



PRESS RELEASE 22 JANUARY 2020
SERABI GOLD plc ("Serabi" or "the Company")



Conditional subscription by Greenstone Resources II LP ("Greenstone") for US\$12 million Convertible Loan Notes

Approval of a waiver of an obligation under Rule 9 of the City Code on Takeovers and Mergers

Notice of General Meeting

Serabi Gold plc (AIM:SRB, TSX:SBI), the Brazilian focused gold exploration and development company, is pleased to announce that it has entered into arrangements with Greenstone, subject to certain terms and conditions, to raise gross proceeds of approximately US\$12 million through the issue of convertible loan notes (the "Convertible Loan Notes") in order to progress the development of Coringa, to settle the final acquisition payment for the Coringa project, to settle the Company's outstanding loans owed to Sprott Resource Lending Partnership and for general working capital purposes. The capitalised terms in this announcement shall have the meaning ascribed to them in the definitions section contained at Appendix 2.

Greenstone may, at any time when any of the Convertible Loan Notes are outstanding, convert such outstanding amount into Ordinary Shares ("**Conversion Shares**") in the Company at a price of £0.76 per Ordinary Share following the issue of the Convertible Loan Notes. Subject to Greenstone not exercising its option to convert the amount outstanding into Conversion Shares during the 16 months following the issue of the Convertible Loan Notes, they will be redeemed by the Company 16 months following their issue.

Greenstone, together with its Connected Persons and other persons acting in concert with Greenstone, is currently beneficially interested in 14,887,971 Ordinary Shares, representing approximately 25.27 per cent. of the Existing Ordinary Shares. Based on current exchange rates and the assumptions set out in Appendix 3 of this Announcement, the Directors expect that conversion of the Convertible Loan Notes would result in the issue to the Concert Party of approximately 12,145,749 Ordinary Shares ("**Estimated Conversion Shares**"), increasing the total interest of Greenstone and the Concert Party to approximately 38.0 per cent. of the Company's Estimated Enlarged Ordinary Share Capital.

However, the final number of Ordinary Shares issuable to Greenstone upon conversion of amounts outstanding in respect of the Convertible Loan Notes will be influenced by the US\$:£ exchange rate. If the value of £ depreciates against the US\$, the number of new Ordinary Shares to be issued to Greenstone on conversion of the Convertible Loan Notes would increase. Accordingly, the Subscription Deed and the Convertible Loan Notes Instrument provide that Greenstone may only convert the Convertible Loan Notes into a maximum of 28,849,072 Ordinary Shares (the "**Maximum Conversion Shares**"), as a result of which the Concert Party's interest in the Company's voting share capital would be 49.9 per cent. (assuming no options issued by the Company or other securities convertible or exchangeable into Ordinary Shares are exercised other than those held by members of the Concert Party and that the Company does not issue any other Ordinary Shares) and the Concert Party would therefore be interested in Ordinary Shares carrying 30 per cent. or more of the Company's voting share capital but not holding Ordinary Shares carrying more than 50 per cent. or more of such voting rights.

The Takeover Panel has agreed, however, to waive the obligation on Greenstone to make a general offer ("**Waiver**") that would otherwise arise as a result of the issue of the Maximum Conversion Shares to Greenstone, subject to the approval, on a poll, of the Independent Shareholders (the "**Whitewash Resolution**"). Accordingly, the Whitewash Resolution is being proposed at the General Meeting and will be taken on a poll at the General Meeting, notice of which is set out in the Circular to be distributed to Shareholders on or around the date of this Announcement. The General Meeting is to be held at the offices of Travers Smith LLP at 10 Snow Hill, London, EC1A 2AL at 2.00 p.m. on 26 February 2020.



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Mike Hodgson, CEO of Serabi, commented:

“This is a major endorsement from Greenstone and strong confirmation of the belief of Greenstone and its management in the longer term prospects for Serabi and the potential growth that not just Coringa will bring to the Company but can also be generated from the opportunities to expand existing production from the Palito Complex, particularly through successful exploration in and around the Sao Chico deposit.

“This is excellent news for the Company and now provides us with a platform and security to start moving forward further with the development of Coringa.

“We intend to use this funding, together with our existing cash holdings, to allow the Company

- to progress the development of Coringa,
- to settle the final acquisition payment in respect of Coringa,
- to settle the outstanding debt owed to Sprott Resource Lending Partnership (“Sprott”) and,
- for general working capital purposes.

“It has been a concern for the Board to invest and drive forward the Coringa Project whilst the final deferred consideration payment remained outstanding and the funding from Greenstone now allows the final acquisition payment to be made.

“Our 2019 operational success, and the cash flow we have been able to generate, has also allowed the Company to build up its cash holdings and put the Company into a position to allow it to retire the debt that remains outstanding to Sprott.

“The coming months will be very exciting as we advance on a number of fronts and in particular the continuing exploration work around Sao Chico, the introduction of the ore sorter to increase production from the second quarter onwards and continued progress with the permitting of Coringa.”

Mark Sawyer, Senior Partner of Greenstone, commented

“We have been very pleased with Serabi’s operational results and the development of its projects since making our initial investment in March 2018. We invested because of our belief in the Company’s ability to grow and develop its asset base and saw the opportunity that the Coringa project presented as the first leg of this growth. We are therefore pleased, at this time, to be able to provide the financial support to the Company that allows it to significantly advance Coringa, whilst continuing to increase gold production from the Palito operation.”

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE EU REGULATION 596/2014.



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

The person responsible for arranging for the release of this Announcement on behalf of the Company is Clive Line, Finance Director.

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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



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Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. These forward-looking statements speak only as at the date of this announcement. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by the AIM Rules, the Takeover Panel or by applicable law.

Unless otherwise stated, the contents of the Company's or any business in the Group's website past or present, or any other website accessible via hyperlinks from the such websites are not incorporated into, and do not form part of, this announcement.

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Background

The Company's primary asset, the Palito Complex located in the State of Pará in Northern Brazil, has performed consistently in recent years delivering around 40,000 ounces of gold production per year.

The Palito Complex is a narrow-vein underground mining operation and reflects the Company's desire to concentrate on high quality projects with low capital costs and early repayment of capital. The Palito Complex has a declared mineral resource totalling over 500,000 ounces (comprising, as at 30 June 2017, a Measured Mineral and Indicated Mineral Resource of 307,000 ounces and an Inferred Mineral Resource of 231,000 ounces) which the Company expects to support continuing operations at current gold production rates for a number of years.

Coringa, wholly-owned by the Company, is located 200 kilometres south of the Palito Complex, and contains an Indicated Mineral Resource of 195,000 ounces and an Inferred Mineral Resource of 346,000 ounces as at 31 August 2019.

In October 2019, the Company filed the technical report supporting the Preliminary Economic Assessment ("PEA") for Coringa, prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects. The Coringa gold deposit currently comprises three discrete ore bodies which are included in the PEA mine plan. Other potential ore bodies have been identified and subject to further evaluation could extend the current life of the Project. The Coringa PEA estimated an initial capital requirement of US\$24.7 million. Based on the mine schedule and mine plan, assumed for the purposes of the PEA, the study illustrates life of mine production of 288,000 ounces during a nine-year period at an average gold grade of 8.34 g/t.

Reason for the issue of Convertible Loan Notes and use of proceeds

The Palito Complex generated US\$43.2 million in revenue and approximately US\$6.3 million in EBITDA for the Company in the year ended 31 December 2018. As reported in the Company's financials released on 11 November 2019, year-to-date revenue and EBITDA for the nine months ended 30 September 2019 was US\$43.9 million and US\$12.1 million respectively.

As at 31 December 2019, the Company's cash holdings totalled US\$14.3 million with outstanding debt due to Sprott Resource Lending Partnership ("**Sprott**") of US\$6.9 million. As announced on 23 December 2019, the Company and Equinox Gold Corp. ("**Equinox**") (the parent company of Anfield, the vendor of



Coringa), have agreed that the payment date of the Coringa Deferred Consideration, amounting to US\$12 million plus accrued interest, will now be settled on 31 March 2020 or, if earlier, within 5 Business Days of completion of any new financing arrangement by the Company.

The funds raised by the issue of the Convertible Loan Notes will significantly strengthen the Company's financial position and allow it together with existing cash the flexibility to part fund the development of Coringa and in particular, the commencement of the initial underground development to access the Coringa ore-body during 2020, to settle the Coringa Deferred Consideration and the outstanding debt owed to Spratt, whilst simultaneously being able to continue exploration and development of its Palito Complex, which is important to the longer term growth strategy of the Company.

The total capital requirement for the development of Coringa as anticipated in the base case scenario of the Coringa PEA, was estimated at US\$24.7 million. The Company intends to raise debt funding in conjunction with projected cash flow from Palito to finance the remaining capital requirements for the development of Coringa. Discussions are already underway with a variety of potential financing partners.

Current trading

The Company released its unaudited interim financial results for the three and nine-month periods to 30 September 2019 on 11 November 2019.

EBITDA for the 9-month period to 30 September 2019 was US\$12.1 million, up 120 per cent. on the same period in 2018. Revenue of US\$43.9 million reflected the Company's operational performance, as well as a favourable change in the gold price. Year-to date AISC were US\$1,078 per ounce with a cash cost of US\$844 per ounce. As at the end of September 2019, the Company's cash balance was US\$13.4 million, an increase of US\$4.2 million since the end of 2018.

On 14 January 2020 the Company released its operational results for the final quarter of 2019. In addition to the developments made by the Company with regard to the Coringa project, the results set out a number of positive developments for the Company including, *inter alia*:

- Final quarter gold production of 10,233 ounces of gold, resulting in total production for the year of approximately 40,000 ounces, an eight per cent. improvement over the production for 2018.
- Total ore mined for the quarter of 44,092 tonnes at 6.69 g/t of gold.
- 44,794 tonnes of run of mine ore were processed through the plant from the combined Palito and Sao Chico orebodies, with an average grade of 6.81 g/t of gold.
- 2,908 metres of horizontal development completed during the quarter.
- Completion of the Company's PEA on the Coringa project in September, demonstrating strong positive economics.

Summary quarterly production statistics as previously announced by the Company are set out below:

SUMMARY PRODUCTION STATISTICS TO DATE FOR 2019 AND FOR 2018

| Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 | Total | Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 | Total |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2019 | 2019 | 2019 | 2019 | 2019 | 2018 | 2018 | 2018 | 2018 | 2018 |
| | | | | | | | | | |



SUMMARY PRODUCTION STATISTICS TO DATE FOR 2019 AND FOR 2018

| | | Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 | Total | Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 | Total |
|--|------------------|--------|--------|--------|--------|----------------|--------|--------|--------|--------|----------------|
| | | 2019 | 2019 | 2019 | 2019 | 2019 | 2018 | 2018 | 2018 | 2018 | 2018 |
| Gold production ⁽¹⁾ ⁽²⁾ | Ounces | 10,164 | 9,527 | 10,187 | 10,233 | 40,101 | 9,188 | 9,563 | 8,101 | 10,256 | 37,108 |
| Mined ore – Total | Tonnes | 42,609 | 44,784 | 44,757 | 44,092 | 176,243 | 39,669 | 36,071 | 42,725 | 44,257 | 162,722 |
| | Gold grade (g/t) | 7.47 | 6.72 | 7.14 | 6.69 | 7.00 | 7.49 | 8.12 | 6.23 | 7.45 | 7.29 |
| Milled ore | Tonnes | 43,451 | 43,711 | 45,378 | 44,794 | 177,335 | 43,145 | 38,155 | 41,405 | 45,548 | 168,253 |
| | Gold grade (g/t) | 7.69 | 6.72 | 6.84 | 6.81 | 7.02 | 7.04 | 7.71 | 6.11 | 7.39 | 7.06 |
| Horizontal development – Total | Metres | 1,868 | 2,419 | 2,433 | 2,908 | 9,628 | 2,353 | 2,744 | 2,814 | 2,460 | 10,371 |

Notes:

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 2019 include treatment of 29,976 tonnes of flotation tails at a grade of 4.52 g/t (2018 full year: 16,466 tonnes at 3.71g/t).

In light of concerns over conventional tailings dams in Brazil, following the failure of the Brumadinho dam in January 2019, the Company has, in its latest planning for the Coringa project, elected to install a filtration plant allowing for the dry stacking of tails and eliminate the need for a conventional tailings dam. Although an initial EIA had received preliminary approval in late 2018, the Company has been working with SEMAS on the amendment to the EIA to reflect this change in the planned process flowsheet. The amended EIA was submitted and protocoled with SEMAS in early September 2019. On 12 November 2019, the Company was notified by SEMAS of a preliminary approval of the EIA and their intention to start the process of arranging the public hearings. The public hearing date has now been set for 6 February 2020 and the Directors believe that a successful outcome to the public hearings should clear the way for the issue of the initial Licencia Previa. Following this the Company will submit the application and supporting documentation for the Installation Licence which it hopes to receive early in the second half of 2020 enabling, subject to financing being available, construction to commence.

Principal terms of the Convertible Loan Notes

The Company is proposing to raise US\$12 million, before expenses, by way of an issue of Convertible Loan Notes to Greenstone pursuant to the terms of a Subscription Deed and a Convertible Loan Notes Instrument. The obligation to issue and subscribe, remain conditional upon, amongst other things, Shareholders approving the Resolutions at the General Meeting.

A summary of the principal terms of the Convertible Loan Notes is set out below:

Use of proceeds

The Company may use the funds raised from the issue of the Convertible Loan Notes to progress the development of Coringa, to settle the Coringa Deferred Consideration, to settle the outstanding debt owed to Sprott and for general working capital purposes.



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Fees and interest

The Company will pay interest on the full amount of the issued Convertible Loan Notes from the date of issue at a rate of LIBOR plus 13 per cent. per annum. Interest will accrue daily and at the end of each quarter shall be rolled up and compounded so that it bears interest from such date as it would had it been added to the principal amount of the Convertible Loan Notes then outstanding and shall be paid in cash at redemption of the Convertible Loan Notes or in respect of any of the Convertible Loan Notes at the point of conversion. The Company will pay an arrangement fee of US\$300,000 in cash to Greenstone on redemption of the Convertible Loan Notes or the conversion of all Convertible Loan Notes, whichever is earliest. The Company will also pay all reasonable costs and expenses incurred by Greenstone in the negotiation, preparation and execution of the documentation related to the Subscription Deed and the Convertible Loan Notes. If any sum payable by the Company pursuant to the Convertible Loan Notes is not paid when it becomes due and payable, the Company shall pay interest on the outstanding balance at such interest rate plus an additional 3 per cent. per annum.

Issue and repayment

The Company may make a drawdown request to Greenstone for the full US\$12 million under the Subscription Deed within five days after Shareholders approve the Resolutions at the General Meeting (but no later than 4 March 2020) and Greenstone shall have up to 13 business days in which to pay the funds due under the drawdown request, upon receipt of which, the Convertible Loan Notes will be issued. Subject to Greenstone not exercising its option to convert the amount outstanding into Conversion Shares during the 16 months following the issue of the Convertible Loan Notes, they will be redeemed by the Company 16 months following their issue (the "**Redemption Date**"). The Company will be unable to redeem any part of the Convertible Loan Notes prior to the Redemption Date. The Company may be required to redeem the Convertible Loan Notes if it becomes unlawful for Greenstone to hold the Convertible Loan Notes, the Company has breached its representations and warranties to Greenstone or failed to comply with its undertakings given to Greenstone in the Subscription Deed, or an event of default occurs.

Events of Default

The Company's obligation to redeem the Convertible Loan Notes in full may be accelerated by Greenstone, or following any transfer of the Convertible Loan Notes, a majority of noteholders, following the occurrence of certain events. The identity and scope of the events of default in the Convertible Loan Notes follow the approach commonly taken in senior secured credit facilities and include (but without limitation) non-payment of amounts due, non-compliance with the terms of the agreement, insolvency and insolvency-related events and cross-default.

Conversion

Greenstone may, at any time when any principal of the Convertible Loan Notes is outstanding, convert such outstanding amount (subject to a minimum conversion of US\$1,000,000 and the remaining Convertible Loan Notes held by Greenstone being not less than the USD equivalent of £1,000,000) into Ordinary Shares in the Company at a price of £0.76 per Ordinary Share (the "**Conversion Price**"). The Conversion Price will be adjusted in certain circumstances to ensure that the number of Ordinary Shares arising on conversion confer the same relative entitlement (e.g. if there is a sub-division, consolidation or bonus issue). The Conversion Shares shall be credited as fully paid and rank *pari passu* with Ordinary Shares of the same class in issue on the conversion date. The Company will, upon conversion, apply to have the Conversion Shares listed on AIM and TSX. However, the Company will not be obliged to issue more than the Maximum Conversion Shares.

Security and Guarantee

The Company and its subsidiaries will grant a comprehensive security package over all of their assets in favour of, and directly to, Greenstone. As a result of this security the Company and its subsidiaries will be restricted in their dealings with their assets, and the claims of other creditors of the Company against the

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Company's assets will be subject to Greenstone's security rights. In addition, the Company and its subsidiaries have contractually agreed, amongst other things, to limit their ability to incur other indebtedness, create security and deal with their assets.

Certain of the Company's subsidiaries have agreed to guarantee the obligations of the Company to Greenstone and, following any transfer of the Convertible Loan Notes, the noteholders.

Transfer

Greenstone is free to transfer the Convertible Loan Notes and the Company has agreed to take steps to ensure that any transferee will have the benefit of a comprehensive security package which is substantially similar to that given to Greenstone.

Listing

The Company intends to apply for the Convertible Loan Notes to be listed on The International Stock Exchange in Guernsey.

City Code

The Company is subject to the City Code. Under Rule 9 of the City Code, any person who acquires an interest (as defined in the City Code) in shares which, taken together with shares 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 City Code, is normally required to make a general offer to all other shareholders to acquire their shares.

Similarly, when any person, together with persons acting in concert with him, is interested in shares 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, a general offer will normally be required if any further interest in shares is acquired by any such person, or persons acting in concert with him, which increases the percentage of shares carrying voting rights held by such persons.

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 general offer.

Whitewash Resolution

For the purposes of the City Code, Greenstone together with its Connected Persons and other persons acting in concert with it, as described more fully in Part III of the Circular, form the Concert Party. The Concert Party is currently beneficially interested in 14,887,971 Ordinary Shares, representing approximately 25.27 per cent. of the Existing Ordinary Shares. In addition, Greenstone Management II Limited, a member of the Concert Party holds options over 100,000 Ordinary Shares.

The Convertible Loan Notes are convertible into Ordinary Shares at a price of £0.76 per Ordinary Share at any time after issue. The Company expects that the Convertible Loan Notes will be issued approximately 13 Business Days following the General Meeting (should the Resolutions be approved). Based on the exchange rate of US\$1.30 to GB£1.00 as at the Disclosure Date and the other assumptions set out in Appendix 3 of this Announcement, the Directors expect that conversion of the Convertible Loan Notes would result in the issue to the Concert Party of approximately 12,145,749 Ordinary Shares (being the Estimated Conversion Shares) which together with Greenstone's existing holding would represent an interest 38.0 per cent. in the Company's Estimated Enlarged Ordinary Share Capital.

The final number of Ordinary Shares issuable to Greenstone upon conversion of amounts outstanding in respect of the Convertible Loan Notes will be influenced by the US\$:£ exchange rate. If the value of £ depreciates against the US\$, the number of new Ordinary Shares to be issued to the Concert Party on



conversion of the Convertible Loan Notes would increase. Accordingly, the Convertible Loan Note provides that Greenstone may only convert the Convertible Loan Notes into a maximum of 28,849,072 Ordinary Shares (being the Maximum Conversion Shares) as a result of which the Concert Party's interest in the Company's Maximum Enlarged Share Capital would be 49.9 per cent. (assuming no options issued by the Company or other securities convertible or exchangeable into Ordinary Shares are exercised other than by the Concert Party and that the Company does not issue any other Ordinary Shares) and the Concert Party would therefore be interested in Ordinary Shares carrying 30 per cent. or more of the Company's voting share capital but not holding Ordinary Shares carrying more than 50 per cent. or more of such voting rights

The Takeover Panel has agreed, however, to waive the obligation on Greenstone to make a general offer ("**Waiver**") that would otherwise arise as a result of the issue of the Maximum Conversion Shares to Greenstone, subject to the approval, on a poll, of the Independent Shareholders. Accordingly, the Whitewash Resolution is being proposed at the General Meeting and will be taken on a poll.

Neither Greenstone, nor anyone acting in concert with it, will vote on the Whitewash Resolution.

For so long as Greenstone continues to be treated as acting in concert with its respective members, any further increase in the respective interests in the Ordinary Shares held by Greenstone will be subject to the provisions of Rule 9.

Shareholders should note the Directors consider that the possibility that the Maximum Conversion Shares would need to be issued is very unlikely and the following table illustrates the number of Conversion Shares that could be expected to be issued on conversion based on the Conversion Price at different exchange rates (assuming no options issued by the Company or other securities convertible or exchangeable into Ordinary Shares are exercised other than by the Concert Party and that the Company does not issue any other Ordinary Shares).

| Exchange rate at date of conversion (US\$ to GB£) | Illustrative maximum number of Conversion Shares to be issued on full conversion | Illustrative maximum interest of the Concert Party in the enlarged ordinary capital after conversion |
|---|--|--|
| 1.30 | 12,145,749 | 38.1% |
| 1.10 | 14,354,067 | 40.0% |
| 1.00 | 15,789,474 | 41.1% |
| 0.547 | 28,849,072 | 49.9% |

Risk associated with the Resolutions

Those risks relating to the Resolutions which are material and currently known to the Company are set out below:

- The Independent Shareholders should note that, if the Resolutions (including the Whitewash Resolution) are approved and Greenstone elects to convert any amount outstanding under the Convertible Loan Notes into Ordinary Shares, Greenstone may be able to exercise greater control over the conduct of the Company than is currently already the case.
- The Independent Shareholders should note that, if the Resolutions (including the Whitewash Resolution) are approved, this does not provide any guarantee that in any future situation where



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Rule 9 of the City Code becomes relevant to the Company (whether in relation to the Greenstone Concert Party or otherwise) the Takeover Panel would be similarly willing to grant a waiver.

- The Independent Shareholders should note that, if the relevant Resolutions are not passed at the General Meeting, the Company will continue to have an obligation to pay the Coringa Deferred Consideration on or before 31 March 2020. The Company's ability to fund the payment of the Coringa Deferred Consideration will depend on its other cash resources at such time together with alternative available sources of funding, might not be sufficient and in such circumstances, and absent an alternative agreement with Equinox, the Company would be in breach of the Coringa Acquisition Agreement which may have material implications for the Company's continuing ownership of the Coringa Project. A breach of the Coringa Acquisition Agreement may also constitute a breach of the outstanding debt to Sprott and could result in a requirement for immediate settlement of the debt owed to Sprott.

Additional risks and uncertainties not currently known to the Company, or that the Company currently deems to be immaterial, may also have an adverse effect on the Company.

Related party transaction

AIM

As Greenstone is currently interested in more than 10 per cent. of the issued ordinary share capital of the Company, the subscription for the Convertible Loan Notes is a related party transaction for the purposes of Rule 13 of the AIM Rules. For the purposes of the AIM Rules, the Independent Directors of the Company consider, having consulted with the Company's nominated adviser, Beaumont Cornish, that the terms of the Subscription Deed, and the Convertible Loan Notes Instrument are fair and reasonable insofar as Shareholders are concerned.

Canadian Securities Laws

As a result of Greenstone's shareholding in the Company, the subscription for the Convertible Loan Notes is a related party transaction for the Company 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, the Company is relying on the exemption from the requirement to obtain a formal valuation for the Convertible Loan Notes transaction contained in section 5.5(c) of MI 61-101 on the basis that the transaction is a distribution of securities for cash consideration and neither the Company, nor to the knowledge of the Company after reasonable inquiry, Greenstone has knowledge of any material information concerning the Company or its securities that has not been generally disclosed. The Company will be obtaining minority shareholder approval for the issue of the Convertible Loan Notes in accordance with MI 61-101. To the knowledge of the Company, after reasonable enquiry a total of 14,887,971 votes attaching to Ordinary Shares beneficially owned by or over which direction and control is exercised by the Concert Party will be excluded in determining whether minority shareholder approval for the Convertible Loan Notes has been obtained.

The Proposals were reviewed and unanimously approved, in principle, by the Independent Directors on 17 January 2020. The Directors approved all of the Proposals having taken into account in particular that the issue of the Convertible Loan Notes will significantly strengthen the Company's financial position and allow it the flexibility to part fund the development of Coringa, to settle the Coringa Deferred Consideration and repay the outstanding debt owed to Sprott, and simultaneously enable continued exploration and development of its Palito Complex, which is important to the longer term growth strategy of the Company.

SERABI GOLD PLC

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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



PRESS RELEASE 22 JANUARY 2020

SERABI GOLD plc ("Serabi" or "the Company")



General Meeting

The Circular includes the Notice of General Meeting. The General Meeting is to be held at the offices of Travers Smith LLP at 10 Snow Hill, London, EC1A 2AL at 2.00 p.m. on 26 February 2020. At the General Meeting Resolutions will be proposed as follows:

- (a) Resolution 1, (the "**Whitewash Resolution**") which will be proposed as an ordinary resolution and which will be taken on a poll of Independent Shareholders voting in person or by proxy, to approve the Waiver;
- (b) Resolution 2, which will be proposed as an ordinary resolution, to authorise the Directors to allot Ordinary Shares pursuant to the terms of the Convertible Loan Notes;
- (c) Resolution 3, which will be proposed as an ordinary resolution of Independent Shareholders voting in person or by proxy to approve the Subscription Deed; and
- (d) Resolution 4, which will be proposed as a special resolution, to disapply the statutory pre-emption rights in respect of the Ordinary Shares allotted pursuant to the terms of the Convertible Loan Notes Instrument.

Resolution 1 will be taken in accordance with the City Code on Takeovers and Mergers and be taken on a poll of Independent Shareholders present and by proxy voting at the Meeting. Shareholders should note that members of the Concert Party will not be permitted to vote on Resolution 1 or Resolution 3.

Irrevocable Undertakings

The Company has received irrevocable undertakings from certain Shareholders and the Directors (who hold Ordinary Shares) to vote in favour of the Resolutions at the General Meeting in respect of, in aggregate, 20,581,131 Ordinary Shares representing approximately 46.75 per cent. of the Existing Ordinary Shares that are able to vote on Resolutions 1 and 3 and, in aggregate, 35,469,102 Ordinary Shares representing approximately 60.21 per cent. of the Existing Ordinary Shares that are able to vote on Resolutions 2 and 4. Greenstone, which is interested in approximately 25.27 per cent. of the Existing Ordinary Shares of the Company, has undertaken to vote in favour of the Resolutions (other than Resolution 1 and Resolution 3).

Recommendation

As Mark Sawyer, a non-executive director of the Company, is a nominated Board appointee of Greenstone, he is not independent for the purposes of the recommendation. The Independent Directors therefore, comprising the Board other than Mark Sawyer, having been so advised by Beaumont Cornish, consider that the issue of the Convertible Loan Notes and 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 that you vote in favour of the Resolutions as they and Shareholders connected with them have irrevocably undertaken to do in respect of their aggregate beneficial holdings of 1,262,345 Ordinary Shares, representing 2.14 per cent. of the total number of issued Ordinary Shares in the Company.

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APPENDIX 1 MARKET STATISTICS

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|---|----------------|
| Principal amount of the Convertible Loan Notes to be issued to Greenstone | US\$12,000,000 |
| Estimated net proceeds of the Convertible Loan Notes | US\$11,450,000 |
| Number of Existing Ordinary Shares <i>(Note 1)</i> | 58,909,551 |
| Conversion Price per Ordinary Share under the Convertible Loan Notes | £0.76 |
| Estimated Conversion Shares to be issued to Greenstone on conversion of the Convertible Loan Notes <i>(Note 2)</i> | 12,145,749 |
| Ordinary Shares comprising the Estimated Enlarged Ordinary Share Capital <i>(Note 2)</i> | 71,055,300 |
| Percentage of the Estimated Enlarged Ordinary Share Capital held by Greenstone and the Concert Party following conversion <i>(Note 2)</i> | 38.0 per cent. |
| Maximum Conversion Shares to be issued to Greenstone on conversion of the Convertible Loan Notes <i>(Note 3)</i> | 28,849,072 |
| Ordinary Shares comprising the Maximum Enlarged Ordinary Share Capital <i>(Note 3)</i> | 87,858,623 |
| Maximum percentage of the Maximum Enlarged Ordinary Share Capital held by Greenstone and the Concert Party following conversion <i>(Note 3)</i> | 49.9 per cent. |

Notes:

1. *As at the Disclosure Date.*
2. *Assuming Greenstone converts the Convertible Loan Notes into the Estimated Conversion Shares*
3. *Assuming Greenstone converts the Convertible Loan Notes into the Maximum Conversion Shares and Greenstone Management II Limited exercises its options over 100,000 Ordinary Shares on the basis of the assumptions set out in Appendix 3 of this Announcement.*



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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

| | |
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| Announcement of the Proposals | 22 January 2020 |
| Publication and posting of the Circular | 22 January 2020 |
| Record Date for Canadian shareholders | 22 January 2020 |
| Latest time and date for receipt of Forms of Proxy or CREST Proxy Instructions (as applicable) for the General Meeting | 2.00 p.m. (UK time) on 24 February 2020 |
| General Meeting | 2.00 p.m (UK time) on 26 February 2020 |
| Announcement of result of General Meeting | 26 February 2020 |
| Issue of Convertible Loan Notes | 17 March 2020 |

Notes:

1. *Each of the times and dates set out in the above timetable and mentioned in this Announcement is based on the Company's current expectations and subject to change by the Company (with the agreement of Beaumont Cornish), in which event details of the new times and dates will be notified to the London Stock Exchange, where required, and the Company will make an appropriate announcement to a Regulatory Information Service.*
2. *References to times in this Announcement are to London times unless otherwise stated.*
3. *Different deadlines may apply in certain cases.*



APPENDIX 2 DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

The following words and expressions shall have the following meanings in this Announcement unless the context otherwise requires:

Definitions

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| AIM | the AIM market operated by the London Stock Exchange; |
| AIM Rules | the rules for AIM companies as published by the London Stock Exchange from time to time; |
| AIM Rules for Nominated Advisers | the rules which set out the eligibility, obligations and certain disciplinary matters in relation to nominated advisers as published by the London Stock Exchange from time to time; |
| Anfield | Anfield Gold Corp; |
| Announcement | this announcement; |
| Arrangement Fee | the arrangement fee of US\$300,000 payable by the Company to Greenstone in respect of the issue of the Convertible Loan Notes; |
| Beaumont Cornish | Beaumont Cornish Limited whose registered office is 3 Hardman Street, Manchester, M3 3HF; |
| business day | a day (other than Saturday or Sunday) on which commercial banks are open for general business in London; |
| certificated or in certificated form | a share or other security which is not in uncertificated form (that is, not in CREST); |
| Circular | the document setting out details of the Proposals and Notice of the General Meeting dated 22 January 2020; |
| City Code | the UK City Code on Takeovers and Mergers; |
| Company | Serabi Gold plc, a public company limited by shares incorporated in England and Wales with company number 05131528; |
| Concert Party | Greenstone, its Connected Persons and other persons acting in concert with it, as described in Part III of the Circular; |
| Connected Persons | has the meaning set out in section 252 and section 254 of the Act and includes a spouse, children under 18 and any company in which the relevant person is interested in shares comprising at least one-fifth of the share capital of that company; |
| Conversion Price | £0.76; |



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| Conversion Shares | the Ordinary Shares issued on conversion of the Convertible Loan Notes under the terms of the Convertible Loan Notes Instrument; |
| Convertible Loan Notes | the convertible loan notes that may be issued to Greenstone pursuant to the Subscription Deed and the Convertible Loan Notes Instrument as described further in Part I of the Circular; |
| Convertible Loan Notes Instrument | the instrument constituting US\$12 million convertible floating rate loan notes 2021 annexed to the Subscription Deed; |
| Coringa Acquisition Agreement | the agreement between the Company and Anfield entered into on 14 November 2017 to acquire 100 per cent. of Chapleau Resources Ltd as amended or varied from time to time; |
| Coringa Deferred Consideration | the balance of US\$12 million payable in accordance with the Coringa Acquisition Agreement on 31 March 2020 or, if earlier, within 5 business days of completion of a new financing arrangement by the Company; |
| CREST | the relevant system (as defined in CREST Regulations) for the paperless settlement of share transfers and the holding of shares in uncertificated form which is administered by Euroclear; |
| CREST Regulation | means the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended; |
| Directors or Board | the board of directors of the Company as at the date of this Announcement; |
| Disclosure Date | means close of business on 21 January 2020, being the latest practicable date prior to the publication of the Circular; |
| Equinox | Equinox Gold Corp.; |
| Estimated Conversion Shares | 12,145,749 new Ordinary Shares to be issued on conversion of the Convertible Loan Notes based on the assumptions set out in Appendix 3 of this Announcement; |
| Estimated Enlarged Ordinary Share Capital | the Existing Ordinary Shares and the Estimated Conversion Shares; |
| Euroclear | Euroclear UK & Ireland Limited, the operator of CREST; |
| Existing Ordinary Shares | the existing 58,909,551 Ordinary Shares as at the date of the Circular; |
| FCA | the Financial Conduct Authority of the United Kingdom or any successor body; |



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| General Meeting | the general meeting of the Company convened for 2.00 p.m. on 26 February 2020, the notice convening which is set out at the end of the Circular; |
| Greenstone | Greenstone Resources II L.P.; |
| Group | the Company and its subsidiaries from time to time; |
| Independent Directors | the Directors, other than Mark Sawyer; |
| Independent Shareholders | all Shareholders other than members of the Concert Party; |
| LIBOR | the greater of (i) zero percent, and (ii) the London Interbank Offer Rate as determined pursuant to the Convertible Loan Notes Instrument; |
| London Stock Exchange | London Stock Exchange plc; |
| Maximum Conversion Shares | the maximum of 28,849,072 new Ordinary Shares to be issued on conversion of the Convertible Loan Notes, based on the assumptions set out in Appendix 3 of this Announcement ; |
| Maximum Enlarged Ordinary Share Capital | the Existing Ordinary Shares, the Maximum Conversion Shares and the Ordinary Shares issued on exercise of the 100,000 options held by Greenstone Management II Limited; |
| Notice of General Meeting | the notice of the General Meeting set out at the end of the Circular; |
| Ordinary Shares | the ordinary shares of the Company, having a nominal value of £0.10; |
| PEA | the preliminary economic assessment of starting mining operations at Coringa prepared by GRE on 21 October 2019 in accordance with the Canadian Securities Administrators' National Instrument 43-101 - Standards of Disclosure for Mineral Projects; |
| PEA Announcement | the regulatory announcement released by the Company on 21 October 2019 setting out, inter alia, details of the PEA; |
| Proposals | the Waiver and the entrance into the Subscription Deed and performance of the Convertible Loan Notes Instrument by the Company (including any drawdown and/or conversion of any Convertible Loan Notes); |
| Resolutions | the resolutions set out in the Notice of General Meeting at the end of the Circular; |



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| Regulatory Information Service | any of the services for the dissemination of information by listed issuers on the list of Regulatory Information Services maintained by the FCA; |
| Rule 9 | Rule 9 of the Takeover Code; |
| Shareholder | a holder of Ordinary Shares; |
| Sprott | Sprott Resource Lending Partnership; |
| Subscription Deed | the subscription agreement dated 21 January 2020 entered into by the Company and Greenstone in relation to the subscription for the Convertible Loan Notes, as described further in Part I of the Circular; |
| Takeover Panel | Panel on Takeover and Mergers; |
| TSX | Toronto Stock Exchange; |
| UK or United Kingdom | the United Kingdom of Great Britain and Northern Ireland; |
| uncertificated or in uncertificated form | recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which, by virtue of the CREST Regulations, may be transferred by of CREST; |
| Waiver | the waiver granted by the Takeover Panel (subject to the passing of the Whitewash Resolution) in respect of the obligation of the Concert Party to make a mandatory offer for the entire issued share capital of the Company not already held by the Concert Party which might otherwise be imposed on the Concert Party under Rule 9 of the Takeover Code as a result of the issue of Ordinary Shares under the terms of the Convertible Loan Note, as more particularly described in Part 1 of the Circular; |
| Whitewash Resolution | the ordinary resolution of the Independent Shareholders to be taken on a poll concerning the Waiver to be proposed at the General Meeting and set out in the Notice of General Meeting. |
| Glossary of Technical Terms | |
| CIM | Canadian Institute of Mining, Metallurgy and Petroleum; |
| development | excavations used to establish access to the mineralised rock and other workings; |
| EIA | Environmental Impact Assessment; |
| 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

grams per tonne;

Indicated Resource

that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with a sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit, the geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation;

Inferred Resource

that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling, the geological evidence is sufficient to imply but not verify geological and grade or quality continuity, it is based on limited information and sampling gathered through appropriate sampling techniques from locations such as outcrops, trenches, pits workings and drill holes;

Measured Resource

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

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;



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| Modifying Factors | considerations used to convert Mineral Resources to Mineral Reserves including but not restricted to; mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors; |
| NI 43-101 | Canadian Securities Administrators' National Instrument 43-101 - Standards of Disclosure for Mineral Projects; |
| SEMAS | the Brazilian environmental agency in the state of Para. |



APPENDIX 3 ASSUMPTIONS AND BASES OF CALCULATIONS

1. Based on the illustrative assumptions below, conversion of the Convertible Loan Notes would result in the issue to the Concert Party of approximately 12,145,749 Ordinary Shares (being the Estimated Conversion Shares) increasing the total holding of Greenstone and the Concert Party to 27,133,720 Ordinary Shares representing approximately 38.1 per cent. of the Company's Estimated Enlarged Ordinary Share Capital:
 - (a) An exchange rate of US\$1.30:£1;
 - (b) Greenstone elects to convert the principal amount of the US\$12 million Convertible Loan Notes into new Ordinary Shares at the Conversion Price;
 - (c) Save for an issue of 100,000 Ordinary Shares as detailed in paragraph (d) below, the Company does not issue any other Ordinary Shares and no other Shareholders or option-holders exercise any subscription or conversion rights; and
 - (d) Greenstone Management II Limited exercises its option over 100,000 Ordinary Shares.

The final number of Ordinary Shares issuable to Greenstone upon conversion of amounts outstanding in respect of the Convertible Loan Notes will be influenced by the US\$:£ exchange rate. If the value of £ depreciates against the US\$, the number of new Ordinary Shares to be issued to the Concert Party on conversion of the Convertible Loan Notes would increase. While the extent to which these items might vary would have to be extreme given the rates that have prevailed in recent years, the Convertible Loan Notes Instrument nonetheless provides that the maximum number of Ordinary Shares Greenstone may convert the Convertible Loan Notes into is 28,849,072 Ordinary Shares ("**Maximum Conversion Shares**").

2. The effect of the issue of the Maximum Conversion Shares, representing approximately 49.9 per cent. of the Company's voting share capital is set out in Table 1 below:

| Concert Party member | Current interest in the Ordinary Share Capital | Maximum Conversion Shares | Options over Ordinary Shares | Maximum interest in Enlarged Ordinary Share Capital on Conversion and following the exercise of Greenstone Management IILP's Option | Percentage of Enlarged Ordinary Share Capital on Conversion and following the exercise of Greenstone Management II LP's Option |
|----------------------------------|--|---------------------------|------------------------------|---|--|
| Greenstone | 14,887,971 | 28,849,072 | - | 28,849,072 | 49.8% |
| Greenstone Management II Limited | - | - | 100,000 | 100,000 | 0.1% |
| Total | 14,887,971 | 28,849,072 | 100,000 | 28,949,072 | 49.9% |

The Concert Party's maximum interest set out in Table 1 above is based on the following assumptions:



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- (a) Greenstone is issued with 28,849,072 Ordinary Shares, being the Maximum Conversion Shares on conversion of the full amount of the US\$12 million Convertible Loan Notes;
- (b) Save for an issue of 100,000 Ordinary Shares as detailed in paragraph (c) below, the Company does not any issue other Ordinary Shares and no other Shareholders or option-holders exercise any subscription or conversion rights; and
- (c) Greenstone Management II Limited exercises its option over 100,000 Ordinary Shares.

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.