



Second quarter update on gold operations at Palito and Sao Chico

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

HIGHLIGHTS

- 9,896 ounces of gold produced for the second quarter of 2016 (Q1 2016 - 9,771 ounces).
- Mine production totalled 33,606 tonnes.
 - 25,198 tonnes at a grade of 10.48 grammes per tonne (g/t) of gold from Palito.
 - 8,408 tonnes at 6.81 g/t of gold from Sao Chico.
- 39,402 tonnes of ore processed through the plant for the combined mining operations.
- 2,940 metres of horizontal mine development completed in the quarter with 1,910 metres completed at Palito and 1,031 metres at Sao Chico.
- Installation of the third ball mill was completed during the quarter, with a second flotation line and enhancements in the carbon in pulp ("CIP") plant close to completion. The carbon regeneration kiln acquired earlier in the year is now being installed and will be commissioned during the current quarter. The kiln will regenerate 'fouled' carbon and enhance gold recoveries.
- Daily plant throughput can now be increased from 380-400 tonnes per day (tpd) to over 500 tpd, which is in excess of mined production allowing surface stocks to be depleted in the second half of the year.
- Sao Chico is now being developed on the 156mRL, 140mRL, 128mRL and 116mRL levels, with production ore being mined from the 156mRL level. The ramp continues to be deepened from levels 116mRL to 100mRL, the next planned development level.
- During the second quarter, underground exploration drilling has commenced at Sao Chico. A programme of approximately 6,000 metres is planned to test the down dip continuity of the central ore zone. The first hole, completed within the last seven days, reported an intersection of 46.2 g/t of gold over a drilled width of 2.32 metre, approximately 240 metres from surface and 100 metres down-dip from the current lowest developed level.
- At the end of the second quarter, the combined surface stockpiles at Palito and Sao Chico totalled 12,000 tonnes at an average grade of 5.0 g/t of gold.
- The Company remains confident of achieving its production forecast of 37,000 ounces of gold for the year.

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

<https://www.brrmedia.co.uk/broadcasts-embed/578777f0cb9efc486f0be735/event/?livelink=true>



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Mike Hodgson, CEO, said:

"This has been another strong quarter of production, with a further improvement over what had been a very good first quarter. It is very satisfying that we improved the gold production of the first quarter without the benefit of the third ball mill. Having experienced a short delay in the commissioning of this mill, I am pleased to report it is now operational, but to exceed our target, again, with just two mills operating is a great success.

"With production for each of the first two quarters being close to 10,000 ounces, we remain comfortably in-line to achieve our guidance of 37,000 ounces for the year. During the third quarter, we will have the additional benefit of the final plant enhancements, and we will use the additional plant capacity to further run down our surface stockpiles.

"Palito continues to perform admirably, with mined grades for the quarter averaging over 10 g/t of gold which is consistent with most months since the operations began. The introduction of two new mining sectors, Senna and Chico da Santa, are providing increased options for mining. Underground mines, especially smaller ones, live or die by development and having multiple faces is the only way to establish stability and avoid the 'boom-bust' production that can otherwise often be a problem. With four sectors of the mine now in development, as well as underground diamond drilling ongoing, we are establishing numerous new mining fronts, especially 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 continue much as planned. As explained last quarter, we have made a concerted effort to quickly deepen the ramp in the central zone to secure immediate production. I am pleased to say we have made good progress and with the 156mRL, 140mRL, 128mRL and, 116mRL now all developed, we have secured the source of production for the remainder of 2016 and for 2017.

"Additionally, underground exploration drilling at Sao Chico has commenced. The purpose is to test the down dip continuation of the central ore shoot below the 100mRL as well as to the east and west along strike, areas which remain quite open. Ore discoveries along strike have the obvious advantage that the ramp is already in place. The first drill hole completed within the past week recorded an intersection of 46.2 g/t of gold over a drilled width of 2.32m, located approximately 240 metres from surface and 100 metres down-dip from the current lowest developed level. We are delighted with this result.

"As reported last quarter, the plant has now been expanded to allow the processing of the significant surface ore stockpiles. These stockpiles were accumulated as a result of the initial limitations in the capacity of the gold processing plant. We did experience a short delay in the commissioning of a third ball mill following the failure of a main bearing in mill number 2, but we were fortunate to be able to use the identical bearing from mill number 3 to keep the plant at full operational capacity. This is not a usual breakdown, and whilst it delayed the commissioning of mill number 3 by one month, it illustrates the need for contingency when operating in relatively remote areas. Despite that setback we still achieved our forecast gold production.

"With ball mill number 3 now operational and final plant improvements close to completion, current daily plant throughput can be increased from 380-400 tpd to over 500 tpd. This is in excess of mine production levels, allowing surface stocks to be depleted during the second half of the year, and in the longer term the increased capacity establishes much needed contingency within the process plant".

Results

Total production for the second quarter of 2016 was 9,896 ounces⁽¹⁾ 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 second quarter came from the processing of 39,402 tonnes of hard rock ROM ore from the Palito and Sao Chico Mines with an average grade of 8.17 g/t of gold. The total mined ore for the same period was 33,606 tonnes with an average grade of 9.56 g/t of gold. In addition to the ROM ore, an additional 6,354 tonnes of flotation tailings with a grade of 2.80 g/t of gold was processed through the cyanidation plant.



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At 30 June 2016, there were coarse ore stocks of approximately 12,000 tonnes with an average grade of 5.0 g/t of gold, and approximately 25,000 tonnes of flotation tails with an average grade of 2.5 g/t of gold. The plant expansion, with mill number 3 now operational, is virtually complete and will provide sufficient incremental capacity to process most of this stockpiled material during the remainder of 2016.

Approximately 1,900 metres of horizontal development has been completed during the quarter at the Palito Mine, of which 943 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 1,031 metres of horizontal development was completed, of which 598 metres represents ore development, with much of the balance being ramp development and cross cuts reflecting the on-going deepening of the mine. Mine production from Sao Chico was 8,408 tonnes of ore extracted, at a grade of 6.81 g/t of gold. Most of this ore has been generated from development mining, however there will be a greater contribution of ore coming from production areas during 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, with close to 20,000 ounces of gold production by mid-year, the Company remains confident of achieving its production forecast of 37,000 ounces of gold for the year. Whilst we have forecast an All-In Sustaining Cost of between US\$840 to US\$870 per ounce, this guidance was predicated on a significantly weaker Brazilian Real at the beginning of the year. The Brazilian Real has strengthened against the US Dollar by approximately 20% since the start of 2016, much of which has occurred in this last quarter, and this will impact on our reported costs in US Dollars. Commentators have been predicting a weakening of the Brazilian Real in the second half of 2016 and we will continually be reviewing our cost guidance to reflect the potential effects of changing exchange rates.

SUMMARY PRODUCTION STATISTICS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (Palito & Sao Chico)

		Quarter 1 2016	Quarter 2 2016	H1 2016	H1 2015
Horizontal development – Palito	Metres	1,900	1,910	3,810	3,404
Horizontal development – Sao Chico	Metres	1,025	1,031	2,056	1,058
Horizontal development - Total	Metres	2,925	2,941	5,866	4,462
Mined ore – Palito	Tonnes	26,752	25,198	51,950	54,864
	Gold grade (g/t)	11.84	10.48	11.18	10.17
Mined ore – Sao Chico	Tonnes	10,794	8,408	19,202	9,128
	Gold grade (g/t)	9.00	6.81	8.04	8.47
Mined ore – Total	Tonnes	37,546	33,606	71,152	63,992
	Gold grade (g/t)	11.02	9.56	10.33	9.85
Milled ore	Tonnes	36,615	39,402	76,017	63,662
	Gold grade (g/t)	8.58	8.17	8.37	8.36
Gold production ⁽¹⁾	Ounces	9,771	9,896	19,667	15,626

(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 11.053 tonnes of flotation tails



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This announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

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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.

"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.

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