



## INVESTOR UPDATE

Quarterly Period to September 30, 2007

### HIGHLIGHTS

- ▶ Continuing exploration success at Jardim do Ouro projects points to near term production potential
- ▶ Significant expansion of exploration programme underway following discovery of new mineralisation and breakthrough identification of key exploration tool
- ▶ Quarterly production was 8,176 ounces gold equivalent with mine output and plant processing levels maintained at prior quarter rates
- ▶ Introduction of new mining equipment set to lift development gold grades by up to 50%
- ▶ Upgrade of CIP recovery circuit will improve overall gold recoveries by 2%
- ▶ Appointment of new CEO at Serabi plc and Managing Director in Brazil strengthens management team ahead of growth plans



The introduction of narrow mini-scoops (pictured above) are expected to have a favourable impact on development grades

### MANAGEMENT REVIEW

Much of the effort over the last quarter has been focused on the completion of planning and implementation of exploration and development programmes, which formed the basis for a share placement completed in July that raised £12.5 million.

On the exploration front, evaluation of three satellite deposits near the Palito mine at Ruari's Ridge, Palito West and Chico da Santa has continued to produce good results. Ground work to develop an exploration adit along Ruari's Ridge recently commenced, initially exposing good mineralisation 200 metres north-west of the airstrip. Meanwhile, Palito West is emerging as a more significant feature than previously thought and could become important in the near future to the Palito operation. Here, a combination of drilling and geophysics indicates the presence of two mineralised structures, with strike and depth continuity extended by 200 and 80 metres respectively. Decline access options are now being reviewed which would allow these features to be considered within the 2008 operating plan. Finally, at the Chico da Santa project, the most recent interpretation has confirmed the presence of widespread high-grade mineralisation, that is within sufficient proximity to and therefore accessible from the existing Palito Main Zone development. We hope to commence a cross-cut to Chico da Santa during the fourth quarter.

However, the exploration highlight of the last quarter has been results obtained from geophysical ground electromagnetic (EM) surveys that have recently been undertaken over selected areas at Jardim do Ouro. The EM method identifies sub-surface "conductors" such as the massive sulphide mineralisation found at Palito, and the test surveys undertaken successfully outlined a number of such conductors, which are thought to correlate directly with the copper-gold mineralisation. These features are now being drill tested. Furthermore, the same EM technique was undertaken down existing drill holes, successfully highlighting nearby conductors thought to be gold-copper sulphide mineralisation. Such a method can assist in improved drill targeting for the future.

The success of this remote technique can now be applied as a key exploration tool over the surrounding exploration tenements. As a result, a helicopter-borne EM survey has been contracted to fly over 6,000 hectares of the Jardim do Ouro district, adjacent to the existing operations. The rapid coverage provided by such a programme will greatly expand the detailed exploration programme from the approximate 100 hectares that has been assessed to date. We are confident that this survey can improve delineation and the potential extent of known deposits over this wider area as well as identifying a number of other new targets that will then become followed up as part of the focus of a 25,000 metre drill programme.

Within the mining operations, continued grade dilution associated with the high level of development activities, a consequence of the revision to the mining method, remains a disappointment and is likely to impact production until the end of the year. Whilst the new stoping method has been quite successful, its productivity is lower and the percentage of development ore delivered to the plant has consequently increased. However, the introduction of mini scoop-trams which have recently been ordered and are scheduled to be delivered at the end of the year, will enable a significant reduction in waste dilution of ore to be achieved from the development drives thereafter. In addition, the equipment will be used to exploit some of the smaller gold veins that are regularly associated with the three main structures currently being mined. Until now these have been too narrow to be extracted economically using existing equipment. Such an outcome will increase the amount of gold that can be recovered from each level and so improve the economic returns.

Furthermore, resulting reduction of waste going through the plant will effectively provide additional process capacity for ore of some 40,000 tonnes in the plant. The introduction of mini scoop-trams is expected to generate an improvement in the development grade of some 2g/t compared with current 2007 levels. This is sufficient at current mine production rates to increase output by up to 10,000 ounces gold equivalent. In the meantime mining will be carried out in the most selective manner possible in order to maximise production and grade for the remainder of the year.

Elsewhere at the Palito operation, the process plant continued to perform well with mill throughput around 500 tpd and recoveries continuing to average 90%. Notwithstanding, we will commence an upgrade to the CIP gold recovery circuit which is expected to result in an improvement of approximately 2% to recoveries in 2008, equivalent to some 1,000 oz per year at current production levels.

Mining difficulties have proved to be an unexpected set back to production results this year. However, we believe that with a resolution of such problems through the introduction of appropriate equipment on the horizon; development of new discoveries recently announced; a breakthrough in identifying a key exploration tool and imminent and rapid expansion of exploration programmes, Serabi is well positioned to achieve important operational and exploration results.

**Graham Roberts**  
Chairman

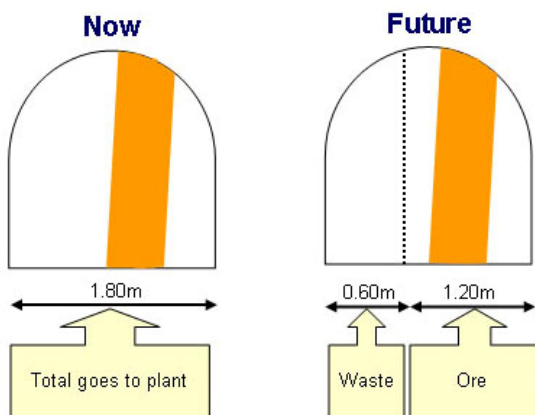
**Mike Hodgson**  
CEO

## OPERATING REVIEW

### PALITO MINE

As reviewed in the Interim Report dated 19 September and earlier quarterly updates, the reduction in head-grade to the plant this year has resulted from excessive, unplanned waste dilution which continued to limit gold production this quarter. Daily mine rates and milling rates remain at record levels but development and stoping methods have not achieved the selectivity required to maintain the mined ore grades at higher levels.

Having reviewed a number of options to resolve this problem, it is now planned to introduce mini scoop-trams for development of the main ore drifts. This will allow minimum widths in the development drives to reduce from 1.80 metres to 1.20 metres. In most cases this will remove 0.60 metres of waste dilution resulting in a 50% improvement in development grades and reducing ore volume processed through the plant by 33%. By subsequently increasing development rates and with the potential for new ore from satellite deposits during 2008, this outcome will provide the opportunity to utilise this 'freed-up' plant capacity with additional ore. Two mini scoop-trams have recently been ordered from the factory in France and are scheduled for delivery at year-end.



Mining Width	Effective Grade	Grade Enhancement	Volume Reduction
1.8 metres	4.0 g/t		
1.2 metres	6.0 g/t	50%	33%

As previously reviewed, stoping is today a mixture of vertical reusing (a variant of cut-and-fill stoping) and some minor longhole open-stoping. The reduced dilution using cut-and-fill has outweighed the increased cost and lower productivity which it brings. However, we continue to explore alternative stoping methods to identify the optimum solution for these narrow vein ore-bodies.

Accurate delineation of the mineralisation is essential to achieving optimum mining. In this regard it is planned to introduce pneumatic underground *Bazooka* drills to supplement our existing underground drilling capacity. The *Bazooka* is well suited to operating in the conditions at Palito, where frequent and rapid drilling of 30 to 50 metre holes for planning purposes is required. This equipment can also be more quickly set up and dismantled minimising disruption to other underground operations.

The rigs can also assist in pursuing the smaller 'vein shoots' that are encountered in the adjoining walls of the development drives and will be mined with the new mini scoop-trams.

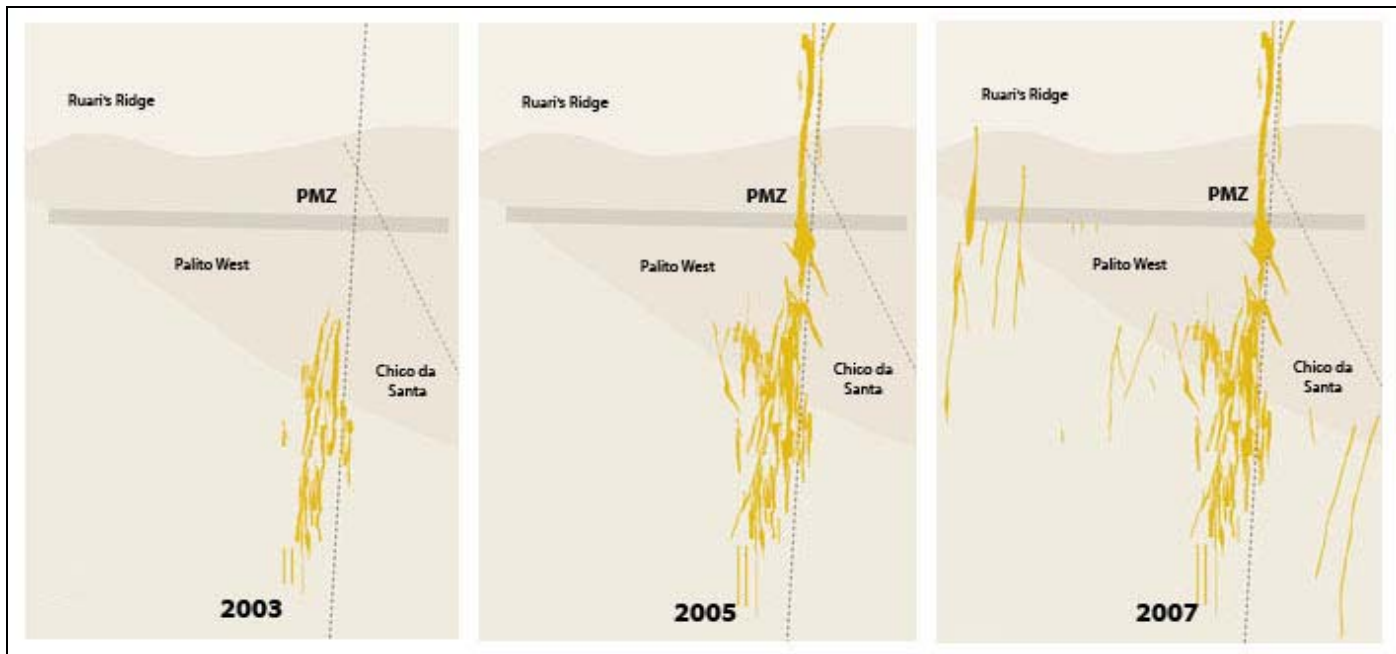
Plant throughput has been steady over the last quarter, with mill throughput similar to the previous period. Meanwhile, test-work has shown that increasing the residence time of the gold solution through the CIP process will increase gold recovery in this part of the circuit by some 8%, which equates to a net 2% improvement in total gold recovery. Overall this improvement could result in a further 1,000 ounces per annum of gold production with only minimal additional operating costs. As a result the CIP circuit will now be upgraded to enable such an improvement, which when completed will provide a project payback of less than 6 months. Tenders for this work are currently being evaluated with a view to work commencing before the end of the year.

Palito – Operating Results <sup>(1)</sup>						
		2007				2006
		Q1	Q2	Q3	YTD	YTD
Total Mined	t	55,251	61,567	56,903	173,721	109,232
(per day)		(614)	(677)	(619)	(636)	(400)
Mined Ore	t	42,217	50,058	45,754	138,029	98,017
(per day)		(469)	(550)	(497)	(506)	(359)
Milled	t	42,705	45,245	45,054	133,004	84,859
(per day)		(475)	(497)	(490)	(487)	(311)
Head Grade	g/t	6.5	6.0	5.4	5.9	9.4
Recovery	%	89.6	91.1	90.0	90.2	91.5
Gold	oz	8,044	7,888	7,021	22,953	23,518
Copper	t	125.6	127.0	96.2	348.8	344.4
Gold Equivalent <sup>(2)</sup>	oz	9,301	9,417	8,176	26,894	27,510

<sup>(1)</sup> Provisional <sup>(2)</sup> Includes Copper & Silver

## EXPLORATION AND DEVELOPMENT

The progress made over recent years in extending the resource base and the recent identification of new areas of mineralisation, serves to highlight the outstanding potential of the Jardim do Ouro and the wider Tapajos region. Viewed in perspective, the diagrams below show how discoveries over the past four years have consistently expanded the known areas of mineralisation at Palito. Plans are now underway to escalate and expand the exploration programme over the next eighteen months and are expected to extend this evolution of discovery significantly. Key to this programme is the success of geophysics in highlighting new targets near to Palito.



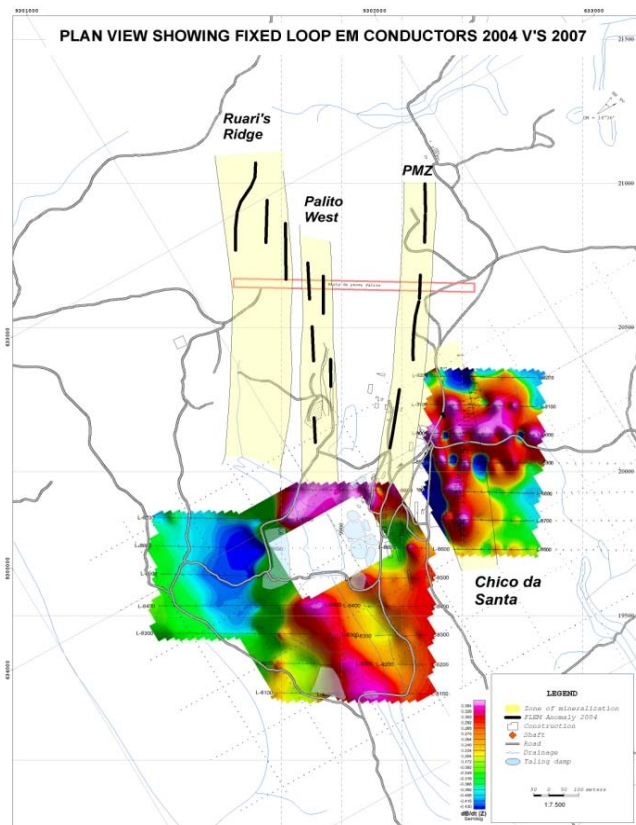
Recent ground-based, fixed-loop electromagnetic ('FLEM') and down-hole ('DHEM') surveys at Palito have successfully identified conductors in the form of 'high spots' thought to reflect sulphide mineralisation commonly associated with the gold-copper found in the Palito geological environment. The success of this work is considered to represent a significant breakthrough for future exploration and has provided the confidence to embark on an extensive helicopter-borne EM survey of the Jardim do Ouro district.

The FLEM programme was undertaken along 100 metre line-spacings across the Chico da Santa and Palito South areas. The application of this technique will provide an effective, rapid and low-cost methodology providing extensive coverage of new areas. This can then be followed up with conventional exploration using trenching and drilling to assess the occurrence and grade of mineralisation. The helicopter-borne EM survey is planned over an area of 6,000 hectares compared with just 100 hectares evaluated to date at Palito.

The programme is expected to identify a number of previously unknown targets as well as better delineate the potential extent of known deposits. It will greatly enhance the targeting and prioritisation of the exploration and evaluation of prospects in the future.

The DHEM survey uses the same geophysical principal but instead is carried out with equipment from within existing drill holes in order to locate potential nearby mineralisation. This will enable better targeting for detailed drilling and more efficient evaluation programmes with reduced discovery costs. The DHEM survey work has highlighted areas of strike extension both at depth and along strike which will now be tested with drilling.

As a follow-up to this and other related work, an extensive 25,000 metre drill programme is planned over the next eighteen months. To assist in this we have recently entered into a contract with a specialist drill contractor to supplement our own capacity.





## BUILDING A BRAZILIAN GOLD MINING SUCCESS

### PEOPLE MATTERS

Serabi has announced a number of recent important personnel changes. As the company has developed, moving from a focus on exploration to one of production, the challenges have changed and the skills required to meet these challenges have altered too. In recognition of these changes, Mike Hodgson was appointed Technical Director at the start of this year and at the end of August was promoted to Chief Executive.

The previous CEO, founder of the company and major shareholder, Bill Clough, has a variety of other business interests he wishes to pursue but will continue to have responsibility for the development of new opportunities for Serabi. Mike is a highly experienced operations manager having worked at mines around the world and the Board is confident of his ability in continuing to lead Serabi in the pursuit of its new and more ambitious goals.

Reflecting our changing needs in Brazil, Serabi has also appointed Wanderlan Almeida as Managing Director for Serabi Mineração Ltda. Having worked for over 25 years in the Brazilian mining industry, including 13 years with Rio Tinto, he brings substantial management and operational experience. His appointment further reflects the change upon which the company is embarking as the emphasis shifts from an explorer and early-stage producer, to being a significant producer with exciting exploration potential.

Wanderlan has also been recently joined by Marcus Brewster as Head of Group Technical Services. Marcus previously worked with Gold Fields in Brazil and has most recently been working as Mineral Resource Manager at their Damang gold mine in Ghana.

### FOR YOUR INFORMATION:

Management regularly undertakes 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](http://www.serabimining.com)

#### Reporting & Press Releases 2007

April 11	2006 Final Results
April 25	March Quarterly Investor Update
May 1	Annual Report & Accounts
May 22	Land Holdings Increase
June 1	AGM Statement & Results
June 4	Exploration Results
June 15	Placing and Notice of EGM
June 29	Total Voting Rights
July 11	EGM Results
July 26	June Quarterly Investor Update
August 29	Executive Appointments
Sept 11	Exploration Results
Sept 20	Interim Results

#### Meetings 2007

April	Institutional investor meetings
May 2 - 4	Latin American Mining Congress - Miami
June	Institutional investor meetings
Sept	Institutional investor meetings
October 3	Investor & Media Reception
October 16	<i>Minesite</i> Investor Forum – London
Nov 20 - 21	Mines & Money 2007 Conference - London

#### Media & Broker Coverage 2007

April	Red Hot Penny Shares
April	World Gold Analyst
April 15	Resource Investor
April – Sept	Numis Securities– Research notes
April 25	Ambrian Partners – Research notes
April 27	Investors Chronicle
May 21	Seymour Pierce – Research report
June 15	Mineweb
June 15	Shares Magazine
June 24	International Mining
June 28	Shares Magazine
June 22	Growth Company Investor
July	Edison Investment Research
July 3	Financial Times
August	Red Hot Penny Shares
Sept	World Mining Stocks
Sept 20	Ambrian Partners - Research comment
Sept 21	Seymour Pierce

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