



Hummingbird Resources plc / Ticker: HUM / Index: AIM / Sector: Mining

7 December 2023

## Hummingbird Resources plc

("Hummingbird", the "Group" or the "Company")

### Corporate strategy update, equity placement & TVR

Hummingbird (AIM: HUM) is pleased to announce a corporate strategy update and an underwritten equity placement, part of which is subject to, *inter alia*, shareholder approval.

### Highlights

- Hummingbird is undertaking an equity placement of up to US\$30 million (the "Placement") at a price of 11.2625 pence per Subscription Share (the "Placement Price"), underwritten by a partially conditional US\$25 million investment by the Company's largest shareholder and strategic investor CIG SA ("CIG"), to accelerate its growth strategy, increase exploration, and strengthen its balance sheet to provide capital support for the Group's operations.
- In addition to the Placement, the Company will offer shareholders the opportunity to subscribe for shares at the same price as the Placement through an open offer to be launched in due course (the "Open Offer").
- Hummingbird is in the process of converting its 51% interest in the Dugbe Gold Project, Liberia (the "Project"), into a 51% controlling shareholding interest in TSX-V listed Pasofino Gold Limited ("Pasofino"). The conversion simplifies the ownership structure of the Project, providing clear visibility and control to facilitate more efficient decision-making and project advancement.
- The Group intends to enter into a near term revenue protection strategy through a gold price cost collar over a portion of the Company's production for the first three quarters of FY-2024 in the order of c.60,000 ounces ("oz"), as the Company materially deleverages its balance sheet.
- Yanfolila remains on track to meet its FY-2023 production guidance of 80,000 - 90,000 oz with AISC under US\$1,500 per oz and the ramp-up at Kouroussa continues to progress towards full scale commercial production in early FY-2024.
- The Company is on track to produce c.200,000 oz in FY-2024. Formal FY-2024 Group production and AISC guidance will be provided at the Q4-2023 operational and trading update, expected at the end of January FY-2024.

### Dan Betts, CEO of Hummingbird, commented:

*"Today's announcement of an equity placement, corner-stoned by CIG demonstrates the ongoing support for Hummingbird to implement our growth strategy. The Placement strengthens our balance sheet, increases our exploration activities, and advances the Dugbe Gold Project, through the soon to be controlling interest we have now established in Pasofino. The revenue protection strategy also locks a portion of our FY-2024 gold production as we move to materially deleverage and strengthen our balance sheet.*

*With the ramp-up of Kouroussa progressing, we are set to reach full commercial production in early FY-2024, and remain on track to be a c.200,000 oz per year gold producer next year."*

### Yacouba Sare, Managing Director of CIG SA, commented:

*"Our strategic investment is an endorsement of Hummingbird's strategy for growth to a be multi-asset, multi-jurisdictional gold producer. With a strengthened balance sheet, accelerated exploration plans and the soon to be controlling interest in Pasofino, we believe the Company is well on its way to achieving its near and longer term growth ambitions."*

### Management interview and Webcasts

An interview with Dan Betts, CEO and Interim Chairman on this release is available on the Company's website - [Media - Hummingbird Resources Plc](#).

Additionally, the Company plans to hold a webcast via the Investor Meet Company platform following the release of the Circular. The Placement involves the issue of up to 210,491,795 new ordinary shares of £0.01 of the Company ("Ordinary Shares") (the "Subscription Shares") split across two tranches:

### Equity Placement

The Company is undertaking an equity placement of up to US\$30 million, subject to, *inter alia*, shareholder approval, comprised of a partially conditional US\$25 million investment by CIG (the "CIG Investment") and up to US\$5 million from other investors. The Placement involves the issue of up to 210,491,795 new ordinary shares of £0.01 of the Company ("Ordinary Shares") (the "Subscription Shares") split across two tranches:

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- A firm first tranche of US\$5.5 million, which involves the issue of 38,576,805 Subscription Shares (the "First Tranche Shares"), including the issue of 35,057,991 Subscription Shares to CIG, which will result in a CIG holding of 29.9% in the Company, and;
- A conditional second tranche, subject to, *inter alia*, shareholder approval, of up to US\$24.5 million, which involves the issue of up to approximately 171,914,990 Subscription Shares (the "Second Tranche Shares"), which, before the effect of the below mentioned Open Offer, is expected to see CIG establish a holding of up to c.43% in the Company.

The placement price is 11.2625 pence per Subscription Share (the "Subscription Price").

In addition, the Company will offer shareholders the opportunity to subscribe for new Ordinary Shares at the Subscription Price through an open offer to be launched in due course (the "Open Offer"). Further details, including how qualifying shareholders can participate in the Open Offer, will be provided in the coming weeks with the publication of a shareholder circular containing full details of the Placement (the "Circular").

CIG is conditionally subscribing for up to 142,522,475 of the Second Tranche Shares subject to, *inter alia*, the granting of a Rule 9 waiver by The Panel on Takeovers and Mergers (the "Panel"), to be approved by shareholders independent of CIG, of the obligations that would otherwise fall upon CIG pursuant to Rule 9 of The City Code on Takeovers and Mergers to make an offer for the entire issued share capital of the Company as a result of the potential issue of the Second Tranche Shares to CIG, which will lead to its interest in the Company increasing to over 30 per cent, and potentially up to approximately 43 per cent, dependent on the level of acceptances for the Open Offer. Further details on the Rule 9 waiver will be set out in the Circular.

The First Tranche Shares are expected to be admitted to trading on AIM on 12 December 2023. Conditional upon, *inter alia*, shareholder approval being granted at the General Meeting for the issue of the Second Tranche Shares, the Second Tranche Shares will be admitted to trading on AIM as soon as practicable following the General Meeting.

The Company intends to publish the Circular shortly, which will include a notice of General Meeting, and a further announcement will be made as and when appropriate.

#### Use of proceeds

The Company will allocate the net proceeds to strengthen the balance sheet of the business and advance multiple growth initiatives as part of the Company's growth strategy. These initiatives encompass exploration activities at both the Yanfolila and Kouroussa Gold Mines, as well as maximising the value of the Dugbe Gold Project.

Hummingbird intends to utilise the proceeds of the Placement as follows:

- **Exploration Activities:** c.US\$5 million of the funds will be directed towards increased exploration activities at the Yanfolila and Kouroussa Gold Mines.
  - Hummingbird's exploration team has developed a comprehensive exploration plan from FY-2024 onwards, focused on high-probability targets aimed at increasing Resources to Reserves for the Group, thereby extending the Life of Mine ("LOM") at both operating assets.
- **Dugbe Gold Project Advancement:** c.US\$2 million of the proceeds will be dedicated to progressing the Dugbe Gold Project in Liberia, bringing this highly valuable asset closer to production.
  - The funds will be used to optimise the 2022 Definitive Feasibility Study ("DFS") through FY-2024 and further progress the Project. Hummingbird and Pasofino have identified several opportunities to maximise the value of Dugbe and reduce the overall project capex profile, including the optimisation of power usage, improvements to the metallurgical recovery rates and additional exploration activities.
- **Balance Sheet Strengthening:** The remainder of the proceeds will be used to strengthen the Company's balance sheet through deleveraging and operational initiatives.
  - The funds will be allocated to provide additional capital support for the Group as it completes operational initiatives at Yanfolila including, the Komana East Underground operation, and the ramp up of Kouroussa to commercial production in early FY-2024, as well as supporting the deleveraging of the balance sheet.

#### Conversion of the Ownership of the Dugbe Gold Project

Following the exercise of Pasofino Gold Limited's ("Pasofino" - TSXV: VEIN) option, Hummingbird will, upon approval of its Personal Information Form by the TSX Venture Exchange ("TSXV"), convert its 51% interest in the Dugbe Gold Project into a 51% controlling shareholding interest in Pasofino. The conversion simplifies the ownership structure of the Project, providing clear visibility and control over one of West Africa's largest undeveloped gold projects and facilitating more efficient decision-making and project advancement.

With a pre-tax and post-tax NPV5% (at US\$1,700/oz gold price) of US\$690 million and USD524 million respectively (Pre-tax NPV5% at US\$1,850/oz of US\$920 million), 4.0 million oz in Resources and 2.8 million oz in Reserves, and a production profile of 200,000 oz for the first 5 years of the fourteen years LOM, Dugbe is a strategic asset with significant value upside for Hummingbird's shareholders. For the next 12 months, the Company plans to optimise the Dugbe Definitive Feasibility Study ("DFS") completed by Pasofino to maximise value and progress the Project towards construction. (Full details of the DFS can be found - [www.pasofinogold.com](http://www.pasofinogold.com)),

The conversion is being undertaken pursuant to Pasofino's exercise of its right under an Option Agreement entered in 2020 to acquire Hummingbird's 51% interest in the issued and outstanding shares of Hummingbird Resources (Liberia) Inc. ("HBL"), which holds the interest in Dugbe, and all shareholder loans made by Hummingbird to HBL (the "Dugbe Interest"). This transaction will result in Pasofino becoming the sole owner of the Dugbe Gold Project, subject to the 10% carried interest of the Government of Liberia, and be classified as a subsidiary of Hummingbird.

In consideration for the ownership conversion, Pasofino will issue 54,027,783 new common shares to Hummingbird, granting the Company a 51% shareholding interest in Pasofino, and consequently establishing Hummingbird as a "control person" under the TSXV policies. Pasofino's shareholders approved Hummingbird control person status at the annual general and special meeting held on August 23, 2023. Closing remains subject to the TSXV approving Hummingbird's personal information form, which approval is expected in the near-term.

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In order to affect the ownership conversion, Hummingbird, Pasofino, and its wholly-owned subsidiary, ARX Resources Limited, are entering into a share exchange agreement ("Share Exchange Agreement"), effective upon the Personal Information Form filed by Hummingbird being approved by the TSXV. The Share Exchange Agreement mandates that Pasofino and Hummingbird enter into an investor rights agreement ("Investor Rights Agreement"), pursuant to which the Company is entitled to appoint three members to the board of Pasofino, of which two members have been appointed and the third member will be appointed in due course.

In this regard, in liaison with the Company, Pasofino will appoint Dan Betts (Non-executive Chairman), Stephen Dattels (Non-executive Deputy Chairman), and Thomas Hill (Non-executive Director) to the Board, effective as of the closing, in addition to two of the existing directors - Savaş Sahin and Robert Metcalfe, who will continue as directors of the Board. These directors will serve on the Board until they seek re-election at the next annual meeting of Pasofino's shareholders.

Further details can be found in the announcement by Pasofino via the following link: [www.pasofinogold.com/news](http://www.pasofinogold.com/news)

#### **CIG Investment Details**

CIG will be issued 35,057,991 First Tranche Shares and up to a further 142,522,475 Second Tranche Shares, subject to, *inter alia*, shareholder approval. In total, it is expected that CIG will be issued up to 177,580,466 Subscription Shares and will have a holding of up to approximately 43% per cent in the Company's share capital as enlarged by the issuance of the Subscription Shares, and prior to the effect of the Open Offer.

The terms of the CIG Investment are set out in an investment agreement entered between CIG and the Company and include:

- An undertaking by CIG that it will not (save in limited circumstances) dispose of the Subscription Shares for a period of 12 months from the date of admission of the First Tranche Shares (in the case of the First Tranche Shares) or 12 months from the date of admission of the Second Tranche Shares (in the case of the Second Tranche Shares); and
- The granting to CIG of a pre-emption right in relation to further equity issues by the Company while it holds 20% or more of the Ordinary Shares.

As noted in the Company's 7 February 2023 announcement, CIG is party to a relationship agreement with the Company and the Company's nominated adviser, Strand Hanson Limited, which imposes certain obligations on CIG in its position as a substantial shareholder (as defined under the AIM Rules) in the Company to ensure that the Company will at all times be capable of carrying on its business independently of CIG and the members of its group. The relationship agreement remains in force for so long as CIG's holding remains at 10% or above. Under the terms of the CIG Investment agreement, CIG has also agreed not to make an offer for the Company without the recommendation of the Company's board, for so long as its holding is at 15% or more, subject to limited exceptions.

#### **Related Party Transaction**

CIG is classified as a Substantial Shareholder of the Company pursuant to the AIM Rules for Companies (the "AIM Rules"). The Company entering into the CIG Investment is accordingly classified as a related party transaction pursuant to the AIM Rules. In this regard, the directors of the Company confirm, having consulted with the Company's nominated adviser, Strand Hanson Limited, that they consider that the terms of the CIG Investment to be fair and reasonable insofar as its shareholders are concerned.

#### **Admission and Total Voting Rights**

Application has been made to the LSE for the admission of the 38,576,805 First Tranche Shares, which is expected to take effect on or around 12 December 2023. ("Admission").

Following Admission (of the First Tranche Shares), the Company's issued share capital will consist of 640,495,504 Ordinary Shares, all with voting rights. The Company currently does not hold shares in treasury. The total number of voting rights in the Company following Admission is therefore 640,495,504, which may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in the Company under the FCA's Disclosure Guidance and Transparency Rules.

A further announcement will be made in respect of the admission of the Second Tranche Shares.

<sup>(1)</sup> CIG is controlled by the same principal as the Company's primary lending bank.

**\*\*ENDS\*\***

#### **Notes to Editors:**

Hummingbird Resources plc (AIM: HUM) is a leading multi-asset, multi-jurisdiction gold producing Company, member of the World Gold Council and founding member of Single Mine Origin ([www.singlemineorigin.com](http://www.singlemineorigin.com)). The Company currently has two core gold projects, the operational Yanfolila Gold Mine in Mali, and the Kouroussa Gold Mine in Guinea, which will more than double current gold production once at commercial production. Further, the Company has a controlling interest in the Dugbe Gold Project in Liberia that is being developed by joint venture partners, Pasofino Gold Limited. The final feasibility results on Dugbe showcase 2.76Moz in Reserves and strong economics such as a 3.5-year capex payback period once in production, and a 14-year life of mine at a low AISC profile. Our vision is to continue to grow our asset base, producing profitable ounces, while central to all we do being our Environmental, Social & Governance ("ESG") policies and practices.

For further information, please visit [hummingbirdresources.co.uk](http://hummingbirdresources.co.uk) or contact:

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