



PRESS RELEASE 31 DECEMBER 2015
SERABI GOLD plc ("Serabi" or "the Company")



US\$5 million convertible loan facility

Serabi Gold plc (AIM:SRB, TSX:SBI), the Brazilian focused gold mining and development company, announces that Fratelli Investments Limited ("Fratelli Investments"), the Company's major shareholder, has agreed to provide an interim unsecured short term working capital convertible loan facility of US\$5 million (equivalent to approximately UK£3.3 million) (the "Loan") to the Company to provide additional working capital facilities.

The Loan is for a period expiring on 31 January 2017 and for a maximum of US\$5 million. The facility may be drawn-down in up to three separate instalments of an initial US\$2 million and two further instalments of US\$1.5 million each. The Loan is available to be used at any time up to 30 June 2016. Interest is chargeable at the rate of 12% per annum. There is no prepayment penalty or arrangement fee. The Loan is unsecured and subordinated to the Company's existing loan facilities, including the secured loan facility arrangement provided by the Sprott Resource Lending Partnership (the outstanding balance of which amounted to US\$4 million as at 30 December 2015).

Mike Hodgson, CEO said:

"Serabi is a high grade gold producer, targeting to achieve lower than average All-in Sustaining Costs per ounce, and this is critical, faced as we are, with the recent weakness in the gold price. As with all gold producers, we are facing strong economic headwinds, all at a time whilst the Company has continuing commitments for increasing throughput through the process plant as well as development expenditure to bring the Sao Chico Mine into full production. This has restricted the Company's ability to build up its cash reserves. To ensure we can remain on track with our expansion and development plans, this convertible loan facility, kindly provided to us by our major shareholder, gives the Company the ability to complete its current development programmes by the early part of the second quarter of 2016 and thus achieve optimal gold production rates as quickly as possible. We do not anticipate that it will be necessary to draw down the full extent of the convertible loan facility".

The first US\$2 million of the Loan is convertible at the election of Fratelli Investments into new Serabi Ordinary Shares at an exercise price of 3.6 pence per new Serabi Ordinary Share at any time. The remaining amount of the Loan, if drawdown, may be repaid by the Company at its option at any time on or before 30 June 2016. Thereafter, Fratelli Investments will have the right to convert all or part of the remaining amount of the Loan into new Serabi Ordinary Shares at an exercise price of 3.6 pence per new Serabi Ordinary Share at any time. Based on an exchange rate of £1:US\$1.50 up to 92,592,593 new Serabi Ordinary Shares may be issued on conversion of the Loan by Fratelli Investments. Fratelli Investments is currently interested in 343,613,166 Serabi Ordinary Shares representing 52.35 per cent. of Serabi's current issued share capital and accordingly, Fratelli Investments is 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.

Related Party Transactions

AIM

As Fratelli Investments is interested in more than 10 per cent. of the issued ordinary share capital of the Company, the Loan is a related party transaction for the purposes of Rule 13 of the AIM Rules. As Eduardo Rosselot and Nicolas Banados, non-executive directors of the Company, are both 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 Loan are fair and reasonable insofar as Shareholders are concerned. The Independent Directors have taken into account in particular that the Loan 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 in due course as required.

Canadian Securities Laws

As a result of Fratelli Investment's shareholding interest in Serabi, the Loan is a related party transaction 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 exemptions from the requirement to obtain a formal valuation and minority shareholder approval of the Loan on the basis that the board of directors of the Company had determined that the fair market value of the transaction is less than 25% of the market capitalization of the Company. In particular, with the market capitalization of the Company as of 29 December 2015 being approximately US\$25.85 million, the fair market value of the Loan represents approximately 19% of the Company's market capitalization.



PRESS RELEASE 31 DECEMBER 2015
SERABI GOLD plc ("Serabi" or "the Company")



Enquiries

SERABI GOLD plc

Michael Hodgson
Chief Executive

t +44 (0)20 7246 6830
m +44 (0)7799 473621

Clive Line
Finance Director

t +44 (0)20 7246 6830
m +44 (0)7710 151692

e contact@serabigold.com

www.serabigold.com

BEAUMONT CORNISH Limited

Nominated Adviser & Financial Adviser

Roland Cornish t +44 (0)20 7628 3396
Michael Cornish t +44 (0)20 7628 3396

PEEL HUNT LLP

UK Broker

Matthew Armitt t +44 (0)20 7418 9000
Ross Allister t +44 (0)20 7418 9000

Blytheweigh

UK Financial PR

Tim Blythe t +44 (0)20 7138 3204
Camilla Horsfall t +44 (0)20 7138 3224

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.

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.

SERABI GOLD PLC

2nd Floor, 30-32 Ludgate Hill, London EC4M 7DR
t +44 (0)20 7246 6830 f +44 (0)20 7246 6831 e contact@serabimining.com www.serabigold.com
Registered Office 66 Lincoln's Inn Fields, London, WC2A 3LH Company Number 5131528

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