

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

Palito update – IBAMA suspension notice

The Board of Serabi Mining plc, the AIM-traded gold exploration and production company, announces that following a visit from a representative of IBAMA (Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis), the Federal Environmental Agency, Serabi Mineracao Ltda ("SM Ltda"), the Company's wholly-owned subsidiary and operator of the Palito Mine has been held by IBAMA to be in non-compliance with two of the terms of its Operating Licence. The two alleged breaches are that as part of the conditions of the Operating Licence, SM Ltda had not submitted within the required time-frame, a Cadastro Ambiente Rural (CAR) and a monitoring programme of flora and fauna.

Accordingly, IBAMA has issued a suspension notice on Serabi's mining activities at Palito. As a result of the suspension notice, SM Ltda has suspended the limited open pit mining activities of the surface oxides. The Palito underground mine remains on care and maintenance. All employees have been retained and planning for the Company's exploration programme is unaffected for the time being.

IBAMA has also assessed a fine of Brazilian Reais 3,597.300 (approximately US\$2million) against Serabi Mineracao Ltda ("SM Ltda"), the Company's wholly owned subsidiary. There has been no criticism of Serabi's operational practices and the Company has been advised that the penalties imposed are disproportionate to the alleged breaches and the past environmental record of SM Ltda.

The Company will this week lodge an appeal with the higher bodies of IBAMA against both judgments and is confident that the suspension notice will be lifted soon and if any fine is ultimately considered due it will be at a significantly lower level, reflecting the circumstances and the nature of the alleged breach of the Operating Licence. SM Ltda has already made appropriate representation to the State office of IBAMA in Belem, to senior officials of SEMA and to the Secretary of Mines. The Directors are confident that this appeal will be successful.

SM Ltda has in accordance with Brazilian regulations been dealing with SEMA (Secretaria de Estado de Meio Ambiente) the Environmental Agency for the State of Pará who have responsibility for the issue of the Operating Licences (which govern environmental responsibilities) and setting the conditions associated with these. SEMA had not previously notified SM Ltda of any breaches of its licence and verbally agreed to extend the deadlines for submission of the required documentation in relation to the CAR and the flora and fauna monitoring programme of flora. IBAMA as the Federal Agency devolves responsibility to SEMA but maintains over-riding control of environmental matters.

Mike Hodgson, Chief Executive of Serabi, commented: *"The Directors of Serabi and our Brazilian legal advisers are confident that this matter will be resolved quickly and satisfactorily and initially, we are focusing on having the suspension notice lifted at the earliest possible opportunity. A decision regarding any fine is however likely to take longer to bring to a conclusion I would stress that the order has been issued in regard to administrative issues and not as a result of Serabi's operating practices and further that we have in accordance with Brazilian regulation been dealing with SEMA who have been satisfied with our environmental practice and the timescales that we have established with them for compliance with the terms of our Operating Licence."*

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