

IMX Resources and Continental Nickel Agree to Business Combination

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Highlights

- Consolidates ownership of the Nachingwea Nickel Project and simplifies the structure of the two companies
- IMX to be the surviving entity
- Attractive project pipeline underpinned by cash flow from the Cairn Hill Mining Operation
- Clear development strategy to advance the Nachingwea Nickel Project towards production in 2015
- Strengthens balance sheet with greater financial flexibility
- Enhanced trading liquidity and intended dual listing (ASX and TSX)

TORONTO, May 16, 2012 /CNW/ - [IMX Resources Limited](#) (ASX: IXR) ('IMX') and [Continental Nickel Limited](#) (TSXV: CNI) ('Continental') have entered into a definitive arrangement agreement (the 'Arrangement Agreement'), pursuant to which IMX has agreed to acquire all the issued and outstanding common shares in the capital of Continental that it does not already own for shares and warrants in the capital of IMX, by way of a Continental plan of arrangement (the 'Arrangement') under the Canada Business Corporations Act. In connection with the Arrangement, IMX has agreed to apply to list its ordinary shares and the warrants issued under the Arrangement on the Toronto Stock Exchange (the 'TSX'). IMX intends to retain its listing on the Australian Securities Exchange (the 'ASX') and add to its listing the IMX warrants issued under the Arrangement.

The combination of Continental and IMX will see the ownership and control of the Nachingwea Nickel Sulphide Project (the 'Nachingwea Nickel Project' or 'Nachingwea') in Tanzania, consolidated in a single entity.

IMX currently owns approximately 37% of the issued capital of Continental. Nachingwea is operated under a joint venture between Continental and IMX, with Continental owning 75% of the JV and IMX owning 25%. Continental is the operator of the Nachingwea Nickel Project.

Neil Meadows, Managing Director of IMX, said:

"The combination of IMX and Continental results in a stronger company with an impressive pipeline of high quality projects, including 100% of the potentially significant Nachingwea Nickel Project. With the project under single ownership, there is now a clear path to advance towards commencing nickel production.

The attractive asset base, together with a simplified corporate and project structure, dual ASX-TSX listing, an open register and a market capitalization of approximately A\$100 million, provides a strong basis to significantly increase investor focus and the potential for inclusion in major stock market indices."

Dave Massola, President and Chief Executive Officer of Continental, said:

"The consolidation of Nachingwea in a larger and more attractive company significantly enhances the potential to unlock value for shareholders through the timely and optimal development of the project.

With ongoing operating cash flow from Cairn Hill and a substantially improved profile, the combined company is well placed to continue to fund Nachingwea from both internal and external sources. In addition, Continental shareholders gain exposure to the emerging Mt Woods Magnetite Project in South Australia."

Transaction Summary

Under the proposed Arrangement, each Continental shareholder will receive 3.7 IMX ordinary shares plus 0.5 of an ordinary share purchase warrant (equivalent to an option in Australian parlance) for each Continental common share. Each full warrant will entitle the holder to acquire one IMX ordinary share at an

exercise price of A\$0.60 or C\$0.62 per IMX ordinary share (at the sole election of the holder) and will expire three (3) years from completion of the transaction.

Any Continental common shares acquired on exercise of existing Continental options prior to the completion date of the transaction will participate in the Arrangement.

Outstanding Continental options on the effective date of the Arrangement will be entitled to receive replacement IMX options. The number of replacement options and the exercise price of those options will be determined based on the effective exchange ratio of the Arrangement as contemplated by the Arrangement Agreement.

In connection with the Arrangement, IMX expects to issue approximately 99.8 million new ordinary shares, 13.5 million warrants and approximately 12 million options.

Based on the exchange ratio, IMX considers that the offer represents for Continental shareholders 1:

- An implied Arrangement value of approximately C\$1.03 per Continental share²
- A premium of 51% to the last closing price of Continental shares and 45% to the Continental 20-day volume weighted average price³

Upon completion of the transaction, current IMX and Continental shareholders will hold approximately 72.5% and 27.5% of the fully paid ordinary shares in IMX respectively.

Recommended and Supported Transaction

The Board of Directors of Continental, after receiving the recommendation of the Independent Committee of the Board created to oversee the transaction process, has unanimously determined (with Messrs. Nitschke and Haggarty, directors of IMX and Continental, recusing themselves) that the Arrangement is in the best interests of Continental and is fair, from the point of view of the Corporation's shareholders (other than certain interested parties including IMX), and has unanimously recommended that Continental shareholders vote in favour of the Arrangement.

Continental's financial advisor has provided an opinion to the Independent Committee and the Board of Directors to the effect that, subject to certain qualifications and assumptions, the consideration to be received by the Continental shareholders under the Arrangement is fair, from a financial point of view, to Continental shareholders (other than those shares held by certain interested parties including IMX).

In addition, certain major Continental shareholders, being Macquarie Bank Ltd, Geologic Resource Partners LLC and certain of its affiliates and Galena Special Situations Masters Fund, have entered into voting lock-up agreements with IMX and have agreed to vote their Continental shares in favour of the proposed Arrangement, subject to the Arrangement Agreement not being terminated prior to the Continental shareholder vote and certain other conditions. The shares subject to voting lock-up agreements, together with IMX's existing shareholding of approximately 37%, represent approximately 66.4% of the outstanding Continental shares.

Management

The management of IMX will continue to be led by Neil Meadows as Managing Director, with the head office remaining in Perth, Western Australia, but will be strengthened with the addition of key personnel from Continental, including the President and Chief Executive Officer of Continental, Mr. Dave Massola, to assist with the transition.

Other Key Transaction Terms

The transaction will be carried out by way of a court-approved plan of arrangement under the Canada Business Corporations Act and will require the approval of (a) at least 66²/₃% of the votes cast by the shareholders of Continental at a special meeting of the Continental shareholders (including IMX) and (b) a simple majority of the votes cast by the shareholders of Continental, excluding any CNI shares held by certain interested parties, including IMX, in accordance with the requirements of Multilateral Instrument 61-101 - Protection of Minority Securityholders in Special Transactions ('MI 61-101'). The Arrangement is exempt from the requirement to obtain a formal valuation pursuant to MI 61-101 as no securities of Continental are listed on a specified exchange. It is expected that the transaction will be exempt from the

registration requirements of the U.S. Securities Act of 1933, as amended, pursuant to the court approval exemption afforded by section 3(a)(10) under that Act.

The Arrangement Agreement also provides for, among other things, a non-solicitation covenant by Continental, subject to customary provisions that entitles Continental to consider and accept a superior proposal, a right in favour of IMX to match any superior proposal, and the payment by Continental and IMX of a termination payment or expense reimbursement in certain circumstances. The Arrangement is subject to certain other approvals, including IMX shareholder approval (if required) and any applicable regulatory approvals, as well as the satisfaction of certain other closing conditions customary in transactions of this nature.

The issue of IMX securities under the Arrangement may result in a taxable event for Continental shareholders, particularly those residing in Canada and the United States. Continental securityholders are encouraged to consult their tax advisors.

Further information regarding the transaction will be contained in an information circular that Continental will prepare, file and mail to Continental shareholders and make available to IMX shareholders on the IMX website. All shareholders are urged to read the information circular once it becomes available as it will contain additional important information concerning the Arrangement.

Details regarding these and other terms of the Arrangement are set out in the Arrangement Agreement which will be filed on Continental's profile on SEDAR at www.sedar.com.

Financing

In connection with the proposed Arrangement, IMX has agreed to provide an advance on its capital obligation to Nachingwea in the amount of US\$3,750,000. In addition, IMX has agreed to provide a loan for the same amount to Continental to assist Continental in funding its capital obligations in respect of the Nachingwea Nickel Project. The loan is evidenced by a promissory note which provides for the terms of repayment, including Continental's ability to repay amounts outstanding under the note by issuing common shares in the capital of Continental.

IMX is a related party of Continental and accordingly, the loan is subject to the rules contained in MI 61-101 and Policy 5.9 of the TSXV as a related party transaction. A formal valuation in respect of the loan is not required under section 5.4 of MI 61-101 as Continental is not listed on a specified stock exchange in accordance with subsection 5.5(b) of MI 61-101. In addition, Continental is relying on the exemption contained in subsection 5.7(c) of MI 61-101 from the requirement to obtain minority shareholder approval for the loan.

Transaction Timetable

The present intention is to dispatch the necessary shareholder documents on or around late June / early July 2012, providing for the necessary shareholder meeting(s) to be held in late July / early August 2012. On this basis, completion of the transaction is estimated to occur in early to mid August 2012.

Advisors

IMX is being advised in relation to the transaction by Standard Chartered Bank as its corporate advisor, and Stikeman Elliott LLP and Finlaysons as its legal advisors.

GMP Securities L.P. is acting as financial advisor to the Independent Committee of the Board of Directors of Continental and Osler, Hoskin & Harcourt LLP and Corrs Chambers Westgarth are acting as Continental's legal advisors.

About IMX Resources Limited

[IMX Resources Limited](http://www.imxresources.com) (ASX: IXR) is an ASX listed company headquartered in Perth, Western Australia.

IMX is a mining and mineral exploration company with an iron ore mining operation in South Australia, and a pipeline of advanced exploration projects in Australia and Africa, focusing on iron ore, nickel, copper and gold.

IMX operates and owns 51% of the Cairn Hill Mining Operation, located 55 km south-east of Coober Pedy in

South Australia, where it produces a premium coarse-grained magnetite-copper-gold DSO product at a rate of 1.7Mtpa.

In Tanzania, IMX holds an approximate 53% beneficial interest in the Nachingwea Nickel Project in southern Tanzania, which is managed and operated by 75% JV partner, Continental (TSXV:CNI). IMX has an approximate 37% direct equity investment in CNI and a 25% interest in the Nachingwea JV Company.

IMX is actively developing the Mt Woods Magnetite Project on the highly prospective Mt Woods Inlier in South Australia. IMX owns 100% of the iron ore rights of the Mt Woods tenement package.

IMX has also entered into a joint venture with [OZ Minerals](#) (the Mt Woods Copper-Gold JV Project) to explore the Mt Woods tenements for copper and gold. OZ Minerals is spending a minimum of A\$20M for a 51% interest in the non-iron rights, with IMX retaining a 49% interest in the non-iron rights.

IMX owns 25.65% of [Uranex NL](#) (ASX: UNX), which is a dedicated uranium exploration company, which is developing the Mkuju Uranium project in southern Tanzania.

Visit: www.imxresources.com.au

About Continental

[Continental Nickel](#) is focused on the exploration, discovery and development of nickel sulphide deposits in geologically prospective, but under-explored regions globally. The Company's key asset is its 75% interest in the Nachingwea Nickel Project in Tanzania. The project is a 75:25 joint venture between Continental and IMX. Continental also has an option to joint venture on the St. Stephen project in New Brunswick, Canada where the 2010-2012 diamond drill programs discovered Ni-Cu sulphide zones not previously identified.

Information in this announcement relating to Continental has been prepared under the supervision of, or approved by, Patricia Tirschmann, P. Geo., who holds the position of Vice President, Exploration, of Continental.

Visit: www.continentalnickel.com

Cautionary note regarding forward looking statements

Certain statements contained in this press release may contain forward-looking information about IMX and Continental. Forward-looking information can often be identified by the use of forward-looking terminology such as "anticipate", "believe", "continue", "expect", "goal", "intend", "target", "potential", "may", "plan" or "will" or the negative thereof or variations thereon or similar terminology.

Forward-looking information may include, but is not limited to: successful completion of the Arrangement; continued operational and exploration results at each of IMX and Continental's properties; future financial or operating performance of IMX and Continental and their projects; the future price of metals; the long term supply and demand for nickel; continuation of exploration activities; mineral reserve and mineral resource estimates; the realization of mineral resource estimates; and future price of IMX's securities and Continental's common shares.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by IMX and Continental as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The estimates and assumptions of IMX and Continental contained in this news release, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth herein as well as: (1) that IMX and Continental will complete the proposed business combination transaction in accordance with the terms and conditions of the Arrangement Agreement; (2) the accuracy of management's assessment of the effects of the successful completion of the proposed transaction; (3) the accuracy of IMX and Continental's mineral reserve and mineral resource estimates; (4) that production at the Nachingwea Nickel Project will be able to commence consistent with management's expectations; (5) the trading price of securities of IMX and Continental; (6) there being no significant disruptions affecting IMX and Continental's operations, whether due to labour disruptions, supply disruptions, power disruptions, damage to equipment or otherwise; (7) that the exchange rate between the Canadian dollar, the Australian dollar and the US dollar will be approximately consistent with current levels or as set out in this news release; (12) certain price assumptions for nickel; (8) permitting, development and expansion at IMX's and Continental's existing properties, including the preparation of any feasibility studies, on a basis consistent with IMX's and Continental's current expectations; and (9) the ability of IMX to list its ordinary shares and ordinary share purchase warrants on the ASX and

TSX.

The forward-looking information set forth in this news release is subject to various risks and other factors which could cause actual results to differ materially from those expressed or implied in the forward looking information, including the risk that the proposed business combination transaction will not be completed for any reason. Certain of these risks, factors, estimates and assumptions are described in more detail in Continental's most recently reported Management's Discussion and Analysis under the heading "Forward Looking Statements", to which readers are referred and which are incorporated by reference in this news release. These risks, factors, estimates and assumptions are not exhaustive. IMX and Continental disclaim any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

1 Assuming CAD:AUD exchange rate of 1.000

2 Based on the last closing price for IMX on 16 May 2012 of A\$0.270 per IMX share, and based on a Black-Scholes valuation of the IMX warrant of A\$0.057 per warrant (based on a forecast volatility of IMX shares of 60% (derived having consideration for historical IMX trading volatility) as well as other assumptions)

3 Based on the last closing price for Continental on 16 May 2012 of C\$0.68 per Continental share, and on a 20-day volume weighted average price of C\$0.71 per Continental share

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