

Serabi Gold plc: Fourth quarter update on gold operations at Palito and Sao Chico

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Declaration of commercial production at Sao Chico and extension of loan repayment terms

LONDON, Feb. 1, 2016 (GLOBE NEWSWIRE) -- [Serabi Gold Plc](#) (AIM:SRB) (TSX:SBI), the Brazilian focused gold mining and development company, provides an operational update for the fourth quarter of 2015 on its wholly owned Palito and Sao Chico gold operations in the Tapajos region of Para State, Northern Brazil.

HIGHLIGHTS

- The final quarter of 2015 recorded 7,924 ounces of gold production, giving a year-end total of 32,629 ounces.
- Combined mill throughput for the fourth quarter, for both Palito and Sao Chico ore, totalled 34,848 tonnes, with 130,300 tonnes being milled for the year.
- Quarterly mine production totalled 33,959 tonnes, 26,953 tonnes at a grade of 8.84 grammes per tonne (g/t) from Palito and 7,006 tonnes at 9.76 g/t of gold from Sao Chico.
- Quarterly horizontal mine development totalled 2,968 metres, 1,960 metres completed at Palito and 729 metres at Sao Chico. A total of 9,599 metres of horizontal development was achieved for the year.
- The Company has declared commercial production at Sao Chico effective from 1 January 2016.
- Sao Chico is now being developed on the 186mRL and 156mRL levels, with production on the 199mRL and 186mRL levels. The ramp is now being 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 fourth quarter, surface stockpiles at Palito and Sao Chico totalled 16,000 tonnes at a grade of 4.7 g/t of gold.
- November saw the commissioning of the Gekko intensive leach reactor ("ILR"), which works in tandem with the Falcon gravity centrifugal concentrator. This equipment is working exclusively on the Sao Chico feed to recover gravity gold.
- Installation of the third ball mill is well underway and this along with the flotation circuit and carbon in pulp ("CIP") process circuit are on schedule to be completed early in the second quarter of 2016. 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.

The following link can be used to access an interview with Mike Hodgson, CEO discussing the results and the outlook for 2016

<http://brrmedia.co.uk/event/141256?popup=true>

Mike Hodgson, CEO said:

"I am pleased to report Serabi has closed the year with almost 33,000 ounces of gold production, close to doubling the Company's gold production from our maiden year of production in 2014. The fourth quarter generated approximately 8,000 ounces, and whilst this did not exceed the third quarter's production total, December was our best month of the year, with 3,280 ounces of gold produced from a milled grade of 9.50 g/t of gold. With this trend continuing we can look forward to a good start to 2016 and at the time of this news release, production for January 2016 is looking to be a further improvement on December 2015.

"With almost 33,000 ounces produced in 2015, and four strong quarters of production I feel we can look forward to further growth in 2016. With Palito very much in regime, new sectors being opened up and Sao Chico delivering more reliable tonnage and grades, which at times are spectacularly high, it is an exciting time of growth. The plant expansion and improvements are planned to be mostly completed by early in the second quarter and will mean that I expect to see a further increase in the levels of gold production in 2016.

"As a result, we are providing guidance that gold production for 2016 will be approximately 37,000 ounces. As usual I look forward to updating the market on further production progress over the coming months."

Palito Mine

"The Palito Mine has continued to perform consistently with mined grades and tonnages at our forecast level. The operation has now maintained a mined grade of just below 10 g/t for much of the past 24 months, which is an excellent result. As reported last quarter, Serabi has been expanding the Palito Mine with some lateral development and two new areas in the mine have now been opened up by crosscutting to the Senna and Chico da Santa sectors. Veins have been intersected in both sectors with very encouraging mineable grades to date. Ore development is ongoing, and these two new sectors will provide greater operational flexibility and additional ore sources to the well-established deeper Palito Main Zone and Palito West sectors.

"The final quarter also saw the start-up of underground diamond drilling at Palito, and we are now evaluating numerous known, but underexplored veins. Currently this evaluation is mostly being undertaken in the upper levels, where these veins have been 'side-lined' awaiting drilling for the past two years. We are confident this drilling will provide abundant ore sources in the next 24 months, with the obvious advantage of close proximity to existing infrastructure and not requiring any new ramp development.

Sao Chico Mine

"At Sao Chico, ore development is now ongoing on a number of levels notable 186mRL and 156mRL and about to commence on 171mRL and 141mRL. We did experience a 'blip' in gold production in October and November this year, which adversely affected the fourth quarter's gold production. This was mainly due to power generation problems at Sao Chico which delayed all mining activities. The shortfall in what was supposed to be high grade Sao Chico development ore feed was replaced by surface stockpiled ore from Palito, albeit at lower grade.

"However, by December, the problems were resolved and Sao Chico turned in its best month of the year with over 4,000 tonnes mined at grades in excess of 12 g/t gold. This improvement was timely, as it coincided with the commissioning of the Gravity/ILR circuit in the plant in late November, where we are now seeing gold recoveries from gravity concentration exceed 30 per cent., bringing substantial benefits to the efficiency of the rest of the plant.

In the Sao Chico mine itself, we are continuing to concentrate on the Main Vein. 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 not as continuous 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. As a result it is unavoidable that, as the mine development passes between one pay shoot, 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 are focusing the mine development plan for 2016 on this part of the Main Vein, and are now enjoying some consistent higher grade development as a result.

"The production improvements in the mine and the plant have met the targets established by the Board of the Company and have allowed the Company to take the decision to declare commercial production at Sao Chico effective from 1 January 2016.

"As reported last quarter, the plant is being further expanded to allow the processing of significant surface ore stockpiles. The operation has been mill limited since the commencement of operations and the installation of the third ball mill, along with some improvements in the flotation and cyanidation plant, will see our daily throughput increase from the current levels of between 350 to 400 tonnes per day. We anticipate that we could, if required, average over 500 tonnes per day once the improvements are complete but, as importantly, the improvements will also create surplus capacity to catch up any lost production caused by unplanned stoppages.

"The surface diamond drilling programme at Sao Chico was terminated shortly before the end of 2015.

Whilst the programme was designed initially to explore the Sao Chico Main Vein to the east and west with 'step out' holes, it soon became clear that more infill drilling was required. The programme and the deployment of the drill-rigs was re-prioritised as a result. However, before completing the programme, three holes targeting the 50mRL level were drilled, some 100 metres below the deepest development level today, returning some very encouraging results.

Results

Total production for the fourth quarter was 7,924 ounces⁽¹⁾ of gold, coming from the processing of the run of mine ore from the Palito Mine, combined with the Palito surface coarse ore stockpiles, the stockpiled flotation tailings established during Palito mine production in 2014 and processing of Sao Chico ROM ore.

The total gold production for the year was 32,629 ounces, from the treatment of 130,300 tonnes of milled ore at an average grade of 8.43 g/t gold and from cyanidation of 18.355 tonnes of stockpiled flotation tails grading at 2.66 g/t gold.

At 31 December 2016, the Company still had a stockpile of approximately 36,000 tonnes of flotation tails at an average grade of 2.5 g/t gold, which were recovered from 2014 plant production. The Company will continue processing this material when possible. However, until the completion of the plant expansion, currently scheduled for April this year, available plant capacity for processing of the flotation tailings is limited.

During the quarter Palito achieved approximately 2,000 metres of horizontal development, of which approximately half was ore development. For the whole of 2016, the mine has completed 6,800 metres of horizontal development and a further 792 metres of raises.

At the Sao Chico Mine a total of 728 metres horizontal development was achieved, 230 metres being ore development and 340 metres completed in the deepening of the ramp and cross cuts to development levels. Approximately 2,800 metres of horizontal development has now been achieved for the year.

Sao Chico remains in its early stages, with most ore coming from development. This will continue into 2016. Nevertheless, the final quarter of the year was the best production period of 2016 with 7,006 tonnes of ore at a grade of 9.76 g/t extracted, notwithstanding the interruption to mining activities caused by the power generation issues experienced during October and November.

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.

SUMMARY PRODUCTION STATISTICS FOR THE FOUR QUARTERS ENDING 31st DECEMBER 2015 (Palito & Sao Chico)

		Quarter 1	Quarter 2	Quarter 3	Quarter 4	Year to Date
Horizontal development	Metres	1,825	2,380	2,705	2,688	9,598
Mined ore	Tonnes	32,504	31,488	37,876	33,959	135,827
	Gold grade (g/t)	10.51	9.16	10.43	9.03	9.80
Milled ore	Tonnes	30,384	33,278	31,789	34,848	130,299
	Gold grade (g/t)	8.52	8.22	9.52	7.55	8.43
Gold production ⁽¹⁾	Ounces	7,389	8,237	9,078	7,925	32,629

(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 include treatment of ~18,000 tonnes of flotation tails

Revised repayment terms with Sprott Resource Lending Partnership

The Company also announces that it has agreed an extended repayment period for the remainder of the loan with Sprott Resource Lending Partnership ("Sprott"), the outstanding balance of which amounted to US\$4 million as at 31 December 2015. The balance of the loan had been due to be repaid to Sprott by 31 March 2016. The Company has now agreed with Sprott that the balance of the loan shall be repaid in nine equal monthly instalments commencing 30 April 2016 and ending 31 December 2016. In the event that the Company elects to make any early repayment a penalty fee can be applied which depending on the time of repayment could be a maximum of 5% of the outstanding loan balance at that time. The interest rate applied to the loan remains at 10% per annum. The Company has granted to Sprott a call option over 2,500 ounces of gold at a strike price of US\$1,125 per ounce. Sprott has the right to exercise its call option, subject to a minimum of 500 ounces, at any time up to 30 June 2017. The call option if exercised will be settled in cash.

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Copies of this announcement are available from the Company's website at www.serabigold.com.

Neither the Toronto Stock Exchange, nor any other securities regulatory authority, has approved or disapproved of the contents of this announcement.

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.

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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