



## Operational Update

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Following the completion of a share placing, which resulted in the issue of 270,000,000 new Ordinary shares in the company and raising of gross proceeds of UK£16.2 million, Serabi Gold (AIM: SRB, TSX:SBI), the Brazilian focused gold exploration and development company announces the following operational update on progress with the development and start-up of gold mining operations at its 100 per cent owned high-grade Palito gold mine, located in Para state.

### Highlights:

- Dewatering of the Palito gold mine completed two months ahead of schedule
- Project manager appointed
- Senior mining personnel are arriving at site this month.
- Mining equipment ordered

Commenting on Serabi's recent and planned development work, Michael Hodgson, Chief Executive of Serabi, said "The board of Serabi is extremely grateful to Fratelli Investments Limited for their support in underwriting the recent share issue. Their investment is a demonstration of their belief in the Palito gold project and the opportunity that the Company has to develop a robust and bigger gold company around this. "Serabi has made substantial progress in recent months, and in particular with the dewatering of the Palito gold mine which is now essentially complete, two months ahead of our original schedule. This new funding has already allowed the company to progress towards bringing the Palito mine back into production, which we expect to start before the end of this year."

### Project Update:

Since October considerable essential preparatory work has been undertaken at the Palito gold project, of which perhaps the most time-critical was the de-watering of the mine. This task is sufficiently complete that there is access to all the essential previously developed areas of the Palito mine. This is some two months ahead of schedule.

The company has begun the process of recruiting the personnel and acquiring the equipment required to develop the Palito mine. A project manager was appointed in November 2012 and a key team of senior mining personnel is arriving at site this month, initially to commence work on detailed mine planning and optimisation. An initial team of contract mining personnel will also start work during February with mine development activities.

The Company has entered into an arrangement to rent a jumbo drill rig and an underground loader. In the meantime orders for new equipment have been placed and this underground mining fleet is anticipated to be delivered in the second half of the year in time for the scheduled increase in mine development. Contract negotiations are currently being finalised with a contractor who will supply the specialist mining personnel whilst the Company's employees will undertake the ramp and gallery development activities. Engineering studies on the plant rehabilitation are also underway.

All ore that is mined from development activity over the next nine month period will be stockpiled on the surface. The Company intends to establish a sufficiently large, uncrushed, high-grade ore stockpile ensuring that, once the plant is commissioned in the fourth quarter, a guaranteed ore feed for the first few months of processing is available.

The immediate tasks in the mine are to re-establish mine services (power, compressed air supply and ventilation) and to commence work on ramp deepening and gallery development to establish new stoping panels.

On surface, work will be undertaken to overhaul the primary and secondary crushers, the principle ball mill will be refurbished and re-mounted, flotation cells refurbished or replaced and Serabi's management will be looking to optimise the configuration and operation of the Carbon in Pulp circuit and installing additional leaching tanks if necessary.

Exploration activity has been suspended since the early part of 2012 and it is not planned to recommence exploration work until positive cash flow is being realised from the Palito mining operations can be deployed to finance the next stage of exploration. The Company intends to use the cash flow from the mine to fund the resource drilling programme to further evaluate the discoveries made during 2011 at Palito South, Currutela Creek and Piaui. Management envisages a 12 month resource drilling programme at the end of which, the Company would be in a position to generate a new resource estimate upon which a commercial decision regarding the development and subsequent expansion of the production at Palito can be made.

Commenting on potential transaction-based activity, Michael Hodgson said: "Looking at the bigger picture, the Tapajos region, where the Palito gold mine is situated, is a very exciting and undeveloped gold area. The Palito mine remains the only licenced hard rock mine and we believe that Serabi's ability to generate cash flow and secure the longer term future for the Company places it in a very strong position relative to its peers in the region.



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



"Serabi's board believes that given current market sentiment towards the junior mining sector for both explorers and producers, it is essential that some consolidation takes place to create a business of sufficient size to be attractive to a wider investment community. With the outlook for gold prices remaining strong the board feels that having production and therefore cash-flow will enable Serabi to be a core part of any such consolidation and at the same time allow the board flexibility to pursue the most value adding strategy for shareholders."

## Enquiries

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Copies of this release are available from the Company's website at [www.serabigold.com](http://www.serabigold.com)

#### Forward-looking statements

Certain statements in this announcement are, or may be deemed to be, forward looking statements. Forward looking statements are identified by their use of terms and phrases such as "believe", "could", "should" "envisage", "estimate", "intend", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These forward looking statements are not based on historical facts but rather on the Directors' current expectations and assumptions regarding the Company's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Such forward looking statements reflect the Directors' current beliefs and assumptions and are based on information currently available to the Directors. A number of factors could cause actual results to differ materially from the results discussed in the forward looking statements including risks associated with vulnerability to general economic and business conditions, competition, environmental and other regulatory changes, actions by governmental authorities, the availability of capital markets, reliance on key personnel, uninsured and underinsured losses and other factors, many of which are beyond the control of the Company. Although any forward looking statements contained in this announcement are based upon what the Directors believe to be

reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such forward looking statements.

#### Qualified Persons Statement

The scientific and technical information contained within this announcement has been reviewed and approved by Michael Hodgson, a Director of the Company. Mr Hodgson is an Economic Geologist by training with over 25 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 UK, recognizing him as both a Qualified Person for the purposes of Canadian National Instrument 43-101 and by the AIM Guidance Note on Mining and Oil & Gas Companies dated June 2009.

*Neither the Toronto Stock Exchange, nor any other securities regulatory authority, has approved or disapproved of the contents of this news release.*

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