



INVESTOR UPDATE

Quarterly Period to December 31, 2007

HIGHLIGHTS

- ▶ 2007 production 33,963 gold equivalent ounces
- ▶ Production expected to rise to between 40,000 and 45,000 gold equivalent ounces in 2008
- ▶ Imminent commissioning of new mining equipment and revised mine plans point to a much improved operating outlook
- ▶ Advanced evaluation of new discoveries may provide additional, near-term production opportunities
- ▶ Significant escalation of exploration at Palito & Jardim do Ouro delivers impressive results across a number of fronts
- ▶ Serabi directly benefitting from strong metal prices as an unhedged producer



Heli-EM survey recently completed across the Jardim do Ouro district is expected to reveal numerous mineralisation targets

MANAGEMENT REVIEW

Following a difficult year at Palito in 2007, management's principal focus for the year ahead is to put in place plans to deliver:

- (i) reliable, sustainable and profitable production; and
- (ii) establish a detailed understanding of and quantify the wider ore potential in the Palito / Jardim do Ouro district. This will be used to determine future expansion potential and support longer-term planning.

As a basis for achieving the company's goals, we have recruited an experienced local management team based in Brazil who will greatly assist with the challenges of underground mining and related management. This team is already in place to provide a solid foundation for the delivery of our plans.

Operations and Outlook

The principal operating goals for this year are:

- To achieve sustainable, optimum economic production
- Contain gross, real operating costs in local currency (BR\$)
- Achieve a unit operating cost per gold equivalent ounce of less than US\$400 (based on US\$ / Brazilian Real 1.75)
- Improve reliability of results through improved planning, development of management systems and personnel training

Central to improving operating results at the Palito mine is the introduction of mini-scoops, which will enable us to reduce mine development widths and thus improve the grades delivered to the plant. The first two mini-scoops are expected to be operational by the end of the first quarter, with another two scheduled for delivery during the second quarter. Additional equipment being added to the mining fleet includes new jumbos and mine trucks.

Meanwhile, considerable work has also been carried out to optimise mining techniques at Palito in the future. It has been concluded that an adaptation of the long-hole stoping method, with reduced stoping heights, will produce best results. The combination of revised long-holing and the use of mini-scoops for mine development will bring greater selectivity and best grade success. A robust mine plan based on exploitation of seven lodes, compared with only three last year, indicates production for 2008 will rise to between 40,000 and 45,000 gold equivalent ounces.

In addition, there are a number of mining opportunities under review at Palito not incorporated into the current 2008 plan. These opportunities could impact positively on the future production outlook:

- Production from new sulphide ore sources at Jatoba, Chico da Santa and Ruari's Ridge
- Development of ancillary ore sources associated with main structures and / or encountered during development
- Development of local oxide deposits e.g. Ruari's Ridge

Exploration

Various exploration and evaluation programmes that were initiated during the second half of 2007 have been successful and the results are promising; the most exciting results being the identification of high-grade mineralisation at Palito West, along with a new series of veins lying between the PMZ and the Chico da Santa structures, north-east of the PMZ operation. Further drilling and development of both of these areas is planned for 2008. In addition, deep drilling of the northern PMZ is well advanced with the objective of extending resources at depth.

Potentially, the most significant exploration activity by the company to date was the 6,000 hectare helicopter-borne EM survey concluded in January. The results from this programme are expected to have a significant impact on the exploration programme in identifying future ore potential of the area once the results have been interpreted. We hope to provide an initial report on the outcome of the survey before the end of the first quarter. Based on the success of ground-based EM surveys in identifying a number of mineralised targets at Palito last year, the use of Heli-EM (covering a much wider area) is likely to provide a major breakthrough in this area of the Tapajos, rapidly unlocking areas with good potential close to the established operations but where access might hinder conventional initial evaluation programmes.

With these initiatives and opportunities we believe the outcome for 2008 will show a significant operating improvement on 2007, with good exploration prospects set to place Serabi in a strong position for future growth.

Graham Roberts
Chairman

Mike Hodgson
CEO



OPERATING REVIEW

As previously indicated, grade problems arising from mining dilution would not be resolved until the first quarter of 2008. As a result, lower production grades and consequently ounces continued in the fourth quarter of 2007, resulting in 7,069 ounces gold equivalent. However, production is expected to show a marked improvement in 2008, benefitting from the introduction of mini-scoops to reduce mining widths and thus enhance grades in mine development (see *Investor Update*, 30 September 2007 for details). The first two mini-scoops are expected to be released from the manufacturer in mid-February and are scheduled to be operational during March, with a second pair scheduled for operation during the second quarter.

Elsewhere operational performance has been good. Work has commenced on a CIP upgrade, which is planned for completion by the end of the first quarter. Mainly consisting of additional tanks to permit increased ore residence time, it will lead to improved recoveries within the CIP circuit of some +8%, equivalent to a +2% overall plant recovery improvement.

2008 Operating Plans

In conjunction with independent mining consultants, a review of the optimum mining method for Palito has been undertaken. The change to Cut & Fill Stopping during 2007 was to reduce dilution associated with existing long-hole stopping caused by the natural 'pinch and swell' geometry of the ore-bodies. The Cut & Fill method was intended to be a temporary solution but is much less productive than long-hole stopping. The vertical spacing of development levels will now be reduced from 15 metres to 9 metres, enabling a return to long-hole stopping.

The reduction in the stope height to 6m is expected to improve ore recovery through minimising the dilution associated with the variation in shape of the veins and to reduce the size of blasts. The use of mini-scoops will improve development ore grades.

While significant improvements to productivity are expected from these changes, there will be a need for more development to prepare the mine for the revised long-hole stopping of the future. The new equipment should allow the required development rates to be achieved, along with the use of a contractor to carry out decline and access waste development. Such an addition of over 2,000 metres of contractor development over the year will give a much needed boost to the future of the mine.

Currently no other plant expansions are envisaged until a clearer understanding of the wider reserve potential in the area has been achieved in order to determine the best long-term expansion plan. This will be driven by the success of the current exploration activity.

With these initiatives in place, production for 2008 is expected to rise to between 40,000 and 45,000 gold equivalent ounces at an average cash operating cost below \$400/oz. This outlook is based on plans to achieve optimum profitability from defined resource areas. For the past two years, mining has been confined to the three most significant mineralised structures that make up the Palito Main Zone (PMZ). Planning for 2008 will see mining of at least another four veins away from the PMZ, providing the operational benefit of greater production flexibility.

Meanwhile, other short-term opportunities at Palito could impact positively on the production outlook. Treatment of oxide resources is being considered as part of the 2008 production plan, notably from the Ruari's Ridge area. While generally of lower grade, the nature of oxide material would result in greater process rates with the gold liberated more easily. Dependent on the overall size of resources defined by the drill programme now underway, this material may be either batch processed or treated through a separate smaller circuit that is already available at the site.

The recently announced *Jatoba* discovery (11 January 2008) may also provide a basis for additional mine development opportunities in 2008. Located close to the PMZ, the *Jatoba* structure has now been intersected in a cross-cut development. Ramp development will commence in March towards Palito West to develop high-grade ore scheduled for Q3/2008.

Palito – Operating Results ⁽¹⁾

| | | 2007 | | | | | 2006 |
|---------------------------------------|-----|-----------------|-----------------|-----------------|-----------------|------------------|------------------|
| | | Q1 | Q2 | Q3 | Q4 | YE | YE |
| Total Mined (per day) | t | 55,251 (614) | 61,567 (677) | 56,903 (619) | 56,926 (619) | 230,647 (632) | 151,239 (414) |
| Mined Ore (per day) | t | 42,217 (469) | 50,058 (550) | 45,754 (497) | 41,148 (447) | 179,177 (491) | 132,089 (362) |
| Milled (per day) | t | 42,705 (475) | 45,245 (497) | 45,054 (490) | 40,481 (440) | 173,485 (475) | 117,618 (322) |
| Head Grade | g/t | 6.5 | 6.0 | 5.4 | 5.4 | 5.8 | 9.4 |
| Recovery | % | 89.6 | 91.1 | 90.0 | 89.8 | 90.1 | 91.4 |
| Gold | oz | 8,044 | 7,888 | 7,021 | 5,989 | 28,982 | 32,498 |
| Copper | t | 125.6 | 127.0 | 96.2 | 110.4 | 459.2 | 568.9 |
| Gold Equivalent ⁽²⁾ | oz | 9,301 | 9,417 | 8,176 | 7,069 | 33,963 | 39,197 |

⁽¹⁾ Provisional ⁽²⁾ Includes Copper and Silver

EXPLORATION AND DEVELOPMENT

Near-Mine Exploration

Exploration success continued during the fourth quarter with the main focus being away from the PMZ and over the Chico da Santa area, immediately to the north-east of Palito Main Zone (PMZ) and at Palito West, some 200 metres to the south-west.

Drill results at Palito West now indicate the presence of two mineralised structures with a strike length of at least 150 metres (see press release dated 21 November 2007). Importantly, the results point to areas of very high-grade and an extension of the mineralisation at depth, significantly increasing the potential size of the resources. As a result it has been decided to access this area directly from the main mine workings of the PMZ rather than through a separate decline. Such access will now intersect the Palito West ore-bodies approximately 80 metres below surface. This provides the opportunity to develop both above and below the main access level, thereby providing the opportunity to accelerate mine development ahead of stoping (see page-2 for related mining comments). Further drilling is scheduled at Palito West to test the down-dip extension of the known mineralisation.

Drill results from the next phase of drilling at the Chico da Santa area were announced in January (see press release dated 11 January 2008), pointing to the presence of significant high-grade mineralisation close to the PMZ workings. This work programme will concentrate on the area situated between PMZ and known garimpeiro workings 200 metres north-east, following up targets highlighted by a ground electro-magnetic (EM) survey undertaken in 2007. This work has shown the existence of a number of parallel structures lying between the PMZ and what was previously delineated as the Chico da Santa prospect further east. Cross-cut mining development has already commenced and intersected the first of these veins, named *Jatoba* (see press release for further details).

Although not currently included in the 2008 production plan, these additional mineralised veins may become sources of ore later in the year. This would help improve the scope to deliver the highest possible ore grades to the plant and improve stockpile management.

It is anticipated that a similar pattern of discovery will continue to emerge around Palito, whereby such parallel veins are regularly encountered. As such, the planned cross-cuts to Jatoba and Palito West will prove useful platforms for exploration and production as we expect them to intersect similar but as yet unknown mineralised structures. Any new ore-bodies that are commercially viable can then be selectively mined, further adding to 'unplanned' ore potential.

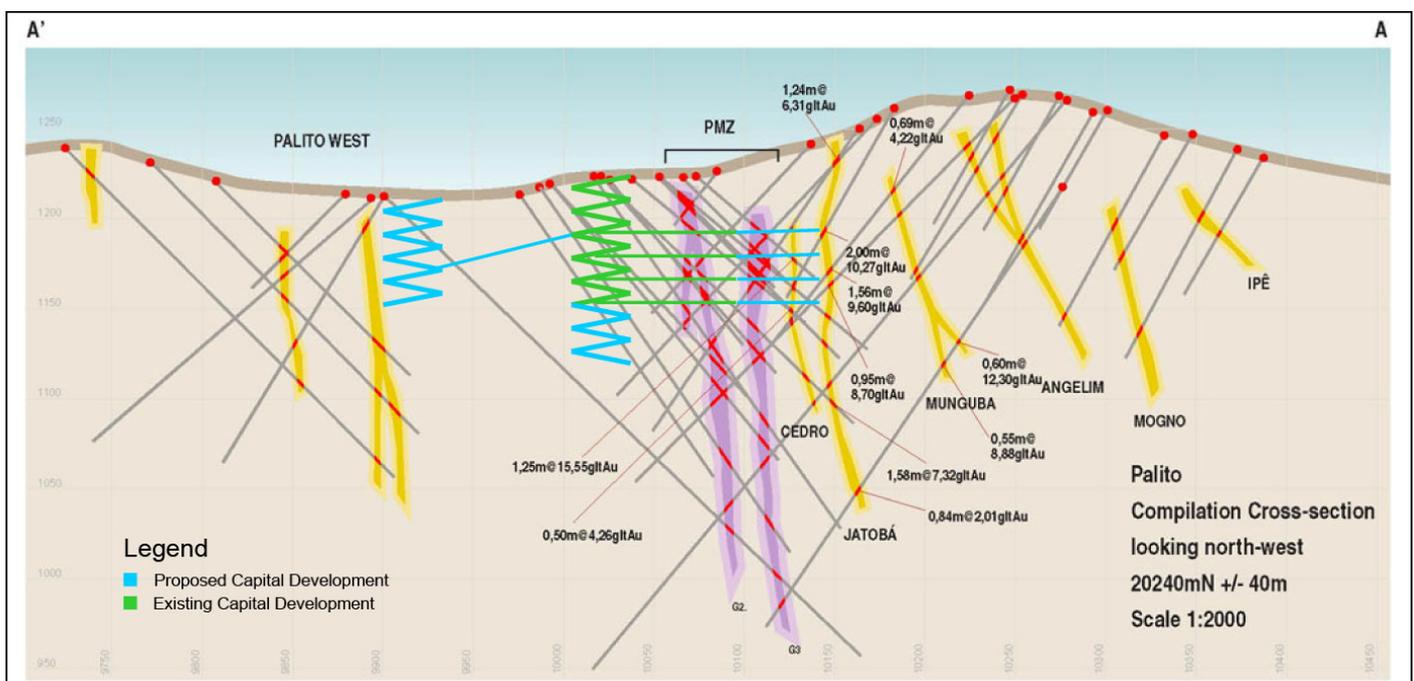
District Exploration (Jardim do Ouro)

Following success of the ground EM survey carried out adjacent to the Palito mining operation, a helicopter-borne EM survey (VTEM) was recently completed. This work significantly extends the area for future detailed evaluation from 100 to 6,000 hectares and is expected to generate a large number of drill targets. After the data has been fully assimilated and interpreted, follow-up drilling will commence later in the year. Combined with results from the intensive drilling programmes already being undertaken across the district, drilling of these new targets is expected to provide a more comprehensive picture of potential ore resources that can be used to determine expansion potential and support long term planning.

Regional Exploration

Away from Jardim do Ouro, first pass stream sediment geochemical sampling over the entire 170,000 hectares of landholdings around the highly prospective Pizon and Modelo tenements is being undertaken and results are awaited. The Tapajos region provides a more variable geological setting than that found at Palito, with different potential such as the volcanics found at Pizon.

Initial results at Pizon have highlighted the presence of 4 north-south, highly anomalous stream sediment catchments, with values over 1.0g/t gold. Follow-up work is now underway. Meanwhile, at Modelo first pass stream sediments have just been completed and the samples are now being analysed.



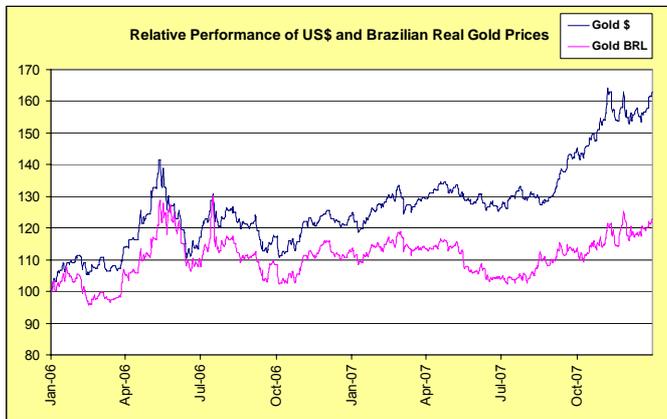


MARKET FOCUS

Gold and copper prices

Against a potent background of global financial uncertainty, geopolitical instability, unprecedented oil prices and burgeoning signs of inflation, the gold price rose in all major currencies during 2007 and has already raced to an all-time US dollar high at the start of 2008. In US dollars the price rose some 32% through the past year, breaking the 1980 high of US\$850 along the way. Although currency strength has continued to limit the Brazilian Real gold price, even in this currency impressive gains have been achieved.

Either way, as an unhedged producer selling at spot US dollar prices, Serabi is a major beneficiary of today's rampant gold market. Similarly sustained high copper prices are also of important benefit and thus on average continues to account for some 15% of gross revenue received from production at Palito.



SOCIAL AND ENVIRONMENTAL MATTERS:

Serabi is conscious of the need to play its role in the local community and to this extent is regularly involved in projects that seek to improve conditions for the local communities. We have made available our medical and dental facilities at the mine site as well as having provided a school building for the children of Jardim do Ouro. We also assist the town with the costs of providing policing services and undertake many other smaller initiatives over a year.

In October we hosted a party in Jardim do Ouro for Children's Day and have also provided aggregate and equipment for the rehabilitation of a section of the Transgarimpeiro Highway which runs East-West across the Tapajos.

On the mine site, our environmental rehabilitation works are ongoing and we have been active in regenerating and re-vegetating areas affected either by our own activity or that of the garimpeiros who previously mined around Palito. This includes the contouring and planting of waste rock stockpiles and some of the tailings dams that can no longer be used. Site rehabilitation will be on-going throughout the mine's life.

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

Reporting & Press Releases 2007 & 2008

| | |
|-----------|---------------------------------------------------------------------|
| July 11 | EGM Results |
| July 26 | June Quarterly Investor Update |
| August 29 | Executive Appointments |
| Sept 11 | Exploration Results |
| Sept 20 | Interim Results |
| Oct 25 | September Quarterly Investor Update |
| Nov 21 | Exploration Success at Palito West |
| Jan 11 | 2007 Production and Outlook for 2008 + New Mineralisation Discovery |

Meetings 2007

| | |
|--------------|----------------------------------------|
| Sept | Institutional Investor Meetings |
| October 3 | Investor & Media Reception |
| October 16 | Minesite Investor Forum - London |
| Nov 20 - 21 | Mines & Money 2007 Conference - London |
| January 2008 | Investor meetings |

Media & Broker Coverage 2007 & 2008

| | |
|---------|--------------------------------------------|
| 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 |
| Oct 15 | Matrix Corporate Capital - Research report |
| Oct 25 | Ambrian Partners - Research comment |
| Oct 25 | Numis - Research comment |
| Nov 16 | Ambrian Partners - Sector review |
| Nov 22 | Minesite |
| Jan 11 | Numis - Research comment |
| Jan 11 | Ambrian Partners - Research comment |
| Jan 17 | Michael Hodgson - Interview with CNBC |

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