



Operational update on Serabi's Tapajos gold operations at Palito and Sao Chico

Serabi Gold plc (AIM:SRB, TSX:SBI), the Brazilian focused gold mining and development company, is pleased to provide an operational update for the fourth quarter of 2014 on its wholly owned Palito and Sao Chico Gold operations in the Tapajos region of Para State, Northern Brazil.

HIGHLIGHTS

- Gold production for 2014 totalled 18,452 ounces
- Current forecast for gold production in 2015 is approximately 35,000 ounces with All In Sustaining Costs ("AISC") of between US\$900 and US\$950 per ounce.

Palito

- 7,819 ounces produced in the fourth quarter, a 42% increase over the third quarter.
- Mine production for the year totalled 76,500 tonnes of ore averaging 9.95 g/t gold, containing 24,400 ounces.
- Mill production for the year totalled 85,987 tonnes @ 8.84 g/t gold for the year.
- The fourth quarter saw the Carbon in Pulp plant ("CIP") fully operational with gold recoveries increasing to over 90% as a result.
- Treatment of the 55,000 tonne surface stockpile of flotation tailings grading at approximately 2.25g/t commenced just before year end. This material will be treated through the CIP plant over the next 6 to 8 months.
- A 15,000 tonne surface stockpile of coarse ore with a grade of over 5.0 g/t.

Sao Chico

- The mine portal was established at end September 2014 and over 105 metres of underground development now been completed.
- The first ore zones have been intersected underground and a small surface ore stockpile is being generated. The underground development has now reached the Main Vein, the principal structure at Sao Chico, where a 4.7 metre wide sub-vertical structure with visible sulphides has been intersected.
- With the five newly discovered gold bearing veins identified in the excavated cutback and three further veins intersected underground, all exhibiting mineable widths and grades, there appears considerable opportunity for increased levels of ore development at Sao Chico than are currently planned.
- During November 2014, the Final Exploration Report (FER), submitted in the first quarter of 2014, was approved by the Departamento Nacional De Produção Mineral ("DNPM").
- An application has been submitted for a new exploration licence immediately to the west of the existing Sao Chico licence area.



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- All mining and surface mobile fleet, power generation and other necessary initial site infrastructure required for execution of the 2015 mine plan are at site and operational.

Mike Hodgson CEO said

"As expected, the final quarter of 2014 was comfortably our best at Palito as we saw throughput and recoveries increase, following the commissioning of the CIP section of the plant. Over the last four months of the year, in excess of 10,000 ounces of gold was produced and with approximately 24,000 ounces of contained gold being extracted from the mine during the year, I feel Palito is now in a very good rhythm. Tonnage and grades achieved for the year both exceeded budget and, with the latter averaging 9.95g/t, I consider this to be an excellent result.

"At Sao Chico, the fourth quarter saw the underground development commence and over 105 metres of development has now been achieved. We have now intersected eight veins in the cutback and the ramp, and in the last days we have intersected the principal Main Vein in the underground development, where we have encountered an impressive 4.7 metre wide sub-vertical vein, exhibiting visible sulphides. Samples have been taken and assay results are currently awaited. We are very excited with what we are finding at Sao Chico, and I have no doubt that this year will be very rewarding as we look to increase the geological resource through underground development and the forthcoming drill programme. A further major milestone reached at Sao Chico was the approval of our FER in November 2014. This is the first and most critical step in the conversion of the Exploration License at Sao Chico to a Mining License. We will now complete and submit the Plano Aprobimientto Economico as the next major step in the process. However, with the Guia de Utilizacao (a trial mining license) already in place, all mining operations can continue in parallel.

"With ore already being stockpiled at Sao Chico, our plan is to begin treatment of the Sao Chico ore in the second quarter of 2015, by which time we hope to have run down the surface stockpile of Palito ore and therefore have sufficient process capacity in the plant to do this.

"With 18,452 ounces of gold produced in 2014, including over 10,000 ounces in the last four months, we expect 2015 to be a good year for Serabi. With Palito now in a steady production state and Sao Chico in development, with the second half of the year hopefully seeing Sao Chico in commercial production, we are currently forecasting gold production for 2015 of approximately 35,000 ounces with an All In Sustaining Cost of between US\$900 and US\$950 per ounce.

"As well as reporting on production progress during 2015, with underground development underway and the new drill programme soon to commence at Sao Chico, I look forward to providing a series of positive updates in what promises to be an exciting year for Serabi."

Results

During the month of December over 2,300 ounces of gold were produced from Palito with total production for the fourth quarter being 7,819 ounces of gold. With the CIP plant now fully operational gold recoveries averaged in excess of 90% for the fourth quarter of 2014.

As a result of operating with just a flotation recovery circuit for the first nine months of 2014, while the CIP plant was being built and commissioned, the Company has accumulated a stockpile of over 55,000 tonnes of flotation tails. With the CIP plant now fully operational the Company can process and recover gold contained within this stockpiled material over the next six to eight months. By the end of 2014, this re-treatment was just getting underway. The Company estimates that these flotation tailings have contained gold of approximately 4,000 ounces.

Whilst Serabi had initially forecast 23,000-24,000 ounces as its production target for 2014, a forecast that was achieved by the mining operations, short delays in both increasing the milling rates, following the introduction of the second ball mill and the commissioning of the CIP plant, restricted processing and the recovery of gold and consequently the Company closed the



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year with 18,452 ounces of gold production. The majority of this variation is accounted for in material stockpiled on surface and primarily contained within the coarse ore and flotation tailings stockpile.

The last four months of 2014 have indicated the ability of the plant to process Palito ore at an annualised rate of 30,000 ounces and as a result the Company expects these production shortfalls from 2014, to be quickly recovered during this current year.

At Sao Chico, underground development mining is well underway with 95 metres of development achieved by the end of 2014. The ramp has intersected three previously unknown structures with mineable widths and grades, all of which lie outside the current geological resource. A small ore stockpile is now being generated. The principal Main Vein has now been intersected in the underground development, exhibiting a 4.7 metre wide sub-vertical structure with visible sulphides.

With all the mining and fixed fleet required for the 2015 mine plan in place along with the initial workforce the Company expects to see continued good progress at Sao Chico. Ore transportation to Palito will begin in February and processing of Sao Chico ore is forecast to commence in the second quarter of 2015. As noted in the Company's press release of 26 July 2014, the Company plans to undertake a surface drill programme. This has been delayed until the first quarter of this year, but will now commence imminently with a view to updating the geological resource for Sao Chico during the second quarter of 2015.

SUMMARY PRODUCTION STATISTICS FOR THE TWELVE MONTHS TO 31 DECEMBER 2014

		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Year to date
Horizontal development	Metres	1,491	1,804	1,594	1,348	6,237
Mined ore	Tonnes	9,666	9,072	32,454	25,308	76,500
	Gold grade (g/t)	5.03	10.55	11.77	9.28	9.95
Milled ore	Tonnes	13,766	18,929	24,533	28,759	85,987
	Gold grade (g/t)	7.43	8.33	9.88	8.95	8.84
Gold production ⁽¹⁾	Ounces	1,882	3,236	5,515	7,819	18,452

(1) Gold production figures are subject to amendment pending final agreed assays of the gold content of the copper/gold concentrate that is being sold to a refinery. As a result statistics are subject to restatement when final weights and assays are agreed.



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Copies of this release are available from the Company's website at 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.

GLOSSARY OF TERMS

The following is a glossary of technical terms:

"Au" means gold.

"assay" in economic geology, means to analyze the proportions of metal in a rock or overburden sample; to test an ore or mineral for composition, purity, weight or other properties of commercial interest.

"grade" is the concentration of mineral within the host rock typically quoted as grams per tonne (g/t), parts per million (ppm) or parts per billion (ppb).

"g/t" means grams per tonne.

"granodiorite" is an igneous intrusive rock similar to granite.

"igneous" is a rock that has solidified from molten material or magma.

"Intrusive" is a body of igneous rock that invades older rocks.

"mRL" – depth in metres measured relative to a fixed point – in the case of Palito this is sea-level. The mine entrance is at 250mRL.

"saprolite" is a weathered or decomposed clay-rich rock.

"Vein" is a generic term to describe an occurrence of mineralised rock within an area of non-mineralised rock.

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