

Buffalo Coal Secures an Additional US\$4.0 Million Loan Facility

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TORONTO, ONTARIO--(Marketwired - Feb 2, 2015) - [Buffalo Coal Corp. \(TSX:BUF\)\(JSE:BUC\)](#) ("**Buffalo**" or "**the Company**") announces that the Company has signed a term sheet (the "Term Sheet") to secure an additional US\$4.0 million loan facility from Resource Capital Fund V L.P. ("RCF").

Despite the restructuring initiatives which have been implemented throughout the Company during 2013 and 2014 and the financing already secured from RCF, current market conditions and operational performance have necessitated further restructuring and a requirement for additional capital in order to improve operating efficiencies, support the Company's working capital requirements during the proposed restructuring period and return to profitability, thereby ensuring that Buffalo remains sustainable into the future.

Under the terms set out in the Term Sheet, the US\$4.0 million will be advanced as a bridge loan ("the Bridge Loan"), and subject to receiving regulatory and shareholder approvals as may be required (the "Approvals"), will roll over into Buffalo's existing US\$25.0 million convertible loan with RCF ("the Existing Convertible Loan"), under the same terms and conditions except for the proposed amendments to the interest rate and conversion price as set out below and the increased amount available under the loan.

Bridge Loan

The Bridge Loan will be used for capital investments, general working capital and to implement the proposed restructuring process at Buffalo's operations in Dundee, South Africa, as announced on December 22, 2014. Funds from the Bridge Loan will be available upon satisfaction of the conditions precedent set out in the Term Sheet and will be drawn on an as needed basis.

The Bridge Loan will bear interest at a rate of 15% per annum, payable on the maturity date which is the earlier of the date on which all Approvals are received or June 30, 2015. Subject to receipt of the Approvals, interest will be payable in common shares of Buffalo ("Common Shares") at a price per share equal to the 20-day volume weighted average price ("VWAP") as at the date the payment is due.

No establishment fees will be incurred on the Bridge Loan.

Upon receipt of the Approvals, the Bridge Loan will roll into the Existing Convertible Loan (as discussed below). If the Approvals are not received by June 30, 2015, the Bridge Loan and all accrued but unpaid interest due to RCF will be immediately due and payable in cash.

Convertible Loan

Subject to receipt of the Approvals, the Bridge Loan will roll over into the Existing Convertible Loan, resulting in an aggregate US\$29.0 million convertible loan facility with RCF (the "Convertible Loan"). The Convertible Loan will have the same terms and conditions as the Existing Convertible Loan, except for the following changes to the interest rate, conversion price and the increased amount available under the loan. The Existing Convertible Loan bears interest at a rate of 12% per annum and is convertible into Common Shares at a price of C\$0.1446. Subject to receipt of the Approvals, the interest rate on the Convertible Loan will be increased to 15% per annum and the conversion price will be decreased to C\$0.0469, a 25% discount to the 5-day VWAP as at the date prior to the date of release of this announcement.

The Approvals

The issuance of Common Shares to RCF in satisfaction of interest obligations under the Bridge Loan, the conversion of the Bridge Loan, and the adjustment of the interest rate and conversion price on the Existing Convertible Facility are subject to regulatory and shareholder approvals. Buffalo intends to seek approval of its shareholders for these matters at the Annual General Meeting to be held no later than June 30, 2015. As these transactions are related party transactions under Multilateral Instrument 61-101, RCF and its affiliates holding Buffalo Common Shares will not vote on these matters at this meeting.

Other Transaction Terms

The Term Sheet provides that if Buffalo terminates the Bridge Loan or is unable to proceed with the Bridge Loan (other than in instances where Buffalo or any of its subsidiaries are unable to proceed with the Bridge Loan because of the failure to obtain regulatory approvals on the terms set out therein, including, but not limited to, any exchange control approvals or approval by the TSX), Buffalo shall promptly pay to RCF a termination fee of 5.0% of the Bridge Loan amount if the Bridge Loan is not advanced, payable in cash.

The Term Sheet provides that the Bridge Loan will be subject to a number of usual and customary conditions precedent for a transaction of this nature, including the execution of definitive transaction documents and will close on February 28, 2015 or such earlier date as the parties may agree.

About Buffalo Coal

Buffalo is a coal producer in southern Africa. It holds a majority interest in two operating mines through its 100% interest in Buffalo Coal Dundee (Pty) Ltd, a South African company which has a 70% interest in Zinoju Coal (Pty) Ltd ("Zinoju"). Zinoju holds a 100% interest in the Magdalena bituminous mine and the Aviemore anthracite mine in South Africa. Buffalo has an experienced coal-focused management team.

Cautionary Notes:

This press release contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the future financial or operating performance of Buffalo and its projects. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Buffalo to be materially different from those expressed or implied by such forward-looking information, including but not limited to: general business, economic, competitive, foreign operations, political and social uncertainties; a history of operating losses; delay or failure to receive board or regulatory approvals; timing and availability of external financing on acceptable terms; not realizing on the potential benefits of the proposed transaction; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of mineral products; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; and, delays in obtaining governmental approvals or required financing or in the completion of activities. Although Buffalo has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. Buffalo does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

Contact

[Buffalo Coal Corp.](#)

Malcolm Campbell

Chief Executive Officer

+27 82 924 4444

malcolm.campbell@buffalocoal.co.za

[Buffalo Coal Corp.](#)

Sarah Williams

Chief Financial Officer

+27 83 781 1405

sarah.williams@buffalocoal.co.za

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