

## Regulatory Announcement

**Company** [Pangea DiamondFields](#)  
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**Headline** Loan Facility  
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### **Pangea DiamondFields plc (‘Pangea’, ‘PDF’ or the ‘Company’)**

#### **Loan Facility**

Pangea DiamondFields plc, the diamond producer and exploration company announces that it has today entered into a US\$2 million short term loan facility (the ‘Loan’), to be provided by Pangea Exploration (Proprietary) Limited (‘Panex’).

#### **1. Background to the Loan**

The Company has a stated target of developing three of its projects to commercial status by the end of 2009, including the Cassanguidi project where expansion to commercial status is ongoing at present. As reported in the Company’s interim results announcement on 30 September 2008 and in prior announcements, achieving this objective whilst maintaining Pangea’s existing portfolio of less developed projects, would require significant additional funding. Pangea continues to explore various opportunities to raise the funds required for the Company to develop its assets to the stage where it is cash generative.

Upon the publication of its interim results, the Company noted that as at 25 September 2008, it had cash resources of approximately \$1.82 million, with unsold stock of diamonds in hand valued at approximately US\$0.75 million. As a consequence of the limited cash reserves available to the Company, a number of actions designed to conserve cash and reduce costs have been taken in all areas of the Company’s operations. These actions are focused on “fast-tracking” projects which are near to being cash generative (Cassanguidi and Bakerville) and slowing activities on projects that are likely to be consuming cash in the short term. Most significantly, as conversion of the current Exploration permit to a Mining licence at Dimbi may delay the expansion of operations to a scale which could be cash generative, a decision has been made to reduce materially operational activities at the Dimbi project in the CAR. Exploration activities on a significantly reduced budget will continue on site assuming that the funding situation improves and further progress is made with resource delineation.

Notwithstanding these actions, as at 24 October 2008, the Company had cash resources amounting to approximately US\$230,000 with unsold stock of diamonds in hand valued at approximately US\$0.8 million. The Directors anticipate that the Loan will provide the

Company with sufficient working capital to maintain its current activities for a period of two to three months with careful cash and operational management.

During this time the Directors will work towards finalising current ongoing discussions with regards to raising new equity finance. Any such equity fundraising is likely to target up to US\$15 million of new funds and it is the Director's current intention that all existing shareholders would be given an opportunity to participate. Such a fundraising would likely be priced to reflect the Company's current financial circumstances and to attract the very limited funds available to small cap pre-production mining companies in existing capital market conditions. The Company is also exploring various alternative strategies to maximise the value of its portfolio depending on the availability of funds.

## **2. Summary terms of the Loan**

The Loan is to be provided to Pangea Diamonds (Pty) Ltd ('PDL'), the holding company for Pangea's interests in its South African projects including Bakerville and Harts River. Pangea has a 74% interest in PDL through its wholly owned subsidiary, Efidium Ltd ('Efidium'). The remaining 26% interest is held by Panex.

The Loan is to be advanced and repaid in South African Rand. The Loan will incur interest at a rate of 1% over the South African Prime Overdraft rate and is to be repaid by no later than 28 February 2009. An arrangement fee of 1% of the Loan is also payable.

Panex and Efidium also agree to leave in place the pre-emptive rights to each other which apply in respect of any proposed sale of shares in PDL, and the tag along rights (but not the drag along rights) which apply in the event of any proposed sale of shares by them in PDL.

### *(a) Upon full repayment of the Loan*

In addition to its existing 74% interest in PDL, Efidium currently has an option, which expires on 31 March 2009, to acquire the remaining 26% interest in PDL from Panex for a consideration of \$2.175 million. As an agreed consideration for the past extensions of this option Panex has been permitted by Efidium to defer its pro-rata share contribution towards the funding of PDL of approximately \$920,000 and Efidium has agreed not to institute its consequent legal right to dilute the equity interests of Panex.

The existing Efidium option is to be cancelled upon signing of the Loan agreement. However, upon repayment in full of the Loan, Panex will grant a new option to Efidium, expiring on 30 June 2010, to acquire the 26% interest in PDL from Panex for a consideration of \$2.5 million. As an agreed consideration for this new option and for the making of the Loan, Panex will not be required to contribute to its pro-rata share of the past and future operating costs of PDL and will benefit from anti-dilution protection until 30 June 2010.

### *(b) In the event that the Loan is not repaid by 28 February 2009*

The Loan (plus interest and fees) along with any outstanding additional loans made by Efidium or Pangea to PDL are to be capitalised such that the Panex interest in PDL would increase to 60%.

Immediately after such a capitalisation, Panex shall be entitled to appoint two directors to the PDL board, and PDF and Efidium, collectively, shall be entitled to appoint one director to the PDL board. Panex will also provide administrative, technical and management services to PDL at cost, to include an apportionment of its overhead costs.

Between 1 March 2009 and 30 August 2009, Efidium and Panex shall be obliged to fund the operating costs of PDL pro rata to their respective revised shareholding on loan account to PDL. Should either party be unable to contribute their pro rata portion of the operating costs during that period, the other party will advance the required funding which will bear interest at the South African Prime Overdraft rate plus 3%. If Efidium is unable to contribute its share of the accumulated operating

cost contributions and interest on or before 30 August 2009, PDL has the option to capitalise the outstanding loans made to it in excess of pro rata shareholdings at an issue price determined at the sole discretion of its directors.

### **3. Related Party Transaction**

Panex is a mineral exploration company in which a trust associated with Rob Still, the Company's Deputy Chairman, is a substantial shareholder. Pursuant to Rule 13 of the AIM Rules for Companies, the provision of the Loan therefore constitutes a related party transaction. The Board of the Pangea (excluding Rob Still and Patrick Cooke, who is also a director of Panex), having consulted with Ambrian Partners Limited, the Company's Nominated Adviser, considers that the terms of the Loan are fair and reasonable insofar as its shareholders are concerned.

For further information, please contact:

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