



## First quarter update on gold operations at Palito and Sao Chico

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**Serabi Gold plc (AIM:SRB, TSX:SBI), the Brazilian focused gold mining and development company, provides an operational update for the first quarter of 2016 on its wholly owned Palito and Sao Chico gold operations in the Tapajos region of Para State, Northern Brazil.**

### HIGHLIGHTS

- 9,771 ounces of gold produced for the first quarter of 2016 (Q4 2015 - 7,924 ounces).
- Mine production totalled 37,546 tonnes.
  - 26,752 tonnes at a grade of 11.84 grammes per tonne (g/t) of gold from Palito.
  - 10,794 tonnes at 9.00 g/t of gold from Sao Chico.
- 36,615 tonnes of ore processed through the plant for the combined mining operations.
- 2,926 metres of horizontal mine development completed in the quarter with 1,901 metres completed at Palito and 1,025 metres at Sao Chico.
- Installation of the third ball mill is almost complete, along with the second flotation line and enhancements in the carbon in pulp ("CIP") plant. The works are on schedule to be complete by the beginning of May. A carbon regeneration kiln is also being acquired which will assist in enhancing gold recoveries once the kiln is operational in the second half of the year.
- Sao Chico now being developed on the 171mRL, 156mRL and 141mRL, with production ore being mined from the 186mRL level. The ramp continues to be deepened to the 126mRL, the next planned development level, and will continue this year to the 96mRL to accommodate underground drilling of the Sao Chico deposit extension at depth.
- At the end of the first quarter, the combined surface stockpiles at Palito and Sao Chico totalled 17,000 tonnes at a grade of 5.3 g/t of gold.

**The following link can be used to access an interview with Mike Hodgson, CEO discussing the first quarter operational results**

<http://brrmedia.co.uk/event/141788?popup=true>

### Mike Hodgson, CEO said:

***"The first quarter of 2016 has been very satisfying, building on the Company's strong finish to 2015. This has been the best quarter to date in terms of both ore production from the mines and the volume of ore processed through the plant.***

***"The first quarter, which coincides with the height of the rainy season, was always going to be our most challenging as we did not have the benefit of the plant expansion. Nonetheless we have got very close to breaking the 10,000 ounce per***



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**quarter threshold which is an excellent result and comfortably in-line with our guidance of 37,000 ounces for the year as a whole.**

***"As I observed at the end of the last quarter, with Palito now very much in regime, new sectors are being opened up and this always creates options and flexibility, an essential part of any underground mining operation. Mined grades achieved for the quarter continued to be around 10 g/t of gold which has been the case for the past two years, and serves to illustrate the focus on quality that we employ through our selective mining approach.***

***"The lateral expansion of the Palito Mine, completed at the end of 2015, has opened up the Senna and Chico da Santa sectors. Senna especially is returning some very encouraging mineable grades to date. Underground diamond drilling is being used to evaluate numerous known, but underexplored veins and together with these two new sectors, we hope to open up numerous new mining faces in the upper levels. These have the advantage of being in close proximity to existing mine infrastructure and will not require any new ramp development.***

***"At Sao Chico, ore development and production is now ongoing on a number of levels notably the 186mRL, 171mRL, 156mRL and now 141mRL. As explained last quarter, the vein is a 1.5 metre to 4.0 metre wide alteration zone, which itself is structurally continuous. However, the gold grades within this alteration zone are quite erratic and are hosted in four steeply plunging pay-shoots. In these pay-shoots, the grades are often truly spectacular, very often being in excess of 100 g/t of gold. Outside the pay-shoots the vein is continuous but with low gold grades and as a result it is unavoidable that, as the mine development passes between the pay-shoots, lower grade ore has to be mined. The central pay-shoot is the most established of these four high grade shoots, and is some 100 metres long. We have, and will continue to focus in the near-term, on developing this part of the Main Vein, and are now enjoying some consistent higher grade development ore as a result. We will not lose access to the other pay-shoots along strike, and these will be developed later in the year.***

***"As reported last quarter, the plant is being further expanded to allow the processing of significant surface ore stockpiles. The stockpiles have been accumulated as a result of the overall limitations in the capacity of the gold processing plant. The planned improvements are all expected to be completed and operational by 1 May 2016, as originally scheduled. Following their completion we anticipate that plant processing capacity could be increased from the current levels of throughput of 380-400 tonnes per day (tpd) to over 500 tpd. This will be in excess of mine production levels, allowing the stockpiles to be depleted and, importantly for the longer term, also creating surplus capacity to catch up any lost production caused by unplanned stoppages."***

## **Results**

Total production for the first quarter of 2016 was 9,771 ounces<sup>(1)</sup> 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 first quarter came from the processing of 36,615 tonnes of hard rock ROM ore from the Palito and Sao Chico Mines with an average grade of 8.58 g/t of gold. The total mined ore for the same period was 35,610 tonnes with an average grade of 9.52 g/t of gold. In addition to the ROM ore, an additional 4,699 tonnes of flotation tailings with a grade of 2.90 g/t of gold was processed through the cyanidation plant.

At 31 March 2016, there were coarse ore stocks of approximately 17,000 tonnes with an average grade of 5.3 g/t of gold, and approximately 31,000 tonnes of flotation tails with an average grade of 2.5 g/t of gold. The current plant expansion, scheduled for completion by 1 May 2016 this year, is expected to provide sufficient incremental capacity to process most of this stockpiled material during the remainder of 2016.



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Approximately 1,900 metres of horizontal development has been completed during the quarter at the Palito Mine, of which 1,064 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 1,025 metres of horizontal development was completed, of which 447 metres represented ore development, with much of the balance being ramp development and cross cuts reflecting the on-going deepening of the mine.

The Sao Chico Mine returned its best quarterly results to date, with over 8,800 tonnes of ore, at a grade of 9.61 g/t of gold, being extracted. Most of this ore is being generated from development mining, and this will remain the case until the second half of the year.

### 2016 Guidance

The Company expects to produce 28,000 ounces of gold during 2016 from the processing of Palito ROM and the Palito stockpiles. With the Sao Chico Mine now under development, the Company also anticipates production of 9,000 ounces of gold from ore mined at Sao Chico, and as a result, remains confident of achieving its production forecast of 37,000 ounces of gold for the year with an All-In Sustaining Cost of between US\$840 to US\$870 per ounce.

### **SUMMARY PRODUCTION STATISTICS FOR THE QUARTER ENDED 31 MARCH 2016 (Palito & Sao Chico)**

|                                    |                  | Quarter 1<br>2015 | Quarter 1<br>2014 |
|------------------------------------|------------------|-------------------|-------------------|
| Horizontal development – Palito    | Metres           | 1,900             | 1,825             |
| Horizontal development – Sao Chico | Metres           | 1,025             | n/a               |
| Horizontal development - Total     | Metres           | 2,925             | 1,825             |
| Mined ore – Palito                 | Tonnes           | 26,752            | 32,504            |
|                                    | Gold grade (g/t) | 11.84             | 10.51             |
| Mined ore – Sao Chico              | Tonnes           | 10,794            | n/a               |
|                                    | Gold grade (g/t) | 9.00              | n/a               |
| Mined ore – Total                  | Tonnes           | 37,546            | 32,504            |
|                                    | Gold grade (g/t) | 11.02             | 10.51             |
| Milled ore                         | Tonnes           | 36,615            | 30,384            |
|                                    | Gold grade (g/t) | 8.58              | 8.52              |
| Gold production <sup>(1) (2)</sup> | Ounces           | 9,771             | 7,389             |

(1) Gold production figures are subject to amendment pending final agreed assays of the gold content of the copper/gold concentrate and the gold bullion when smelting and refining processes are completed.

(2) Gold production totals for 2016 include treatment of 4,699 tonnes of flotation tails



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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.*

### 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.

“development” - excavations used to establish access to the mineralised rock and other workings

“DNPM” is the Departamento Nacional de Produção Mineral.

“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.

“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.