at the Palito mining operation. The outlook for continued production growth combined with a reduction of operating costs in 2007, will further strengthen this position and provides an important distinction for Serabi in the AIM mining sector.

Serabi Share Information

Listed:	London AIM
Ticker:	SRB
Basic shares:	110.75 million
Fully Diluted shares:	123.24 million
Public Float:	63%
Share Turnover * 2006	64%
2005	20%

* percentage of public float

FYI

Management regularly undertake investor meetings, copies of the presentations along with press releases and Financial Reports are available from our office or on our website www.serabimining.com.

Reporting and Press Releases 2006

February 1	Drilling & Exploration Update
February 14	2005 Resource Update
March 30	Share Placing
March 30	Report and Accounts to September 2005
March 31	Annual Report & Accounts 2005
April 19	March Quarterly Investor Update
July 20	June Quarterly Investor Update
September 13	Exploration Update
September 26	Interim Report 2006
October 4	Commercial Production at Palito
October 23	September Quarterly Investor Update

Meetings 2006-2007

October – November	Investor Meetings
November 20 – 22	Mines & Money 2006 Conference - London
February and March	Institutional and retail investor meetings
February 25-28	BMO Capital Markets: 2007 Global Resources Conference – Tampa, Florida

Media and Brokers Coverage 2006

April 5	World Gold Analyst
June 27	Proactiveinvestors.com
July 20	Ambrian Partners
August 31	Shares Magazine
September 8	Resource Investor
October 10	Business News Americas
October 31	Mineweb
November 8	Numis Securities
November 17	Investors Chronicle
November 20	Platts
December 7	Shares Magazine
December 19	Minesite

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