

# Announcement of Interim Financial Results for the 6 months to 30 June 2010

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PRESS RELEASE - 15 September 2010

SERABI MINING plc ("Serabi" or "the Company")

Announcement of Interim Financial Results for the 6 months to 30 June 2010

## Highlights

\* Eldorado Gold subscribed for 120,000,000 new shares at 3 pence in June 2010 and have taken a 26.8% interest in the Company

\* The IP survey undertaken in first half of the year has yielded nine drill targets - a better than expected result

\* Cash balances at the end of the period were US\$7.2 million

## Overview

2010 has so far been a year of relative success, with the identification of nine drill targets at Palito and the completion of a share subscription by senior Canadian based gold mining company Eldorado Gold Corporation ("Eldorado").

Exploration undertaken in the first half of the year yielded better than expected results, with activity comprising follow-up ground geophysics based on the first twelve of eighteen anomalies identified in the 2008 airborne geophysical survey. Based on these and other exploration results we are now planning a discovery drill programme that could potentially confirm the presence of additional resources in close proximity to the Palito mine. We believe that this could form the basis for achieving our objective of establishing a minimum 1.5 million ounce resource in the area.

Following a subscription agreement that was announced on 16 June 2010, Eldorado acquired 120,000,000 shares in Serabi, which equates to a 26.8% interest in the Company. The gross proceeds were £3.6 million, equivalent at the time to approximately US\$5.4 million. Eldorado has also recently completed the acquisition of our near neighbour in the Tapajos, TSX listed Brazauro Resources Corp for a consideration of approximately C\$120 million. As a result of this transaction Eldorado has acquired a 100% interest in the Tocantinzinho project which is located only 70 kilometres to the north-west of Palito.

Eldorado has subsequently announced that it will be undertaking a pre-feasibility study ("PFS") on the project which it hopes to complete during Q4, 2010 and that, subject to the outcome of the PFS and the necessary permitting applications, it hopes to be in a position to complete a Feasibility Study by mid-2011 and make a construction decision prior to the end of 2011. We view all of this as very positive for the Tapajos region and its development and hope that with its strategic position at the eastern edges of the Tapajos, Serabi will be well placed to benefit from the improvements that the future potential development of the Tocantinzinho project could be expected to bring to the area.

The financial results for the first six months ended 30 June 2010 ("the Period"), show an operating loss for the Serabi Group of US\$2,260,134, of which US\$1,017,458 relates to depreciation charges. This compares with an operating

loss for the equivalent period in 2009 of US\$4.44 million and a loss for the 12 month period to 31 December 2009 of US\$9.76 million. A total of 1,052 ounces of gold were sold during the period generating revenues of US\$1.15 million.

Reflecting the increased activity in exploration and in particular the ground geophysical surveys undertaken at Palito during the second quarter, exploration charges recorded were US\$799,564. These costs have been capitalised and are reflected in the Balance Sheet.

The share subscription by Eldorado has strengthened the working capital position of the Serabi Group which at the Period end, had cash holdings of US\$7.2 million.

#### Tapajos Strategy

As previously stated, in light of our experience at Palito, we believe that it would be risky and therefore unwise to re-establish underground mining operations at Palito until such time that we are confident that a more substantial resource can be identified, thus underpinning production rates required to support a larger and sustainable operation. We consider that such an operation needs to be of the order of 70,000 ounces per annum but as with all mines, ultimately the production rate will be determined by the reserves and resources identified. Whilst there is clearly a desire from shareholders to use operational cash flows to fund capital needs whenever possible, the decision to go into production with any operation must be made on the basis of a solid reserve and resource and a long term mine development and production plan. Our planned exploration programme over the next 18 months is therefore targeted to establish just that.

#### Exploration Programme

Our exploration programme during the first half of 2010 comprised ground based follow-up work to the aerial electro-magnetic VTEM survey of 2008. The term 'Head-frame Exploration' is often used in the mining industry, to describe exploration focused in and around existing mining areas and related infrastructure. Such a strategy seeks to discover similar additional mineralised ore deposits in close proximity, whilst any discoveries made and resources and reserves defined can also ultimately take advantage of such infrastructure once production commences. With this in mind Serabi flew the original airborne geophysical survey in 2008, and the results of this survey have formed the basis of our recent exploration.

The majority of this activity to date has consisted of undertaking ground Induced Polarisation ("IP") surveys over a number of the anomalies that the VTEM work had identified. The purpose of these surveys was to better define the anomalies, with the view to either justify drilling, or discard the less interesting ones.

Our objective and hope was that out of the 18 VTEM anomalies we would eventually identify at least two "Palito look-a-like" deposits, with minimum gold resources of approximately 500,000 ounces each. We are therefore very encouraged that the initial IP programme has identified nine drill targets from the first twelve of the VTEM anomalies surveyed and believe that this success rate has improved the prospects of discovering these two new deposits. It is also worth noting that all of these drill targets are less than 3 kilometres from the existing plant and infrastructure, comfortably within viable haulage distance. Furthermore, a number of the targets are located within the existing mining lease, which should eliminate or at least simplify, the need for additional permitting required in the event of any production decision.

Based on these results, we are now preparing to begin a 7,500 metre discovery drill programme over the nine identified targets. This programme is intended to establish if the anomalies are sufficiently gold mineralised to justify further drilling in 2011. Any subsequent programmes would be for resource definition drilling to establish the size and continuity of identified mineralised structures.

Concurrently, we plan to undertake further IP surveys over the remaining VTEM anomalies not yet tested and, dependent on results, would then undertake a

similar programme of drilling over those anomalies that warrant further evaluation. Clearly we need to keep the exploration programme flexible. In the event of initial success, we may consider re-prioritising the programme in order to accelerate the resource definition drilling phase on any early discoveries.

Shareholders should be aware that we consider each anomaly to be mutually exclusive; success or failure in the discovery drilling phase of one anomaly is by no means indicative of the outcome of the drilling of another anomaly. It is important to note that geophysics, of which VTEM and IP are tools, is only an indicator of the potential for mineralisation. However, based on the knowledge and experience previously gained from the Palito ore bodies, we are very encouraged by these recent results.

In the event that the current outlined programme is successful, we are also evaluating other areas in the vicinity of Palito and the Jardim do Ouro district where we might consider undertaking further airborne VTEM surveys. Serabi has exploration tenement holdings of almost 60,000 hectares in this area but our recent activity has to-date focused on an area of only 6,000 hectares immediately adjacent to Palito. On the basis of our experience, we now consider that it is possible that in this part of the Tapajos, VTEM can be used as a very effective, low cost 'first-pass' technique to screen large areas, subsequently deploying IP to follow-up the identified areas of interest. Such an approach provides a methodology that could rapidly unlock the potential to find new deposits and establish further mining opportunities.

#### IBAMA Suspension Notice

As previously announced, surface oxide mining operations at Palito were suspended following the issue of a notice by the Brazilian Federal Environmental Agency, IBAMA (Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis) in June of this year. The oxide production was only ever expected to be a breakeven venture and after more than eighteen months of such activity it had become in any event increasingly difficult to identify further adequate surface resources to justify continuous operations of this nature and at a time when our priority has moved to exploration. Ultimately the long term value and growth of Serabi will be derived from exploration success and not small scale oxide mining, which could otherwise become a major distraction of management time. The current suspension of oxide mining activity has facilitated the transfer of personnel and equipment resources for exploration purposes. Oxide ore processing in the future will only be undertaken on a campaign basis, thus running the plant when adequate stocks of ore were available. We have also now reduced and reconfigured the workforce to a more versatile team who can be used in exploration, mining and processing as required.

We have delayed the start of the initial discovery drill programme in the light of the suspension notice. Despite considerable efforts, IBAMA have not yet provided formal confirmation that exploration activities are excluded by the notice and we are therefore unwilling to risk further possible sanctions by undertaking work that could be considered to be in breach of the IBAMA suspension notice. Notwithstanding this delay, the IBAMA suspension notice has to date not had serious implications for our exploration activities.

With respect to the suspension, we have made our submission to IBAMA rebutting the alleged breaches of the operating licence and have made representations to senior officials within the Mines Department and IBAMA in Brasilia. Whilst they are verbally supportive of Serabi's case, at this stage a resolution rests with the IBAMA officials within Para state. In the light of the delays in obtaining any formal decision we have also lodged an injunction with the courts in Para for the suspension notice to be lifted whilst the matter is discussed and resolved between ourselves and IBAMA. We are pressing the court for a decision to be made as soon as possible. There is no provision within the law establishing specific time frames within which the defence must be considered or within which a judge must rule on an application for an injunction. We remain confident that the matter can be resolved satisfactorily.

Taking account of developments during 2010 so far, we believe that the drilling programme can soon be started and are hopeful that the potential exploration success will mark a new, positive and exciting chapter in Serabi's life.

Graham Roberts Mike Hodgson

Chairman Chief Executive

15 September 2010

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Copies of this release and the interim Financial Statements are available from  
the company's website [www.serabimining.com](http://www.serabimining.com).

#### STATEMENT OF COMPREHENSIVE INCOME

Group

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For the For the For the

six months six months year

ended ended ended

30 June 30 June 31 December

2010 2009 2009

(expressed in US\$) Notes (unaudited) (unaudited) (audited)

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CONTINUING OPERATIONS

Revenue 1,148,999 3,601,349 5,512,804

Operating expenses (1,494,386) (3,061,975) (5,755,002)

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Gross profit/(loss) (345,387) 539,375 (242,198)

Administration expenses (842,391) (1,178,935) (1,851,937)

Option costs (50,204) (40,161) (147,038)

Write-off of past exploration costs - - (495,138)

Increase in rehabilitation provision - - (346,000)

Loss on asset disposals (4,694) (209,661) (181,237)

Impairment 9 - (2,422,737) (4,343,048)

Depreciation of plant and equipment (1,017,458) (1,126,106) (2,157,026)

Depreciation of mine asset - -

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Operating loss (2,260,134) (4,438,226) (9,763,622)

Foreign exchange gain (272,573) 93,755 (14,533)

Finance costs (60,579) (158,936) (215,916)

Investment income 5,103 1,481 3,569

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Loss before taxation (2,588,183) (4,501,926) (9,990,502)

Income tax expense - - -

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Loss for the period from continuing operations (1) (2) (2,588,183) (4,501,926) (9,990,502)

Other comprehensive income (net of tax)

Exchange differences on translating foreign operations (1,237,968) 6,119,656 10,072,895

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Total comprehensive (loss)/income for the period (2) (3,826,151) 1,617,730 82,393

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Loss per ordinary share (basic and 3 (0.67c) (3.21c) (6.16c) diluted) (1)

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(1) All revenue and expenses arise from continuing operations.

(2) The Group has no minority interests and all income / (losses) are attributable to the equity holders of the Parent Company.

CONSOLIDATED BALANCE SHEET

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## Group

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As at As at As at

30 June 30 June 31 December

2010 2009 2009

(expressed in US\$) Notes (unaudited) (unaudited) (audited)

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Non-current assets

Development and deferred 4 7,475,863 6,225,795 6,880,038  
exploration costs

Property, plant and equipment 5 33,024,475 34,445,949 35,327,788

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Total non-current assets 40,500,338 40,671,744 42,207,826

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Current assets

Inventories 6 1,180,385 1,005,956 1,259,764

Trade and other receivables 193,136 264,388 275,538

Prepayments and accrued income 1,552,439 1,089,099 1,413,158

Cash at bank and in hand 7 7,272,296 1,370,442 4,081,882

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Total current assets 10,198,256 3,729,885 7,030,342

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Current liabilities

Trade and other payables 4,137,435 3,254,544 4,170,712

Accruals 113,441 205,627 122,269

Interest bearing liabilities - 150,200 80,499

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Total current liabilities 4,250,876 3,610,371 4,373,480

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Net current assets 5,947,380 119,514 2,656,862

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Total assets less current 46,447,718 40,791,258 44,864,688  
liabilities

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Non-current liabilities

Trade and other payables 20,462 84,037 68,873

Provisions 1,363,516 784,788 1,374,200

Interest bearing liabilities 235,680 - 216,898

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Total non-current liabilities 1,619,658 868,825 1,659,971

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Net assets 44,828,060 39,922,433 43,204,717

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Equity

Called up share capital 8 27,752,834 25,285,679 26,848,814

Share premium reserve 40,754,032 33,402,649 36,268,991

Option reserve 1,583,877 3,101,256 1,523,444

Other Reserves 260,882 - 260,882

Translation reserve 1,031,189 (1,684,082) 2,269,157

Profit and loss account (26,554,754) (20,183,069) (23,966,571)

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Equity shareholders' funds 44,828,060 39,922,433 43,204,717  
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The interim financial information has not been audited and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. Whilst the financial information included in this announcement has been compiled in accordance with International Financial Reporting Standards ("IFRS") this announcement itself does not contain sufficient financial information to comply with IFRS. The Group statutory accounts for the year ended 31 December 2009, prepared under IFRS as adopted in the EU, have been filed with the Registrar of Companies. The auditors' report on these accounts was unqualified but did contain an Emphasis of Matter with respect the ability of the Company and the Group to continue as a going concern. The auditors' report did not contain a statement under Section 498 (2) or 498 (3) of the Companies Act 2006.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(expressed in Share Share Share Other Translation Profit and  
US\$) option

(unaudited) capital premium reserve reserves reserve loss account Total equity  
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Equity  
shareholders' -  
funds at 31 25,285,679 33,402,649 3,061,095 (7,803,738) (15,681,143) 38,264,542  
December 2008  
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Foreign  
currency - - - - 6,119,656 - 6,119,656  
adjustments

Loss for the - - - - - (4,501,926) (4,501,926)  
period  
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Total  
comprehensive -  
income for - - - - 6,119,656 (4,501,926) 1,617,730  
the period

Share option - - 40,161 - - - 40,161  
expense  
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Equity  
shareholders' -  
funds at 30 25,285,679 33,402,649 3,101,256 (1,684,082) (20,183,069) 39,922,433  
June 2009  
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Foreign  
currency - - - - 3,953,239 - 3,953,239  
adjustments

Loss for the - - - - - (5,488,576) (5,488,576)  
period  
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Total  
comprehensive - - 3,953,239 (5,488,576) (1,535,337)  
income for - -  
the period

Issue of new  
ordinary 1,563,135 3,129,079 - - - - 4,692,214  
shares

Costs  
associated  
with issue of - (262,737) - - - - (262,737)  
new ordinary  
shares

Equity  
portion of - - - 260,882 - - 260,882  
convertible  
loan stock

Cancellation  
of share - - (1,705,074) - - 1,705,074 -  
options

Share option - - 127,262 - - - 127,262  
expense

-----  
Equity  
shareholders' 26,848,814 36,268,991 1,523,444 260,882 2,269,157 (23,966,571) 43,204,717  
funds at 31  
December 2009

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Foreign  
currency - - - - (1,237,968) - (1,237,968)  
adjustments

Loss for the - - - - - (2,588,183) (2,613,242)  
period

-----  
Total  
comprehensive - - (1,237,968) (2,588,183) (3,851,210))  
income for - -  
the period

Issue of new  
ordinary 904,020 4,520,100 - - - - 5,424,120  
shares

Costs  
associated  
with issue of - (35,059) - - - - (35,059)  
new ordinary  
shares

Share option - - 60,433 - - - 60,433  
expense

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Equity  
shareholders' 27,752,834 40,754,032 1,583,877 260,882 1,031,189 (26,554,754) 44,828,060  
funds at 30  
June 2010

## CONSOLIDATED STATEMENT OF CASH FLOWS

Group

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For the For the For the

six months six months Year



ended ended Ended

30 June 30 June 31 December

2010 2009 2009

(expressed in US\$) (unaudited) (unaudited) (audited)

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Operating activities

Operating loss (2,260,134) (4,438,226) (9,763,622)

Depreciation - plant, equipment and mining 1,017,458 1,126,106 2,157,026  
properties

Impairment charges - 2,422,737 4,343,048

Increase in rehabilitation provision - - 346,000

Loss on sale of assets 4,694 209,661 181,237

Option costs 50,204 40,161 167,423

Share based payment expense - - 334,987

Write-off of past exploration costs - - 495,138

Interest paid (41,798) (158,936) (215,916)

Foreign exchange (28,794) (90,224) (650,272)

Changes in working capital

Decrease/(increase) in inventories 37,144 (151,299) 452

(Increase)/decrease in receivables, (106,849) (32,621) 1,179,755  
prepayments and accrued income

Increase/decrease in payables, accruals 46,926 597,677 (96,684)  
and provisions

-----  
Net cash flow from operations (1,281,149) 111,853 (1,521,428)  
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Investing activities

Proceeds from sale of fixed assets 155,806 903,017 1,220,691

Purchase of property, plant and equipment - (59,780) (74,578)

Exploration and development expenditure (789,335) (139,037) (620,490)

Interest received 5,103 1,481 3,569

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Net cash (outflow)/inflow on investing (628,426) 705,681 529,192  
activities  
-----

Financing activities

Issue of ordinary share capital 5,424,120 - 4,266,740

Capital element of finance lease payments (77,663) (1,057,638) (1,178,381)

Issue of convertible loan stock - - 477,780

Payment of share issue costs (35,059) - (172,250)

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 Net cash inflow/(outflow) from financing 5,311,398 (1,057,638) 3,393,889  
 activities  
 -----

Net increase/(decrease) in cash and cash 3,401,823 (240,104) 2,401,653  
 equivalents

Cash and cash equivalents at beginning of 4,081,882 1,538,956 1,538,956  
 period

Exchange difference on cash (211,409) 71,590 141,273

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 Cash and cash equivalents at end of period 7,272,296 1,370,442 4,081,882  
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## Notes to the Interim Financial Statements

### 1. Basis of preparation

These interim accounts are for the six month period ended 30 June 2010. Comparative information has been provided for the unaudited six month period ended 30 June 2009 and the audited twelve month period from 1 January to 31 December 2009.

The accounts for the period have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the accounting policies are consistent with those of the annual financial statements for the year ended 31 December 2009 and those envisaged for the financial statement for the year ended 31 December 2010:

\* 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 following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010:

IFRS 3 (revised) - Business combinations/consolidated and separate financial statements - a revision to IFRS 3 effective from 1 July 2009 changed the accounting for goodwill, the cost of business combinations, and the methodology of accounting for business combinations that are undertaken on a staged basis. During the period there have been no transactions that would be subject to the provisions of this standard

\* The following standards, amendments and interpretations to existing standards are effective in 2010 but not relevant to the group:

IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

\* The Company has not adopted any standards or interpretation in advance of the required implementation dates. 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.

(i) Going Concern

In respect of the financial statements of the Company and the Group for the year ended 31 December 2009 and which were approved by the Board on 27 May 2010, the Directors, following a review of the Company's financial position and its budgets and plans, concluded that sufficient financial resources would be available to meet the Company's current and foreseeable working capital requirements, this being a period of not less than twelve months from the date of approval of those financial statements. On this basis, they considered it appropriate to prepare those financial statements on the going concern basis. The Directors consider that it remains appropriate to prepare the financial statements for the period ended 30 June 2010 on the same going concern basis.

However, they would anticipate that the Company will, prior to the end of a twelve month period ending in September 2011, need to receive additional funds to supplement its current cash holdings. The level of such fund raising will be determined primarily by the Board's view on the work programmes required to continue the Group's exploration activity at the levels that they consider appropriate. The Group 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 fulfil, 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.

(ii) Impairment

The Directors have undertaken a review of the carrying value of the mining and exploration assets of the Group, and considered the implications of the operational difficulties experienced and the current operational status of Palito. Following this review they have assessed the value of the existing assets on the basis of value in use involving a future recommencement of underground mining operations which is dependent on the ability of the Group to raise future finance and to operate the mine in line with the mine plan that forms the basis of the value in use calculation. The carrying values of assets have not been adjusted to reflect a failure to raise sufficient funds, only maintaining the current levels of operation or that if a sale transaction were undertaken the proceeds may not realise the value as stated in the accounts.

(iii) Inventories

Inventories - are valued at the lower of cost and net realisable value.

(iv) Property, plant and equipment

Property, plant and equipment are depreciated over their useful lives.

(v) Mining property

The Group commenced commercial production at the Palito mine effective 1 October 2006. Prior to this date all revenues and operating costs were capitalised as part of the development costs of the mine. Effective from 1 October 2006 the accumulated development costs of the mine were re-classified as Mining Property costs and such cost is being amortised over the anticipated life of the mine on a unit of production basis. As the underground mine is currently on care and maintenance and there is no depletion of the reserves and resources attributable to the mine, no amortization charge has been recorded in the period.

#### (vi) 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. Any unsold production and in particular concentrate is held as inventory and valued at production cost until sold.

#### 2. Taxation

Taxation represents a provision for corporate taxes due on taxable profits arising in Brazil. No deferred tax asset arising from carried forward losses incurred outside of Brazil has been recognised in the financial statements because of uncertainty as to the time period over which this asset may be recovered.

#### 3. Earnings per share

The calculation of the basic loss per share of 0.67 cents per share is based on the loss attributable to ordinary shareholders of \$2,588,183 and on the weighted average number of ordinary shares in issue during the period of 337,685,346 ordinary shares.

#### 4. Exploration and development costs 30 June 31 December

2010 2009

(unaudited) (audited)

##### Cost

Opening balance 6,880,038 5,251,921

Exploration and development expenditure 799,564 640,875

Write-off of past exploration costs - (495,138)

Exchange (203,739) 1,570,728

Transfer to tangible assets - (188,348)

Balance at end of period 7,475,863 6,880,038

#### 5. Property, plant and equipment 30 June 31 December

2010 2009

(unaudited) (audited)

##### Cost

Balance at beginning of period 48,566,891 38,295,092

Additions - 238,578

Transfer from intangible assets - 188,348

Exchange (1,460,599) 11,564,549

Disposals (211,261) (1,764,676)

Balance at end of period 46,895,031 48,566,891

## Depreciation

Balance at beginning of period 13,239,103 6,674,728

Charge for period 1,017,458 2,157,026

Impairment charge - 2,590,532

Exchange (335,245) 2,380,893

Eliminated on sale of asset (50,760) (564,076)

Balance at end of period 13,870,556 13,239,103

Net book value at 30 June 2010 33,024,475 35,327,788

## 6. Inventories

30 June 30 June 31 December

2010 2009 2009

(unaudited) (unaudited) (audited)

Consumables 1,180,385 1,005,956 1,259,764

Inventories 1,180,385 1,005,956 1,259,764

## 7. Cash and cash equivalents

30 June 30 June 31 December

2010 2009 2009

(unaudited) (unaudited) (audited)

Cash at bank and in hand 7,272,296 1,370,442 4,081,882

Cash and cash equivalents 7,272,296 1,370,442 4,081,882

## 8. Share capital

30 June 30 June 31 December 31 December

2010 2010 2009 2009

(unaudited) (unaudited) (audited) (audited)

Ordinary Shares Number \$ Number \$

Opening balance 327,740,595 2,827,419 140,139,065 25,285,679

Sub-division of shares - - - (24,021,395)

Issue of shares for cash 120,000,000 904,020 187,601,530 1,563,135

Balance at end of period 447,740,595 3,731,439 327,740,595 2,827,419

30 June 30 June 31 December 31 December

2010 2010 2009 2009

(unaudited) (unaudited) (audited) (audited)

Deferred Shares Number \$ Number \$

Opening balance 140,139,065 24,021,395 - -

Sub-division of shares - - 140,139,065 24,021,395

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 Balance at end of period 140,139,065 24,021,395 140,139,065 24,021,395  
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#### 9. Impairment

Consistent with the review process performed as at 31 December 2009, the Directors have undertaken an impairment review of the Group's exploration, development and production assets. The Directors note that the carrying value of these assets relating to the Palito Mine have reduced compared with the value at 31 December 2009. This is as a result of variation in exchange rates, depreciation charges made during the period and asset disposals. At the same time the Net Present Value of the Palito project has increased in value compared with the calculation undertaken as of 31 December 2009, but such increase is entirely due to the variations in the exchange rates ruling at the end of each of the respective periods. As a result and in accordance with the provisions of IAS 36 - Impairment of Assets, the Directors have agreed not to make any adjustment to the impairment provision currently carried in the books of the group

In deriving an estimate of the value in use in respect of the Palito mine the Directors' have calculated a Net Present Value of the projected cash flow to be derived from the exploitation of the known reserves of 187,538 gold equivalent ounces as estimated at the end of March 2008. The key assumptions underlying the Net Present Value are unchanged from those detailed in the Annual Report 2009 save that commencement of operations has been set as 1 July 2012 (six months later than previously), the exchange rate BrR\$ to US\$ has been set at 1.8015 (previously 1.7412). The long term gold price has not been amended and is set at US\$850. The value in use taking into account these parameters of Palito has been estimated at US\$36.2 million (previously US\$35.3 million)

#### 10. Contingent Liability

In June 2010, the Company's wholly owned subsidiary Serabi Mineracao Limitada ("SML") was held to be in breach of certain conditions of its operating licence by the Brazilian Federal Environmental Agency IBAMA, as a result of which SML was required to suspend activities at the Palito Mine and a fine was levied of R\$3,597,300 (approximately US\$2 million). SML has submitted its defence to IBAMA and is also seeking an injunction through the Brazilian courts. The Directors, based on legal advice received, consider that the fine levied is inappropriate to the nature of the alleged breaches and that IBAMA has not followed due process in making its actions and decisions. The Directors are confident that the initial fine imposed will be waived or significantly reduced, but at this stage are not in a position to estimate with any certainty what level of penalty, if any, may become due. Accordingly no provision for any penalty has been accrued at this time.

#### Qualified Persons Statement

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

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