



Proposals for the conditional subscription for 270,000,000 Ordinary Shares at 6 pence per share
Approval of a waiver of an obligation under Rule 9 of the City Code on Takeovers and Mergers
Notice of General Meeting
Posting of Circular

Serabi Gold plc (AIM:SRB, TSX:SBI), the Brazilian focused gold exploration and development company, advises that, following a previous announcement that on 1 October 2012 that Company had entered into a conditional underwritten share placement to raise gross proceeds of UK£16.2 million, it has now issued and posted to all shareholders notice of a General Meeting of shareholders to approve a waiver of an obligation under Rule 9 of the City Code on Takeovers and Mergers ("the Waiver"). The General Meeting is scheduled to take place at 10.00 am on 16 January 2013 at the offices of Farrer & Co LLP at 66 Lincoln's Inn Fields, London WC2A 3LH.

1. INTRODUCTION

On 1 October 2012, the Board announced that it had entered into a conditional subscription agreement with Fratelli Investments to subscribe for and underwrite a placement of new Ordinary Shares to raise £16.2 million to finance the development and start-up of underground mining operations at its Palito gold mine.

Further details of the Subscription Agreement and Loan Agreement together with the Notice of General Meeting to approve the Waiver are contained in the circular being posted to Shareholders today (the "Document"). The Document and this announcement have been posted on the Company's website at www.serabigold.com and are also available on SEDAR at www.sedar.com.

Fratelli Investments and parties acting in concert with it, currently owns 19,257,317 Existing Ordinary Shares which represents 21.1 per cent. of the Existing Ordinary Share Capital. In the event that there are no other subscribers for the new Ordinary Shares, the Concert Party will on Completion be interested in up to a maximum of 291,744,816 Ordinary Shares, representing 80.2 per cent. of the Second Diluted Enlarged Ordinary Share Capital. Without a waiver of the obligations under Rule 9 of the City Code, the Subscription could require the Concert Party to make a general offer for the entire issued and to be issued share capital of the Company not already held by the Concert Party. The Panel has agreed with the Company to grant such a waiver, subject to the passing at the General Meeting by Independent Shareholders (being Shareholders other than the members of the Concert Party) of the Whitewash Resolution, to be taken on a poll.

2. THE SUBSCRIPTION

On 1 October 2012, the Company entered into a conditional subscription agreement with Fratelli Investments to subscribe for and underwrite a placement of new Ordinary Shares to raise £16.2 million to finance the development and start-up of underground mining operations at its Palito gold mine. The investment by Fratelli Investments will take the form of:

- (a) A subscription for 90,403,000 new Ordinary Shares at the Subscription Price of 6 pence per new Ordinary Share which will, in aggregate with Fratelli Investments' existing shareholding, provide Fratelli Investments with 29.9 per cent. of the Enlarged Ordinary Share Capital of the Company immediately on Completion; and
- (b) A conditional subscription for up to a further 179,597,000 new Ordinary Shares at a subscription price of 6 pence per new Ordinary Share, such number to be reduced by any subscriptions for new Ordinary Shares from third party investors.

The Subscription Price of 6 pence per new Ordinary Share represented a 25 per cent. discount to the 30 day volume weighted average closing mid-market price of an Ordinary Share as at 30 September 2012. Completion of the Subscription is conditional upon:

- (a) Approval of the Independent Shareholders of the Company on a poll at a general meeting of the waiver of any obligations of Fratelli Investments to make a general offer to Shareholders pursuant to Rule 9 of the City Code; and
- (b) Admission of the new Ordinary Shares to AIM and the TSX.

Under the Subscription Agreement, Fratelli Investments may notify Serabi that it wishes to terminate the Subscription Agreement with immediate effect in the event that:

- (a) Serabi notifies Fratelli Investments that there is a material adverse change in the financial condition of the Company and/or any of its subsidiaries; or
- (b) If an event of default occurs under the Loan Agreement.

The Company has additionally undertaken to Fratelli Investments under the Subscription Agreement to procure that each member of the Serabi Group shall, prior to completion of the Subscription, except with the prior written consent of Fratelli Investments (such consent not to be unreasonably withheld or delayed):

- (a) Until the earlier of:
 - (i) the completion of the Subscription;
 - (ii) the voting down of the whitewash resolution in the Document; and
 - (iii) such date that the Board of the Company reasonably believes that the whitewash resolution in the Document will be voted down



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not create, allot or issue (or enter into any negotiations or reach any agreement (legally or otherwise) to create, allot or issue) any shares or securities or grant any option, warrant or right to subscribe or convert any securities into shares, or require the allotment or issue of any such shares or securities whether conditional or otherwise at an issue price of less than 6 pence per Ordinary Share;

- (b) Not dispose of the whole or part of its undertaking or enter into any negotiations, or reach any agreement, with regard to any such disposal (whether conditional or otherwise). For the avoidance of doubt, this shall include not entering into or agreeing to enter into any off-take or other agreement relating to any future production of the Group; and
- (c) Not enter into any contract or arrangement that is not on an arm's length basis.

The Company has entered into conditional agreements with brokers to use their reasonable endeavours to place the Third Party Shares with institutional and other investors (other than the Concert Party) at the Subscription Price. Further details of these arrangements are set out in paragraph 6.1.10 of Part IV of the Document.

Immediately on completion of the Subscription, Fratelli Investments will receive an underwriting fee to be satisfied by the issue of New Warrants to subscribe for new Ordinary Shares. The number of New Warrants will be calculated on the basis of one New Warrant for every ten Third Party Shares subscribed for. The New Warrants will be exercisable at a subscription price of 10 pence per Ordinary Share for a period of two years from the date of completion of the Subscription.

3. THE LOAN AGREEMENT

Fratelli Investments has also provided on 1 October 2012 an interim secured short term loan facility of US\$6 million (equivalent to approximately £3.8 million at the exchange rate of £1:US\$1.59 as at 2 October 2012) to the Company to provide additional working capital to the Company and to enable the Company to commence the necessary mine development and plant refurbishment works immediately. Drawdown under the Loan Agreement was subject to a number of conditions precedent including the execution of the security agreements. As at 6 December 2012, the last practicable date prior to the publication of this announcement, US\$4.5 million had been drawn down under the short term loan facility. The Company intends that the Loan Agreement will be repaid from the proceeds of the Subscription. The Loan Agreement is for a period of six months and for a maximum of US\$6 million and will be drawn-down in up to 4 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. In the event that the funds advanced under the Loan Agreement are repaid prior to the end of the loan period, a penalty will accrue equivalent to the lower of 3 months' interest or the remaining interest that would be chargeable to the end of the loan period, which is expected to amount to US\$226,444 on repayment of the Loan Agreement following completion of the Subscription. The Loan Agreement is secured against 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. In addition, the Company has also made a charge in favour of Fratelli Investments over all current and future sums owed by Serabi Mineração SA to Serabi Gold plc.

4. RULE 9 OF THE TAKEOVER CODE

The Subscription gives rise to certain considerations under the Takeover Code. Brief details of the Panel, the Takeover Code and the protections they afford are set out below. The Takeover Code is issued and administered by the Panel. The Takeover Code applies to all takeover and merger transactions, however effected, where the offeree company is, *inter alia*, a listed or unlisted public company with its registered offices and its place of central management and control in the United Kingdom. The Company is such a company and its Shareholders are entitled to the protections afforded by the Takeover Code.

Under Rule 9 of the Takeover Code, where any person acquires, whether by a single transaction or a series of transactions over a period of time, interests in securities which (taken together with securities in which he is already interested and in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, that person is normally required by the Panel to make a general offer to all the remaining shareholders of that company to acquire their shares. Similarly, when any person individually or a group of persons acting in concert, already holds interests in securities which in aggregate carry not less than 30 per cent. of the voting rights of such a company but does not hold shares carrying more than 50 per cent. of such voting rights, that person may not normally acquire further securities without making a general offer to the shareholders of that company to acquire their shares. An offer under Rule 9 must be made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company during the 12 months prior to the announcement of the offer.

For the purposes of the Takeover Code, Fratelli Investments together with its Connected Persons and other persons acting in concert with it, full details of whom are set out in the Document, form the Concert Party. The Concert Party is currently beneficially interested in 19,257,317 Ordinary Shares, representing approximately 21.1 per cent. of the Existing Ordinary Share Capital. Immediately following completion of the Subscription, the minimum and maximum interests of the Concert Party are set out below:

Concert Party Member	Minimum Interest in Enlarged Ordinary Share Capital on Completion	Maximum Interest in Enlarged Ordinary Share Capital on Completion	Minimum Interest in Diluted Enlarged Ordinary Share Capital on Completion	Maximum Interest in the Second Diluted Enlarged Ordinary Share Capital on Completion
	<i>(Notes 3,6)</i>	<i>(Notes 3,7)</i>	<i>(Notes 4,6)</i>	<i>(Notes 5,7)</i>
Fratelli Investments Limited <i>(Note 1)</i>	29.90%	79.61%	33.60%	79.69%
Piero Solari Donaggio <i>(Note 2)</i>	-	-	-	-
Sandro Solari Donaggio <i>(Note 2)</i>	-	-	-	-



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Carlo Solari Donaggio (Note 2)	-	-	-	-
Nicolas Bañados (Note 8)	0.44%	0.44%	0.48%	0.50%
Jorge Arancibia Pascal (Note 9)	0.01%	0.01%	0.01%	0.01%
Total	30.35%	80.07%	34.08%	80.20%

Note 1 Fratelli Investments Limited is a 99.9 per cent. owned subsidiary of Inversiones Menevado Dos Limitada which is itself a 99.97 per cent. owned subsidiary of Inversiones Menevado Limitada which is itself a 96.92 per cent. owned subsidiary of Inversiones Megeve Capital Limitada. The shareholders of Inversiones Megeve Capital Limitada comprise Asesorias e Inversiones Barolo Limitada, which is controlled by Piero Solari Donaggio and his dependants, Asesorias e Inversiones Brunello Limitada, which is controlled by Sandro Solari Donaggio and his dependants and Asesorias e Inversiones Sangiovese Limitada, which is controlled by Carlo Solari Donaggio and his dependants. Further details are set out below in paragraph 3 of Part B of this Part II of the Document.

Note 2 Piero Solari Donaggio, Sandro Solari Donaggio and Carlo Solari Donaggio are the sole directors and the ultimate beneficial shareholders of Fratelli Investments.

Note 3 The Enlarged Ordinary Share Capital comprises the Existing Ordinary Shares and the Subscription Shares.

Note 4 The Diluted Enlarged Ordinary Share Capital comprises the Existing Ordinary Shares, the Subscription Shares, the new Ordinary Shares issued on exercise of the Existing Warrants and the new Ordinary Shares issued on exercise of the New Warrants.

Note 5 The Second Diluted Enlarged Ordinary Share Capital comprises the Existing Ordinary Shares, the Subscription Shares and the new Ordinary Shares issued on exercise of the Existing Warrants.

Note 6 Assumes that third parties subscribe for all the Third Party Shares and that Fratelli Investments subscribes for the Minimum Subscription and receives the maximum number of New Warrants as an underwriting fee.

Note 7 Assumes that there are no third party subscribers for the Subscription Shares and Fratelli Investments therefore subscribes for all the Subscription Shares issued by the Company pursuant to the Subscription Agreement.

Note 8 Nicolas Banados, an attorney-in-fact of Fratelli Investments, directly owns 144,282 Ordinary Shares. In addition, Nicolas Banados is the beneficial owner of 50 per cent. of the share capital of Asesorias e Inversiones Asturias Limitada which beneficially owns 25 per cent. of the units in Fondo de Inversion Privado Santa Monica. Asesorias e Inversiones Asturias Limitada is interested in 159,665 Ordinary Shares and Fondo de Inversion Privado Santa Monica is interested in 1,300,000 Ordinary Shares and 216,666 Existing Warrants. Accordingly, Nicolas Banados is interested in aggregate, directly and indirectly, in 1,603,947 Ordinary Shares and 216,666 Existing Warrants.

Note 9 Jorge Arancibia Pascal, an attorney-in-fact of Fratelli Investments, is the beneficial owner of 85 per cent. of the share capital of Asesorias e Inversiones Hipa Limitada which is interested in 37,370 Ordinary Shares.

Full details of the Concert Party's interest are set out in Part A of Part II of the Document.

As set out in Part D of Part II of the Document, the Concert Party currently own 2,487,499 Existing Warrants which were subscribed for by the Concert Party pursuant to the share placement by the Company on 24 January 2012. At such time the Concert Party's maximum interest in Serabi, assuming full exercise of its holding of the Existing Warrants, would have been less than 29.9 per cent. Accordingly, there was no requirement at the time of issue of the Existing Warrants to the Concert Party to seek a waiver from the Panel as there would have been no obligation to make a mandatory offer for the Company following the exercise of the Existing Warrants. Furthermore, the new Ordinary Shares to be issued on the exercise of the Existing Warrants on completion of the Proposals as set out in the Document, would represent only 1 per cent. of the Diluted Enlarged Ordinary Share Capital. Accordingly, the Independent Directors, who have been so advised by Beaumont Cornish, believe that the inclusion of the Existing Warrants within the Waiver is fair and reasonable and in the best interests of the Independent Shareholders and the Company as a whole. In giving its advice, Beaumont Cornish has taken account of the commercial assessments of the Independent Directors.

The Takeover Panel has agreed to waive the obligation of the Concert Party to make a general offer that would otherwise arise as a result of its participation in the Subscription, subject to the approval of Independent Shareholders. Accordingly, the Resolution is being proposed at the General Meeting to approve the Waiver and will be taken on a poll. No member of the Concert Party will be entitled to vote on that resolution and accordingly no member of the Concert Party will do so.

If on Completion of Subscription the Concert Party holds less than 50 per cent. of the Company's voting share capital but more than 30 per cent., any further increases in the Concert Party's interests in Ordinary Shares following Completion will be subject to the provisions of Rule 9.

If however, on Completion of the Subscription the Concert Party holds more than 50 per cent. of the Company's voting share capital, the Concert Party may be able to increase its aggregate shareholding in the Company without incurring any obligation under Rule 9 to make a general offer to the Company's other Shareholders. Under the Takeover Code, whilst each member of the Concert Party continues to be treated as acting in concert, each member will be able to increase further his respective percentage shareholding in the voting rights of the Company without incurring an obligation under Rule 9 to make a general offer to Shareholders to acquire the



entire issued share capital of the Company. However, individual members of the Concert Party will not be able to increase their percentage shareholding through or between a Rule 9 threshold, without the consent of the Panel.

5. INTENTIONS OF THE CONCERT PARTY

Other than the right of Fratelli Investments to appoint up to a further two non-executive directors to the Board of the Company pursuant to the Subscription Agreement, the Concert Party is not intending to seek any changes to the Board and has confirmed that it is its intention that, following the increase in its shareholding as a result of its participation in the Subscription, the business of the Company will be continued in substantially the same manner as it is at present, with no major changes. With this in mind, there will be no repercussions on employment or the location of the Company's places of business and no redeployment of the Company's fixed assets. The Concert Party is also not intending to prejudice the existing employment rights, including pension rights, of any of the employees or management of the Group nor to procure any material change in the conditions of employment of any such employees or management or to take any steps to amend the Company's share trading facilities in force at the date of the Document.

The Company, Beaumont Cornish and Fratelli Investments have entered into the Lock-in and Relationship Agreement dated 10 December 2012 which governs the relationship between the Company and Fratelli Investments and the acquisition and disposal and dealings in Ordinary Shares following Admission by members of Fratelli Investments. Details of the Lock-in and Relationship Agreement are set out in paragraph 6.1.7 of Part IV of the Document.

6. RELATED PARTY TRANSACTIONS

AIM

As Fratelli Investments is currently interested in more than 10 per cent. of the issued ordinary share capital of the Company, the Subscription Agreement and the Lock-in and Relationship Agreement are related party transactions for the purposes of Rule 13 of the AIM Rules. For the purposes of the AIM Rules, The Directors of Serabi consider, having consulted with the Company's nominated adviser, Beaumont Cornish, that the terms of the Subscription Agreement and the Lock-in and Relationship Agreement are fair and reasonable insofar as Shareholders are concerned. The Directors have taken into account in particular that the Subscription Agreement conditionally provides the full funding of US\$18 million identified by the preliminary economic assessment, issued on 29 June 2012, as being the capital required to reopen the Palito mine as well as additional working capital for the Company until such time as cash flow is generated from the Palito mine. Furthermore, proceeds from the Subscription Agreement will enable the Company to repay amounts drawn down under the Loan Agreement.

TSX

As a result of Fratelli Investments' shareholding in Serabi, the Subscription Agreement 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"). In accordance with MI 61-101, Serabi is relying on the exemption from the requirement to obtain minority shareholder approval of the Subscription and the Loan Agreement and the requirement to obtain a formal valuation in connection with the Subscription available for transactions supported by an arm's length shareholder that holds at least 20 per cent. of the Existing Ordinary Share Capital and a greater shareholding interest than that of the Concert Party. In particular, Eldorado Gold Corporation which is interested 21,340,000 Ordinary Shares, equivalent to approximately 23.38 per cent. of Existing Ordinary Share Capital, confirmed to Serabi that it supported the Subscription and the Loan Agreement.

7. ADMISSION TO AIM

Application will be made for the Subscription Shares to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Subscription Shares will commence on 22 January 2013. The new Ordinary Shares will when issued and fully paid, rank in all other respects *pari passu* with the Existing Ordinary Shares in issue including the right to receive all dividends and other distributions declared, made or paid after the date of their issue.

8. GENERAL MEETING

The Document contains the Notice of General Meeting. The General Meeting is to be held at Farrer & Co LLP at 66 Lincoln's Inn Fields, London, WC2A 3LH at 10.00 a.m. on 16 January 2013. At this meeting, the Resolution to approve the Waiver will be proposed as an ordinary resolution to be taken on a poll by Independent Shareholders voting in person or by proxy at the General Meeting. Shareholders should note that members of the Concert Party will not be permitted to vote at the General Meeting.

9. RECOMMENDATION

As Eduardo Rosselot, a non-executive director of the Company, is the nominated Board appointee of Fratelli Investments, he is not independent for the purposes of the recommendation. The Independent Directors therefore, comprising the Board other than Eduardo Rosselot, having been so advised by Beaumont Cornish, consider that the Proposals, including the Waiver, are fair and reasonable and in the best interests of the Independent Shareholders and the Company as a whole. In giving its advice, Beaumont Cornish has taken account of the commercial assessments of the Independent Directors. Accordingly, the Independent Directors unanimously recommend Independent Shareholders to vote in favour of the Whitewash Resolution to be proposed on a poll at the General Meeting as the Independent Directors intend to do in respect of their own beneficial holdings which amount, in aggregate, to 1,162,973 Existing Ordinary Shares, representing approximately 1.37 per cent. of the Existing Ordinary Share capital.



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

Beaumont Cornish, which is authorised and regulated in the United Kingdom by the FSA, is acting for the Company and no one else in connection with the Proposals and will not be responsible to any person other than the Company for providing the regulatory and legal protections afforded to clients of Beaumont Cornish nor for providing advice in relation to the contents of this announcement or the Document or any matter, transaction or arrangement referred to in it. Beaumont Cornish has not authorised the contents of, or any part of, this announcement or the Document and no liability whatsoever is accepted by Beaumont Cornish for the accuracy of any information or opinion contained in this announcement or the Document or for the omission of any information.

Responsibility Statement

The Directors of Serabi accept responsibility for the information contained in this announcement including individual and collective responsibility for compliance with the AIM Rules, save for the information concerning the Concert Party (for which each member of the Concert Party and the directors of Fratelli Investments are responsible) and the recommendation set out in paragraph 9 (for which the Independent Directors are solely responsible). To the best of the knowledge and belief of the Directors (who have taken reasonable care to ensure that such is the case) the information contained in this announcement for which they are responsible (as above) is in accordance with the facts and there are no other facts the omission of which is likely to affect the import of such information.

Each member of the Concert Party along with the directors of Fratelli Investments accepts responsibility for the information contained in this announcement relating to the Concert Party or otherwise expressly referable to the Concert Party. To the best of the knowledge and belief of each member of the Concert Party along with the directors of Fratelli Investments (who have taken all reasonable care to ensure such is the case) the information contained in this announcement for which they are responsible is in accordance with the facts and there are no other facts the omission of which is likely to affect the import of such information.

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 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.

Overseas Shareholders

The Ordinary Shares will not be registered under the United States Securities Act of 1933, as amended, or under the securities legislation of, or with any securities regulatory authority of, any state or other jurisdiction of the United States or under the applicable securities laws of the Republic of South Africa, Australia, or Japan. Accordingly, subject to certain exceptions, the Ordinary Shares may not be offered or sold, directly or indirectly, in or into the United States, the Republic of South Africa, Australia, or Japan or to or for the account or benefit of any national, resident or citizen of the Republic of South Africa, Australia, or Japan or any person located in the United States. This announcement does not constitute an offer to issue or sell, or the solicitation of an offer to subscribe for or buy, any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction. The distribution of this announcement in certain jurisdictions may be restricted by law. In particular, this announcement should not be distributed, published, reproduced or otherwise made available in whole or in part, or disclosed by recipients to any other person, and in particular, should not be distributed, subject to certain exceptions, to persons with addresses in the United States of America, the Republic of South Africa, Australia, or Japan. No action has been taken by the Company or by Beaumont Cornish that would permit a public offer of any of the Ordinary Shares or possession or distribution of this announcement where action for that purpose is required. Persons into whose possession this announcement comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions.

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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