

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

Strong second quarter production consolidating mid-year position with guidance maintained.

[Serabi Gold Plc](#) (AIM:SRB, TSX:SBI), the Brazilian focused gold mining and development company, is pleased to report second quarter production of 8,148 ounces of gold its Palito/Sao Chico high grade gold operation in the Tapajos region of Para State, Northern Brazil.

HIGHLIGHTS

- Second quarter production of 8,148 ounces of gold.
- Mine production totalled 42,075 tonnes at 7.80 grammes per tonne ("g/t") of gold.
- 43,905 tonnes processed through the plant for the combined mining operations, with an average grade of 6.26 g/t of gold.
- 1,855 metres of horizontal mine development completed in the quarter.
- At the Palito sector, expansion of working areas continues, with development and production now coming from eight veins from the 25 included in the geological resource. The main ramp has now reached the -50mRL, with the G3 vein intersected, the deepest working area in the deposit. To date grades have been very encouraging.
- At the Sao Chico sector, the main ramp has now been deepened to the 40mRL, approximately 200 vertical metres below surface. Production is coming from the 140mRL and 128mRL levels with levels 116mRL, 100mRL, 86mRL, 70mRL and now 40mRL being developed, so development remains well ahead of production.
- By the end of the second quarter, surface ore stocks were approximately 12,000 tonnes (31 March 2017: 13,000 tonnes) with an average grade of 3.15 g/t of gold.

The following link can be used to access an interview by BRR Media with Mike Hodgson, CEO discussing the second quarter operational results

<https://www.brrmedia.co.uk/broadcasts-embed/597739289ff3a6521c9fd7ce/event/?livelink=true>

Mike Hodgson, CEO, said:

"Following an excellent first quarter, when the Company produced almost 10,000 ounces of gold, we have enjoyed a satisfactory second quarter with further production of over 8,000 ounces. With the mid-year total standing at over 18,000 ounces, we can be very satisfied with the production results for the year to date.

"Mine production from both the Palito and Sao Chico sectors progressed well, although grades were a little lower than scheduled for April and May, resulting in the second quarter gold production being lower than that of the first quarter. The lower grades which were behind this, were largely a result of an operational issue (as further detailed below) in the Sao Chico sector, where planned higher grade stope production had to be replaced by lower grade development ore. Production improved significantly in June and the operational issue has now been fully resolved. We therefore remain confident that full year production guidance will be achieved. At the Palito sector, production remained steady.

"Overall mining rates of the Sao Chico orebody were in line with forecasts though whilst the average grade at 8.30 g/t is very reasonable, it was below our budget and less than the 'highs' of the first quarter where we mined ore with average grades in excess of 12 g/t. The reason behind this decrease was quite simple. The stoping method at Sao Chico requires the use of remote controlled loaders to muck the broken ore. As noted in our first quarter update, stoping has only recently begun at the Sao Chico orebody, and therefore we are still in the process of building up our fleet. During the first quarter, we had one new loader with a second new unit planned to arrive in June. Unfortunately the first loader, although itself only four months old, suffered a major mechanical problem and this impacted significantly on our stope production during April and much of May. As a result, we had to use development ore to provide mill feed. Ore recovered from development mining is unavoidably more diluted and is therefore generally lower grade. By June, with the original unit returned to full operation and the second new unit commissioned and operating, production improved significantly, borne out by 42 per cent of the gold production from the Sao Chico orebody for the second quarter of 2017 being achieved in June. With the additional development completed in the quarter, making available additional stoping blocks, we feel confident, the second quarter shortfall will be recovered over the remainder of the year and we will meet our full year production guidance of 40,000 ounces.

"At the Palito orebody, over eight veins are now in various stages of development, with production mainly coming from the Pipocas, G3, Senna and Jatoba veins. The G3 vein has now been intersected on the -50mRL, our lowest level in the mine, with excellent grades being encountered. The other main vein, Pipocas, is now being developed on the 30mRL, and it too is exhibiting some excellent long-term potential.

"In the plant, the quarterly performance was excellent, with approximately 43,000 tonnes of run of mine ore ("ROM") milled. With 42,000 tonnes mined, the small difference was made up from the low grade development stockpile which has shown minimal change between the end of the first quarter and the end of this quarter. We remain mill limited, and for this reason we have sought to reduce development rates to try to make inroads into these surface stockpiles, though as we can see, the mine has continued to generate sufficient ROM.

"As I reported last quarter, during the latter half of 2016 the Company reported that, following the extension of its exploration license holdings around the Sao Chico orebody, it had recommenced surface exploration, with an IP geophysical survey. The results revealed two excellent anomalies 600 metres to the north and 300 metres to the south of the current mining operations, which, from a geophysical perspective, look even stronger than the orebody being mined. These anomalies appear to possess a geometry consistent with the known orebody and the potential for parallel mineralisation. These targets are just beyond the capability of the underground drill rigs we have, hence we have not been able to recommence the programme as planned and will now pursue this during the second half of the year.

"Exploration and evaluation drilling underground continued with approximately 2,000 metres of diamond drilling completed. This drilling is focusing on drilling into inferred resources of the down dip extension of the Main Vein in the Sao Chico orebody as well as the inferred resource in the Senna, Pipocas and G3 veins in the Palito sector.

"Following the excellent first quarter, this second quarter has been satisfying given the issues that we faced in April and early May, and I am pleased to say the improvement in the latter part of May and an excellent June has got things back on track for the year as a whole. This improvement has continued in July which to date has also been a very good month, so we look forward to a good third quarter. With the dry season upon us, we also hope to see our exploration efforts stepped up during the second half of the year."

Results

Total production for the second quarter of 2017 was 8,148 ounces of gold, generated from the processing of the ROM ore from the Palito and Sao Chico sectors, combined with the Palito surface coarse ore and the stockpiled flotation tailings accumulated from Palito mine production in 2014.

Gold production for the second quarter came from the processing of 43,905 tonnes of ore at overall combined grades of 6.26 g/t gold, which was sourced from mined ore from the Palito and Sao Chico orebodies, supplemented with lower grade surface stockpiled ROM and flotation tailings. Mined tonnage for the quarter totalled 42,075 tonnes with a grade of 7.80 g/t of gold.

At 30 June 2017, there were coarse ore stocks of approximately 12,000 tonnes with an average grade of 3.15 g/t of gold, and approximately 35,000 tonnes of flotation tails with an average grade of 2.50 g/t of gold. This stock is being consumed, albeit not as quickly as forecast, and for now the operation remains plant constrained.

A total of 1,855 metres of horizontal development has been completed during the quarter, of which approximately 950 metres was ore development. The balance is the ramp, cross cuts and stope preparation development.

2017 Guidance

The Company forecast 40,000 ounces of gold production for the year, with an AISC of between \$950 and \$975 per ounce, broadly in line with the cost guidance of 2016. Gold production for the first half remains broadly in line with the Company's forecast.

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 despite the operational challenges faced in April and May, production efficiencies and improvements will allow Serabi to meet its production guidance.

		Quarter 1	Quarter 2	Total	H1	H2	Total	Total
		2017	2017	2017	2016	2016	2016	2015
Horizontal development - Palito	Metres	1,669	1,393	3,062	3,810	3,605	7,345	6,800
Horizontal development - Sao Chico	Metres	582	462	1,044	2,056	1,738	3,794	2,800
Horizontal development - Total	Metres	2,251	1,855	4,106	5,866	5,343	11,209	9,600
Mined ore - Palito	Tonnes	26,093	27,890	53,983	51,950	66,527	118,477	111,751
	Gold grade (g/t)	9.07	7.55	8.29	11.18	8.41	9.62	10.05
Mined ore - Sao Chico	Tonnes	10,825	14,185	25,010	19,202	21,185	40,387	24,096
	Gold grade (g/t)	12.64	8.30	10.18	8.04	12.00	10.12	8.66
Mined ore - Total	Tonnes	36,918	42,075	78,993	71,152	87,712	158,864	135,847

"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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