

**RNS Number : 6656A
Xtract Resources plc
30 September 2020**

Xtract Resources Plc

("Xtract" or the "Company")

Funding Facility

The Board of Xtract Resources Plc ("Xtract" or the "Company") announces that the Company has today entered into an unsecured convertible loan funding facility (the "Facility") for £1,000,000 with Sanderson Capital Partners Ltd the Lender"). The Facility is a standby facility as a potential additional source of working capital for the Company in the context of uncertainty created by COVID-19. The Company can use the Facility, at its discretion, to fund the working capital requirements of the Company and its subsidiaries as determined by the Company.

By putting in place the Facility the Company was able to minimise dilution to shareholders by limiting the placing announced earlier on 30 September 2020 to £650,000.

Colin Bird, Executive Chairman said: "The ongoing effects of COVID-19 are still unknown. At a personal level it is affecting the health of millions and the personal finances of families worldwide. At a country level no government is coming out of the crisis well and most are now heavily indebted. At the corporate level it has reminded us that the unknown risk is around the corner and it is against this background that the Board has decided to put in place the Facility. The Facility enables the Company to drawdown up to £1 million over the next 12 months in a staged manner with fixed conversion prices at approximately 20%, 35% and 50% premiums to the current share price. The Company is not obliged to make any drawdowns under the Facility, and drawdowns can be used at its discretion to fund the working capital requirements of the Company and its subsidiaries. The Facility arrangement fee will be settled in new Shares representing approximately 1.2 per cent. of the current issued share capital. As a shareholder I prefer to avoid dilution but as Chairman I know part of my role is to ensure that the Company has access to sufficient working capital to develop its projects and this is the reason the Company has undertaken earlier today an equity funding at a narrow discount to the market price and arranged this loan facility as security against prolonged difficult times".

Working Capital Facility Agreement

Xtract has signed today an agreement with the Lender for a facility of £1,000,000. The Facility is unsecured, interest free and can be drawn down in three tranches as follows

- £350,000 to be drawn down from 1 November 2020 or within 6 months of the drawdown date ("Loan Tranche 1");
- £350,000 to be drawn down from 1 January 2021 or within 6 months of the drawdown date ("Loan Tranche 2"); and
- £300,000 to be drawn down from 1 May 2021 or within 6 months of the drawdown date ("Loan Tranche 3").

The Company will provide a Loan drawdown notice if and when it requires a drawdown. The Company has the option but not the obligation to drawdown on part or all of the Facility. The Company must use the funds advanced under the Facility to fund the working capital requirements of the Company and its subsidiaries as determined by the Company at its sole discretion.

Repayment and Conversion

Repayment

Unless otherwise converted, the Company must repay each Loan Tranche on the first anniversary of the advance by the Lender of the applicable Loan Tranche for each Tranche ("Maturity Date"). The Company may prepay the whole or part of the Facility on any day prior to the Maturity Date for a Loan Tranche upon giving not less than 14 days' prior written notice to the Lender and paying in cash a prepayment fee of 5% of the amount which the Borrower prepays in cash before the Maturity Date. The Lender can during the 14 days' notice period make an election for all or part of the Loan subject to a prepayment notice to be repaid in Shares in which case the 5% fee shall not apply to that proportion of the Loan repaid in Shares.

Conversion of Loan Tranche by Lender

The Lender may at any time during the Facility Period elect to convert all or part of any drawn down amount into such number of new Xtract Ordinary Shares of 0.02p each ("Shares") equal to the amount of the Loan Tranche that is to be repaid at the date of the election, divided by the agreed and fixed conversion price for the relevant Loan Tranche (the "Conversion Shares"). The conversion prices applicable to each of the tranches ("Conversion Prices") are fixed and as follows:

- 1.45p per Share for Loan Tranche 1;
- 1.65p per Share for Loan Tranche 2; and
- 1.85p per Share for Loan Tranche 3.

Conversion of Loan by the Borrower

The Company may at any time during the Loan Period elect to convert all or part of a Loan Tranche if the Share price exceeds 2.2p for five or more business days.

Interest and Fees

The Loan is interest free. The Lender shall be paid an arrangement fee of 7% of the amount of the Facility to be settled by the issue of 5,495,190 new Shares ("Facility Fee Shares") credited as fully paid at an issue price of 1.27p per Share (being the lower of the Five Day VWAP of 1.27p on the date of signing the Facility and 1.3 pence per Share).

On the drawdown of any Loan Tranche the Lender shall be paid a further fee of 2% of the amount of the relevant Loan Tranche which is to be settled by the issue of new Shares credited as fully paid at the five-day VWAP on the date of the relevant Loan drawdown notice.

Shareholding restriction

In the event that conversion of all or part of a Loan Tranche into Conversion Shares would result in the Lender, its associates and any person(s) acting in concert with the Lender owning more than 25% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares (the "Shareholding Limit") then:

- The Company must convert any portion of the Loan and issue such number of Conversion Shares to the Lender that would not constitute a breach of the Shareholding Limit; and
- in respect of the portion of the Loan repayment not converted (the "Unconverted Portion"), the Borrower must pay the Lender the Unconverted Portion in cash on or before the Maturity Date.

No short selling

The Lender has confirmed that neither the Lender nor its associates will short sell the Company's Shares from the date of the Facility agreement until the later of:

- six months from Loan Tranche Three drawdown date; and
- the repayment of the Loan.

Admission to AIM

Application will be made for admission of the Facility Fee Shares to trading on AIM ("Admission"), in aggregate amounting to 5,495,190 new Ordinary Shares ("New Shares") to be admitted to trading on or around 7 October 2020 representing 1.25% of the enlarged share capital of the Company taking into account the New Shares. The New Shares will rank pari passu in all respects with the Company's existing issued ordinary shares.

Total Voting Rights

On Admission of the New Shares, the Company will have 462,798,478 Ordinary Shares in issue with voting rights. Xtract does not currently hold any shares in treasury. Accordingly, this figure of 462,798,478 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 in their interest in, the share capital of the Company under the FCA's Disclosure Guidance and Transparency Rules.

Warrants

On the drawdown of any Loan Tranche, the Lender shall be issued two year warrants over Shares with a face value at the warrant exercise price equal to 50% of the amount drawn down under the Loan Tranche. The exercise price for the warrants applicable to each of the tranches are as follows:

- 1.65p per share for the drawdown of Tranche 1;
- 1.85p per share for the drawdown of Tranche 2; and
- 2.00p per share for the drawdown of Tranche 3.

Further AIM Disclosures

On 4 September 2019, the Company published a TR-1 provided by Sanderson in which Sanderson disclosed an interest in Xtract of 14.199%. While the Company understands that Sanderson subsequently reduced its holding in Xtract to below 10%, the Company has for the purposes of the proposed Facility treated Sanderson as a related party for the purposes of AIM Rule 13 as a substantial shareholder within the prior 12 month period. The Directors of Xtract consider, having consulted with the Company's Nominated Adviser, that the terms of the Facility are fair and reasonable insofar as Xtract's shareholders are concerned. The Directors have noted in particular that the Facility is unsecured and there is no interest payable. Furthermore, the conversion prices for each Loan Tranche are fixed and at a premium to the current market price. In addition, the Company is not obligated to draw down on the Facility if other funding options are available to it at such time. Overall, the Facility provides a standby source of working capital in a manner that minimises current dilution to shareholders at an uncertain time when the impact of COVID-19 is still unknown.

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. The person who arranged for the release of this announcement on behalf of the Company was Colin Bird, Director.

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