

Serabi Gold plc
("Serabi" or the "Company")

Fourth quarter update on Serabi's gold operations, reporting record annual production for 2016 and exceeding guidance

[Serabi Gold Plc](#) (AIM:SRB, TSX:SBI), the Brazilian focused gold mining and development company, reports record annual production of almost 40,000 ounces of gold, exceeding guidance and provides an operational update for the fourth quarter of 2016 on its wholly owned Palito and Sao Chico gold operations in the Tapajós region of Pará State, Northern Brazil.

HIGHLIGHTS

- Record annual full year production of 39,390 ounces of gold, exceeding guidance and representing a 19 per cent improvement compared with the 2015 calendar year.
- New exploration licences at Sao Chico have been acquired immediately to the east and west of the deposit, offering excellent opportunity to expand the deposit, with exploration already underway.
- Gold production of 9,413 ounces for the fourth quarter of 2016 (Q3 2016 - 10,233 ounces).
- Mine production totalled 44,579 tonnes:
- 34,611 tonnes at a grade of 7.38 grammes per tonne ("g/t") of gold from Palito.
- 9,968 tonnes at a grade of 14.38 g/t of gold from Sao Chico.
- 40,485 tonnes of ore processed through the plant for the combined mining operations, at a combined grade of 7.60 g/t of gold.
- 2,624 metres of horizontal mine development completed in the quarter with 1,928 metres completed at Palito and 696 metres at Sao Chico.
- During the quarter, the installation of a new carbon regeneration kiln was completed, this is now effectively regenerating 'fouled' carbon and early results suggest significant improvement in gold recoveries.
- At Palito the development of the Senna vein is continuing, the sublevels are being developed on 250mRL, 237mRL, 225mRL, 210mRL and ramping down to the 180mRL. At Palito Main Zone, the main ramp has now reached the -50mRL, where the G3 vein has been intersected and is ready to be developed.
- At Sao Chico the main ramp has now been deepened to the 71mRL, some 170 vertical metres below surface.
- During the fourth quarter, a total of 2,814 metres of underground diamond drilling was completed across both sites. At Sao Chico, a combination of exploration and evaluation drilling, totalling 1,267 metres was completed, mostly drilling the inferred resource blocks below the 86mRL. At Palito, a total of 1,547 metres of mostly exploration drilling was completed, principally drilling the inferred resource blocks on the Senna vein below the 200mRL.
- At the year end, the combined surface stockpiles at Palito and Sao Chico totalled 21,000 tonnes of ore with an average grade of 4.0 g/t of gold.

Mike Hodgson, CEO, said:

"We are delighted to have exceeded our production guidance with a total of 39,390 ounces of gold being produced for the year which also represents the highest annual gold production from Serabi's operations in the Tapajós region. The final three months of the year saw another steady quarter of production of approximately 9,400 ounces of gold, to compliment the gold production of the previous three quarters and demonstrating the continued dependable performance of the business.

"The mines have performed well. At Palito the operation continues to perform steadily, although extracted mine grade during the quarter was lower than planned as a result of ore being 'cemented' in two stopes. This ore is not lost, and is being slowly recovered, but not as fast as we had budgeted. The production shortfall was partially compensated by more development ore, albeit with a lower gold grade. This resulted in a Palito head grade for the quarter of 7.4 g/t of gold, compared to 9.5 g/t of gold for the previous quarter. However, the benefit of this ore development is that the mine is now generating ore from four sectors, Senna, Chico da Santa, G3 and Pipocas with Senna playing an ever increasing role in our production plan. Production from stoping has not commenced there but, in 2017, we will see a significant level of ore being produced from stoping at Senna.

"At Sao Chico, ore development and production continued in line with our plans and grades were excellent, returning over 14 g/t for the quarter. The main ramp has now reached the 70mRL with the Main Vein intersected. Development continues on the 100mRL, 86mRL and the new 70mRL. Stopping is focused on the final blocks on the 186mRL, 156mRL and 140mRL.

"As reported last quarter, the plant saw the introduction of the third mill during Q3. This was primarily acquired to establish much needed contingency in the plant and to reduce the impact of unforeseen mechanical problems, essential in a moderately remote operation such as ours. In October and again in December the importance of this contingency planning was demonstrated. In both months we suffered short-term breakdowns, and the ability to maintain throughputs rates by having a third mill was therefore invaluable. An additional short term benefit of three mills operating has been the increased throughput capacity, allowing us to consume the low grade surface stock that had built up over the past three years.

"Approximately 2,800 metres of diamond drilling was completed across the Palito and Sao Chico Mines during the quarter. The

drilling at both sites was a combination of exploration and evaluation drill holes. At Palito, activities were principally focused on drilling the inferred resource blocks that lie down-dip below the current development levels in the Senna and Pipocas veins, whilst at Sao Chico, drilling focused upon the Main Vein below the lowest current development level at the 70mRL down to the -50mRL. At Senna, the results were generally good, showing strong down-dip continuity in thickness and grade. Whilst this sector does not share quite the same high grades as seen in the Palito Main Zone, the structure appears to be geometrically regular, which benefits mining, and intersected grades are in the 6.0 g/t to 9.0 g/t range over widths generally in excess of one metre. At Sao Chico, a total of 1,300 metres of down dip-drilling also gave satisfying results. In each case the Main Vein was intersected, confirming the strong structural continuity with a good range of grades being reported.

"The quarter saw surface exploration recommence at Sao Chico. As reported last quarter, we acquired the exploration license to the west and south of the Sao Chico Mine last year, and we are very keen to test the potential continuation of the Sao Chico Main Vein into these areas. During the quarter, we commenced a surface Induced Polarization ("IP") programme to the west and south, and although poor weather caused the work to be suspended it is expected that it will restart during the second quarter of 2017. The purpose of the programme is to use IP to trace the trend of the Main Vein, which has sufficient sulphides to provide a clear conductivity anomaly, which in turn, will be targeted in a subsequent drill programme.

"Since commencing operations in 2014, Serabi has shown steady, modest growth, and whilst this past year we have had to face some pretty strong economic headwinds in terms of gold price and the strengthening of the Brazilian Real, operationally we have had a terrific year. With both mines operating well, drilling ongoing and exploration recommencing, I look forward to providing regular updates in a year where we hope to see improving margins."

Results

Total production for the fourth quarter of 2016 was 9,413 ounces of gold, generated from the processing of the run of mine ("ROM") ore from the Palito and Sao Chico Mines, combined with the Palito surface coarse ore and the stockpiled flotation tailings accumulated from Palito mine production in 2014.

Gold production for the fourth quarter came from the processing of 40,485 tonnes of hard rock ROM ore from the Palito and Sao Chico Mines with an average grade of 7.60 g/t of gold. The total mined ore for the same period was 44,579 tonnes with an average grade of 8.95 g/t of gold. In addition to the ROM ore, a further 3,039 tonnes of flotation tailings with a grade of 3.82 g/t of gold was processed through the cyanidation plant.

At 31st December 2016, there were coarse ore stocks of approximately 21,000 tonnes with an average grade of 4.0 g/t of gold, and approximately 22,000 tonnes of flotation tails with an average grade of 2.5 g/t of gold. Despite the plant expansion to three ball mills during the third quarter, the easy and rapid ore development of the Senna vein, particularly due to its proximity to surface, has meant increasing stock levels during this quarter.

A total of 1,928 metres of horizontal development has been completed during the quarter at the Palito Mine, of which 1,172 metres is represented by ore development, with the balance being on the development of ramps, cross cuts and stope preparation. At the Sao Chico Mine a total of 696 metres of horizontal development was completed, of which 266 metres represents ore development, with much of the balance being ramp development and cross cuts reflecting the on-going deepening of the mine.

2017 Guidance

With 39,390 ounces of gold produced for 2016, the Company feels confident it can forecast expected production for 2017 of 40,000 ounces at an AISC of between \$950 and \$975 per ounce, which is in line with the cost guidance of 2016.

The 2017 guidance of 40,000 ounces is an eight per cent improvement on Serabi's initial guidance for 2016 which was 37,000 ounces. Management hope that, with the production efficiencies and improvements that can be implemented in 2017, Serabi will again be able to improve on its production guidance, as it did in 2016, where the Company exceeded its initial guidance by 6.5 per cent to produce 39,390 ounces.

		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total	Total
		2016	2016	2016	2016	2016	2015
Horizontal development - Palito	Metres	1,900	1,910	1,607	1,928	7,345	6,800
Horizontal development - Sao Chico	Metres	1,025	1,031	1,042	696	3,794	2,800
Horizontal development - Total	Metres	2,925	2,941	2,649	2,694	11,209	9,600
Mined ore - Palito	Tonnes	26,752	25,198	31,916	34,611	118,477	111,751
	Gold grade (g/t)	11.84	10.48	9.52	7.38	9.62	10.05
Mined ore - Sao Chico	Tonnes	10,794	8,408	11,217	9,968	40,387	24,096
	Gold grade (g/t)	9.00	6.81	9.88	14.38	10.12	8.66

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

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

"on-lode development" - Development that is undertaken in and following the direction of the Vein

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

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

"stopping blocks" - a discrete area of mineralised rock established for planning and scheduling purposes that will be mined using one of the various stopping methods.

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

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.

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