

# Chief Executive's AGM Statement to Shareholders

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[Serabi Gold Plc](#)

(“Serabi” or the “Company”)  
AGM Statement

[Serabi Gold Plc](#) (AIM:SRB, TSX:SBI), the Brazilian focused gold mining and development company, advises that at 3:30 pm today (UK time), it will be holding its Annual General Meeting.

The following is the text of the statement that will be made by Mr. Mike Hodgson, the Chief Executive of the Company. Highlights of the statement are:

- Gold production is on budget and the Company remains on target to achieving its full year guidance of approximately 40,000 to 44,000 ounces of gold.
- Exploration results generated during 2018 have been extremely exciting with significant potential to grow the mineral resource especially in the vicinity of the current Sao Chico ore body.
- Initial results from a new Preliminary Economic Assessment for the Coringa project are expected to be issued during the early part of the third quarter of 2019 and will reflect the 37% increase in mineral resource.

“2018 was a very satisfying year for Serabi. Our Palito/Sao Chico Tapajos operation continued to perform extremely well, with excellent grades, and total annual gold production exceeding that for 2017. At Coringa, we have made very pleasing progress with the permitting of this project and the award of a trial mining license and following the year end, we issued a new geological resource report showing a 37 per cent increase in the total [Gold Resource Corp.](#) Across all of our tenements, the year also saw the long overdue return of our exploration activity.

“As I commented in the Company’s operational update for the first quarter of 2019, we are continuing to maintain very good levels of gold production from our current Tapajos operations. Gold production for both the final quarter of 2018 and the first quarter of 2019 both exceeded 10,000 ounces, the first time we have achieved two successive 10,000 ounce quarters and, as of today, the second quarter of 2019 looks to be at similar levels. So, as we approach the middle of the year, we remain very much on course to achieving our full year guidance of between 40,000 to 44,000 ounces of gold.

“Mining and development on both orebodies is continuing as planned, and in the Sao Chico orebody, the lowest level now being developed is the -33mRL level, which is 280 vertical metres from surface. With underground drilling continuing at depth, the main vein has been intersected as deep as the -100mRL level. In the Palito orebody, seven of the 25 veins that comprise the mineral resource and reserve are now being worked across various levels, bringing flexibility as we mine upper levels as well as lower ones. The development of veins on upper levels such as the Mogno, Sena and Ipe veins, has meant that we have been able to minimize the need for any significant mine deepening during the past 18 months.

“2018 saw a substantial increase in exploration activity. With respect to mine-site exploration, this focused principally on step out surface drilling campaign mostly conducted at Sao Chico. This drilling was to test the strike extension of the Sao Chico orebody to the east and west and was very successful. Mineralisation with mineable widths and grades of what seems to be a continuation of the main Sao Chico

orebody was traced for approximately 300 metres to the west. Similarly drilling to the east of the deposit intersected ore grades up to 100 metres east of the current mine development. These two extensions will now be followed up with closer spaced infill drilling, most probably conducted from underground. Drilling success was, however, not limited to Sao Chico, as surface step out drilling was also undertaken on the G3 vein at Palito. G3 has been and remains the most significant vein at Palito and the drilling indicates it extends with mineable widths and grades for at least a further 300 meters to the north and 200 metres to the south of the current mine workings.

“The gold process plant continues to perform very well, and as our operations are currently constrained by the capacity of the plant, high plant availability is critical. One of the main reasons we have been able to plan for an increase in annual gold production for 2019 of approximately 15% is as a result of plant optimisation. Part of this planned production improvement also results from a legacy of the start-up of gold production from the Palito ore body in 2014, when the CIP part of the process plant had not yet become operational. This resulted in the accumulation of a stockpile of tailings from the initial flotation process which still contained relatively high gold grades (3g/t and higher). In late 2018 we took delivery of a scrubbing plant which is now allowing these flotation tails to be re-introduced directly into the cyanidation circuit of the process plant. I am hopeful that this will contribute production of between 3,000 - 4,000 ounces during 2019.

“Other modifications in the plant have included the construction of a new detoxification plant, improvements to the crushing circuit and the purchase of an ore sorting unit. The ore-sorter will separate out crushed waste rock from crushed ore, and is equipped to sort both optically and using X-Ray scanning. By eliminating waste material and therefore increasing average plant throughput grade it has the effect of lowering unit production costs, but also liberates essential plant capacity. We will be installing, commissioning and optimising the ore-sorter during 2019 and therefore do not expect much impact on production this year, but look forward to the benefits in 2020.

“The successful raising of new equity in April 2018, as well as allowing the Company to “progress a number of capital projects and advance the Coringa project, provided the financial base to restart exploration which had been on hold since 2012. The highlight of the exploration programme was the Airborne Magnetic and Electromagnetic geophysical survey that the Company conducted over approximately 20,000 hectares of our tenements. This has resulted in us now having the entire Jardim do Ouro property covered by airborne surveys which, collectively, have identified multiple anomalies with some very significant ones being identified from the most recent survey.

“The most stand out feature is an extremely pronounced magnetic high that runs east west across the tenements. This is a regional feature and we see many of the electromagnetic anomalies lying on the flanks of this magnetic high. In addition, the survey identified the smaller but nonetheless very exciting anomaly named the “Cinderella shear” which is located traversing the Sao Chico mining license area in a south west to north east trend. In the airborne survey this was highlighted as an eight kilometre long magnetic and electromagnetic high.

“Our exploration team have now also conducted a terrestrial Induced Polarisation (“IP”) ground geophysics survey over the Cinderella shear, and identified a very coincidental, seven kilometre long chargeability “high” anomaly. As a result, the Cinderella shear has become an area of significant interest to us.

“We also undertook IP surveys to the west of the Sao Chico deposit, covering the strike projection of the mineralisation which is also an area overlaid with significant artisanal surface workings. The results were excellent, with the three key anomalous areas were identified. We are now undertaking soil geochemistry sampling over these anomalies, to hopefully provide better targeting for a surface drilling programme which we will hope to undertake later in the year.

“The other main highlight of 2018 and the early part of this year was the continued advancement and permitting of our Coringa project. After a successful drilling campaign during 2018, a new NI 43-101 compliant geological resource was published in March 2019. This work has resulted in a 37% increase in the total geological resources which now total approximately 500,000 ounces of gold, with an average grade of over 7 g/t. We are following this up with a new Preliminary Economic Assessment (“PEA”), the results of which I expect to be issued during the early part of the third quarter of 2019. During 2018 we were awarded a Trial Mining License, and this has allowed us to prepare the portal area in readiness to commence the decline to access the Serra ore zone at Coringa. The Environmental Impact Study

("EIA") was also approved by the State environmental authority, SEMAS, in the latter part of 2018, and is a key step to the award of the Preliminary License ("LP"). However, the Brumadinho tailings dam collapse in early 2019 has led to concerns amongst the general public regarding conventional tailings dams and resulted in us re-considering our plans for tailings management at Coringa. During 2018, we had already undertaken significant studies into the cost and benefits of introducing filtering and dry stacking of tailings at Palito. Whilst we determined that this change in the management of tailings was not necessary at Palito, we did accumulate significant knowledge and understanding of the technology. As a result, we have been able to prepare a plan to replace the planned conventional tailings facility at Coringa with the use of filtration and dry stacking of tails thereby eradicating the need for a tailings dam and are in the process of submitting an amendment to the Coringa EIA, reflecting this change. We believe that this approach should alleviate any safety concerns and expedite permitting, and I hope that we can be in receipt of the LP before the end of 2019.

"Before leaving the subject of tailings, another use of funds from the April 2018 capital raise included substantial remediation of our tailings management facility (TMF) at Palito. We spent much of the year buttressing the two main tailings ponds, under the guidance and supervision of our certified Brazilian tailings consultant, and by September this work was completed and approved by the authorities. We also successfully submitted a new tailings management plan to the state environmental agency which was accepted, which now means we have long term tailings storage capacity until 2027.

"The gold price has clearly been favourable over recent months and particularly when looked at in Brazilian Reals where it is at its highest levels for many years. With the Company's cost base mostly denominated in Reals, this is a good time to be a gold producer in Brazil.

"With the operation in very much in regime, we are maintaining gold grades of over 7 g/t gold, and with the production from the flotation tailings "topping up" our monthly run of mine production, we are hoping to build up our cash position further ahead of making the final acquisition payment for the Coringa project due at the end of this year.

"Our near-term ambition remains to grow the business to become a 100,000 ounce per annum producer within two years. We have tremendous organic growth potential especially around Sao Chico and if exploration success can be turned into production ounces, this will of course greatly help in bringing about that expansion in the quickest and most cost-effective manner. With a 37% improvement in the recently published updated geological resource at Coringa, we anticipate the forthcoming PEA will report improved project economics, on the back of which we will be actively seeking to put in place an attractive financing package for the project. I firmly believe that with our organic growth accompanied by permitting success at Coringa and the development of that project, Serabi will benefit from having greater critical mass and being able to attract wider investor support.

"Before closing I would like to acknowledge, again, the support, long term loyalty and commitment of our major shareholders, Fratelli Investments and Greenstone Resources. Finally, I would like to thank our other new and existing shareholders, along with our management team and our workforce in Brazil."

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## GLOSSARY OF TERMS

The following is a glossary of technical terms:

Note: [Mineral Resources Ltd.](#) and reserves were estimated in conformity with the widely accepted CIM Estimation of Mineral Resource and Mineral Reserves Best Practices Guidelines (the "Guidelines") and are reported in accordance with the Canadian Securities Administrators' National Instrument 43-101 and the definitions applicable to individual categories of reserves and resources are set out in the Guidelines. The Glossary below includes only a summary of these definitions and readers can access the full definitions at <http://web.cim.org/standards/menupage.cfm?sections=177&menu=178>.

"Au" means gold.

"CIM" means Canadian Institute of Mining, Metallurgy and Petroleum.

"development" - excavations used to establish access to the mineralised rock and other workings.

"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.

"Indicated Mineral Resource" is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

"Inferred Mineral Resource" is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

"Measured Mineral Resource" is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

"Mineral Resource" is a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.

"Mineral Reserve" is the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.

"Probable Mineral Reserve" is the economically mineable part of an Indicated and, in some circumstances, a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

"Proven Mineral Reserve" is the economically mineable part of a Measured Mineral Resource. A Proven Mineral Reserve implies a high degree of confidence in the Modifying Factors.

"t" means tonnes

"Vein" is a generic term to describe an occurrence of mineralised rock within an area of non-mineralised rock.

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