

Serabi reports encouraging level of gold production for the second quarter of 2020

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[Serabi Gold Plc](#)

(Serabi; or the Company;)

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[Serabi Gold Plc](#) (AIM: SRB, TSX: SBI), the Brazilian focused gold mining and development company, is pleased to provide the results and a review of its second quarter operational and development activities in the Tapajós region of Para State, Northern Brazil.

A PDF copy of this news release can be accessed using the following link - <https://bit.ly/2ZR7pYM>

OPERATIONAL and DEVELOPMENT HIGHLIGHTS

- Second quarter gold production of 8,504 ounces, resulting in 17,525 ounces for the year to date.
- 43,519 tonnes of ore mined during the quarter at 5.85 grams per tonne (g/t) of gold.
- 44,235 tonnes of run of mine (ROM) ore were processed through the plant from the combined Palito and Sao Chico orebodies, with an average grade of 5.91 g/t of gold.
- 3,004 metres of horizontal development completed during the quarter, the highest level of development metres to date.
- Results reported in the second quarter for a further eight surface holes and ten underground holes at Sao Chico demonstrate the Main Vein structure now continues to host gold bearing mineralisation for approximately 375 metres to the west of the current mine limits, an extension of a further 75 metres.

Results included:

- 5.30m @ 12.10g/t Au (Hole: 20-SC-166)
- 3.40m @ 3.94g/t Au (Hole: 20-SC-164)
- 1.37m @ 28.77g/t Au (Hole: 20-SCUD-341)
- 2.72m @ 5.06g/t Au (Hole: 20-SCUD-343)
- Reverse circulation percussion drilling on the Cicada terrestrial geophysics anomaly indicates the strong likelihood that the anomaly is a western extension of the Sao Chico vein structure, approximately 1,000 metres to the west of the current mine limits. Results include:
 - 3m @ 2.09g/t Au (Hole: SCRC-004)
 - 1m @ 1.17g/t Au (Hole: SCRC-007)
- Regional geochemical sampling has highlighted an area, referred to as Mata Cobra, which represents an eight kilometre by two kilometre soil copper anomaly exceeding 100ppm. This anomaly is coincidental with multiple molybdenum, bismuth, tellurium and arsenic multi-element anomalies as well as the original airborne electromagnetic (AEM) anomalies.

FINANCIAL AND CORPORATE HIGHLIGHTS

- Cash balance at end of June 2020 of US\$9.6 million.

- Loan from Sprott Resource Lending Partnership (“Sprott”), of which US\$7.0 million was outstanding at the start of 2020, fully repaid at end of June 2020.
- Revised terms for drawdown of convertible loan with Greenstone Resources II LP (“Greenstone”) agreed. US\$1.5 million drawn down at end of June 2020.

Mike Hodgson has provided interviews to BRR Media and Crux Investors where he answers questions on the Company’s second quarter results and activities. These interviews can be accessed using the following links.

BRR Media - <https://www.brrmedia.co.uk/broadcasts-embed/5f171a294c167c121579821e/?popup=true>

Crux Investors - <https://youtu.be/zidepQVcrgw>

Key Operational Information

		SUMMARY PRODUCTION STATISTICS FOR 2020 AND FOR							
		Qtr 1	Qtr 2	YTD	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Tot
		2020	2020	2020	2019	2019	2019	2019	2019
Gold production ^{(1) (2)}	Ounces	9,020	8,504	17,524	10,164	9,527	10,187	10,233	40,111
Mined ore – Total	Tonnes	42,036	43,519	85,555	42,609	44,784	44,757	44,092	176,242
	Gold grade (g/t)	6.54	5.85	6.19	7.47	6.72	7.14	6.69	7.00
Milled ore	Tonnes	40,465	44,235	84,700	43,451	43,711	45,378	44,794	177,274
	Gold grade (g/t)	6.66	5.91	6.27	7.69	6.72	6.84	6.81	7.00
Horizontal development – Total	Metres	2,878	3,004	5,882	1,868	2,419	2,433	2,908	9,629

1. Gold production figures are subject to amendment pending final agreed assays of the gold content of the copper/gold concentrate and gold dor? that is delivered to the refineries.
2. Gold production totals for 2020 include treatment of 18,939 tonnes of flotation tails at a grade of 3.80 g/t (H1 2019: 10,892 tonnes at a grade of 4.38 g)
3. The table may not sum due to rounding.

Mike Hodgson, CEO, commented:

“In light of the unique challenges with the pandemic that we have faced over the past months, I am delighted with the gold production level for the second quarter of 8,504 ounces, which is beyond my expectation at the start of the quarter.

“Early in the quarter we took the decision to implement numerous changes to maintain gold production. Normally the operation, accommodates approximately 360 people within the mine camp. As a precaution we sent home personnel not directly involved in gold production, and also older employees and any individuals with the potential to have underlying health issues. Any personnel arriving at site for their work rotation were subject to health screening and CV19 testing before being securely transported to site. These measures have necessitated a reduction in the workforce at site to 240 people, liberating space and allowing accommodation of these remaining employees under improved social distancing conditions. Achieving the original second quarter production plan of approximately 10,000 ounces, with only 65% of the workforce available at site would have been challenging, so to achieve over 8,500 ounces and therefore over 85% of the original plan has been an excellent achievement.

“The mining operation is not just about achieving daily gold production targets, so it is equally pleasing to see us achieve over 3,000 metres of mine development in the quarter being the highest quarterly level of development to date. In the Palito orebody, production for the quarter continued to focus on the Mogno and Ipe veins. These are being developed on several levels and we have been mining some zones of exceptionally high grade copper and gold, with gold grades of up to 20g/t. At the Sao Chico orebody, the ramp is being extended to -76mRL, whilst development continues to the west on the upper levels of 186mRL and 156mRL along the Main Vein.

“During the first quarter of 2020 we reported, on 3 March 2020, some very exciting exploration results

especially for the work being undertaken around the Sao Chico area. However, to minimise personnel at site, and especially as exploration is reliant on third-party contactors, exploration activities were suspended during April. Therefore, follow-up work has been limited and further results reported in the second quarter were limited to the remaining drilling that was completed prior to the suspension but which was nonetheless very successful. The underground drilling at Sao Chico focused on the shallow portion of the Main Vein immediately beyond the mine's western limit and returned 1.37m @ 28.77g/t Au (20-SCUD-341) and 2.72m @ 5.06g/t (20-SCUD-343), both very encouraging. Surface drilling targeted the deeper portion of the main vein and its westerly extension, and results again demonstrate good depth and grade continuity, with intercepts of 5.30m @ 12.10g/t Au (20-SC-166) and 3.40m @ 3.94g/t Au (20-SC-164). The intercept in drill hole 20-SC-166 is 300 metres below surface, and immediately down dip of holes 20-SC-164, 20-SCUD-341 & 20-SCUD-343, with all holes demonstrating mineable widths and grades. On a long section, an interesting high-grade zone is clearly evolving.

[Please click on the link below to access Figure 1]

Figure 1 - Long section of Sao Chico underground development and step out drilling to the Cicada anomaly - <https://bit.ly/2CtnF9x>

Further west we have new holes 20-SC-167, 169 and 170. These are the three most westerly holes and all three intersected the Main Vein with the clearly defined vein/alteration being visible. Whilst the grades returned from the intersections (hole 20-SC-170 graded 1.00m @ 1.09g/t Au) are quite low, this is not unusual and most importantly the intersections demonstrate continuity of a gold bearing structure that is still going strong in our most western hole, now located 375 metres west of the current mine workings.

The full results of this remaining drilling were set out in a news release issued by Serabi on 11 May 2020.

[Please click on the link below to access Figure 2]

Figure 2 - Plan view of Sao Chico and geophysical anomalies to the west showing drilling locations - <https://bit.ly/2E0tmvN>

The Cicada terrestrial geophysics anomaly is located approximately 700 metres further to the west of hole 20-SC-170. We undertook reverse circulation (RC) drilling over this area targeting the series of high chargeability anomalies defined in 2018 (news release dated 28 November 2018). We are delighted to report numerous very positive results with a number of intersections grading gold and the geology indicating strong zones of alteration and associated sulphides. The best intercept returned to date has been from drill hole SCRC004, where 3.00m @ 2.09g/t Au was recovered from a depth of 169 metres including a zone of 1m @ 5.42g/t Au. Again, a long section, which shows the location of the RC programme over Cicada and the step out drilling going west from Sao Chico, clearly suggests that as we continue to drill in the gap, the two areas of mineralisation could ultimately connect.

During the quarter we also saw the results from the geochemistry programme conducted to the south of Palito, following up on some of the findings from our 2018 airborne geophysics survey, focussing in particular, on the very prominent 14 kilometre long, east-west trending, magnetic anomaly known as the Mata Cobra lineament and the adjacent NE-SW trending Cinderella shear. Since mid-2019, we have been busy with a regional geochemical sampling campaign in and around the Mata Cobra belt, and can now report that the prospectivity of the Mata Cobra geophysical magnetic anomaly has been strengthened by the identification of an eight kilometre by two kilometre copper anomaly with analytical results over 100ppm, coincidental with the geophysical anomaly identified by the AEM.

[Please click on the link below to access Figure 3]

Figure 3 - Regional plan showing tenement and contours of soil anomalies identified by geochemical sampling - <https://bit.ly/3hqNNoP>

Within the contours of this 100ppm copper anomaly, we have identified some very exciting

prospects, these include Calico and Juca, at the west end of the corridor and approximately five kilometres south of Palito. Both of these prospects exhibit a very similar geological setting to Palito and anomalous gold grades in addition to the copper.

With respect to Coringa, there has been modest progress with the permitting. The state environmental agency (SEMAS) have approved all final amendments to our Licencia Previa (the Preliminary License) application, and we now await the final stage, the meeting of the State Environmental Council (COEMA) to agree and hopefully the award of the Licencia Previa.

Having been able to achieve a base level of production and with some limited improvement in local travel logistics we are now looking at the measures we need to both continue to control the CV-19 pandemic at site whilst also being able to resume full mine-site operations in the coming months. To begin with, we are working hard to significantly expand the camp to accommodate the full 360 on site workforce under improved social distancing conditions. Once this is in place, we can bring all employees currently on vacation or under the Brazilian Government suspension scheme back to work. Health screening and testing of all employees will be routine for all returning employees. We will also extend the work rosters, so that employees will spend more time at site and with longer breaks at home, reducing the number of journeys and therefore assisting virus control. With this in mind, we expect that production levels for the third quarter can be similar to those for the second quarter with the hope that we can see a return to full production levels in the fourth quarter.

During the initial period of the pandemic, we built up stockpiles of many critical mining and processing consumables and supplies to minimise short term supply issues that might otherwise have impacted production

Whilst we have not reached been able to achieve our initial production forecasts for the first six months of a little in excess of 20,000 ounces, we have benefitted from improved gold prices and a favourable exchange rate. Strong cash flow during the quarter has allowed us to repay the remaining balance of the loan from Sprott of approximately US\$3.5 million. We started the quarter with a cash balance of US\$9.1 million and notwithstanding this US\$3.5 million outflow, finished the period with cash holdings of US\$9.6 million.

During the quarter we also finalised the arrangements with Greenstone for their subscription for up to US\$12 million of convertible loan notes. This investment to help finance the outstanding liability of US\$12 million due to [Equinox Gold Corp.](#) for the Coringa gold project, had been placed on hold in mid-March 2020 in light of the uncertainty caused by the CV-19 pandemic. Revised drawdown terms were agreed in April 2020 and as at the end of June we have drawn down US\$1.5 million of convertible loan notes to help finance the revised payment schedule for the completion of the acquisition of Coringa.

I would like to end by taking the opportunity to thank the flexibility and professionalism of our Serabi workforce, I said the same at the end of the first quarter, but I think their efforts during the second quarter and the superb results achieved, in the circumstances, deserve to be properly acknowledged.

Production Results

Total production for the second quarter of 2020 was 8,504 ounces of gold, generated from the processing of 44,235 tonnes of ore at overall average grades of 5.91 g/t of gold. This processed ore was sourced from hard rock mined ore from the Palito and Sao Chico orebodies, supplemented by the processing of 9,763 tonnes of surface stockpiled flotation tailings grading approximately 3.30 g/t gold. Mined tonnage for the quarter totalled 43,519 tonnes with a grade of 5.85 g/t of gold. The lower grades are a result of maintaining development rates but with the consequence of a reduction in mill feed grade through increased dilution. For the year to date, 17,525 ounces of gold have been produced.

On 30 June 2020, there were coarse ore stocks of approximately 5,156 tonnes of ore with an average grade of 3.23 g/t of gold, and a significant stockpile of flotation tails with an estimated average grade of 3.00 g/t of gold. These stockpiles continue to be consumed slowly and used as a top-up to mined ROM to keep the plant full. The stockpile of flotation tailings is sufficient to continue to process this material at current rates for the rest of the year.

A total of 3,004 metres of horizontal development has been completed during the quarter, of which 1,769

metres was ore development. The balance is the ramp, cross cuts and stope preparation development.

2020 Production Guidance

As discussed above, the impact of CV-19 pandemic has resulted in production of 17,525 ounces of gold for the first six months of the year. The company is working hard to expand the camp allowing for a return to full staffing levels before the end of the third quarter. With this in mind, we anticipate, third quarter performance being similar to that of the second quarter, and a return to full levels of production in the early part of the fourth quarter. Should this be achieved full year production would be expected to be between 34,000 and 37,000 ounces.

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.

Enquiries:

[Serabi Gold Plc](#)

Michael Hodgson

Tel: +44 (0)20 7246 6830

Chief Executive

Mobile: +44 (0)7799 473621

Clive Line

Tel: +44 (0)20 7246 6830

Finance Director

Mobile: +44 (0)7710 151692

Email: contact@serabigold.com

Website: www.serabigold.com

Beaumont Cornish Limited

Nominated Adviser and Financial Adviser

Roland Cornish

Tel: +44 (0)20 7628 3396

Michael Cornish

Tel: +44 (0)20 7628 3396

Peel Hunt LLP

UK Broker

Ross Allister

Tel: +44 (0)20 7418 8900

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:

“Ag”

means silver.

“Au”

means gold.

“assay”

in economic geology, means to analyse the proportions of metal in a ore or mineral for composition, purity, weight or other properties of co

“CIM”

means the Canadian Institute of Mining, Metallurgy and Petroleum.

“chalcopyrite”

is a sulphide of copper and iron.

“Cu”

means copper.

“cut-off grade”

the lowest grade of mineralised material that qualifies as ore in a give included in an ore estimate.

“deposit”	is a mineralised body which has been physically delineated by sufficient underground work, and found to contain a sufficient average grade of ore based on exploration and/or development expenditures; such a deposit does not include an ore body or as containing ore reserves, until final legal, technical, and economic evaluation.
“electromagnetics”	is a geophysical technique tool measuring the magnetic field generated by natural electrical currents.
“garimpo”	is a local artisanal mining operation
“garimpeiro”	is a local artisanal miner.
“geochemical”	refers to geological information using measurements derived from chemical analysis.
“geophysical”	refers to geological information using measurements derived from the physical properties of rocks and readings.
“geophysical techniques”	include the exploration of an area by exploiting differences in physical properties. Geophysical methods include seismic, magnetic, gravity, induced polarization, and resistivity. Geophysical surveys can be undertaken from the ground or from the air.
“gossan”	is an iron-bearing weathered product that overlies a sulphide deposit.
“grade”	is the concentration of mineral within the host rock typically quoted as a percentage, parts per million (ppm) or parts per billion (ppb).
“g/t”	means grams per tonne.
“granodiorite”	is an igneous intrusive rock similar to granite.
“hectare” or a “ha”	is a unit of measurement equal to 10,000 square metres.
“igneous”	is a rock that has solidified from molten material or magma.
“IP”	refers to induced polarisation, a geophysical technique whereby an electric current is injected into the sub-surface and the conductivity of the sub-surface is recorded.
“intrusive”	is a body of rock that invades older rocks.
“mineralisation”	the concentration of metals and their chemical compounds within a body of rock.
“mineralised”	refers to rock which contains minerals e.g. iron, copper, gold.
“mt”	means million tonnes.
“ore”	means a metal or mineral or a combination of these of sufficient value to be mined at a profit.
“oxides”	are near surface bed-rock which has been weathered and oxidised by oxygen from water and air.
“ppm”	means parts per million.
“saprolite”	is a weathered or decomposed clay-rich rock.
“sulphide”	refers to minerals consisting of a chemical combination of sulphur with other elements.
“vein”	is a generic term to describe an occurrence of mineralised rock within a host rock.
“VTEM”	refers to vertical time domain electromagnetic, a particular variant of time domain survey to prospect for conductive bodies below surface.

Assay Results

The assay results reported in the table within this release are those provided by the Company's own on-site laboratory facilities at Palito and have not been independently verified. Serabi closely monitors the performance of its own facility against results from independent laboratory analysis for quality control purpose. As a matter of normal practice the Company sends duplicate samples derived from a variety of the Company's activities to accredited laboratory facilities for independent verification. Based on the results of this work, the Company's management are satisfied that the Company's own facility shows good correlation with independent laboratory facilities. The Company would expect that in the preparation of any future independent Reserve/Resource statement undertaken in compliance with a recognised standard, the independent authors of such a statement would not use Palito assay results but only use assay results reported by an appropriately certificated laboratory.

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

Attachment

- Q2 2020 Operational Update

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