

Serabi Gold plc: Operational and Exploration Review of Third Quarter 2018

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Serabi Gold plc
(“Serabi” or the “Company”)

Operational and Exploration Review of Third Quarter 2018

[Serabi Gold Plc](#) (AIM:SRB, TSX:SBI), the Brazilian focused gold mining and development company, is pleased to provide a quarterly update on its operational and exploration activities from its Palito Complex in the Tapajós region of Para State, Northern Brazil.

A version of this news release in PDF form can be accessed using the following link: <https://bit.ly/2RIMWE2>

OPERATIONAL HIGHLIGHTS

- Third quarter production of 8,101 ounces of gold, with production for the year to date totalling 26,852 ounces.
- Highest level of mined tonnage for the year with a total of 42,725 tonnes at 6.23 grams per tonne (“g/t”) of gold.
- 41,405 tonnes of run of mine (“ROM”) ore processed through the plant from the combined Palito and Sao Chico orebodies, with an average grade of 6.11 g/t of gold, a nine per cent increase in throughput rates compared with the second quarter.
- Additional 6,825 tonnes of historical tailings processed through the leaching circuit at a grade of 3.5 g/t of gold.
- The highest quarterly total of horizontal mine development in 2018, with 2,814 metres completed.

EXPLORATION and DEVELOPMENT HIGHLIGHTS

- Completion of a 4,343 line kilometre airborne HeliTEM Electro-magnetic (“EM”) and Magnetic survey.
- Completion of 80 line kilometres of a terrestrial Induced Polarisation (“IP”) geophysical survey.
- 4,237 metres of surface exploration drilling completed over the Sao Chico deposit, successfully intersecting the strike extension of the Sao Chico orebody up to 300 metres west of the current mine limit.
- 1,520 metres of surface drilling at the Palito deposit, targeting the north extension of the main G3 vein, with the most significant intersection recording 19 g/t of gold over a width of 0.55 metres.
- Commencement of surface drilling at Coringa in preparation for a new mineral resource update to be issued in the first quarter of 2019.
- Start-up of the portal development and underground access at Coringa.

Mike Hodgson, CEO, said:

“This third quarter has been very encouraging. We have had some excellent exploration success at

Sao Chico and Palito, completed the excavation of the mine portal at the recently acquired Coringa project, and enjoyed a solid third quarter of production from our Palito Complex mining operations, with 8,101 ounces of gold produced and total gold production for the year to date totalling 26,852 ounces.

“Operationally we achieved the highest recorded quarterly mine production for this year to date, being a nine per cent improvement on the second quarter. Average grades have been slightly lower than planned, but this is a consequence of the highest quarterly rate of mine development for the year to date. The improved development rates have been particularly notable at the Palito orebody, where we have introduced “new generation mini-scoops and mini-jumbos” which allow the same rates of advance to be achieved but with a significantly smaller sectional area, reducing drilling, blasting and rock handling, resulting in improved efficiency.

“The plant continued to perform very well during the quarter with over 41,400 tonnes of hard rock ore processed, together with an additional 6,825 tonnes of historical flotation tails.

“At the Palito orebody, development and production remains focussed on the Pipocas, Senna, Zonta and Mogno veins, and at the Sao Chico orebody, lateral ore development is now advancing on the +10mRL and the -3mRL levels, with the ramp development now close to reaching the next development level at-18mRL.

“One of our continuing challenges this year is the level of surface stocks. There are significant levels of contained gold ounces in these stockpiles but as we remain plant constrained, we lack the capacity to process this material. Whilst it is always good to have stock ready for processing it is nonetheless frustrating that we have not been able to transform the stockpiles into gold production. In light of this, we anticipate that total production for 2018 will be slightly below our previous guidance and likely to be in the range of 36,000 to 37,000 ounces. During the quarter we purchased a “scrubber” which is an item of equipment that will allow our historic flotation tailings stocks to be added to the plant after milling and therefore provide additional feed to the cyanidation plant instead of displacing feed, which has been the alternative for much of this year. This equipment should be operational by the end of the year, and I expect will allow us to recover the gold contained in this particular stockpile during 2019.

“On the exploration front, we have enjoyed a very active and exciting quarter. Firstly, we saw the completion of a 4,300 line kilometre airborne EM and magnetic survey. This compliments the previous surveys undertaken in 2008 and 2011, and means Serabi has now flown airborne geophysics over all of the Palito Complex and its surrounding exploration licenses. As we have the EM and magnetic signatures of both the Palito and Sao Chico orebodies, we are able to benchmark the anomalies identified from the earlier surveys, as well as those we expect to be identified by the 2018 survey. We hope to have the results in the next month and look forward to being able to undertake further evaluation of, what I am sure will be, some excellent new exploration targets.

“We are also close to completing the terrestrial ground IP survey at Sao Chico, and this has really generated some excellent results, with some very substantial and significant anomalous areas identified to the south, west and east of the Sao Chico mining license. Perhaps the most significant of these is the “Cinderella” zone that lies to the south east of Sao Chico. This IP anomaly extends for over four kilometres and coincides with a similarly sized magnetic high point. In addition, artisanal mining of the creeks that drain from the area of this anomaly have and are being worked providing a confirmation of the presence of gold. We plan to immediately conduct a soil geochemistry programme over this area, and assuming success, follow this with drilling.

“The IP survey has also revealed some excellent potential to the west of the mine and this bodes well for the possible strike extension of the Sao Chico orebody to the west. We have already undertaken strike extension drilling to the west of the Sao Chico and have completed three step-out drill traverses, spaced 100 metres apart and extending to approximately 300 metres west of the Sao Chico mine limit. Drill core recovered to date has intersected what appears to be the same two mineralised zones that are being developed in the mine and would appear to be the strike continuation of the known Sao Chico orebodies. The mineralised intersections encountered in the traverse 300 metres west of the Sao Chico mine have grades of 21.97 g/t and 26.86 g/t of gold over widths of 0.80 metres and 1.10 metres respectively. We are now undertaking further step-out drilling and are awaiting the results from this.

“These initial results are very significant and the intersected grades are excellent. Current mining

operations are only over a strike length of about 300 metres and therefore there is the possibility of a westerly strike extension of another 300 metres, a very encouraging sign for the longer term potential at Sao Chico.

“At Palito we are continuing the step-out drilling of the G3 vein. As was reported in Serabi’s news release of 31 August 2018, the drill intersections of the southerly extension of the G3 vein identified mineable widths and grade approximately 200 metres beyond the southern mine limit. Subsequent drilling has focused on the northern extension of the G3 vein, and by the end of this third quarter, three holes had been drilled into the G3 northern extension, with all three holes successfully cutting the vein, the best of which reported a grade in excess of 19 g/t over a 0.60 metre vein width, which is very typical for Palito. This means the G3 vein has now been traced over 1.5 kilometres and remains open to the south and north. Drilling will recommence in 2019 once the surface rigs have returned from Coringa.

“We continue to make progress at Coringa on the permitting of this project and have also timetabled to issue an updated mineral resource estimate late in the first quarter of 2019. Following the award of the trial mining licence for the project during the second quarter of 2018, we understand that the state environmental agency is content with the Environmental Impact Assessment (“EIA”) submitted late in 2017. Final approval will allow us to hold the necessary public hearings, the next key step in obtaining the Preliminary Licence (“Licencia Previa”).

“In preparation for issuing a new mineral resource estimate, we have moved the surface drilling rigs from Palito to Coringa for the final quarter of the year, and have programmed to complete approximately 7,500 metres of drilling and publish a new mineral resource update by the end of the first quarter of 2019. In the meantime, preparations for starting the mine portal and underground ramp at Coringa are well underway with the area having been cleared and hard rock exposed. We hope to have to the first blast before mid-November. Beginning the ramp under the trial mining licence has a dual purpose. Firstly, we will obtain invaluable information about the orebodies in terms of geometry, thickness, and their general nature, which, with vein mining, is very difficult to obtain solely from drill holes data. Secondly, it is a demonstration to the community and stakeholders of the Company’s intent to develop the project, which we see as a critical step to winning support in the permitting process.

“The exploration results to date have been excellent, and that, alongside steady gold production, means that we have had another positive quarter. With the rigs turning at Sao Chico and Coringa, and the imminent results from our airborne geophysics survey I anticipate that Serabi will continue to make significant progress and I look forward to providing further updates in the coming months.”

Exploration and Production Results

The Company has three properties, Palito, Sao Chico and Coringa, and all three are being actively explored. The past quarter has seen significant levels of activity on each property.

Sao Chico

At Sao Chico, the Company is currently conducting step-out surface drill traverses to the west of the current mining limit. Drilling to date has established the likely western continuation of the Sao Chico mineralisation for up to 500 metres from the current mine limit. This step out drilling is significant in that it further highlights the potential in the Sao Chico area for new discoveries within Serabi’s existing tenements.

Significant grade intersections to date at Sao Chico are set out in Table 1 below:

Table 1: Sao Chico new significant assay results

Hole	East (UTM- WGS84)	West (UTM- WGS84)	RL	Depth (m)	Dip/Azm (°/°UTM)	From (m)	To (m)	Width (m)	Gold Grade (Au g/t)
18-SC-119	613.579.634	9.290.499.599	241.52	155.88	-55/018	39.30	43.50	4.20	0.89
18-SC-120	613.567.712	9.290.455.893	249.27	180.80	-59/018	34.90	35.54	0.64	0.57

						62.62	63.30	0.68	1.30
						104.04	104.90	0.86	1.25
						152.35	152.58	0.23	12.60
18-SC-121	613.488,660	9.290.486,470	244,44	205.80	-59/018	86.57	86.97	0.40	10.80
						95.68	96.00	0.32	14.60
						140.52	140.95	0.43	0.56
18-SC-122	613.494,385	9.290.524,721	238,30	130.45	-55/018	57.00	57.24	0.24	4.69
18-SC-123	613.412,283	9.290.504,330	239,72	205.35	-60/019	96.20	96.70	0.50	0.79
18-SC-124	613.422,108	9.290.546,267	233,39	170,15	-55/018	42.32	43.08	0.76	16.50
						48.67	49.75	1.08	23.90
						53.24	53.88	0.64	0.95
						128.80	129.20	0.40	4.17

Notes:

Reported intercepts calculated based on a minimum weighted average grade of 0.5g/t Au using a 0.5g/t Au weighted average lower cut and a maximum internal waste interval of 1.2m based on ALS reported analyses. All assays completed by ALS used a 30gm Fire Assay charge with an AAS analysis. Where initial Au results exceed 10g/t, analysis is done with a gravimetric charge. Holes 18-SC-119, 18-SC-120, 18-SC-123 and 18-SC-124 were previously announced on 20 September 2018 as internally generated assays. The disclosed grades are now certified assays reported by ALS.

To access an image showing location of drilling and key results please use the following links:

Hi Resolution image - <https://bit.ly/2yA9CcL>

Lo Resolution image - <https://bit.ly/2AuEvRC>

In addition to the drilling activity, the Company is also continuing a 100 line kilometre terrestrial IP geophysical survey around the Sao Chico deposit, which, with some 80 kilometres now completed, is close to completion. The IP survey is being conducted along the Sao Chico strike, testing extensions to the east, west and south. Including a similar survey undertaken in 2016, a total of approximately 110 line kilometres has now been completed, covering a strike length totalling nine kilometres along the Sao Chico trend.

These surveys have highlighted the exploration potential within the area, defining a significant number of IP chargeable anomalies. The results suggest the potential to the west remains very good, and as a result the Company is extending its IP geophysics programme accordingly.

In addition, the IP survey has also outlined a very significant northeast to southwest trending chargeability anomaly which is also coincident with a magnetic 'high'. Interest in this is further enhanced by the significant artisanal activity that has occurred downstream in the creeks and streams that drain this zone. This lineament has been named the Cinderella zone.

To access an image showing the current IP results and the location of the Cinderella zone please use the following links:

Hi Resolution Image - <https://bit.ly/2ObdJ4f>

Lo Resolution Image - <https://bit.ly/2yE9Uzq>

Palito

In addition to drilling at Sao Chico, the Company continues to undertake step out drilling at Palito, and more

specifically on the G3 vein. Current drilling is focusing on the northerly G3 vein extension outside of the current mine limits and the significant intersections to date are set in Table 2 as follows:

Table 2: Palito new significant assay results (subject to confirmation by ALS):

Hole	East (UTM- SAD69)	West (UTM- SAD69)	RL	Depth (m)	Dip/Azm (°/°UTM)	From (m)	To (m)	Width (m)	Gold Grade (Au g/t)
PDD0560	633615.13	9301769.74	313.86	399.50	-60.4/213.6	78.80	79.70	0.90	0.833
						155.60	156.30	0.70	0.852
						193.48	194.11	0.63	0.852
						194.11	194.75	0.64	0.684
						251.08	251.91	0.83	0.842
						307.20	307.70	0.50	2.03
						334.25	334.85	0.60	0.567
						369,50	370,50	1,00	0,639
PDD0561	633447.81	9301846.83	273.43	324.80	-60.1/205.4	148,90	149,40	0,50	0,558
						196,10	196,70	0,60	0,51
						224,85	225,70	0,85	5,251
						262.50	263.50	1.00	1.224
						265.50	266.50	1.00	1.37
						266.50	267.20	0.70	1.01
						270.80	271.60	0.80	1.72
						275.75	276.45	0.70	3.07
PDD0562	633366.15	9301895.60	261.94	280.99	-57.8/211.3	28.85	29.35	0.50	0.959
						31.35	32.35	1.00	1.71
						69.46	69.96	0.50	2.9
						142.60	143.60	1.00	1.21
						210.35	210.85	0.50	0.666
						214.95	215.50	0.55	19.45

Notes:

1. Reported intercepts are calculated based on a minimum weighted average grade of 0.5g/t Au using a 0.5g/t Au weighted average lower cut and a maximum internal waste interval of 1.2m based on Palito Laboratory reported analyses.
2. The assay results reported in this Table 2 are those provided by the Company's own on-site laboratory facilities at Palito using a 30gm DIBK aqua regia charge with an AAS analysis. These assay results have not yet been independently verified, although the Company has already despatched duplicate samples for such verification, and Palito Assays are NOT CERTIFIED analyses. Accordingly, these results should therefore be considered preliminary in nature. Serabi closely monitors the performance of its own facility against results from independent laboratory analysis for quality control purposes.

To access an image showing the Multiple veins of the Palito orebody and the G3 north extension and current drilling campaign please use the following links:

Hi Resolution image - <https://bit.ly/2Q4V100>

Lo Resolution image - <https://bit.ly/2Avgvxz>

Regional

The Company has just completed a 4,343 line kilometre airborne HeliTEM EM and magnetic survey over its

regional tenements. This, combined with the earlier surveys of 2008 and 2011, means Serabi has now flown the entire tenement holding enveloping the Palito and Sao Chico deposits. Results are expected to be available during November.

Production Results

Total production for the third quarter of 2018 was 8,101 ounces of gold, generated from the processing of 41,405 tonnes of ore at overall average grades of 6.11 g/t of gold. This processed ore was sourced from hard rock mined ore from the Palito and Sao Chico orebodies, supplemented with 6,825 tonnes of surface stockpiled flotation tailings grading approximately 3.50 g/t gold. Mined tonnage for the quarter totalled 42,725 tonnes with a grade of 6.23 g/t of gold.

On 30 September 2018, there were coarse ore stocks of approximately 9,000 tonnes of ore with an average grade of 4.40 g/t of gold, and approximately 30,000 tonnes of flotation tails with an average grade of 3.00 g/t of gold. These stockpiles are being consumed, albeit not as quickly as forecast, and for now the operation remains plant constrained.

A total of 2,815 metres of horizontal development has been completed during the quarter, of which approximately 1,635 metres was ore development. The balance is the ramp, cross cuts and stope preparation development.

2018 Production Guidance

Management does not anticipate a major shift in mine performance and therefore hard rock gold production, in 2018 compared with 2017. However, the delay in our ability to process the substantial surfaced stockpiled ore suggests 2018 production is likely to be in the range of 36,000-37,000 ounces.

Key Operational Information

		SUMMARY PRODUCTION STATISTICS FOR 2018 YEAR TO DATE						
		Qtr 2	Qtr 3	Year to Date	Qtr 1	Qtr 2	Qtr 3	Qtr 4
		2018	2018	2018	2017	2017	2017	2017
Horizontal development – Total Metres		2,753	2,814	7,911	2,251	1,855	2,996	2,815
Mined ore – Total	Tonnes	30,009	42,725	118,465	36,918	41,684	41,263	41,263
	Gold grade (g/t)	8.42	6.23	7.23	10.12	7.80	9.80	8.42
Milled ore	Tonnes	38,185	41,405	122,705	41,722	43,294	44,205	44,205
	Gold grade (g/t)	7.04	6.11	6.93	7.62	6.29	7.28	7.04
Gold production ^{(1) (2)}	Ounces	9,588	8,101	26,852	9,861	8,148	9,657	9,657

1. Gold production figures are subject to amendment pending final agreed assays of the gold content of the copper/gold concentrate and gold doré that is delivered to the refineries.
2. Gold production totals for 2018 include treatment of 13,449 tonnes of flotation tails at a grade of 3.7 g/t (2017 full year : 4,568 tonnes)
3. The table may not sum due to rounding.

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

The person who arranged for the release of this announcement on behalf of the Company was Clive Line, Director.

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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 analyse 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 grammes 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.

ENDS

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