

# Mawson West Announces US\$33.4 Million Financing and Debt Restructuring Package

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PERTH, AUSTRALIA -- (Marketwired - Dec. 11, 2014) - [Mawson West Limited](#) ("Mawson West" or "the Company") (TSX:MWE) -

## Highlights:

- C\$5 million private placement by Mawson West of 41.67 million shares at a price of C\$0.12 per share to the Galena Private Equity Resources Fund LP;
- Galena to provide Mawson West with US\$10 million secured loan facility, repayable in September 2017, with interest of 12% per annum, plus the issuance to Galena of warrants exercisable at C\$0.15;
- Galena also to provide Mawson West with a US\$5 million unsecured bridge loan, repayable on or before 28 February 2015, with interest of 12% per annum, plus the issuance to Galena of additional warrants exercisable at C\$0.15, if utilised;
- Galena to backstop Mawson West by agreeing to purchase additional shares for a minimum of C\$8.64 million and up to C\$21.6 million at a price of C\$0.12 per share under contemplated future financing efforts by Mawson West; and
- Maturity Date of the Trafigura Prepayment Facility extended by 9 months to June 2017, US\$19m in repayments deferred and flexibility of proceeds account structure increased to assist with cashflow.

Mawson West is pleased to announce that the Company has finalised a transaction with Galena Asset Management, manager of the Galena Private Equity Resources Fund LP ("Galena") whereby subject to satisfaction of various conditions, Galena will provide the Company with up to US\$33.4 million in financing. In addition, Galena's affiliate entity Trafigura Pte Ltd. ("Trafigura"), the Company's current offtaker and senior lender, will provide additional financial assistance to the Company through amendments to its Prepayment Facility with Trafigura, the Company's senior debt facility, and an extension to the term of its offtake agreement with Trafigura.

Mawson West Chief Executive Bruce McFadzean said: "We are delighted to welcome Galena as our largest shareholder and strategic partner. This transaction strengthens our balance sheet and provides a sound base for Mawson West to establish a strong cash flow and provide opportunity for growth in a difficult market. We are pleased with the support shown by Trafigura and Galena who share the Company's view that Mawson West has quality assets and a strong future as a copper producer. Trafigura's willingness to re-sculpt the debt payment profile to better reflect our production ramp up is welcomed by the Company. Their strong African presence and support provides a great future opportunity for Mawson West shareholders. I am pleased to report that the commissioning of the Kapulo copper mine commenced during November and production is expected to commence during Q1 2015. Upon completion of this transaction, with the balance sheet strengthened, the Company will be focussing on the ramp up and optimisation of both of our copper production projects. We expect to see them producing at their full potential and generating cash flow in 2015."

The proceeds of the financing and the amendments to the Prepayment Facility will be used to provide the Company with sufficient working capital to manage the uninterrupted ramp up of the Kapulo copper mine through to positive cash flows and strengthen its balance sheet to manage its debt repayment requirements.

The completion of the transactions with Galena and Trafigura are subject to receipt of exemptions sought from the Toronto Stock Exchange ("TSX") under a financial hardship application as described below.

Further details on the transaction are set out below.

## Private Placement

Mawson West has entered into a subscription agreement with Galena to raise C\$5.0 million by issuing

41,666,667 ordinary shares in the Company to Galena on a private placement basis at an issue price of C\$0.12 per share. In connection with the financing, Mawson West will pay Galena a 3% brokerage fee satisfied through the issuance of a further 1,164,094 shares at the same price, with the balance paid in cash. The completion of the private placement will result in Galena owning 19.99% of the outstanding shares of Mawson West. Galena will become an insider of Mawson West as a result of the completion of the private placement.

The private placement is expected to complete on or around 17 December 2014 and is subject to the receipt of all necessary regulatory approvals, including the approval of the TSX.

The shares to be issued to Galena under the private placement will be subject to 4 month resale restrictions under Canadian securities laws and the rules of the TSX.

### **Loan Facility**

As part of this financing package, Mawson West's subsidiary, Anvil Mining Congo SA ("AMC"), has entered into a loan facility agreement with Galena whereby Galena will provide AMC with a loan facility of US\$10 million. The facility may be used for general working capital purposes and is to be drawn upon by AMC within 10 business days.

The loan facility has a maturity date of 30 September 2017 and bears interest at a rate of 12.0% per annum. The facility is secured against the shares the Company indirectly holds in AMC, but is subordinate to the existing US\$50 million copper concentrate prepayment facility ("Prepayment Facility") between AMC and Trafigura announced by the Company on 16 April 2014, and is guaranteed by the Company. Mawson West will have the right to prepay the facility in partial repayments of US\$2 million at its sole discretion.

As partial consideration for providing the loan facility, the Company has agreed to issue 75,757,576 ordinary share purchase warrants to Galena having an exercise price of C\$0.15 per share, expiring on 30 September 2017 and being subject to standard anti-dilution adjustments (the "Loan Warrants"). The issuance of the Loan Warrants and Mawson West shares upon exercise of the Loan Warrants is subject to the receipt of all necessary regulatory and shareholder approvals, including the approval of the TSX. If the issuance of the shares issuable upon exercise of the Loan Warrants is approved, it will result in a material effect on control of the Company. If Galena were to exercise the Loan Warrants, it would own approximately 40.9% of Mawson West's outstanding shares.

Mawson West will call a general meeting of its shareholders to seek approval for the issuance of the Mawson West shares upon exercise of the Loan Warrants, as well as certain other matters as described below. Should shareholder approval not be obtained at the shareholders meeting, the Loan Warrants will be satisfied by a cash settlement mechanism that will require Mawson West to, on demand by Galena on any single occasion prior to the maturity date of the loan facility, pay the difference between the exercise price for the Loan Warrants and the closing price of the Company's ordinary shares on the TSX on the date Galena demands payment (the "Cash Settlement Mechanism"). There is no maximum to the potential payment under the Cash Settlement Mechanism. The interest rate of the loan facility will also increase to 15% per annum in the event that shareholder approval is not received for the issuance of Mawson West shares upon exercise of the Loan Warrants.

As described below, the Company intends to make an application to the TSX for an exemption from the requirement to obtain shareholder approval for the issuance of the Loan Warrants under TSX rules, and to include the Cash Settlement Mechanism in the Loan Warrants.

### **Bridge Loan**

Mawson West has also entered into a bridge loan agreement with Galena whereby Galena will provide the Company with a bridge loan of US\$5 million, drawable by Mawson West in whole or in part prior to 31 December 2014. The bridge loan may be used for general working capital purposes.

The bridge loan has a maturity date of 28 February 2015 and bears interest at a rate of 12.0% per annum. The bridge loan is unsecured and is subordinate to the Prepayment Facility between AMC and Trafigura. Mawson West will be obliged to repay the facility from the proceeds of any Additional Financing undertaken as set out below.

As partial consideration for providing the bridge loan, the Company has agreed, if it draws on the bridge loan, to issue an additional 7,575,758 ordinary share purchase warrants (equivalent to 20% of the bridge loan) to Galena having an exercise price of C\$0.15 per share, expiring on 30 September 2017 and being

subject to standard anti-dilution adjustments (the "Bridge Loan Warrants"). The issuance of the Bridge Loan Warrants and Mawson West shares upon exercise of the Bridge Loan Warrants is subject to the receipt of all necessary regulatory approvals, including the approval of the TSX and Mawson West's shareholders. If Galena were to exercise the Bridge Loan Warrants in addition to the Loan Warrants, it would own approximately 42.4% of Mawson West's outstanding shares.

The Bridge Loan Warrants carry the same Cash Settlement Mechanism feature as the Loan Warrants in the event that necessary shareholder approvals are not obtained. The interest rate of the bridge loan facility will also increase to 15% per annum in the event that shareholder approval is not received.

As described below, the Company intends to make an application to the TSX for an exemption from the requirement to obtain shareholder approval for the issuance of the Bridge Loan Warrants under TSX rules, and to include the Cash Settlement Mechanism in the Bridge Loan Warrants.

### **Additional Financing**

Mawson West has also entered into an agreement with Galena under which it has agreed, subject to certain conditions, to backstop Mawson West in additional financing efforts it intends to undertake by purchasing additional shares in any such financing for a minimum of C\$8.64 million and up to C\$21.6 million at a price of C\$0.12 per share ("Additional Financing"). Any exercise of the back-stop agreement is subject to approval by Mawson West's shareholders. A copy of the backstop letter agreement which sets out the conditions to Galena's obligation to provide the additional funding will be filed on SEDAR.

### **Amendments to the Trafigura Prepayment Facility**

Mawson West has also entered into an agreement with Trafigura to amend its Prepayment Facility to extend its maturity date and defer a number of principal repayments. The maturity date of the Prepayment Facility has been extended from 30 September 2016 to 30 June 2017, an extension of 9 months. The principal repayment schedule has also been amended so that the US\$50m of principal repayments that were due between March 2015 and 30 September 2016 under the original repayment schedule have been reduced by US\$19m, with this amount deferred and now repayable during the period 31 December 2016 to 30 June 2017. In addition, Trafigura has agreed to allow additional withdrawals from an offshore proceeds account Mawson West is required to operate under the Prepayment Facility, which will assist Mawson West with managing available cash to meet its costs and other obligations during 2015.

No other changes have been made to the Prepayment Facility and the principal amount owing under the facility of US\$50 million remains fully repayable by the revised maturity date of 30 June 2017.

### **Extension of Offtake Agreement**

Mawson West's existing offtake agreement with Trafigura, which has a current term of 4 years and entitles Trafigura to 100% of the copper concentrate produced from the Dikulushi and Kapulo Projects, has been extended under an amendment agreement for up to a further 5 years. Trafigura has been given a right to match any third party off-take arrangements for an additional 5 years thereafter.

### **Ancillary Rights Agreements**

In connection with this transaction, Mawson West has entered into ancillary rights agreements with Galena and Trafigura under which a number of rights have been provided to Galena and Trafigura in consideration of the financing provided under the transaction and the amendments to the Prepayment Facility agreements. Materially, these include the following:

- Galena will have the right to nominate up to two representatives to the Mawson West Board, out of a total Board of six members. The first director will join the Board upon closing of the private placement and the second director on or before 28 February 2015. Thereafter Galena shall be entitled to retain one nominee as long as it holds 10% or more ownership in Mawson West and two nominees as long as it holds 15% or more ownership in Mawson West, in each case on a fully-diluted basis.
- For a period of up to eight years and provided it continues to hold an interest of 15% or more in Mawson West, on a fully-diluted basis, Galena will have a pre-emptive right to participate in future issues of securities by Mawson West to maintain its percentage interest in the Company on a fully-diluted basis.
- Provided Galena holds at least 20% ownership in Mawson West on a fully-diluted basis, Galena has certain

rights to Mawson West's assistance should it propose to sell any shares of the Company owned by it through a prospectus (provided that the shares to be sold by Galena represent in aggregate at least 10% of the total shares on issue on an undiluted basis), and certain piggyback registration rights should Mawson West propose to sell any securities through a prospectus.

### **General Meeting of Shareholders**

In connection with the transaction, the Company will hold a general meeting of its shareholders (the "Meeting") on a date to be determined (expected to be during February 2015) for the purpose of seeking disinterested shareholder approval (excluding any shares owned by Galena or its affiliates), in accordance with the requirements of Australian law, for the proposed issuance to Galena of any Mawson West shares upon exercise of the Loan Warrants and Bridge Loan Warrants, and any shares under the back-stop arrangement. In the event that the issuance of the shares issuable upon exercise of the Loan Warrants and Bridge Loan Warrants is approved, Galena will own or have the right to acquire a total of 126,164,094 shares of Mawson West, representing 73.6% of the Company's current issued and outstanding shares or 42.4% of the Company's shares on a post-warrant exercise basis.

The TSX also requires shareholder approval because the transactions described herein will result in a material effect on control of the Company if the Loan Warrants and the Bridge Loan Warrants are exercised. As described below, the Company intends to make an application to the TSX for an exemption from the requirement to obtain shareholder approval for the issuance of the Loan Warrants and the Bridge Loan Warrants under TSX rules, and to include the Cash Settlement Mechanism in the Loan Warrants and the Bridge Loan Warrants.

For the resolutions to pass at the Meeting, a simple majority of more than 50% of disinterested shareholders voting in favour of the resolutions will be required. Assuming that shareholder approval is granted, Galena will be able to exercise the Loan Warrants and Bridge Loan Warrants at any time prior to 30 September 2017. Notice of the Meeting and proxy materials will be dispatched in due course which will set out further information regarding these matters, and will include an independent expert's report.

The directors of Mawson West (excluding the Galena nominee) intend to unanimously recommend that shareholders vote in favour of the proposed resolutions at the Meeting and will do so in respect of their own share holdings.

### **TSX Financial Hardship Exemption Application and Status of Listing on TSX**

Under TSX rules, the issuance of the Loan Warrants and the Bridge Loan Warrants would ordinarily require approval of Mawson West's shareholders because the issuance of the warrants will result in the issuance of a total number of issuable listed securities greater than 25% of the Company's outstanding shares at a price less than market price, and because the transaction will result in a material change of control for the Company if the Loan Warrants and the Bridge Loan Warrants are exercised. The reason TSX requires shareholder approval is because TSX views the private placement and the issuance of the Loan Warrants and the Bridge Loan Warrants as one transaction. There is no maximum to the Cash Settlement Mechanism associated with the warrants such that, if paid, it could result in the shares issued under the private placement effectively being issued at a price less than market price (5 day VWAP) less the permitted discount as required under TSX rules. Although the exercise price for the Loan Warrants and the Bridge Loan Warrants is at a significant premium to Mawson West's current share price, shares issuable upon the exercise of warrants are considered as being issued at a price less than market price under TSX rules.

Although Mawson West intends to seek shareholder approval for the issuance to Galena of the shares issuable upon exercise of the Loan Warrants and the Bridge Loan Warrants at the Meeting under Australian law, the Company intends to apply to the TSX pursuant to the "financial hardship" provisions of section 604(e) of the TSX Company Manual for an exemption from the requirement to obtain shareholder approval for the issuance of the warrants, and to include the Cash Settlement Mechanism in the warrants, from the requirement to obtain shareholder approval for the material affect on control resulting from the transaction and for the issuance of private placement shares at a price potentially less than market price (5 day VWAP) less allowable discount under TSX rules. Receipt of such exemption will permit the issuance of the warrants to Galena in advance of the Meeting and the application of the Cash Settlement Mechanism so that the Company will be able to close the loan facility and bridge loan facility transactions.

Mawson West will seek this exemption from the TSX on the basis that the Company is in serious financial difficulty and the immediacy of its capital needs does not afford it sufficient time to seek shareholder approval prior to the issuance of the Loan Warrants and the Bridge Loan Warrants, that is critical to complete the transactions with Galena as soon as possible, and the issuance of the warrants and the inclusion of the

Cash Settlement Mechanism in the warrants is necessary to close the transactions.

In connection with this application to the TSX, Mawson West's board of directors has reviewed and considered the Company's financial position, commitments, prospects and funding requirements and the terms of the proposed transaction with Galena, and in the circumstances, has unanimously determined that the financial hardship application be made to the TSX. The board of directors has unanimously agreed that the Company is in serious financial difficulty in light of its immediate capital requirements, and that the proposed transaction with Galena is designed to improve the Company's financial situation, is reasonable for Mawson West in the circumstances, and represents the only solution practicably available to Mawson West that will enable it to meet the immediate capital needs arising out of its current working capital deficiency on a timely basis.

The completion of the transactions with Galena and Trafigura are subject to receipt of the exemptions sought from the TSX under the financial hardship application.

The Company expects that, as a consequence of its financial hardship application, the TSX will place Mawson West under remedial delisting review, which is normal practice when a listed company seeks to rely on this exemption. Although the Company believes that it will be in compliance with all continued listing requirements of the TSX upon conclusion of a delisting review, no assurance can be provided as to the outcome of that review and therefore continued qualification for listing on the TSX.

### **Filing of Documents**

Copies of the material documents relating to this transaction will be filed under Mawson West's profile on SEDAR.

### **Advisers**

Mawson West's financial adviser in respect of the transaction is Azure Capital Limited.

Gowling Lafleur Henderson LLP through its offices in Calgary, Alberta and London, England acting as legal advisor to Galena, with Baker McKenzie Ltd. advising on matters in Australia.

Ashurst LLP, through its offices in Australia, Wright Legal in Australia and Wildeboer Dellelce LLP in Canada have acted as legal advisors to Mawson West.

### **Conference Call**

Mawson West will host a conference call to discuss the transaction on Thursday, 11 December at 8.30am (North American Eastern Standard Time) (1.30pm London; 9.30pm Perth; 12.30am Sydney).

Chief Executive Officer and Managing Director, Bruce McFadzean, will provide an overview of the transaction, followed by questions from analysts and shareholders.

Interested parties may access the conference call by using the following dial-in numbers.

Canada: 1844 639 3706  
Australia: 1800 268 560  
New Zealand: 0800 466 125  
Hong Kong: 800 900 431  
Malaysia: 1800 817 142  
Japan: 0800 805 0675  
China: 800 803 6213  
Singapore: 800 616 2330  
South Korea: 0079 8612 1013  
United States: 1855 886 6310  
United Kingdom: 0808 234 7273  
International: +61 2 8047 9300

Participant PIN Code: 932935#

Please connect approximately 10 minutes prior to the beginning of the call.

A recorded playback of the conference call can be accessed from the below web address after the event:

<http://www.mawsonwest.com/irm/content/webcasts.aspx?RID=317>.

### **About Mawson West Limited**

Mawson West is a copper and silver-focused resource company listed on the TSX and based in Perth, Australia.

The Company's two key projects are the Dikulushi copper-silver mine and the Kapulo copper mine located in the Katanga province in South Eastern Democratic Republic of Congo ("DRC"). Mawson West also continues to focus on exploring multiple prospective targets located within its significant land holding of approximately 7,300km<sup>2</sup> in the DRC's rich copper belt.

### **About Galena Asset Management**

Galena Asset Management S.A. is a Switzerland based fund manager operated by independent specialist management as part of the Trafigura Group. Galena seeks to draw on the commodity, metals and mining and technical expertise of the Trafigura Group in managing a number of fund products. The Galena Private Equity Resources Fund, closed in September 2014 is a US\$400 million closed end Cayman Islands limited partnership designed to invest in the natural resources sector. Galena invests in late stage and producing assets in a variety of jurisdictions and commodities around the globe.

### **Forward-looking statements**

*This news release contains certain "forward looking statements". These statements reflect management's current beliefs with respect to future events and are based on information currently available to management of the Company. Forward-looking statements involve significant risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including (without limitation) the risks identified in the "Risk Factors" section of the Company's Annual Information Form and other public filings (copies of which may be obtained at [www.sedar.com](http://www.sedar.com)). The results or events depicted in these forward-looking statements may differ materially from actual results or events. Any forward-looking statement speaks only as of the date of this news release and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise.*

*The Toronto Stock Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of the content of this press release.*

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