

# Serabi Gold Plc US\$5 million convertible loan facility

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LONDON, Dec. 31, 2015 (GLOBE NEWSWIRE) -- [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.

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 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 installments 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 22 December 2015).

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.

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Copies of this release are available from the Company's website at [www.serabigold.com](http://www.serabigold.com).

Neither the Toronto Stock Exchange, nor any other securities regulatory authority, has approved or disapproved of the contents of this news release.

#### Qualified Persons Statement

The scientific and technical information contained within this announcement has been reviewed and approved by Michael Hodgson, CEO 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.

*Forward Looking Statements: This press release contains forward-looking statements. All statements, other than of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding the estimation of mineral resources, exploration results, potential mineralization, potential mineral resources and mineral reserves) are forward-looking statements. Forward-looking statements are often identifiable by the use of words such as "anticipate", "believe", "plan", "may", "could", "would", "might" or "will", "estimates", "expect", "intend", "budget", "scheduled", "forecasts" and similar expressions or variations (including negative variations) of such words and phrases. Forward-looking statements are subject to a number of risks and uncertainties, many of which differ materially from those discussed in the forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations include, among other things, without limitation, failure to establish estimated mineral resources, the possibility that future exploration results will not be consistent with the Company's expectations, the price of gold or copper and other risks identified in the Company's most recent annual information form filed with the Canadian securities regulatory authorities on SEDAR.com. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement.*

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