

## **SERABI MINING plc (“Serabi” or “the Company”)**

### **AGM Statement**

Serabi Mining plc advises that at 11:00 today, it will be holding its Annual General Meeting.

The following reproduces the text of the statement that will be made by Graham Roberts, Chairman of the Company:

“The continuing modest success of the oxide mining operations at Palito has made a valuable contribution to the Company’s cash flow this year potentially allowing us the opportunity to benefit from the improved markets and investor sentiments, compared with those prevailing in the earlier part of this year. The oxide ores had not previously formed a significant part of our production strategy for Palito because of processing issues when being treated together with the sulphide ore. For this reason we had never focused before on establishing significant oxide resources; what resources had been identified were an incidental consequence of exploration targeted towards the underlying sulphide mineral deposits.

Heavy seasonal rains earlier this year have precluded us from undertaking any more systematic exploration of the oxide potential and, for this reason, production has so far only been derived from the limited number of known occurrences previously outlined. However, now the rains have finished I am pleased to say that this month we will start a drill programme that we hope will lead to the identification of additional oxide ore feed and thus establish a longer term source of gold production. In addition we are currently assessing the potential to reprocess Palito’s tailings as a further source of gold production.

We consider there are now two paths that can be pursued in order to generate returns for shareholders. A transaction could be undertaken that would result in value being generated through the disposal of the projects in Brazil or we raise new funding in order to advance identified projects and thus enhance the underlying value of those assets. As noted in our investor newsletters, the production levels that we are likely to be able to sustain from the oxide gold sources and the resulting cash flow this will generate, is unlikely to be adequate to allow the Company to grow and so new capital is needed for this purpose.

Whilst we understand that any new funds raised would be dilutive for existing shareholders, the Directors are of the view that this should be outweighed by the potential for a successful outcome of the planned exploration and development programmes, that could result in a significant upward revision of the project values and hence the Company. In considering the potential success of this strategy it is noteworthy that some 66 anomalies were successfully identified following last year’s airborne geophysical survey, of which 18 are considered priority targets. These anomalies exhibit very similar characteristics to the known Palito mineralisation, and their close proximity to the Palito infrastructure makes them all the more important.

As has been noted in the recent quarterly Investor Updates, the Directors believe that the long term success for Palito requires a return to more selective mining methods and the establishment of a larger reserve and resource base to support an expanded operation. For this reason we are unlikely to pursue a strategy that would see the early re-opening of Palito and currently prefer to focus on securing a larger reserve and resource base by concentrating the Company’s efforts and capital on exploration and evaluation of the near mine anomalies that have already been identified. We consider that it could take up to four years to fully undertake the work necessary to bring the project to a stage which would permit project finance to be used to cover the cost of additional plant, infrastructure and mining equipment required to support an expanded operation; the final time frame will of course be dictated by results. During this time the company’s operations will continue to focus on the oxide mining opportunities, which would be expected to generate limited cash flow to supplement any new capital raised.

We are working closely with our advisers on identifying new potential funding, the levels required and timing. In the event of successfully pursuing this strategy it should, however, be expected that further funding would be required over the evaluation period, though in this event each further raising of new funds would be undertaken with a greater degree of confidence as to the outcome of the programmes being financed. We are also working to raise "soft loans" from one of the Brazilian development agencies SUDAM. We have lodged an initial application which has been accepted by the agency but is still subject to amongst other things, technical and legal due diligence, approval of the business strategy and financial review of the business plan.

An alternative to progressing Palito on our own would be the introduction of an industry partner as a means to achieving our objectives. Accordingly we are continuing our discussions with a number of potential partners who are interested in the Tapajos region and the potential that the company's asset base offers. In such a situation we would look to a partner with sufficient cash resources that would allow them to follow their initial investment right through to a project development decision. Whilst to-date none of our discussions have yet resulted in a suitable proposal, we continue to be active in pursuing this route as an alternative means of achieving improved value for shareholders.

It should be remembered that Palito and the related exploration targets are already a very advanced project, with significant infrastructure in place, that is clearly not reflected in the current market valuation of the parent company. Notwithstanding the current generally depressed valuations placed on mining and exploration properties worldwide, in the opinion of the Directors Serabi still represents a significantly undervalued opportunity. The success of the oxide mining and better markets now provides us with options to secure this value for shareholders.

As matters progress we will of course continue to keep shareholders informed."

## Enquiries

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