

Company [Xtract Resources plc](#)
TIDM XTR
Headline SPA on Chépica Gold Copper Mine & Finance Package
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Xtract Resources Plc
("Xtract" or the "Company" or the "Group")

Sale and Purchase Agreement Signed for Chépica Gold and Copper Mine in Chile
Agreement of Finance Package
Proposed Waiver of Rule 9 of the Takeover Code

Xtract Resources Plc (AIM:XTR) has signed a sale and purchase agreement (the "Acquisition Agreement") to purchase a 15% direct interest and earn in option to acquire the remaining 85% interest in the Chépica gold and copper mine together with 100% of the Mejillones Phosphate project in Chile. The Acquisition Agreement is subject to certain conditions precedent, including shareholder approval of the proposed waiver of Rule 9 of the City Code on Takeovers and Mergers (the "Takeover Code").

Highlights

- After satisfactory due diligence, Xtract has signed the Acquisition Agreement with Polar Star Mining Corporation ("Polar Star") to acquire the entire issued share capital of its wholly owned subsidiary, Polar Mining (Barbados) Limited (the "Acquisition"), which is the parent company of a Chilean incorporated entity with a 15% direct interest and earn in option to acquire the remaining 85% interest in the Chépica gold and copper mine near Talca, Chile
- The consideration for the Acquisition will be £1,250,000, which shall be satisfied by the allotment and issue of 500,000,000 ordinary shares of 0.01 pence each ("Ordinary Shares") credited as fully paid at a price of 0.25 pence per Ordinary Share (the "Consideration Shares")
- The Acquisition Agreement is subject to certain conditions precedent including shareholder approval of a proposed waiver of Rule 9 of the Takeover Code ("Proposed Waiver") in connection with the allotment and issue to Polar Star of the Consideration Shares
- The mine target mill capability is 10,500 oz gold equivalent per annum at a production cost of US\$700/oz. The mine is in operation and is currently breaking even with positive cash flow targeted from April 2014
- The Acquisition Agreement takes to 100% the ownership of the Group in the Mejillones Phosphate property in Chile, replacing the staged earn-in as announced on 10 July 2013
- A financing package has been agreed with YA Global Master SPV, Ltd, which is advised by Yorkville Advisors LLC and consists of debt and equity. \$300,000 in cash (gross of fees) is immediately available to the Company and approximately £1,000,000 will be available to the Company upon, and subject to, shareholder approval of the proposed waiver of Rule 9 of the Takeover Code
- The debt facility provides the Company up to further US\$4,700,000, as may be required
- An advisory committee comprising Professor Jim Porter and Mr. Graeme Farr has been appointed to guide management to extract maximum value from Chépica and other group assets
- Due diligence on the Namakwa Uranium deposit in South Africa is progressing well

Jan Nelson, CEO said: "This is a significant step in our stated mission to acquire early cash flow. The forecast cash flow from Chépica will greatly assist the Group to consolidate and advance other asset acquisitions announced or currently under discussion and to execute on our stated growth strategy.

"Operational success is not just about assets, but people who have the ability to bring the assets to account. To this end we are in the process of appointing a Chief Operating Officer and Executive for Mining, and have structured an advisory committee comprising Professor Jim Porter and Mr. Graeme Farr who will report directly to me. We continue to aggressively pursue our mission to acquire near production assets with a low cost profile in commodities whose future demand is clear.

"We have also agreed a financing package of equity and debt to fully capitalize the development of the Mine and the Group. The finance package will also enable us to fund any further acquisitions such as Namakwa Uranium, if the due diligence proves successful, as well as other mines in the vicinity of Chépica."

Chépica Mine

The Chépica mine ("the Mine") is a gold/copper epithermal project located some 300 km south of Santiago, Chile. The nearest town is Talca which is 15 km from the mine and is the center of a prolific wine growing region. The gold and copper occurs in epithermal veins located in a breccia system. Grades of both copper and gold are variable between 2 and 5 grams gold equivalent with vein thicknesses varying between 2 and 7 metres.

The veins are accessed via adits, with ore being extracted by the use of handheld jack hammers with conventional blasting in the more narrow vein areas. A single boom mobile drill unit drills thicker veins and primary waste development. The plant consists of crushers and a two-ball mill grinding circuit feeding floatation circuit. The concentrate produced is transported to Enami (Government Refinery) by truck, some 50 km north of Santiago. Payment is based upon contained copper and gold. The Mine currently receives US\$150 per ton of concentrate with the cost to produce a ton of concentrate being approximately US\$60 a ton. This gives a margin in excess of US\$85 a ton of concentrate.

The information in the above paragraph is taken from an Exploration Technical Report on Chépica Au-Ag_Cu Project in Chile prepared by SRK for Polar Star Mining Corporation on 11 November 2011 and information from mine management obtained during the due diligence.. The Company has commissioned an independent technical report that will include an independent SAMREC compliant Mineral Resource statement and the results of the technical report and Mineral Resource Statement are expected to be made available to shareholders in January 2014.

Mejillones

Xtract announced on 10 July 2013 that it has signed a Heads of Agreement to joint venture the Mejillones Phosphate property in Chile. The Heads of Agreement required Xtract to pay US\$50,000 to secure the annual licence fee with a requirement to submit a report which would determine the suitability of the project for continued definition expenditure. Submission of this report would have earned Xtract a 51% beneficial holding in the Mejillones property. Thereafter, Xtract would be responsible for spending a further US\$1 million on a preliminary economic assessment which should be completed by 30 November 2015. At this stage, Xtract will hold a 75% beneficial interest with Polar Star having the right to co-invest.

The Acquisition Agreement now provides Xtract with a 100% ownership of the Mejillones property and removes expenditure and work commitment timetables allowing Xtract to advance the project at its own election in competition with other group near cash projects.

The Phosphate property covers approximately 16,400 ha of highly prospective phosphate deposits that are close to surface and within 15 km of a deep water port. The property targets between 60 and 200 million tonnes of open pit sedimentary phosphate rocks with a grade of + 32% P2O5 post mechanical upgrading.

As a result of the finance package agreed, the Group will now be in a position to start work on accessing which part of the deposit can be brought to account in the shortest period of time to add to the cash generative ability of the Group.

The Advisory Committee

In carrying out the due diligence of Chépica, the Company has used the services of Professor Jim Porter and Mr. Graeme Farr. Professor Porter is a Mining Engineer and Mr. Farr specializes in process engineering. The Company elected, after the due diligence, to retain Messrs Porter and Farr to assist with ongoing design and monitoring.

As a mining consultant, Professor Jim Porter has worked with many mining groups where he has been responsible for the completion of phased exploration programmes and mine development. Graeme Farr has been involved in the Mining Industry for over 37 years and his experience include operations, equipment selection, reagent optimisation and since 1980 plant design, optimisation and construction.

The advisory committee will report directly to the Chief Executive Officer. Formal advisory committee reports will be tabled at Board Meetings.

The Acquisition Agreement

The Acquisition Agreement provides for the acquisition of the entire issued share capital of Polar Mining (Barbados Limited) which in turn owns 99% of the corporate membership rights in of Minera Polar Mining Chile Limitada ("Polar Chile"). The remaining 1% corporate membership right in Polar Chile is held by Polar Star and will be transferred to Xtract on completion of the Acquisition Agreement. Within the structure is a 15% direct interest in the Chépica mine and an earn in option to acquire a further 85% in staged option payments which terminates in 2016.

The consideration for the Acquisition shall be £1,250,000, which shall be satisfied by the allotment and issue of the Consideration Shares. Xtract agrees to assume the current debt of Chépica which is set at approximately US\$1.253 million. Polar Star has agreed to finance further cash deficit funding until completion. On completion Xtract will reimburse the option fee plus any increased cash deficit funding during the period between signing the Acquisition Agreement and completion.

It is a condition of the Acquisition Agreement that Company secures capital either by debt or equity of at least £1.5 million. The Acquisition Agreement is also subject, amongst other things, to approval of the Proposed Waiver. Further details of the Proposed Waiver and of the requirements of the Takeover Code are set out below.

Agreements with YA Global Master SPV, Ltd

Subscription Agreement

Xtract has entered into a £1,620,000 subscription agreement and, separately, an equity swap agreement with YA Global Master SPV, Ltd ("YAGM") covering Ordinary Shares equal to the value of £900,000.

YAGM has agreed to subscribe (the "Subscription") for a total of 741,418,765 new Ordinary Shares ("Subscription Shares") in the Company at a price of 0.2185p per Ordinary Share which is equal to £1,620,000 in aggregate.

Completion of the Subscription is conditional on, inter alia, admission of the Subscription Shares to trading on AIM.

Equity Swap Agreement

The Company and YAGM have entered into an equity swap agreement (the "Equity Swap Agreement") calculated by reference to 411,899,316 of the Subscription Shares (the "Swap Shares"). In return for an payment by the Company to YAGM of £500,000 (the "Swap Payment"), twelve monthly settlement payments in respect of such payment will be made by YAGM to the Company, or payments may be made by the Company to YAGM, based on a formula related to the difference between the prevailing market price (as defined in the Equity Swap Agreement) of Ordinary Shares in any month and a 'benchmark price' that is 10% above the a price per share equal to 95% of the closing price of the trading day preceding the execution of the Subscription Agreement. Thus the monthly payments received by the Company in respect of the Swap Payment will be dependent on the future price performance of the Ordinary Shares.

YAGM and company may mutually agree to terminate the Equity Swap Agreement and accelerate the payments due under it in certain circumstances. YAGM may elect to terminate the Equity Swap Agreement and accelerate the payments due under it in certain circumstances.

Loan Note and Warrant Instrument

The Company and YAGM have entered into a loan note agreement (the "Loan Note Agreement") pursuant to which YAGM will issue an unsecured loan of up to US\$5,000,000 ("Commitment Amount") to the Company. The note carries an interest of 12% per annum and each tranche is repayable after 12 months. An initial tranche of US\$300,000 will be made available to the Company on completion of the Acquisition. The Company and YAGM may mutually agree to draw down additional tranches up to an aggregate commitment of US\$5,000,000. The Loan Note Agreement requires that, in relation to each tranche borrowed by the Company pursuant to the Loan Note Agreement, the Company will issue YAGM warrants to subscribe (at an exercise price equal to 200 per cent. of the 5 day volume weighted average price of

Ordinary Shares ("VWAP") following the advance of that tranche to the Company) for such number of Ordinary 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.

Under the terms of the Loan Note Agreement, the Company shall pay a facility fee to of US\$125,000 ("Facility Fee") (which is 2.5% of the Commitment Amount) to YAGM. It has been agreed that the Facility Fee shall be paid by the issue and allotment of 33,076,087 Ordinary Shares by the Company to YAGM ("Facility Fee Shares").

Conditionality

The Subscription Agreement is conditional upon shareholder approval of the proposed waiver of Rule 9 of the Takeover Code, and the Equity Swap Agreement is conditional upon the Subscription Agreement becoming unconditional in all respects and the admission of the Subscription Shares to trading on AIM.

Proposed Waiver of Rule 9 of the Takeover Code

Polar Star is deemed to be "acting in concert" for the purposes of the Takeover Code with Tiger Resource Finance plc and all of the directors of Tiger Resource Finance plc (together the "Concert Party") due to the fact that Colin Bird is a director of both Polar Star and Tiger Resource Finance plc.

Following the issue of the Consideration Shares, Subscription Shares and the Facility Fee Shares the Concert Party will hold 33.22 per cent of the enlarged issued share capital of the Company. The Acquisition is therefore conditional, inter alia, upon the Panel on Takeovers and Mergers (the "Takeover Panel") giving approval to a dispensation from the requirements of Rule 9 of the Takeover Code, together with the approval of a "whitewash" circular (the "Circular") setting out full details of the proposed waiver of the obligation under Rule 9 of the Takeover Code, that would otherwise require the Concert Party to make a mandatory cash offer to all of the shareholders of the Company other than the Concert Party (the "Independent Shareholders") to acquire their Ordinary Shares. Accordingly, the Acquisition is also conditional on the passing of certain resolutions to be tabled at a general meeting of the Company and admission of the Consideration Shares and Subscription Shares to trading on AIM ("AIM Admission").

The approval of the Proposed Waiver has not yet been granted by the Takeover Panel. The Circular containing a notice of the General Meeting will shortly be prepared and then, once the Circular and the Proposed Waiver have been approved by the Takeover Panel, the Circular will be sent to Shareholders seeking their approval to effect these proposals. Further announcements will be made at the appropriate time.

Admission of Shares

Application has been made for 33,076,087 to be issued to YAGM to trading on AIM and it is expected that admission will occur and that trading will commence on AIM on 18 December 2012. The 33,076,087 ordinary shares will rank pari passu in all respects with the existing issued Ordinary Shares.

Application will be made for the admission of the Consideration Shares, Subscription Shares and Facility Fee Shares (together, the "New Ordinary Shares") to trading on AIM and it is expected that AIM Admission will occur and that trading in the New Ordinary Shares will commence on AIM following approval of the Proposed Waiver at a General Meeting, which is expected to take place before the end of January 2014. The New Ordinary Shares will rank pari passu in all respects with the existing issued Ordinary Shares.

Subject to approval of the Proposed Waiver of Rule 9 of the Takeover Code and following AIM Admission, the Company's enlarged issued share capital will comprise 3,580,599,980 Ordinary Shares (the "Enlarged Issued Share Capital").

Subject to approval of the proposed waiver of Rule 9 of the Takeover Code and following the AIM Admission of the New Ordinary Shares, the concert party will be interested in 1,189,655,172 Ordinary Shares, representing approximately 33.22 per cent. of the Enlarged Issued Share Capital and YAGM will be interested in 774,494,852 Ordinary Shares, representing approximately 21.63 per cent. of the Enlarged Issued Share Capital.

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