



[Xtract Resources plc](#) - XTR

Settlement with Auroch Exploration Pty Ltd

Released 14:25 09-Feb-2017



RNS Number : 4809W
Xtract Resources plc
09 February 2017

For immediate release
9 February 2017

Xtract Resources Plc ("Xtract" or the "Company") Settlement reached with Auroch Exploration Pty Ltd

The Board of Xtract is pleased to announce that the Company has reached an agreement with Auroch Exploration Pty Ltd ("**Auroch**") regarding the outstanding amounts owed by the Company to Auroch in relation to the acquisition of the Manica Gold Project.

Highlights

- Settlement reached with Auroch relating to the outstanding debt owed by Xtract of US\$1,748,136
- US\$748,136 to be settled by the issue of a convertible loan note to Auroch
- Balance structured as a US\$1 million loan agreement
- Royalty agreement entered into by way of security for the loan notes and loan agreement and will terminate upon full settlement of the debt

Colin Bird, Chairman said:

"I am pleased that this outstanding matter has been satisfactorily resolved. This represents another step forward for the Manica Project and brings certainty where previously unresolved issues remained between Xtract and Auroch. I look forward to delivering the DFS before month end".

Glenn Whiddon, Executive Chairman of Auroch said:

"I am pleased that the debt repayment has been amicably settled. I am sure that the new management will unlock the value in the Manica area which undoubtedly exists."

Background

As announced on 30 September 2016, deferred consideration of US\$1.65 million remained outstanding and payable by the Company to Auroch in respect of the acquisition of Manica gold project ("**Manica**") in Mozambique and that the Company was in further discussions to resolve the amounts due to Auroch.

The Company and Auroch have now agreed the terms for the settlement of this debt which, including further accrued but unpaid interest, amounted to US\$1,748,136 at the last practicable date (the "**Manica Debt**"). The settlement of the Manica Debt has been structured as a convertible note agreement for US\$748,136 ("**Convertible**

Loan Note"), a royalty agreement over production at Manica in Auroch's favour ("**Royalty Agreement**"), a loan agreement for the balance of the Manica Debt equal to US\$1 million ("**Loan Agreement**") and a warrant over 500,000,000 new Xtract ordinary shares ("**Warrant**"), further details on which are set out below.

Convertible Loan Note

The Company has agreed to issue unsecured Convertible Loan Notes to the total value of US\$748,136 to Auroch (the "**Noteholder**"). Interest of 10% per annum is payable quarterly in advance.

Any outstanding amount due under the Convertible Loan Note, together with accrued but unpaid interest thereon, is to be repaid on or before 31 December 2017 or, if earlier, a change of control of the Company, sale of the Manica Gold Project or completion of a joint venture. Amounts owed under the Convertible Loan Notes will reduce "pound-for-pound" by the amount of any royalty paid to Auroch under the Royalty Agreement described further below.

In the event of a fundraising by the Company, the Noteholder may require that 15% of the net proceeds of the fundraising may be applied to redeem part of the Convertible Loan Notes. The Convertible Loan Notes may also become immediately due for redemption on the occurrence of certain events, including the suspension of the Company's shares from trading on AIM or the Noteholder determining, acting reasonably, that the value of the Company's assets is materially reduced or threatened.

The Noteholder may, at any time, from the date of execution of the Convertible Loan Note Agreement until 31 December 2017, convert all or any of the Convertible Loan Notes into new fully paid Xtract ordinary shares ("**Conversion Shares**") at a conversion price equal to a 15% discount ("**Conversion Discount**") to the average volume weighted average price of Xtract ordinary shares ("**VWAP**") during the 10 business days prior to the conversion date subject to a floor price of 0.012p per Ordinary Share. In the event of a material breach of the terms of Convertible Loan Note Agreement by the Company which has not been remedied by the Company to the Noteholder's satisfaction, acting reasonably, the Conversion Discount will increase to 30%.

Auroch has agreed that, other than the circumstances where there has been an event of default under the Convertible Loan Notes, the Company will not be required to allot and issue any Conversion Shares to the extent that Auroch's interest in the Company would exceed 10%.

Following execution of the Convertible Loan Note agreement, a fee of US\$50,000 is payable to Auroch, to be satisfied by the issue of new Xtract ordinary shares (the "**Fee Shares**") at an issue price equal to a 15 per cent. discount to the VWAP during the 10 business days prior to the issue of the Convertible Loan Notes. The Fee Shares will rank *pari passu* with the existing Xtract ordinary shares and application will be made for the Fee Shares to be admitted to trading on AIM. A further announcement will be made in this respect.

Royalty Agreement relating to the Manica Gold Project

To provide security to Auroch, the Company has further agreed to enter into the Royalty Agreement over the Manica Gold Project pursuant to which Auroch will be entitled to receive a royalty equal to 3 per cent of gross revenue from commercial operations (including any alluvial gold production), payable by the Company to Auroch. The maximum royalty payment in aggregate is US\$1,748,136 (the "**Maximum Royalty Payment**"), being an amount equal to the Manica Debt. Any payments made under the Royalty Agreement shall reduce the amounts due to Auroch under the Convertible Loan Note (described above) and the Loan Agreement (described below). The Royalty Agreement will terminate upon full settlement by the Company of the Manica Debt. The Company has agreed not to create any security over or dispose of interest in the Manica Gold Project and, on or following any change of control of the Company, at Auroch's request the Company will buyout the balance of any payments due under the Royalty Agreement at the then market value (subject always to the Maximum Royalty Payment and any payments made by Xtract to Auroch under the Convertible Loan Note and the Loan Agreement).

Loan Agreement

The Company has entered into the unsecured Loan Agreement with Auroch for the balance of the Manica Debt amounting to US\$1 million. Under the terms of the Loan Agreement, the Company will repay the Loan Agreement together with interest, which will accrue at a rate of 10% per annum, on or before 31 December 2017. In addition, it has been agreed that the Company will endeavour to obtain relevant shareholder authorities on or before 30 June 2017 to authorise the Company to replace the Loan Agreement with a convertible loan note on substantially the same terms as the Convertible Loan Notes. In the event that the Company does not obtain the necessary approvals

by 31 December 2017, an accelerated interest rate of 30% per annum will accrue going forward on any outstanding balance of the Loan Agreement. The Company has provided customary representations and warranties to Auroch and the Loan Agreement includes standard events of default.

Warrants

The Company has agreed to issue 500,000,000 warrants to Auroch at an exercise price of 0.02p per new Xtract ordinary share. The warrants will, unless otherwise exercised, expire on 21 December 2017.

Further details are available from the Company's website which details the company's project portfolio as well as a copy of this announcement: www.xtractresources.com

This announcement contains inside information for the purposes of Article 7 of EU Regulation No. 596/2014 on market abuse.

Enquiries:

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

Beaumont Cornish Michael Cornish +44 (0)207628 3369
Roland Cornish
Email: corpfin@b-cornish.co.uk

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

ENDS

This information is provided by RNS
The company news service from the London Stock Exchange

END