



Herencia Resources PLC - HER Offer for Paguanta and Updates
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Herencia Resources plc ("Herencia" or "the Company")

Herencia Receives Offer For Paguanta Conditional Term Sheet Executed Working Capital and Operational Update

Summary

- *The Company has executed a conditional Term Sheet ("**Term Sheet**" or "**Agreement**") with Golden Rim Resources Limited ("**GMR**") for the sale of its 70% ownership in the Paguanta zinc, silver and lead Project in northern Chile.*
- *Consideration of up to US\$2.3 million in cash and GMR equity, and GMR agreeing to pay up to US\$2.1m towards various contingent liabilities.*
- *GMR provides US\$120,000 to Herencia, following signing of the Term Sheet and a further US\$100,000 is payable upon execution of formal agreement.*
- *Golden Rim Resources Limited is a public Company quoted on the ASX.*
- *The Agreement is subject to execution of legally binding agreements, shareholder approval, a successful due diligence ("DD") and several condition precedents ("CP's")*
- *The parties have agreed to negotiate in good faith and, if it is to proceed, are required to execute a formal agreement within 28 days.*

The following provides an update to shareholders on details of the GMR offer and current

activities being undertaken by the Company.

Offer for Herencia's Paguanta Project (70%)

The Company is pleased to announce that it has signed a conditional Term Sheet with Golden Rim Resources Limited ("GMR"), a public company listed on the Australian Securities Exchange (ASX), to acquire Herencia's subsidiary Paguanta Resources (Chile) SA ("PRC"). PRC holds 70% of Compania Minera Paguanta S.A. ("CMP") which, in turn, wholly owns the Paguanta Project.

The Agreement is conditional upon several condition precedents ("CPs") including successful due diligence ("DD") by GMR, and both parties obtaining all necessary consents and approvals. It is agreed that the parties will negotiate in good faith to enter into a formal agreements within 28 days (or such later date as may be agreed by the parties in writing), otherwise the agreement will terminate.

The Directors believe that this proposal represents a positive development for the Company, and assuming the transaction proceeds, it intends to use the proceeds from the disposal to assist with development work on the Company's existing projects; for working capital purposes and to assess current and new opportunities for the Company. Paguanta does not represent all or substantially all of Herencia's Chilean activities or assets.

PRC has no profit or turnover, and Paguanta has a current book value of £12.3m (as at 30 June 2015) although the directors believe the actual value to be higher.

The transaction as proposed is viewed as a fundamental change of business pursuant to AIM Rule 15 and accordingly is conditional on the consent of shareholders being given in a general meeting of the Company. A circular containing, *inter alia*, details of the proposed disposal and convening a general meeting of shareholders of the Company will be dispatched shortly, and a further announcement will be made at that time.

The Agreement will include an exclusivity period of 28 days (unless extended by the parties) for which Herencia will immediately receive a deposit of US\$120,000 (Tranche 1) and a further US\$100,000 (Tranche 2) on signing the formal Agreement, further details below.

Consideration and Additional Terms

The key terms of the transaction, subject to the CPs, are as follows:

- The consideration for the sale and purchase of the PRC Shares, being shares in PRC representing 100% of the total issued capital of PRC, being free of any encumbrance.
 - A cash consideration of US\$1.5 million;
 - GMR will pay all taxes associated with the transaction not to exceed US\$50,000.
- GMR will agree to pay up to US\$2.1 million towards certain contingent liabilities.
- In addition, GMR will agree to issue (subject to obtaining all necessary approvals including shareholder approval) US\$800,000 worth of fully paid ordinary shares issued in the capital of GMR (Shares) at a 20-Day VWAP upon GMR in the event a "decision to mine" is made at the Paguanta Project is made within 5 years from completion of the transaction. If a "decision to mine" is not made within 5 years from the date of Completion, the Share Consideration will not be payable. At this time, should the GMR shares be issued, the Company would look to retain this equity in GMR. A decision to mine is defined as "resolving to commence commercial mining operations over any of the area that is currently comprised of the Paguanta Concessions".

From the execution of the Term Sheet, until the earlier of execution of the formal agreements or 28 days following, Herencia will provide GMR an exclusivity period where it will not look to entertain offers from other parties for the Paguanta project. In consideration for the exclusivity period, GMR will immediately agree to pay Herencia a US\$220,000 deposit, payable as follows:

- (a) US\$120,000 payable immediately (Tranche 1 Deposit); and
- (b) US\$100,000 upon execution of the formal agreement (Tranche 2 Deposit).

The Tranche 1 Deposit is only refundable to GMR if the proposed transaction is not completed for any reason other than as a result of the GMR Conditions not being satisfied or waived (for example, if Herencia withdraws from the transaction). However, the Directors are not aware of any reason why the Tranche 1 Deposit would need to be refunded.

The Tranche 2 Deposit is refundable to GMR if the proposed transaction is not completed for any reason other than as a result of the DD being unsuccessful or GMR Board approval is not forthcoming.

The CPs to completion of the proposed transaction will be set out in the formal agreements. It is proposed that the transaction will be subject to a number of CPs, including the following material CPs:

- (a) GMR completing all commercial, operating, technical, taxation, legal and other due diligence to its satisfaction in its sole and absolute discretion;
- (b) GMR obtaining all necessary approvals (including shareholder approvals) under the Corporations Act 2001(Cth) and/or the ASX Listing Rules for the transaction;
- (c) the receipt of GMR board approval for the transaction; and
- (d) other conditions customary for a transaction of this nature,

There can be no guarantee at this stage, that any transaction will complete.

Operational Update

Whilst the Paguanta due diligence and GMR-Herencia negotiations are underway, all work programs have been either halted or curtailed including some ongoing work at Picachos and Pastizal. The Company is also continuing its comprehensive cost reduction program to ensure maximum use of incoming funds. The following is a brief update on some of the key operational matters:

Picachos Option Payment and Working Capital Update

As part of the Company's cost management program, the Company has renegotiated payment terms for the Picachos option payment now due. A US\$290,000 option payment now due on the Picachos Licence will be paid in two tranches, Tranche 1 of US\$175k has been paid today and a further US\$115k (Tranche 2) to be paid in approximately 3 weeks. Tranche 2 payment is subject to the new Picachos Option payment terms being ratified by the court notary. A further announcement will be made shortly to advise shareholders of the new agreement being ratified along with the new terms.

With the revised Picachos Option payment schedule and Tranche 1 Deposit from GMR the Directors believe that the Company will have sufficient working capital to last until approximately the end of May 2016. There can be no guarantee that the Company will be able to continue to trade after that time.

If the Tranche 2 Deposit from GMR is drawn down, the Company will have sufficient working capital to last until approximately the middle of June 2016. Further updates will be provided in due course.

The Company continues to explore other funding options and is currently in discussions with a number of other parties.

Managing Director, Graeme Sloan, commented:

"The Paguanta Project has been with the Company a long time and although we believe in

the project and a zinc price revival, the timing of this revival continues to frustrate the Company and given our requirement for funds and focus on Picachos, the Board felt that the decision to divest of Paguanta at this time is the right one for shareholders".

Golden Rim Resources are a well-regarded ASX listed exploration and development company who are fully funded and will look to extract full value from the Paguanta project. We look forward to the successful completion of this transaction and progressing our other assets".

About Herencia

Herencia Resources plc, is an AIM quoted exploration and development company operating in Chile. In addition to the Picachos Copper Project, the Company also has the Guamanga Copper Project and the 70% owned Paguanta Project, a high grade silver-zinc-lead project located in northern Chile. The Company's corporate office is located in Perth and the main technical and management office is located in Santiago, Chile where it has been operating for over eight years.

About Paguanta

Paguanta is located in the north of Chile approximately 190 kilometres north-east of the coastal city of Iquique and 30 kilometres west of the Chile-Bolivia border. It is on the north end of the Oligocene Porphyry Copper Belt of Chile that includes the world class deposits of Escondida, Chuquicamata, Collahuasi and Cerro Colorado. Cerro Colorado is a large operating copper mine, operated by BHP Billiton, and is located approximately 35 kilometres south of Paguanta.

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References in this announcement to exploration results and potential have been approved for release by Mr Graeme Sloan (BAppSc Mining Engineering WASM) who has more than 20 years relevant experience in the field of activity concerned. Mr Sloan is a Member of the Australasian Institute of Mining and Metallurgy. Mr Sloan has consented to the inclusion of the material in the form and context in which it appears.

Further background details on the Company can be found at www.herenciaresources.com

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