



## Serabi reports steady gold production for the third quarter

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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 third quarter operational and development activities in the Tapajos region of Para State, Northern Brazil. .

### OPERATIONAL and DEVELOPMENT HIGHLIGHTS

- Third quarter gold production of 7,224 ounces, resulting in 24,748 ounces for the year to date.
- 44,077 tonnes of ore mined during the quarter at 4.84 grams per tonne (“g/t”) of gold.
- 46,135 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 4.75 g/t of gold.
- 3,037 metres of horizontal development completed during the quarter, the second consecutive quarter when more than 3,000 metres of development has been achieved.
- Licença Prévia (LP) for the Coringa gold project issued by SEMAS on 8 October 2020.
- The acquisition of two new highly prospective tenements to complement the Sao Chico exploration potential including highly prospective Sao Domingos exploration tenement, immediately to the west of Sao Chico. Sao Domingos hosts multiple past and present artisanal working.
- Fourth quarter production guidance of 8,000 oz, with full year guidance of 33,000 oz.
- Regional exploration activities at Calico and Juca prospects resumed during the quarter

### FINANCIAL AND CORPORATE HIGHLIGHTS

- Cash balance at end of September 2020 of US\$11.0 million an increase of \$1.4 million since 30 June 2020.
- US\$2.5 million paid in the quarter to Equinox Gold Corp (“Equinox”) in settlement of the final acquisition payment due for the Coringa gold project. Further US\$1.0 million paid on 1 October 2020 following which US\$7.5 million remains outstanding.
- Only US\$0.5 million drawn down of convertible loan with Greenstone Resources II LP (“Greenstone”). A total of US\$2.0 million drawn down at end of September 2020.

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

**BRR Media - <https://www.brrmedia.co.uk/broadcasts/5f8efd69c4d0076f2b942e37/serabi-gold---third-quarters-production-results>**

**Crux Investors - <https://youtu.be/xR4Wof1BToU>**



## Key Operational Information

		SUMMARY PRODUCTION STATISTICS FOR 2020 AND FOR 2019								
		Qtr 1	Qtr 2	Qtr 3	YTD	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total
		2020	2020	2020	2020	2019	2019	2019	2019	2019
Gold production (1) (2)	Ounces	9,020	8,504	7,224	24,478	10,164	9,527	10,187	10,233	40,101
Mined ore – Total	Tonnes	42,036	43,519	44,077	129,632	42,609	44,784	44,757	44,092	176,243
	Gold grade (g/t)	6.54	5.85	4.84	5.73	7.47	6.72	7.14	6.69	7.00
Milled ore	Tonnes	40,465	44,235	46,135	130,835	43,451	43,711	45,378	44,794	177,335
	Gold grade (g/t)	6.66	5.91	4.75	5.73	7.69	6.72	6.84	6.81	7.02
Horizontal development – Total	Metres	2,878	3,004	3,037	5,885	1,868	2,419	2,433	2,908	9,628

- (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 2020 include treatment of 30,155 tonnes of flotation tails at a grade of 3.50g/t (Q3 2019: 20,554 tonnes at a grade of 4.13 g)  
(3) The table may not sum due to rounding.

### Mike Hodgson, CEO, commented:

"Whilst the first wave of the Covid-19 pandemic reached its peak in Europe early in the second quarter of 2020, for South America the cases continued to grow into the third quarter with several mining operations across the continent forced to go into suspension. At Serabi, I believe our remoteness, usually a challenge, was our salvation. We used the second quarter to prepare as best we could and, as previously advised, to take several decisions which we hoped would maintain operations whilst minimising the health risk to our staff from of the pandemic. The on-site labour force was reduced accordingly, keeping only a core of essential workers at site, whilst we ensured there was sufficient stock of all critical supplies and consumables in case of transport and other supply chain interruptions. We introduced regular testing of staff, hunkered down, and produced what was possible within the new operational limitation and managing to stay operational throughout. Considering these challenges, I am very satisfied with the 7,224 ounces of gold produced for the third quarter. Whilst not a spectacular quarter, it remains very satisfactory given the limitation and brings the total gold production for the year to date to a little less than 25,000 ounces. Whilst below our expectation at the start of the year, all things considered, the situation could have been much worse, as it has been for many mining operations both in Brazil and other parts of the world.

"The secret of successful vein mining and maintaining production levels is optionality, which necessitates having multiple faces to call on at any moment. We mine multiple veins simultaneously, and this guarantees enough faces will have acceptable grade and volume, so we can 'cherry pick' the ore and feed the plant with the best material. During the pandemic, the reduction in crews, and services in general meant we had little choice but to shrink and simplify the operation, reducing the number of faces, thereby reducing volume and in so doing reducing the overall level of optionality. This was unavoidable, and we have had to accept a rather more hand to mouth situation in the process. In the third quarter, whilst run of mine (ROM) volumes have just kept pace with the plant capacity this has necessitated mining and processing of lower grade ore that might otherwise have been stockpiled. This reduction in stock has also meant the ore sorter has not, to date, had its planned impact, due to lack of feed. When it has been used, we are seeing its long-term potential with the year to date figures showing grades improved by a factor of 6 times with over 85% of sorted material being separated as low-grade waste. Nonetheless, this hand to mouth scenario has resulted in average mined and processed grades falling to approximately 5 g/t, significantly lower than



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previous quarters. With a cut-off grade of 2.5g/t this material is still profitable, but is some way below the historic grades of 7-8 g/t.

"The combination of six months of continued mining, consuming reserves and resources, and underground and surface drilling to replace those resources and reserves suspended, has had its consequences and it would be unrealistic to think otherwise. We are now addressing this rapidly, and I am pleased to report that by the end of September 2020, operations were returning to something resembling normality something I have been able to witness for myself having just returned from a two week trip to Palito, the first time I have been able to visit for almost seven months. We are now drilling aggressively both on surface and underground and with this, along with an accelerated underground development programme, we intend to have mine output once again exceeding plant capacity, and grades and gold production return to higher levels during 2021.

"Mining activity during the third quarter continued to focus on the Ipe and Mogno veins from the Palito orebody and the -48mRL and 116mRL from the Sao Chico ore zone. However, the reduction in optionality has meant that mining has been from only four faces instead of the usual eight or so. Nevertheless, it has been pleasing that over 3,000 metres of mine development has been achieved for the second consecutive quarter. We will need to further accelerate this in 2021, but the improved rate bodes well, and we have made significant advances in improving fleet availability and utilisation that will help further. We have improved effective hours in the mine by fully equipping underground workshops, introducing fuelling and lubrication trucks, so machines stay underground at the face and do not waste time coming to surface. The change in the shift pattern and going from twice a day to three times per day blasting, along with the introduction of third afternoon shift, will all help development rates improve. What is now needed is an aggressive mine-site drill programme on surface and underground, to provide the necessary direction to this forthcoming development and, in this regard, I am pleased to say all contractors are now back at site, and the drills are turning.

"With respect to exploration, we reported, initially on 3 March 2020 and with a further news release on 11 May 2020, some very exciting exploration results especially for the work being undertaken around and to the west of the Sao Chico orebody, most notably the geophysical anomalies of Abelha, Besouro and Cicada . However, with the pandemic, exploration was put on hold from March until the end of September.

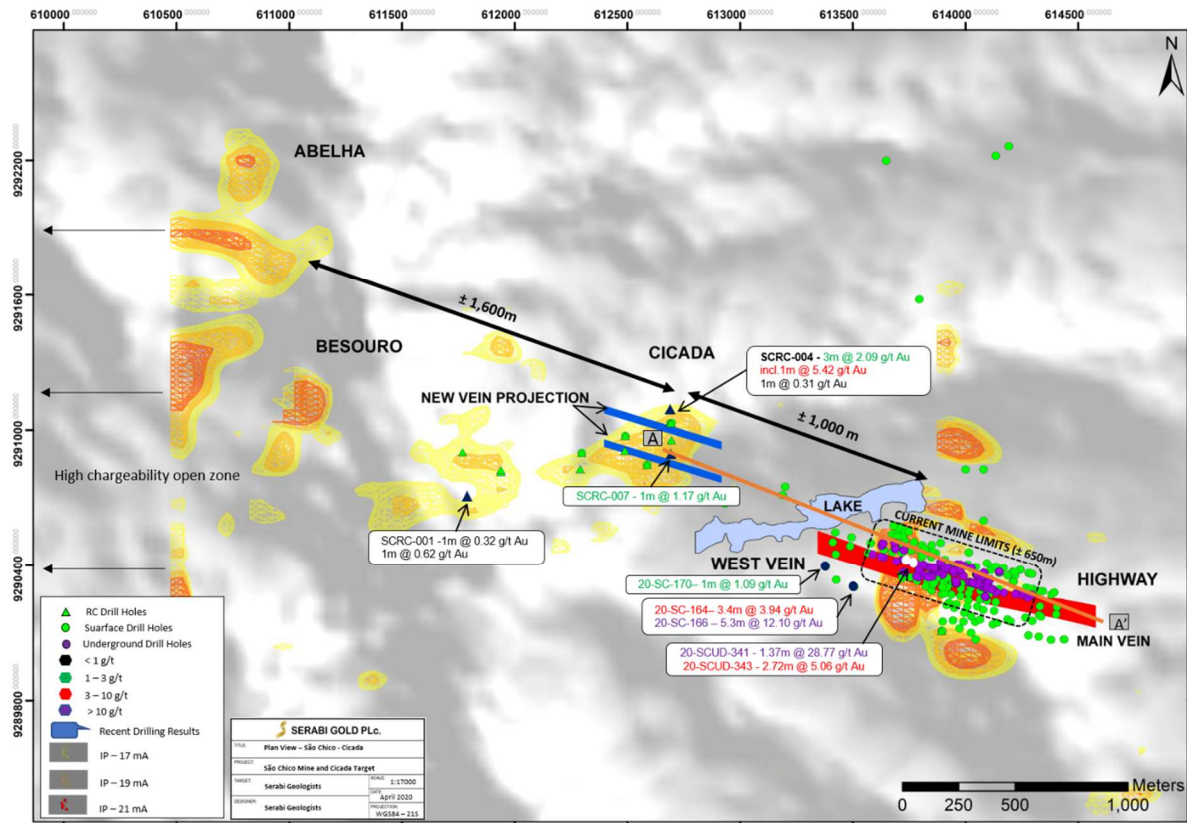


Figure 1 - Plan view of Sao Chico and geophysical anomalies to the west showing drilling locations - <https://bit.ly/2E0tmvN>

“Initial intersections into the Cicada prospect returned **3.00m @ 2.09g/t Au** at a depth of 169 metres including a zone of **1m @ 5.42g/t Au** (drill hole SCRC004). Again, a long section, which shows the location of the reverse circulation drill 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. Drilling of these prospects is now underway once again.

“I am also excited with the acquisition of two additional exploration tenements close to the Sao Chico mining licence area, being the Fofoca tenement to the north west, and the Sao Domingos exploration tenement to the west.

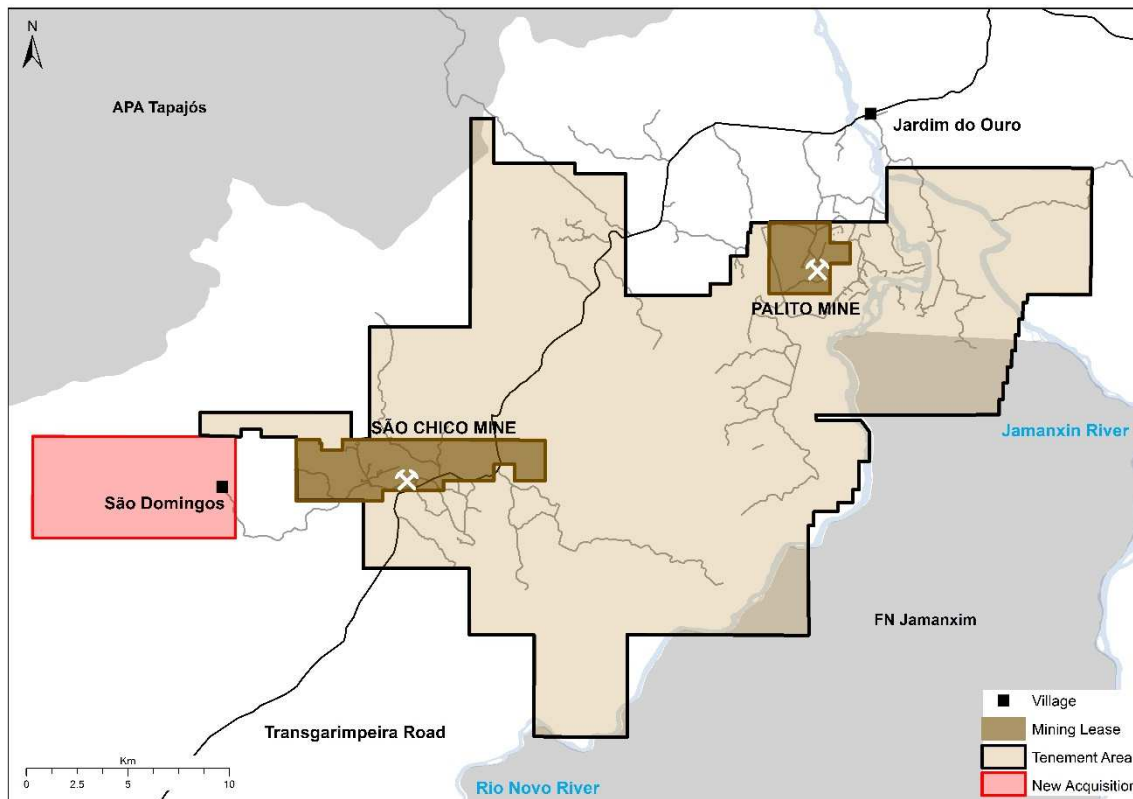


Figure 2 - map showing location of new tenements acquired - <https://bit.ly/349xuo4>

"The Sao Domingo tenement has been a property we have had an interest in for some years. It hosts multiple artisanal workings, past and present, exhibiting some exceptionally high-grade ore being mined. Two stand out prospects, Toucano and Atacadao, typify this and are of particular interest. Toucano is a series of artisanal open pits which is reported to have produced exceptional grades, some of which have mined a 20 metre wide mineralised zone to depths of 40 metres. We are confident these pits are mining the same structure, extending over a strike length of one kilometre. It is a walk up, drill ready target. Considering the reported widths that have been mined, any significant depth extension to this prospect could result in a significant discovery for Serabi.

"At Atacadao, a 11 hole drill programme was completed in 2006, testing the mineralisation under the artisanal workings. The results of this modest programme intersected high grade gold mineralization ranging from 3 to 60g/t gold at an average true width of between 0.2 to 0.8 metres. The mineralogy appears very comparable to what we have found at Palito and Sao Chico.

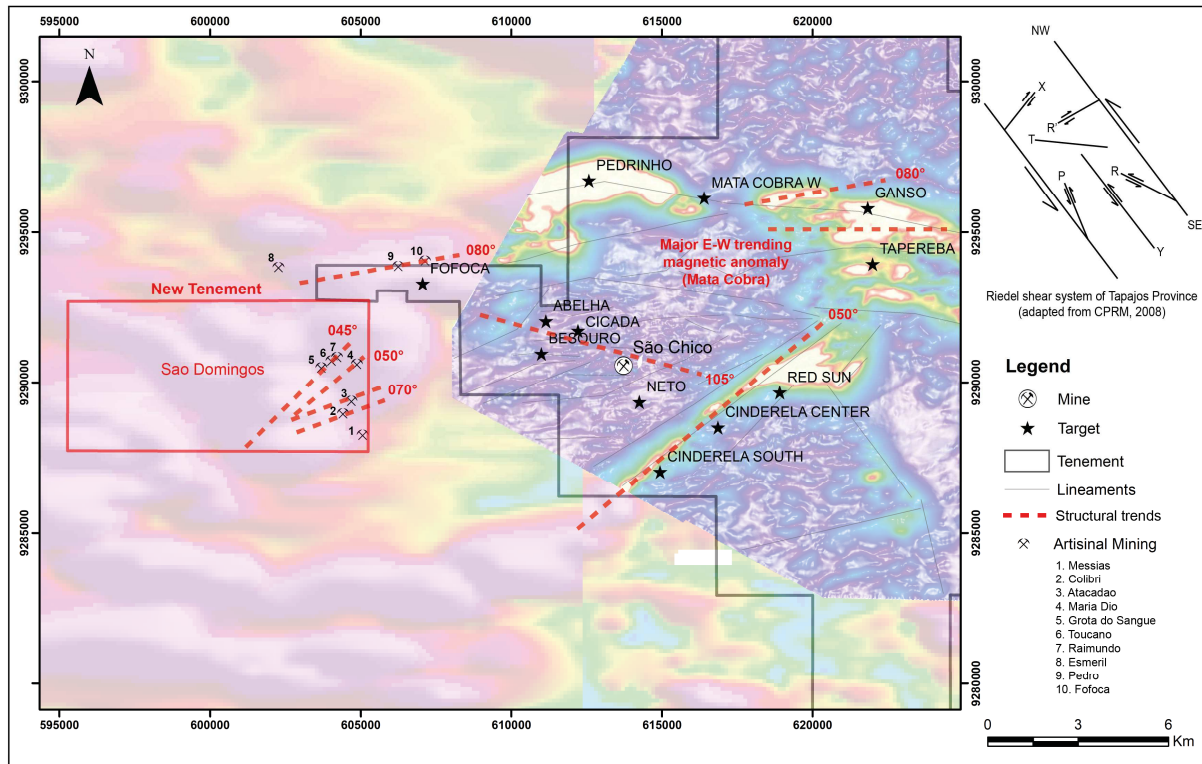


Figure 3 - map showing historic artisanal operations in new tenement and regional structural trends - <https://bit.ly/3o4Hjel>

The orientation of these artisanal workings is very consistent with our prospects east of Sao Chico, most notably Cinderella, which we plan to be drilling early in the first quarter of 2021.

“We have also resumed regional exploration activities during the quarter, with geochemical sampling focusing on Calico and Juca prospects to the south of Palito. We are also preparing these two targets for terrestrial geophysics which is planned to commence during the final quarter of 2020.

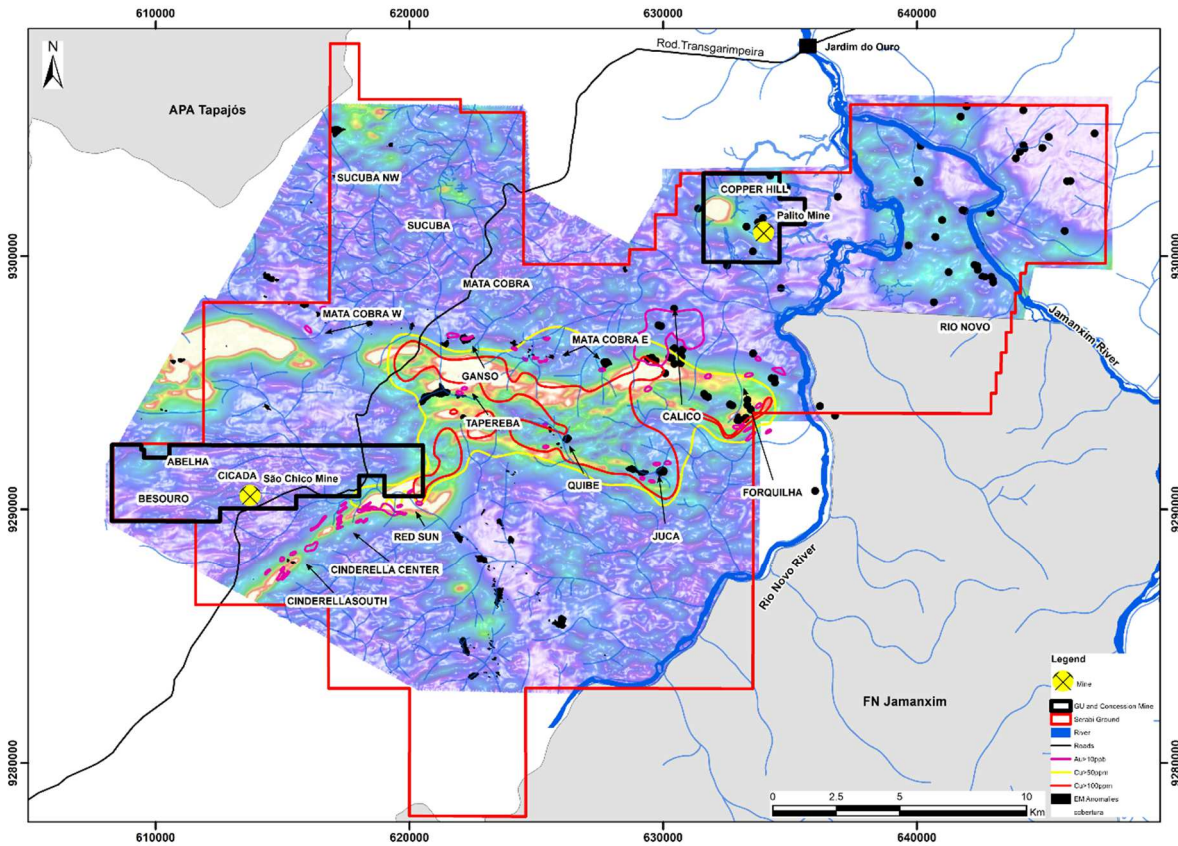


Figure 4 - Regional plan showing tenement and contours of soil anomalies identified by geochemical sampling - <https://bit.ly/3hqN0P>

“Finally, we must not forget Coringa, and on 26 September 2020 the meeting of COEMA (the State Environmental Council for Para) approved the award of the Licença Prévia which was then formally issued by the state environmental agency (“SEMAS”) on 8 October 2020. Along with our environmental consultants and our legal counsel, we are now working on final approvals from FUNAI (agency for Indigenous communities) and INCRA (land registry), after which we can seek award of the Installation License (LI), which is the permit required to begin construction.

“Whilst 25,000 ounces of gold produced for the year to date is significantly lower than the Company’s initial expectations, the excellent gold prices and a favourable exchange rate has seen the company continue to generate positive cash flow during the third quarter. Cash holdings at the end of September 2020 were approximately US\$11.0 million an increase of approximately US\$1.4 million compared with the end of June 2020. During the quarter, the Company has made payments to Equinox Gold totalling US\$2.5 million with a further US\$1.0 million paid on 1 October 2020. The Company has now paid US\$4.5 million of the US\$12 million remaining acquisition payment for the Coringa project and will to continue to pay instalments of US\$1.0 million per month in settlement of the remaining liability.

“Reflecting the cashflow being generated, the Group drew down, in July 2020, US\$0.5 million of the convertible loan notes that are being subscribed for by Greenstone Resources II LP but since then has not required to drawdown any further amount. As at the date of this news release a total of US\$2.0 million of convertible loan notes have been issued to and subscribed for by Greenstone. The investment by Greenstone, the terms for which were concluded



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and announced in April 2020, was to help finance the liability of US\$12 million due to Equinox Gold Corp. for the Coringa gold project.”

### **Production Results**

Total production for the second quarter of 2020 was 7,224 ounces of gold, generated from the processing of 46,135 tonnes of ore with an overall average grade of 4.75 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 11,176 tonnes of surface stockpiled flotation tailings grading approximately 3.0 g/t gold. Mined tonnage for the quarter totalled 44,077 tonnes with a grade of 4.84 g/t of gold. The lower grades have resulted from a combination of fewer faces underground, generating lower volumes. It also meant lower than expected use of the ore sorting facility. For the year to date, 24,478 ounces of gold have been produced.

On 30 September 2020, there were coarse ore stocks of approximately 2,357 tonnes of ore with an average grade of 3.06 g/t of gold, and an estimated stockpile of ~12,000 wet tonnes 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 ROM ore 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 3,037 metres of horizontal development has been completed during the quarter, of which 1,396 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 24,748 ounces of gold for the first nine months of the year. The third quarter was probably the worst period for the pandemic in Brazil, with private operations suspended and listed companies reducing operations significantly. However, the Company has managed to keep its mines operational and maintain production and cash flow throughout. By the end of September 2020, with almost a full workforce complement back at the mine sites, many ancillary activities were resumed. We anticipate fourth quarter production being approximately 8,000 ounces resulting in full year production of approximately 33,000 ounces.

### **Outlook for 2021**

With a successful surface and underground drilling campaign over the next six months to guide a concentrated mine development programme, management are confident that production levels can be restored to the levels that were expected prior to the intervention of CV-19 from the beginning of the second quarter of 2021 .

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](http://www.serabigold.com).

## 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 rock or overburden sample; to test an ore or mineral for composition, purity, weight or other properties of commercial interest.
“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 given deposit; rock of the lowest assay included in an ore estimate.
“deposit”	is a mineralised body which has been physically delineated by sufficient drilling, trenching, and/or underground work, and found to contain a sufficient average grade of metal or metals to warrant further exploration and/or development expenditures; such a deposit does not qualify as a commercially mineable ore body or as containing ore reserves, until final legal, technical, and economic factors have been resolved.
“electromagnetics”	is a geophysical technique tool measuring the magnetic field generated by subjecting the sub-surface to 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 use of magnetic and electrical readings.
“geophysical techniques”	include the exploration of an area by exploiting differences in physical properties of different rock types. Geophysical methods include seismic, magnetic, gravity, induced polarisation and other techniques; 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 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.
“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 induced 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.

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This document is not intended to and does not amount to an invitation or inducement to subscribe for shares in Serabi Gold plc



"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 as to quality and quantity to enable it to be mined at a profit.
"oxides"	are near surface bed-rock which has been weathered and oxidised by long term exposure to the effects of 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 a metal.
"vein"	is a generic term to describe an occurrence of mineralised rock within an area of non-mineralised rock.
"VTEM"	refers to versa time domain electromagnetic, a particular variant of time-domain electromagnetic geophysical 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.

#### 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 30 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.*

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