



Herencia Resources PLC - HER Conditional Funding / Working Capital Update
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Herencia Resources PLC
05 April 2016

Herencia Resources plc

("Herencia" or "the Company")

Herencia Conditionally Secures up to US\$500,000 Funding

Working Capital Update

Summary

Herencia is pleased to announce that today it has executed legally binding term sheets with two of its shareholders, the Australian Special Opportunity Fund ("Lind Partners") and Oriental Darius Co. Ltd ("Oriental" and, together with Lind Partners, the "Shareholders") to advance the Company up to US\$500,000, subject to the satisfaction of certain conditions. It is intended that the funds will be provided equally by the Shareholders (up to US\$250,000 each) and will be divided into two Tranches (Tranche 1 totalling \$200,000 and Tranche 2 totalling \$300,000).

Funding -Tranche 1

Tranche 1 funding totalling US\$200,000 will be provided to the Company by the Shareholders by way of a secured convertible facility ("Tranche 1 Facility") with a Face Value of \$240,000 ("Face Value"), the agreed amount to be repaid by the Company over the term of the agreement. An initial payment of US\$100,000 ("Part 1 of Tranche1") will be drawn down on or around 8 April 2016 provided certain conditions precedent have been met to the satisfaction of the investors including the delivery of the documentation giving Lind and Oriental security over the Company's assets, with the further \$100,000 ("Part 2 of Tranche 1") being drawn down shortly thereafter. The Tranche 1 Facility will have a 0% interest rate per annum, a 24 month term and will be secured against the Company's assets. The security will be released if the Company receives the first payment of US\$2.0 million from the proposed Next Minerals SA Transaction ("Next Transaction"), announced to the market on 3 February 2016. Subject to the Company receiving all necessary shareholders consents, it is also agreed that the Shareholders will be given the option to convert any outstanding Face Value amounts into ordinary shares in the Company at a price per Share equal to the lower of £ 0.0001 or, in the event that the nominal value per Share is reduced in the future, 90% of the average of three daily VWAPs, chosen by the Investor, during the 20 trading days before the conversion ("Conversion Price").

Upon funding the Tranche 1 Facility, the Company has agreed, subject to obtaining all necessary shareholder approvals and consents, to issue the Shareholders options to acquire shares equal to 100% coverage at the time of funding (the "Options"). If granted the Options will be exercisable for 36 months with an exercise price equal to £ 0.0003.

On drawdown each Shareholder will have the right, but not obligation, to appoint one board member. The

appointment of a board member is subject to the consent of the Company's directors, such consent not to be unreasonably withheld and the approval of the Company's Nominated Adviser.

Funding - Tranche 2

The Tranche 2 funds can only be advanced at the discretion of the Shareholders. Subject to receiving all necessary shareholder approvals and consents, it is agreed that the Shareholders will have the option to convert the Tranche 2 funds into ordinary shares, on the same terms as the Tranche 1 funds are converted. In addition, it is agreed that subject to receiving all necessary shareholder consents and approvals the Company will also issue the Shareholders options equal to 100% of the total value of the Tranche 2 face value, which is US\$360,000 (the "Additional Options"). If granted the Additional Options will be exercisable for 36 months with an exercise price equal to 130% of the average of the daily VWAPs during the 20 trading days before the date of drawdown of the Tranche 2 funds.

Further updates will be provided when the Tranche 2 monies are drawn down. The additional terms of the loan are set out below.

Shareholder Interest

If Oriental was to convert all its convertible interests in the Company, including those interests set out in this announcement then, in addition to its current shareholding it will hold 5,095,104,895 Ordinary Shares in the Company representing 36.25% of the total issued share capital in the Company. In addition, if Lind Partners was to convert all its convertible interests in the Company, including those interests set out in this announcement, then in addition to its current shareholding it will hold 5,420,146,101 Ordinary Shares representing 38.56% of the total issued share capital of the Company.

Working Capital Update

The directors believe that, due to prudent cash management, it currently has sufficient cash to support its working capital requirements until no later than the middle of April 2016. At this stage, and due to the complexities of preparing the legal security documentation, there can be no guarantee that the conditions precedent will be satisfied in the required time frame. The Directors and their legal team are progressing this as a matter of urgency, and the Company is continuing to explore other funding options but there is no guarantee that the Company will be able to continue trading after this time.

If the conditions precedent are satisfied the directors believe that the funds from Part 1 of Tranche 1 will support the Company's working capital requirements until the middle/end of April 2016 and the funds from Part 2 of Tranche 1 will support the Company's working capital requirements until the end of April/early May 2016.

If drawn down, at the shareholders discretion, the Tranche 2 funds will then support the Company's working capital position until approximately the end of June 2016.

The Next Transaction, announced to the market on 3 February 2016, is well advanced. Pursuant to an agreement with Next, the Company has agreed subject, *inter alia*, to shareholder approval and completion of satisfactory due diligence by Next to dispose of 100% of the Company's Picachos project for up to US\$5.125 million, over 16 months. The due diligence is progressing well, and the first payment of US\$2million is expected by 30 April 2016 if the transaction is to proceed, however, at this stage, there can be no guarantee that the transaction will proceed. Further updates will be provided in due course.

Related Party Approval

As Lind Partners is a substantial shareholder, the agreement with Lind Partners is a Related Party Transaction under AIM Rule 13 to the AIM Rules for Companies, and the directors of the Company, having consulted with its Nominated Adviser, WH Ireland Limited, consider that the terms of the agreement with Lind Partners is fair and reasonable insofar as its shareholders are concerned.

Additional Conditions

The receipt of the Tranche 1 monies is subject to the following conditions:

1. If required by the Shareholders, the Company will, subject to receiving all necessary shareholder approvals and consents, execute and deliver a secured convertible loan note instrument, option agreement and fixed and floating charge with respect to the Face Value of the relevant convertible securities.
2. If required by the Shareholders, the Company will execute a Securities Purchase Agreement.

3. The directors loans made prior to 29th February 2016 will be amended to delay repayment, such that they will now be repaid on the earlier of:
- the 100% sale of Picachos or in the event the Company retains a minority interest in Picachos then from proceeds from future capital raisings, subject to the Company always having sufficient liquidity for working capital;
 - the conclusion of any reverse takeover or fundamental change of business as defined in Rules 14 and 15 of the AIM Rules for Companies; and
 - any offer for shares in the Company made pursuant to the City Code on Takeovers and Mergers becoming or being declared unconditional (including any scheme of arrangement to effect such an offer becoming effective).

The Company providing an undertaking that it will not utilise the authority granted to the Directors by shareholders pursuant to the remaining resolutions withdrawn from the General meeting on 24th March 2016 (if the Investor requires the Company to call for a General Meeting to vote on the Remaining Resolutions) or Annual General Meeting (if the Investor requires the Company to add the remaining resolutions to be voted upon at the next AGM), other than with respect to the allotment and issue of the Convertible Security, the Second Convertible Security or the Options (or the convertible security pursuant to the February 2016 Term Sheet) (and the allotment and issue of freely tradable Shares to be issued upon conversion and/or exercise of such securities)(Investor's Securities) and the Company will utilise this authority solely for the allotment and issue of Investor's Securities.

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.

For further information please contact:

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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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