

Serabi Gold plc: US\$15 Million Strategic Investment and Board Changes

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23 March 2018 - Serabi Gold plc ("Serabi" or the "Company") (AIM:SRB, TSX:SBI) is pleased to announce that Greenstone Resources II L.P. ("Greenstone"), a leading mining focussed private equity group has today agreed to invest US\$15.0 million to acquire a 29.82% interest in the Company (the "Subscription").

Highlights:

- US\$15.0 million strategic investment by Greenstone to acquire a 29.82% interest in Serabi via a subscription for 297,759,419 new ordinary shares of 0.5 pence each ("New Ordinary Shares") in the Company at a price of 3.6 pence per share (the "Subscription Price")
- Greenstone's investment provides strong endorsement of managements' growth strategy
- The Subscription Price of 3.6 pence per share represents a discount of 0.55% to the closing mid price on AIM of 3.62 pence per share on 22 March 2018
- The Subscription provides the Company with a strong platform to deliver the Company's ambition to become a 100,000 ounce per annum gold producer within two years
- Funds from the Subscription will be used to:
 - undertake drilling to delineate additional resources and expand the life of mine at the Palito and Sao Chico projects;
 - satisfy the second instalment of the deferred consideration due for the acquisition of the Coringa Project;
 - advance the recently acquired Coringa Project; and
 - for working capital and other corporate purposes;

Board Changes

Mr Mark Sawyer, a partner of Greenstone Capital LLP who provide advisory services to Greenstone, will join the Board of Serabi with immediate effect.

Michael Hodgson, Chief Executive Officer of Serabi, commented:

"We are delighted to welcome Greenstone as a long-term strategic investor in the Company and look forward to working closely with them to unlock the full potential of Serabi's gold projects and pursue other growth opportunities. The new funds generated by their subscription will significantly strengthen Serabi's financial position as the Company looks to expand and develop its Palito, Sao Chico and Coringa projects as well as providing a platform to pursue further regional opportunities."

This announcement contains inside information for the purposes of Article 7 of the EU Regulation 596/2014. The person who arranged for the release of this announcement on behalf of the Company was Clive Line, Director.

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

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

Background to and reasons for the Subscription

The Company has been developing and operating the Palito Mining Complex since 2013 and management considers that production from the current Palito and Sao Chico orebodies has now reached a sustainable, steady state at approximately 40,000 ounces of gold production per annum. The Company however recognises that whilst it can be cash generative and profitable at these levels of production, it needs to grow in order to attract a wider investor base and generate long term value for shareholders.

Between 2008 and 2011, the Company undertook near-mine exploration activity which generated a number of discoveries within approximately four kilometres of the current Palito orebody and process plant. Management have seen these as an initial platform for resource growth and additional satellite orebodies which could provide incremental opportunities for mineral resource and production growth. However, with cash flow from the current operations being utilised to repay debt obligations the Company has had limited opportunity to develop these discoveries. An 8,000 metre drill programme was commenced in November 2017 to further evaluate these discoveries.

In the vicinity of the Sao Chico orebody, the Company has undertaken some additional exploration activity since acquiring the property in July 2013, but the understanding of the wider area is limited. With a number of historic areas of artisanal mining and some significant anomalous areas highlighted by geophysics, the Company considers the area around Sao Chico to be highly prospective and would like to extend exploration across a five kilometre shear zone around the Sao Chico orebody.

In December 2017, the Company announced the acquisition of the Coringa gold project ("Coringa"), located approximately 200 kilometres to the south of the Palito Mining Complex. The Company paid an initial US\$5.0 million instalment to the vendor and was due to make a further instalment payment of US\$5.0 million on or before 22 March 2018. The final instalment of US\$12.0 million is payable on first gold production or 22 December 2019 whichever is earlier. Coringa hosts a declared Mineral Resource of 376,000 ounces of gold and a feasibility study report published in September 2017 projected average annual production of 32,000 ounces per annum with an average all-in sustaining cost of US\$786 per ounce.

Coringa is currently in the permitting stage but is, in the short term, increasing the working capital needs of the Company. The Company hopes that it can be in the position to commence development and construction of the project during 2019 with first gold production being realised during the early part of 2020, assuming the necessary permits and licences can be obtained at the appropriate times. An earlier study of Coringa, published on 13 May 2015 in accordance with the reporting requirements of the standards of NI 43-101, estimated a total mineral resource of approximately 900,000 ounces. The Company is of the view that the most recent Coringa resource estimate (published on 8 September 2017 prior to the acquisition of Coringa by Serabi) and also prepared in accordance with the reporting requirements of the standards of NI 43-101,

excluded a number of previously reported estimated areas that had been included in the earlier May 2015 estimation. The Company is therefore of the view that a modest drill programme over some of these areas could quickly allow additional mineral resources to be reinstated increasing the mine life, the overall project economics and potentially the projected annual production rates. Whilst the Company is obtaining the necessary permits it will also conduct further studies to optimise mine and development plans for the project and fully assess the synergies that can be realised with the Company's existing operations.

Management is of the view that development decisions for the Palito Mining Complex and Coringa are closely linked and it is therefore important to increase understanding of the growth potential around the Palito and Sao Chico orebodies as these will affect capital procurement and development decisions for both the Palito Mining Complex and Coringa. As such, it is imperative to advance exploration activities as quickly as possible in order to progress the objective of building long term sustainable value for shareholders.

Greenstone is a respected and experienced private equity fund focussed solely on mining. As such, the Subscription is considered to be an endorsement of Serabi, its management, its projects and its strategy for achieving growth and building value.

With a clear pathway to achieving growth, a strong balance sheet and a supportive shareholder base, the Company considers the Subscription represents a transformative event, that will allow it to accelerate its growth plans, place it in a strong position when considering further acquisitions and create the critical mass that is important when looking to maximise the financing options available to the Company to advance, develop and grow its gold projects.

Details of the Subscription

Under the terms of the Subscription, Greenstone has conditionally agreed to subscribe for 297,759,419 New Ordinary Shares at a price of 3.6 pence per share (the "Subscription Price"). The New Ordinary Shares to be issued pursuant to the Subscription will rank *pari passu* with the existing Ordinary Shares. Application will be made to the London Stock Exchange for the Subscription Shares to be admitted to trading on AIM ("Admission") and listed for trading on the TSX. Completion of the Subscription and Admission is expected to take place at 8:00 a.m. on or around 12 April 2018.

The Greenstone Subscription is conditional, *inter alia*, on the receipt of a conditional approval letter from the Toronto Stock Exchange in respect of the issuance and listing of the Subscription Shares and the Company applying for the Subscription Shares to be admitted to trading on AIM.

Pursuant to the Subscription, the Company has given certain warranties relating to the Group and the operations of the Group and to pay certain costs incurred by Greenstone in connection with the Subscription.

The Directors intend to use the proceeds from the Subscription as follows:

Use of proceeds

Second Installment of acquisition payment for Coringa project	US\$5m
2018 Working Capital for Coringa	US\$4m
Expansion of Drilling programme Palito and Sao Chico	US\$4m
Corporate Working Capital	US\$2m
Total	US\$15m

Under the Company's existing authorities as granted at the 2017 Annual General Meeting, the Company is authorised to issue up to 347,585,202 New Ordinary Shares free of pre-emption rights (the "Existing Authority"). Accordingly, the Company will use the Existing Authority to issue the New Ordinary Shares to Greenstone pursuant to the Subscription Agreement.

The Company continues to take market soundings with institutional investors via its brokers concerning a possible further issue of new Ordinary Shares in the short term. Any such issue of new Ordinary Shares would depend upon market demand and be subject to the approval by the Company's Shareholders of the requisite authorities at a General Meeting. Should the Company decide to proceed with any such further

issue, an announcement will be made in due course.

Operational and Financial Update

As reported by the Company in a news release dated 18 January 2018, the Company reported gold production for the fourth quarter of 2017 of 9,337 ounces and total gold production for 2017 of 37,004 ounces. It has provided guidance that production for 2018 will exceed that of 2017 and be up to 40,000 ounces.

On 23 January 2018, the Company announced that it had received an additional US\$3 million loan from Sprott Resource Lending Partnership to provide additional working capital for the Company and in particular to replace funds it had used to make the initial US\$5 million cash payment, made on 21 December 2017, in connection with the acquisition of the Coringa gold project.

During the first two months of 2018, the Company's operations have performed in line with management's expectations and the Company's guidance.

The Company's cash balance at the end of February 2018 was approximately US\$6.1 million. The Company will announce its full year audited financial results on 29 March 2018. It anticipates that the results will be broadly consistent with the unaudited financial results to 30 September 2017. The Company does expect that it will record a further provision in respect of the carrying value of its coarse ore stockpiles of approximately US\$320,000 in the fourth quarter of 2017, and will classify approximately US\$1.4 million of taxes that are owed to the Company as being due in more than 12 months. Previously the Company had reported these recoverable taxes as being due in less than 12 months.

Relationship Agreements

Greenstone will hold a 29.82% interest in the enlarged issued share capital of the Company on completion of the Subscription. Fratelli's interest in the issued share capital of the Company will reduce from 55.13% to 38.69% following completion of the Subscription. The Company has today entered into a relationship agreement with Greenstone and a new relationship agreement with Fratelli. These agreements include protections to ensure Serabi is able to continue to operate independently of these two major shareholders and ensure that the Company always has two independent non-executive directors but also provides Greenstone and Fratelli with certain rights with respect to the Company.

Under the terms of the Relationship Agreements:

- Each of Fratelli and Greenstone shall have, for as long as it holds an interest of 23% or more in the share capital of the Company, the right to appoint two directors to the Board and, for so long as it holds an interest of 15% or more but less than 23% of the share capital of the Company, the right to appoint one director to the Board.
- Each of Fratelli and Greenstone shall have, for as long as it holds an interest of 15% or more in the share capital of the Company:

- certain information rights regarding the Company's business; and

- anti-dilution rights such that they will have the right, but not the obligation, to participate in new placings of Ordinary Shares (including placings in connection with an acquisition or for non-cash consideration) in order to retain their ownership percentage. Where Greenstone and/or Fratelli elect to exercise this anti-dilution right:

(i) if the new placing is for cash, each of Fratelli and Greenstone will participate on substantially the same terms as any other participant in the new placing; or

(ii) if the new placing is for non-cash consideration, Fratelli and Greenstone will each have the right to subscribe for such number of shares as are required to maintain their current percentage holdings at a price

per Ordinary Share equal to the VWAP of the Company's Ordinary Shares for the 5-day period ending on the date ending two business days prior to the announcement of that new placing.

· Unless otherwise approved by Greenstone and Fratelli, the Company has agreed not to undertake, for a period of six months commencing on the completion of the Subscription, any further issue of Ordinary Shares (other than exercise of share options to employees) unless such further issue is undertaken at a price greater than the Subscription Price.

As a further undertaking and subject to certain customary exemptions, Greenstone has undertaken that it will not, for a period of six months from admission of the Subscription Shares, offer, lend, mortgage, assign, charge, pledge, sell or contract to sell or issue any interest in any Ordinary Shares held by it.

The new relationship agreement with Fratelli is conditional on the Subscription having completed. Until the Subscription completes or in the event that the Subscription does not complete for any reason, Fratelli will continue to be bound by their relationship agreement with the Company dated 28 January 2014.

As Fratelli Investments is interested in more than 10 per cent. of the issued ordinary share capital of the Company, the new Fratelli relationship agreement ("Revised Agreement") 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 Revised Agreement are fair and reasonable insofar as Shareholders are concerned.

Project Steering Committee

Pursuant to the terms of the Relationship Agreements, the Company has agreed to establish a Project Steering Committee, which will include appointees from both Fratelli and Greenstone.

The primary role of the Project Steering Committee is to, among others, recommend a governance and reporting framework for the Group's portfolio of producing assets, its existing exploration portfolio, the recently acquired Coringa Gold Project and assess and review any proposed mergers and acquisitions. The Project Steering Committee will make recommendations to the Board on key matters but will not have the power to take decisions in respect of the Group's business.

The Project Steering Committee will be chaired by the Chief Executive Officer.

Further AIM disclosures relating to Mr Sawyer's appointment

Further disclosures on Mr Sawyer, as required under Schedule Two, paragraph (g) (i)-(viii) of the AIM Rules for Companies, are as follows. Mark Raymond Sawyer (age 49), has held the following directorships and/or partnerships in the past five years:

Current:	Past:
Future Fuels No.1 LLP	Ardea Exploration Pty Limited
Greenstone Capital LLP	Atriplex Pty Limited
Greenstone Management Limited	Twenty First Century Legacy Limited
Greenstone Management II Limited	Kalgoorlie Nickel Pty Ltd
Greenstone Resources Limited (Guernsey)	Triausmin Pty Limited
Greenstone Resources (UK) Limited	Yerilla Nickel Pty Limited
Greenstone Resources L.P.	
Greenstone Resources II L.P.	
Hampton Nickel Pty Limited	
Heron Resources Ltd.	

[Metro Mining Ltd.](#)

North River Resources PLC
Ochre Resources Pty Limited
Tarago Exploration Pty Limited
Tarago Operations Pty Limited
Waterfall Management Limited
Waterfall Resources L.P.
Waterfall Resources II L.P.
Waterfall Management II Limited
Woodlawn Mine Holdings Pty Ltd

As at the date of this announcement, Mr Sawyer does not have any direct personal interest in any ordinary shares of the Company. As set out further above, Greenstone Resources II L.P. has subscribed for 297,759,419 New Ordinary Shares in the capital of Serabi which on completion of the Subscription will represent 29.82 per cent. of the enlarged issued share capital of Serabi. Mr Sawyer is a director of Greenstone Resources II L.P. There is no further information to be disclosed in relation to Mr Sawyer's appointment pursuant to AIM Rule 17 or paragraph (g) of Schedule Two of the AIM Rules for Companies.

Total Voting Rights

Following the issue of the Subscription Shares, the Company's issued share capital will consist of 998,602,989 Ordinary Shares with a nominal value of 0.5p each, with voting rights. The Company does not hold any Ordinary Shares in Treasury. Therefore the total number of Ordinary Shares in the Company with voting rights will be 998,602,989.

Following completion of the Subscription, the above figure of 998,602,989 Ordinary Shares may be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the share capital of the Company under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

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 26 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.

Glossary of Technical Terms

The following is a glossary of technical terms:

Note: Mineral resources and reserves were estimated in conformity with the widely accepted CIM Estimation of Mineral Resource and Mineral Reserves Best Practices Guidelines (the "Guidelines") and are reported in accordance with the Canadian Securities Administrators' National Instrument 43-101" and the definitions applicable to individual categories of reserves and resources are set out in the Guidelines. The Glossary below includes only a summary of these definitions and readers can access the full definitions at <http://web.cim.org/standards/menupage.cfm?sections=177&menu=178>

"Au" means gold.

"CIM" means Canadian Institute of Mining, Metallurgy and Petroleum.

"development" - excavations used to establish access to the mineralised rock and other workings.

"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" means grams per tonne.

"Indicated Mineral Resource" is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

"Inferred Mineral Resource" is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

"Measured Mineral Resource" is 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" is 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.

"Mineral Reserve" is the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.

"Probable Mineral Reserve" is the economically mineable part of an Indicated and, in some circumstances, a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

"Proven Mineral Reserve" is the economically mineable part of a Measured Mineral Resource. A Proven Mineral Reserve implies a high degree of confidence in the Modifying Factors.

"t" means tonnes

"Vein" is a generic term to describe an occurrence of mineralised rock within an area of non-mineralised rock.

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.

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