

Regulatory Story



[Xtract Resources plc](#) - XTR

## Corporate Update

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**Xtract Resources Plc**  
Company Update

The Board of Xtract Resources Plc ("Xtract" or the "Company") announces that, further to the notification by the Company on 30 September 2016, the Company provides a further update on its Manica Gold Project and an update on its current financing arrangements.

### Highlights

- Minxcon (Pty) Ltd has been appointed to complete open pit optimisation modelling
- Social element of the Environmental Impact Study commenced
- Manica Alluvial negotiations advancing
- Reduction of corporate overhead to £0.65 million from £1.61 million per annum with further reductions being considered and where appropriate will be implemented
- All aspects of the Company's financial and technical control being reviewed and changes made where appropriate

Colin Bird, Executive Chairman, said: "Our decision to cease funding Minera Polar Limitada against its unsatisfactory operating results for the previous year, together with an unfavorable future prognosis, has stopped serious cash deficit funding requirements. Our focus now is on the Manica mine to determine the capital expenditure required against the optimum technical plan and therefore restore certainty to the Company. Concurrent with the above, we have reduced our operating expenses and overheads to be consistent with a junior resources publicly listed company. During the above work programme we will continue to consider all options with a view to restore shareholder value and the most appropriate way forward.

### Financing Arrangements

The operations of the Group are currently financed through a combination of funds, which the Company has raised from shareholders as well as the following financing arrangements in place, which include a Standby Equity Distribution Agreement ("SEDA") and a Loan Note Facility, as

amended ("Loan Note"). Both of these arrangements were entered into with YA Global Master SPV LTD ("YAGM" or "Investor").

The SEDA was entered into with the Company and YAGM on the 26 August 2011, and approved by the Company's shareholders on 12 September 2011, in order to provide funding of up to £12.5 million in the form of an Equity Line Facility. Any fund drawdowns by the Company under the SEDA facility are in exchange for the issue to YAGM by the Company of new ordinary shares in the capital of the Company ("Shares") at an issue price that is dependent on the share price and the volume of Xtract shares traded in any given period as set out further below. In addition, each advance cannot exceed the greater of £2 million, an amount that would result in YAGM holding more than 2.99% of the entire issued share ordinary capital of Xtract or an amount equal to 300% of the average daily traded value for each of the 10 trading days prior to the Company submitting the notice for an advance. To date the Company has drawn down a total of £2.49 million. The SEDA expires on 30 November 2017.

On 12 December 2013, the Company entered into the Loan Note agreement pursuant to which YAGM agreed to lend up to US\$5 million to the Company. The Loan Note carries an interest of 12% per annum along with a drawdown fee of 8% and each tranche is repayable over a 12-month period. To date a total of US\$3.15 million has been drawdown with a total of US\$1.85 million of the facility undrawn and available, subject to the prior agreement of YAGM.

During May 2016, the Company drew down a total of US\$1.65 million under the Loan Note agreement with the repayment period scheduled to commence in July 2016. The Company drew down a further US\$0.45 million under the Loan Note agreement in July 2016. On 6 October 2016 the Company made a payment of US\$0.26 million against the outstanding balance, which currently amounts to US\$1.9 million (before interest). The Company and YAGM have agreed to schedule the outstanding payments (before interest) at the rate of US\$0.1 million per month in 2016 and US\$0.21 million per month in 2017, with the final repayment by the Company due on 1 August 2017. The next payment to YAGM is due on or before 1st November 2016. The Company also agreed under the Loan Note to provide security to YAGM over the Manica asset, which is subject to the approval of Mozambican Ministry of Mineral Resources and Energy. The pledge over the Manica license will be released on the date on which the amount owed to YAGM is reduced to below US\$0.9 million.

As previously announced Auroch Minerals NL ("Auroch") and the Company are in discussions with regards to the final settlement of US\$1.65 million owed by the Company to Auroch pursuant to the Company's acquisition of Manica in June 2015.

## Outlook

During September 2016 the Company announced it would no longer continue to provide finance for Minera Polar Limitada, the owner of the Chepica mine and the Directors, in taking this decision have now stopped the severe financial haemorrhaging suffered over the last year. As is common with early producing companies, the Company raises finance for its activities in discrete tranches to finance its activities for limited periods only and further funding will be required from time to time to finance those activities. The Directors would then expect for the funds to be raised through project finance funding, the current SEDA, Loan Note and further equity fund raising or a combination thereof.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

**Enquiries:**

Xtract Resources Plc      Colin Bird, Executive Chairman +44 (0)20 3416 6471

Beaumont Cornish      Michael Cornish      +44 (0)207628 3369  
Felicity Geidt  
Email: [corpfin@b-cornish.co.uk](mailto:corpfin@b-cornish.co.uk)

Beaufort Securities      Jon Belliss      +44 (0)207 382 8300

**SEDA Equity Line Facility**

As previously announced in August 2011, the principle terms of the SEDA are as follows. The number and timing of advances to be made pursuant to the SEDA shall be at the discretion of the Company but the Company cannot make more than one advance every ten trading days without prior agreement with the Investor, and advances made must not exceed the advance amounts, as defined in the SEDA. Advances are subject to the satisfaction of certain conditions precedent including there being no breach of warranties, no material adverse change in respect of the Company and no material breach by the Company of the covenants and obligations of the SEDA. The Shares will be issued pursuant to the SEDA at a price equal to 95 per cent. of the lowest daily VWAP of the Ordinary Shares for the 10-trading day period following an advance notice ("Pricing Period") that is greater or equal to the minimum acceptable price set by the Company. The minimum acceptable price may not be more than 95 per cent of the VWAP of the Ordinary Shares on the date immediately prior to the advance notice. The advance amount will automatically be reduced by up to 10 per cent. for each trading day during the Pricing Period that the VWAP is below the minimum acceptable price.

**Loan Note**

As previously announced in December 2013, the principle terms of the Loan Note are as follows. Under the Loan Note, the Company and YAGM may mutually agree to draw down additional tranches. The Loan Note requires that, in relation to each tranche borrowed by the Company pursuant to the Loan Note, the Company will issue YAGM with new warrants to subscribe (at an exercise price equal to 200 per cent. of the 5 day volume weighted average price of Shares ("VWAP") following the advance of that tranche to the Company) for such number of Shares as would result in the aggregate exercise price on the full exercise of those warrants being 20 per cent. of the amount advanced in the relevant tranche. Each such warrant shall be exercisable for a period of with 3 years from the date of issue of the warrant.

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