



Declaration of commercial production at Palito and second quarter operations update

Serabi Gold plc (AIM:SRB, TSX:SBI), the Brazilian focused gold mining and development company, is pleased to announce that commercial production at its Palito gold mine commenced with effect from 1 July 2014. The Company also provides an update on its activities at its high-grade underground gold mining operation at Palito for the second quarter of 2014.

HIGHLIGHTS

- Commercial production declared.
- Gold production of 3,242 ounces for the second quarter 2014 and 5,542 ounces for the year to date.
- Total mine ore production for second quarter of 15,808 tonnes @ 11.36 g/t Au.
- Total milled production for second quarter of 18,645 tonnes @ 8.08 g/t Au.
- Surface ore stockpile at 30 June 2014 of approximately 13,000 tonnes @ 5.4 g/t Au.
- At 30 June 2014 more than 32,500 tonnes of flotation tailings stockpiled with a grade in excess of 2.0 g/t Au, awaiting cyanidation treatment contained gold of more than 2,100 ounces.
- Approximately 3,300 metres of underground horizontal development has been completed in the six months to 30 June 2014.
- Carbon in Pulp leaching circuit to be commissioned during July 2014.
- A second ball mill has been installed and tested and will be operational in July 2014.

SUMMARY PRODUCTION STATISTICS FOR SIX MONTHS TO 30 JUNE 2014				
		Quarter 1	Quarter 2	Year to date
Horizontal development	Metres	1,491	1,804	3,295
Mined ore	Tonnes	11,387	15,808	27,195
	Gold grade (g/t)	7.09	11.36	9.57
Milled ore	Tonnes	14,050	18,645	32,695
	Gold grade (g/t)	6.91	8.08	7.58
Gold production ⁽¹⁾	Ounces	2,300	3,242	5,542

(1) Gold production figures are subject to amendment pending agreement of final assay results of copper/gold concentrate sold

Mike Hodgson CEO said

"The first quarter of this year saw a steady ramp-up of mill production, with throughputs during the second quarter continuing to increase and I am delighted to report that we have achieved the mining and processing rates required for the Company to declare commercial production with effect from 1 July 2014.



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The second quarter of 2014 has seen great activity in the process plant at Palito. We have now installed and are about to commission the second ball mill and have completed the rehabilitation of the cyanidation recovery plant which will start to be commissioned before the end of July following which the leaching tanks will start to be filled. The first elution and gold pour is scheduled for early September.

Underground mining has continued to perform well, with development and stoping close to budget. We now have development and production spread over eight mining areas. Our production plan for the first half of 2014 always anticipated the processing of the ore that had been stockpiled on surface during 2013 whilst we continued mine development and stope preparation. We now have a surface stockpile of 13,000 tonnes with a grade of about 5.4 g/t ahead of the plant. With mine development now comfortably ahead of production we anticipate that the combination of ore recovered from both stope production and mine development will generate the planned 7,500 tonnes per month of run of mine ore required for the existing mill. The second ball mill will initially be used to supplement this planned production by processing the surface stockpile and in the longer term will be used to process ore from our Sao Chico project.

We are confident of continued progress and a strong second half of 2014. The commissioning of the Carbon in Pulp ("CIP") plant should increase our gold recoveries to over 90% and the implementation of the second ball mill combined with the treatment of the stockpiled flotation tailings accumulated over the past 6 months, will see the plant throughput grow significantly. We remain on course to achieve our gold production forecast of 23,000-24,000 ounces gold and are delighted with our progress in this first year of production."

PALITO

Having achieved the production criteria set by the Board, the Palito Mine has, with effect from 1 July 2014, moved to commercial production. Accordingly with effect from the start of the third quarter the Company will for accounting purposes no longer capitalise revenues and operating costs but will be reporting these through its Income Statement.

The full Palito plant process comprises crushing then grinding followed by flotation which produces a copper-gold concentrate recovering approximately 75% of the gold. The flotation tails then pass to the CIP cyanidation plant where approximately 70% of the remaining gold is recovered, with overall gold recoveries of 91% - 92% being targeted. During the first six months of 2014, the process has been limited to crushing, grinding and flotation, with the flotation tailings being stockpiled, in readiness for later treatment through the CIP plant.

During the second quarter a total of 18,645 tonnes were milled at an average grade of 8.08 g/t gold. As previously reported, the Company planned to process lower grade stockpiled material during the first quarter whilst the plant was under initial commissioning. The second quarter has seen the plant performing close to budget for throughput and exceeding budgeted feed grades. Gold production for the quarter has been approximately 3,242 ounces⁽¹⁾.

The second ball-mill acquired in March 2014 has been installed and tested, and will be operational in July 2014. It was acquired primarily as part of the second process line for future Sao Chico ore feed, but in the near term will provide additional milling capacity to process the remaining surface stockpiled material and therefore maximise short-term production.

Underground development mining has continued well with almost 3,300 metres of horizontal development completed year to date. Of this total, 1,200 metres has been ore development, with production activity now in eight mining areas, three sectors in the Palito West area and five sectors in the Palito Main Zone. During the first six months of the year, stoping has



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been ramping up, and in June over 3,500 tonnes of ore was produced from stoping. July will see Palito reach full budgeted stope production of approximately 6,000 tonnes per month. For the first six months of 2014 development ore generated over 70% of the mined ore tonnes whilst the second half of 2014 is expected to see a significant shift in the production balance with stoping forecast to contribute the majority of the mined ore tonnage.

SAO CHICO

Work commenced in February to clear approximately 20 metres of the deep unconsolidated saprolite material which overlies the bed-rock which, based on the assumption that the rainy season would, as usual, end in late March, the Company anticipated would take approximately 3 months. Heavy rains however continued until early June making the excavation conditions extremely wet and significantly delaying work. Work is now progressing well, with the ground rapidly drying out. Ramp development was expected to commence in early July, but in light of the delay this is now more likely to be early September with a consequent delay in starting underground mine development.

The Decline Ramp, once underway will then be driven at a 12% gradient and from which two development levels, L1 and L2, will be established, at the 30 vertical metre and 60 vertical metre intervals respectively. The development levels will follow the principal structure, known as the Main Vein, to its strike extents to the East and West, currently estimated as 500 development metres per level.

The Company has, for some time, planned to generate an updated geological resource update in the first quarter of 2015. A surface drill programme is now planned for later in the third quarter of this year to facilitate this and replaces the previously announced underground drill programme which, with the delays in ramp and mine development, could not be completed within the Company's desired time frame.

The Final Exploration Report ("FER") was completed and submitted to the Departamento Nacional de Produção Mineral ("DNPM") in February representing the first part of the process of transforming the exploration licence into a mining licence. Work is now underway on the preparation of the Plano de Aproveitamento Economico ("PAE") which is required to be submitted once the DNPM has approved the FER.

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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 26 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, recognising 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.

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.

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