



PRESS RELEASE 23 DECEMBER 2013
SERABI GOLD plc ("Serabi" or "the Company")



Conditional share placing for a minimum of UK£6.25 and maximum of UK£10 million Interim US\$7.50 million loan facility

Serabi Gold plc (AIM:SRB, TSX:SBI), the Brazilian focused gold exploration and development company, announces that it intends to raise up to £10 million (before expenses) through an issue of new Ordinary Shares, to finance initial development and underground drilling at the Sao Chico project, and to provide further working capital to the business during the start-up phase of gold production at Palito ("**Subscription**").

The Company has entered into a conditional subscription agreement ("**Subscription Agreement**") with Fratelli Investments Limited^{(1) (2)} ("**Fratelli**"), the Company's major shareholder, which has agreed to subscribe for a minimum of UK£6.25 million and a maximum of UK£8.125 million.

The Company will be seeking subscriptions from third party investors, on the same terms as the subscription by Fratelli, for up to a further UK£1.875 million. Fratelli will increase their minimum subscription of UK£6.25 million by matching the aggregate subscriptions from third parties for up to a maximum commitment of UK£8.125 million.

In addition, Fratelli has provided an interim secured short term loan facility of US\$7.5 million (equivalent to UK£4.6 million) to the Company ("**Loan Agreement**") to provide additional working capital and to enable initial development activity at Sao Chico to commence, whilst the conditions of the subscription agreement are met.

The Subscription Agreement is conditional, *inter alia*, on the approval of the independent shareholders of the Company, on a poll at a general meeting of the waiver of any obligations of Fratelli to make a general offer to shareholders pursuant to Rule 9 of the City Code on Takeovers and Mergers. Drawdown under the Loan Agreement is subject to a number of conditions, including the execution of security agreements.

Mike Hodgson, CEO of Serabi said;

"This capital injection allows the Company to progress the next stage of development and evaluation of the Sao Chico project. Our intention over the coming months is to start construction of the mine portal and initial development of the main access ramp.

"At the first development level we will then undertake an initial on-lode development drive, following the structure of the Main Vein to the current resource limits and, from this underground development, conduct a programme of underground drilling to test the continuity and strike extension of the parallel vein structures that we have identified.

"The results from this work will allow us to conduct three dimensional resource modelling and compile a robust and detailed main plan in advance of making a commitment to undertaking full scale mine development and ore production towards the end of 2014. We would hope that with a track record of revenue being generated from Palito and a robust development plan for Sao Chico, banks and other lenders would be interested to provide financing terms for the next stage of the Sao Chico development required to bring the mine to commercial production.

"Fratelli's continued support enables the Company to continue the development of its assets in the shortest possible time. With the successful results from the initial Palito plant commissioning, 2014 is already shaping up to be an exciting and, we hope, rewarding year."

1. Subscription

The Board intends to issue up to 200,000,000 Units at a Subscription Price of 5p per Unit (one Unit to comprise one new Ordinary Share and one half of a Warrant) to raise a minimum of UK£6.25 million and a maximum of UK£10 million (before expenses) to provide additional working capital to the Company, and to enable it to commence the initial development activity at Sao Chico ("**Subscription**"). Each whole Warrant will entitle the holder to subscribe for one new Ordinary Share, at a subscription price of 6 pence, for a period of two years from the closing date of the Subscription.

The Company has today also entered into a conditional subscription agreement ("**Subscription Agreement**") with Fratelli (which together with parties acting in concert with, it is interested in 45.55 per cent. of the Company's issued share capital) to subscribe:

- (a) A minimum of UK£6.25 million for 125,000,000 Units at the Subscription Price of 5p per Unit ("**Subscription Price**"); and



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- (b) Up to a further UK£1.875 million for 37,500,000 Units at the Subscription Price to match the aggregate subscription for Units (if any) from third party investors.

The subscription price of UK£0.05 per Unit (ascribing no value to the half Warrant) represents a 2.1 per cent discount to the 30 day VWAP of 5.109 pence as at 19 December 2013.

In the event that the minimum proceeds are raised and there are no other subscribers for the new Shares, Fratelli together with parties acting in concert interest with it will be interested in a minimum 332,906,964 Ordinary Shares, representing 57.26% of the Enlarged Share Capital. The Subscription Agreement is conditional therefore, *inter alia*, on approval of the independent shareholders of the Company on a poll at a general meeting of the waiver of any obligations of Fratelli to make a general offer to shareholders pursuant to Rule 9 of the City Code on Takeovers and Mergers, such matters to be set out in a circular to shareholders (the “Circular”). The Company expects that the Circular will be made available to shareholders during January 2014. The conditions of the Subscription Agreement are as follows:

- (a) Approval of the Circular by the Panel on Takeovers and Mergers (“Panel”) and the issue of the Circular by the Company on, or before, 28 February 2014 (or such later date as may be agreed between the Company and Fratelli);
- (b) approval of the independent shareholders of the Company on a poll at a general meeting of the waiver of any obligations of Fratelli to make a general offer to shareholders pursuant to Rule 9 of the City Code on Takeovers and Mergers;
- (c) no material adverse change in the financial condition of the Company from the date of the Subscription Agreement until the closing of the Subscription;
- (d) no event of default under the Loan Agreement and
- (e) the execution of a new existing relationship agreement between the Company and Fratelli.

2. Loan Agreement

Fratelli has also provided an interim secured short term loan facility of US\$7.5 million (equivalent to UK£4.6 million) to the Company (“Loan Agreement”) to provide additional working capital and enable the Company to commence the initial development activity at Sao Chico. Drawdown, under the Loan Agreement, is subject to a number of conditions precedent, including the execution of certain security agreements as described below. The Company intends that the loan will be repaid from the proceeds of the Subscription. The Loan is for a period of four months and for a maximum of US\$7.5 million, and will be drawn-down in up to 3 separate instalments. Interest is chargeable at the rate of 12 per cent per annum and the facility will attract a 3 per cent arrangement fee. There is no prepayment penalty. The Loan is to be secured against:

- (a) The entire share capital of Serabi Mining Limited a subsidiary of Serabi and the 99.99 per cent shareholder of Serabi Mineração SA, which is the licence holder for the Palito Mine; and
- (b) the entire share capital of Kenai Resources Limited a subsidiary of Serabi and the 100 per cent shareholder of Gold Aura do Brasil Mineracao Ltda, which is the licence holder for the Sao Chico gold project.

In addition, the Company has made an assignment in favour of Fratelli over all current and future sums owed by Serabi Mineração SA to Serabi Gold plc, all current and future sums owed by Serabi Mining Limited to Serabi Gold plc, and all current and future sums owed by Kenai Resources Limited to Serabi Gold plc.

3. Related Party Transactions

AIM

As Fratelli is interested in more than 10 per cent of the issued ordinary share capital of the Company, the Subscription Agreement and the Loan Agreement are related party transactions for the purposes of Rule 13 of the AIM Rules. As Eduardo Rosselot and Nicolas Banados, non-executive directors of the Company, are both the nominated Board appointees of Fratelli Investments they are not independent for



the purposes of the AIM Rules. For the purposes of the AIM Rules, the Independent Directors, comprising the Board (other than Eduardo Rosselot and Nicolas Banados) consider, having consulted with the Company's nominated adviser, that the terms of the Subscription Agreement and the Loan Agreement are fair and reasonable insofar as Shareholders are concerned. The Independent Directors have taken into account in particular that the Subscription Agreement conditionally provides the full funding of an initial US\$6 million for mine development and further evaluation programmes for the Sao Chico gold project that management consider should be undertaken over the next nine months prior to a production decision being undertaken, provide working capital for the business during the initial start-up phase of the Palito gold mine and replace capital that was used during 2013 to fund the acquisition and exploration of the Sao Chico gold project. In order that all work at Sao Chico can commence at the earliest opportunity and that the start-up phase of Palito is not compromised, the Independent Directors consider that the Loan Agreement provides the best short-term funding solution and believe that currently there are no other comparable or acceptable alternative sources of short term funding. The Independent Directors believe that there is sufficient time to refinance the Loan Agreement through the Subscription prior to its maturity pursuant to the Subscription Agreement, which is subject to Shareholder approval in due course.

TSX

As a result of Fratelli's shareholding interest in Serabi, both the Subscription and the Loan Agreement are related party transactions for Serabi under Canadian securities laws pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"). Serabi will be obtaining minority shareholder approval of the Subscription. However, in accordance with MI 61-101, Serabi is relying on the exemption from the requirement to obtain minority shareholder approval of the Loan Agreement and the requirement to obtain a formal valuation in connection with the Subscription available for transactions on the basis that:

- (a) the Loan Agreement for US\$7.5 million, is a loan or credit facility being obtained by the Company on reasonable commercial terms that are not less advantageous to the Company than if it were obtained from a person dealing at arm's length with the issuer and it is not convertible, directly or indirectly into equity or voting securities of the Company or a subsidiary entity of the Company nor is any of the principal or interest directly or indirectly repayable in equity or voting securities of the Company or a subsidiary of the Company; and
- (b) the Subscription is a distribution of securities for cash and neither the issuer nor to the knowledge of the issuer after reasonable enquiry, the related party has knowledge of any material information concerning the issuer or its securities that has not been generally disclosed and this transaction document includes a description of the effect of the distribution on the direct and indirect voting interest of the related party.

4. Proposed General Meeting

The Circular containing full details of the Subscription Agreement and the Loan Agreement and notice of a General Meeting of Shareholders to approve, *inter alia*, the waiver to make a general offer to shareholders will be prepared by the Company and sent to shareholders as soon as practical, which the Board currently expects to be during January 2014.

Notes

1. Fratelli Investments Limited currently has the following interests in the securities of the Company
 - 184,695,647 Ordinary Shares (40.47%)
 - 2,270,833 warrants exercisable at UK£0.15 on or before 23 January 2014
 - 8,135,035 warrants exercisable at UK£0.10 on or before 17 January 2015
2. About Fratelli Investments Limited

Fratelli is a private investment company managed by Megeve Investments which is the family office of the Chilean family Solari Donaggio. The Solari Donaggio family has significant business interests in Chile and other parts of South America. They are significant shareholders in the Falabella retail group, the second largest retail chain in South America and have interests in a variety of other sectors including mining, energy and real estate.



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

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.

Important Information

Neither the content of the Company's website (or any other website) nor any website accessible by hyperlinks on the Company's website (or any other website) is incorporated in, or forms part of, this announcement.

Any person receiving this announcement is advised to exercise caution in relation to the contents. If in any doubt about any of the contents of this announcement, independent professional advice should be obtained.

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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 25 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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