

Talison Lithium Recommends Tianqi Proposal

06.12.2012 | [Marketwired](#)

PERTH, WESTERN AUSTRALIA -- (Marketwire) -- 12/06/12 -- [Talison Lithium Limited](#) ("Talison" or the "Company") (TSX: TLH) announces that it has today concluded its discussions with Windfield Holdings Pty Ltd, an Australian incorporated wholly-owned subsidiary of Chengdu Tianqi Industry (Group) Co., Ltd (together "Tianqi") and reached agreement under which it is proposed that Tianqi will acquire the balance of the ordinary shares that it does not already own and options in Talison by way of schemes of arrangement for a cash consideration of C\$7.50(1) ("Tianqi Schemes").

Highlights

- The Tianqi Schemes constitute a superior proposal(2);
- C\$7.50 cash offer for each Share
- US\$25 million cash deposit paid by Tianqi in an Australian bank as a reverse break fee
- Minimal conditions
- Talison Directors unanimously recommend Tianqi Schemes, in the absence of a superior proposal
- Talison and Tianqi have entered into a Scheme Implementation Agreement ("Tianqi SIA") with minimal conditions, subject to Rockwood's 5 business day matching right
- Rockwood has a 5 business day right to match, although Talison notes that on November 20, 2012, Rockwood made a "best and final offer" statement which, under Australian policy, is expected to limit Rockwood's ability to increase its offer
- If the Rockwood SIA terminates, Talison expects to pay Rockwood a C\$7 million break fee

Tianqi Proposal

Background

On November 19, 2012, Talison received a non-binding, conditional proposal from Tianqi to acquire all of the Shares of Talison which it did not already own for C\$7.15 per Share via a scheme of arrangement.

On November 21, 2012, the Talison Directors determined that to meet their fiduciary duties Talison would engage with Tianqi and its advisers to determine if the Tianqi proposal represented a superior proposal (as defined in the Rockwood Proposal).

On November 23, 2012, Tianqi received notification from the Australian Foreign Investment Board (FIRB) that it has no objections to Tianqi's proposed acquisition of Talison. Following receipt of this notification Tianqi would own 19.99% of Talison's issued share capital.

At the conclusion of negotiations between Talison and Tianqi an offer price of C\$7.50 per Share was agreed. This values the equity of Talison at approximately C\$848 million on a fully diluted basis.

Recommendation

The Talison Directors have now considered the Tianqi Scheme and determined that it represents a superior proposal (as defined in the Rockwood Proposal). The Talison Directors therefore unanimously recommend that Securityholders vote in favour of the Tianqi Schemes, in the absence of a Superior Proposal (as defined in the Tianqi SIA) and subject to an Independent Expert concluding that the Tianqi Schemes are in the best interests of Securityholders. Each of the Talison Directors intends to vote the Shares and Options held or controlled by them as at the registered holder record date in favour of the Tianqi Schemes.

The cash consideration of C\$7.50 per Share offered under the Tianqi Scheme represents:

- A 15% premium to the consideration under the Rockwood Proposal of C\$6.50; and
- A 77% premium to Talison's last closing price of C\$4.24 on August 22, 2012, the day prior to the

announcement of the Rockwood Proposal.

Resource Capital Fund IV L.P. and Resource Capital Fund V L.P. (collectively, the "RCF Funds") have each confirmed to Talison that, in the absence of an offer which the RCF Funds determine is superior, each of the RCF Funds intend to vote in favour of the Tianqi Share Scheme in respect of the Talison Shares held by them at the relevant time.

Peter Robinson, Chairman of the Board of Talison, said, "Talison is pleased to have reached agreement with Tianqi at the increased price of C\$7.50 per Share under the Tianqi Schemes. This price represents an attractive premium for Securityholders relative to the price under the Rockwood Proposal and reflects positively on Talison's position in the global lithium market. We look forward to a successfully implementing the transaction with Tianqi."

As a sign of its commitment to implementing the Tianqi Schemes without delay, Tianqi has prepaid a US\$25 million reverse break fee into a trust account with an Australian bank. These funds will be paid to Talison if Tianqi fails to obtain financing or fails to deliver payment to Securityholders as required under the Tianqi Schemes. If Tianqi otherwise materially breaches an obligation under the Tianqi SIA, Tianqi is liable to pay a C\$8.4 million break fee.

Talison is liable to pay a C\$8.4 million break fee in certain circumstances. Talison is not liable to pay the break fee by reason only of the Tianqi Schemes not being approved by Securityholders or by the Australian Courts, nor in the event that Talison Directors withdraw their recommendation for the Tianqi Schemes as a result of the Independent Expert concluding that the Tianqi Schemes are not in the best interests of Talison Securityholders.

Any payment of a break fee by either party will be in full and final satisfaction of all claims to which the party paying the break fee may be subject.

The Tianqi Group is Talison's largest customer and one of the largest producers of lithium chemicals in China.

Details and Timetable

The completion of the Tianqi Schemes is subject to minimal conditions including:

- Requisite approvals from the Australian Securities and Investments Commission and the Australian Court;
- Approval of the requisite majorities of Talison Securityholders at meetings of Securityholders;
- No Material Adverse Change (as defined in the Tianqi SIA) occurring in respect of Talison; and
- No Prescribed Occurrence (as defined in the Tianqi SIA) occurring in relation to Talison.

Further due diligence is not a condition to completion of the Tianqi Schemes.

Pursuant to Australian and Canadian securities law, at the meeting of Shareholders to consider the Tianqi Share Scheme, Shares held by Tianqi will not be considered for the purposes of determining the requisite majority.

The Tianqi SIA contains terms typical for a transaction of this nature for an Australian incorporated company, including "no shop" and "no talk" provisions (subject to typical directors' fiduciary duty exemptions), notification and matching rights.

Implementation of the Tianqi Schemes will also be subject to the terms and conditions set out in the Tianqi Schemes documentation when issued.

Further details are included in the executed Tianqi SIA which is available on SEDAR at www.sedar.com and on the Talison website www.talisonlithium.com.

Talison expects that the approval of the Tianqi Schemes will be put to Securityholders at meetings to be held in late February 2013, and that the Tianqi Schemes will be completed shortly thereafter.

Further details of the meetings, including record dates and proxy deadlines will be included in booklets that

will be mailed to Securityholders. The booklets will contain, among other things, further information about the Tianqi Schemes, a copy of the Independent Expert's report and related Securityholder meeting materials.

Assuming the Rockwood SIA is terminated, arrangements will be made for the formal dissolution of the Rockwood proposal.

Advisors

Macquarie Capital is acting as financial advisor to Talison. Clayton Utz and Blake, Cassels & Graydon LLP are acting as legal advisors to Talison.

Cautionary Note Regarding Forward-Looking Statements

Certain information contained in this press release, including any information as to Talison's mineral reserve and mineral resource estimates, strategy, projects, plans, prospects, future outlook, anticipated events or results or future financial or operating performance, may constitute "forward-looking information" within the meaning of Canadian securities laws. All statements, other than statements of historical fact, constitute forward-looking information. Forward-looking information can often, but not always, be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "predicts", "potential", "continue" or "believes", or variations (including negative variations) of such words, or statements that certain actions, events or results "may", "could", "would", "should", "might", "potential to", or "will" be taken, occur or be achieved or other similar expressions concerning matters that are not historical facts. The purpose of forward-looking information is to provide the reader with information about management's expectations and plans. Readers are cautioned that forward-looking statements are not guarantees of future performance. All forward-looking statements made or incorporated in this press release are qualified by these cautionary statements.

Forward-looking statements are necessarily based on a number of factors, estimates and assumptions that, while considered reasonable by Talison, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Such factors, estimates and assumptions include, but are not limited to: anticipated financial and operating performance of Talison, its subsidiaries and their respective projects; Talison's market position; future prices of lithium or lithium concentrates; estimation of mineral reserves and mineral resources; realization of mineral reserve and mineral resource estimates; timing, amount and costs of estimated future production; grade, quality and content of concentrate produced; sale of production; capital, operating and exploration expenditures; costs and timing of the expansion of the Greenbushes Lithium Operations; exploration and development of the Salares 7 lithium project; costs and timing of future exploration; requirements for additional capital; government regulation of exploration, development and mining operations; environmental risks; reclamation and rehabilitation expenses; title disputes or claims; absence of significant risks relating to Talison's mining operations; the costs of Talison's hedging policy; sales risks related to China; currency; interest rates, and limitations of insurance coverage. While Talison considers these factors, estimates and assumptions to be reasonable based on information currently available to it, they may prove to be incorrect and actual results may vary.

Readers are cautioned that forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Talison and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such risk factors include, among others, those described in the unaudited condensed consolidated interim financial statements of Talison as at September 30, 2012 and for the three months ended September 30, 2012 and under the heading "Risk Factors" in the annual information form of Talison for the year ended June 30, 2012 dated September 26, 2012, each of which can be found on Talison's SEDAR profile at www.sedar.com. While Talison considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect and actual results may vary.

Although Talison has attempted to identify statements containing important factors that could cause actual actions, event or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking information contained herein is made as of the date of this press release based on the opinions and estimates of management on the date statements containing such forward-looking information are made. Except as required by law, Talison disclaims any obligation to update any forward-looking information, whether as a result of new information, estimates or opinions, future events or results or otherwise. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information.

(1) The Tianqi Schemes propose that Tianqi will acquire the balance of the ordinary shares in the capital of Talison ("Shares") that it does not already own through a scheme of arrangement for cash consideration of C\$7.50 and 100% of the options to acquire Shares ("Options") through an option scheme of arrangement for cash consideration of C\$7.50 per Option less the exercise price for that Option.

(2) Superior proposal as is defined in the scheme implementation agreement for the proposed schemes of arrangement between Talison and its Shareholders and Optionholders ("Securityholders") that would result in all Talison Securities being acquired by a wholly owned subsidiary of Rockwood Holdings, Inc., ("Rockwood"), as announced on August 23, 2012 (the "Rockwood Proposal").

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<https://www.rohstoff-welt.de/news/138996--Talison-Lithium-Recommend-Tianqi-Proposal.html>

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