



Third 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 third quarter of 2016 on its wholly owned Palito and Sao Chico gold operations in the Tapajos region of Para State, Northern Brazil.

HIGHLIGHTS

- Record quarterly gold production of 10,233 ounces for the third quarter of 2016 (Q2 2016 - 9,896 ounces).
- Increase in the full year production guidance to approximately 39,000 ounces of gold representing a 5 per cent improvement compared with its previous guidance of 37,000 ounces for the year.
- Mine production totalled 43,133 tonnes, a 28 per cent increase over the preceding quarter.
 - 31,916 tonnes at a grade of 9.52 grammes per tonne (g/t) of gold from Palito.
 - 11,217 tonnes at 9.88 g/t of gold from Sao Chico.
- 42,464 tonnes of ore processed through the plant for the combined mining operations.
- 2,649 metres of horizontal mine development completed in the quarter with 1,607 metres completed at Palito and 1,042 metres at Sao Chico.
- With the third ball mill operational from the end of the second quarter, along with a second flotation line and enhancements in the carbon in pulp ("CIP"), work has commenced on the installation of a new carbon regeneration kiln which should be completed in the early part of the fourth quarter. The kiln will regenerate 'fouled' carbon and enhance gold recoveries.
- These plant enhancements have increased plant capacity from 380-400 tonnes per day (tpd) to over 500 tpd. This additional capacity of approximately 100 tpd is being used to consume the surface stockpile as much as practicably possible.
- Sao Chico has now been deepened to the 86m level, some 150 vertical metres below surface. The ramp is continuing at a slower rate to the 71m level.
- During the third quarter, underground exploration drilling continued at both sites. At Sao Chico the first 17 holes of a 6,000 metre programme were completed. The programme is testing the continuity of the central ore-zone below the current deepest workings at 86m down to level -20m.
- At the end of the third quarter, the combined surface stockpiles at Palito and Sao Chico totalled 11,000 tonnes at an average grade of 3.3 g/t of gold.

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

<https://www.brrmedia.co.uk/broadcasts-embed/57ff4fa94ef34929294b9111/event/?livelink=true&popup=true>



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Mike Hodgson, CEO, said:

"This has been the Company's best quarter since operations commenced, with over 10,200 ounces of gold produced. We have already produced more than 30,000 ounces in the current year and barring any unforeseen circumstances, remain comfortably on target to exceed our original production guidance by the year end.

"In the mines we have had a good quarter. At Palito the underground operation continues to perform well, mined grades for the quarter averaged over 9.5 g/t of gold. Ore is now being sourced from four sectors, Senna, Chico da Santa, G3 and Pipocas with Senna in particular providing some very encouraging results. Whilst this area had been drilled no underground mining had previously been undertaken but, with six headings now being advanced there, it has become a significant contributor to Palito ore production.

"At Sao Chico, ore development and production has continued as planned. The main ramp has now reached the 86m level and the Main Vein intersected. Development ore is now being generated on the 156m level heading east, the 100m level heading west and the new 86m level. Stopping is focused on the 186 and 156 metre levels.

"In the plant, we are seeing the benefit of the third ball mill. The introduction of this third mill was primarily to establish much needed contingency into what was a congested and mill limited operation, and being a moderately remote operation, was an essential improvement. An additional short term benefit has been the increased throughput capacity which is allowing the Company to consume the low grade surface stock that has built up over the past three years. We now have ore milling rates in excess of the mining rates and expect to consume most of the stock by year end.

"As mentioned in the second quarter update, underground exploration drilling at Sao Chico commenced during the second quarter with the objective of testing the down dip continuation of the central ore shoot below the 100mRL down to the level -20mRL. To date, some 2,500 metres of a 6,000 metre programme have been drilled, with 17 holes completed. The drilling has intersected the Main Vein in all 17 holes which is excellent news, and is confirming our belief that the Sao Chico Main Vein, is a regional shear structure. This news bodes well for the continuation and strike extension outside the immediate and current mine limits.

"On that last point I am also pleased to report that we have commenced mine site exploration programmes at both sites. At Sao Chico we are investigating the potential strike extensions of the Sao Chico Main Vein to the east and west. Having recently completed the acquisition of the surrounding exploration licenses and secured land access we are now able to undertake this work, the first stage of which involves a ground geophysics Induced Polarisation ("IP") survey.

"At Palito new exploration activity is also underway. Since 2012 exploration work has been 'parked' whilst efforts were concentrated on getting the operation underway and performing well. However, during the last quarter, we have undertaken a programme of 'down the hole' electromagnetic geophysics, testing some 19 holes drilled into the three mine site discoveries made in 2012. This technique is an excellent tool for better targeting sulphide rich zones that are usually gold bearing, which in turn allow us to better define a follow up drilling programme that would be undertaken during 2017. Proving up of new discoveries around our existing operations provides both the opportunity to replenish resources and extend mine life and the potential to develop increased mining operations that could increase gold production rates.

"The results of our geophysics are not available as yet, but I look forward to providing an update shortly."

Results

Total production for the third quarter of 2016 was 10,233 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.



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Gold production for the third quarter came from the processing of 42,464 tonnes of hard rock ROM ore from the Palito and Sao Chico Mines with an average grade of 8.08 g/t of gold. The total mined ore for the same period was 43,133 tonnes with an average grade of 9.61 g/t of gold. In addition to the ROM ore, an additional 2,174 tonnes of flotation tailings with a grade of 4.1 g/t of gold was processed through the cyanidation plant.

At 30 September 2016, there were coarse ore stocks of approximately 11,000 tonnes with an average grade of 3.30 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 completed in this last quarter, with mill number three now operational, provides sufficient incremental capacity to process most of this stockpiled material during the remainder of 2016.

Approximately 1,600 metres of horizontal development has been completed during the quarter at the Palito Mine, of which 972 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 1,042 metres of horizontal development was completed, of which 494 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 11,217 tonnes of ore extracted, at a grade of 9.88 g/t of gold, an increase in tonnage and grade on the previous quarter of 33 per cent and 45 per cent respectively, reflecting an increasing proportion of ore being generated from stoping as opposed to development.

2016 Guidance

With 29,900 ounces of gold produced during the first three quarters of 2016, the Company feels confident it can positively revise the expected production for the full year to 39,000 ounces, representing an improvement of approximately 5 per cent on its previous guidance of 37,000 ounces.

The Company notes that as reported in its operational update for the second quarter (issued on 18 July 2016), the Brazilian Real has strengthened significantly against the US Dollar since the beginning of 2016 and since July 2016 has continued to trade between the range of BrR\$3.20 and BrR\$3.25 to US\$1.00. This 20 per cent strengthening continues to impact on the Company’s reported dollar costs. The operational costs expressed in Brazilian Reals, have remained consistent throughout the year.

		Quarter 1	Quarter 2	Quarter 3	Nine months	Nine months
		2016	2016	2016	2016	2015
Horizontal development – Palito	Metres	1,900	1,910	1,607	5,417	4,837
Horizontal development – Sao Chico	Metres	1,025	1,031	1,042	3,098	2,074
Horizontal development – Total	Metres	2,925	2,941	2,649	8,515	6,911
Mined ore – Palito	Tonnes	26,752	25,198	31,916	83,866	84,798
	Gold grade (g/t)	11.84	10.48	9.52	10.55	10.44
Mined ore – Sao Chico	Tonnes	10,794	8,408	11,217	30,419	17,090
	Gold grade (g/t)	9.00	6.81	9.88	8.72	8.22
Mined ore – Total	Tonnes	37,546	33,606	43,133	114,285	101,888
	Gold grade (g/t)	11.02	9.56	9.61	10.06	10.07
Milled ore	Tonnes	36,615	39,402	42,464	118,481	96,480



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		Quarter 1	Quarter 2	Quarter 3	Nine months	Nine months
		2016	2016	2016	2016	2015
	Gold grade (g/t)	8.58	8.17	8.08	8.27	8.75
Gold production ⁽¹⁾	Ounces	9,771	9,896	10,233	29,900 ⁽²⁾	24,704

(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 13,227 tonnes of flotation tails.

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).

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“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.