

# Forbes Coal Secures US\$6 Million Loan Facility and Announces Concurrent \$2 Million Private Placement

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TORONTO, ONTARIO--(Marketwired - Aug 9, 2013) - **Forbes & Manhattan Coal Corp. (TSX:FMC)(JSE:FMC)** announces that it has entered into a term sheet for a secured US\$6 million convertible loan facility from Resource Capital Fund V L.P. ("**RCF**") with a maturity date of June 30, 2016 (the "**Transaction**"). The loan facility is to be used for general working capital in relation to Forbes Coal's operations and exploration properties in Dundee, South Africa as well as to actively pursue the acquisition of additional South African coal properties.

"The new convertible loan facility provides Forbes Coal with the financial flexibility to enhance its current operations and pursue new ones at a very opportunistic time. We are pleased to have RCF's continued support", commented Stephan Theron, President and CEO of Forbes Coal.

The issuance of common shares to RCF upon conversion of the loan, as interest payments and for the establishment fee are subject to shareholder approval. Forbes Coal will be seeking the approval of its shareholders for these share issuances at the upcoming annual and special meeting to be held on September 11, 2013 and will be filing an amended and restated management information circular in connection therewith. Pursuant to the policies of the TSX and Multilateral Instrument 61-101 ("**MI 61-101**"), RCF will not vote on the resolution approving the issuances of the common shares to RCF under the Transaction.

Subject to receipt of shareholder approval, the loan facility is convertible into common shares of Forbes Coal at a price of C\$0.36 per common share.

Prior to receipt of shareholder approval, the loan will bear interest at a rate of 10% per annum which is payable on each calendar quarter. Upon receipt of shareholder approval, the interest rate will decrease to 8% per annum. If shareholder approval is not obtained, the interest rate of the loan will increase to 15% per annum and the maturity date will be accelerated to June 30, 2014. RCF also has the right to receive interest payments under the loan in common shares, subject to receipt of shareholder approval. The price that such common shares will be issued at will be based on the 20-day VWAP prior to the relevant interest payment date.

In connection with the Transaction, RCF will also receive a 3% establishment fee payable in cash or, at the option of RCF, common shares, subject to receipt of shareholder approval. The common shares to be issued as the establishment fee will be issued at a price of C\$0.36 per common share.

The Transaction is a related party transaction under MI 61-101 and will be subject to minority shareholder approval in accordance with section 5.6 of MI 61-101. Forbes Coal will be relying on the valuation exemption set forth in section 5.5(c) of MI 61-101. Neither Forbes Coal nor, to the knowledge of Forbes Coal, RCF, has knowledge of any material information concerning Forbes Coal or its securities that has not been generally disclosed. Neither Forbes Coal nor any of its officers or directors, after reasonable inquiry, are aware of any prior valuations that have been completed in the past 24 months. RCF currently owns 6,867,443 (19.97%) of the issued and outstanding common shares of Forbes Coal on a non-dilutive basis. Assuming an exchange rate of C\$1.00 = US\$1.00, if RCF converts the entire amount of the loan and chooses to receive the establishment fee in common shares, RCF will be issued an aggregate of 19,576,230 common shares, which would result in RCF holding an aggregate of 26,443,673 (49%) of the issued and outstanding common shares of Forbes Coal.

If RCF chooses to receive all interest payments under the loan in common shares, assuming a conversion

price of \$0.32 (being the 20 day VWAP as of August 9, 2013), RCF will be issued an additional 4,340,766 common shares, which would result in RCF holding an aggregate of 30,784,439 (52.8%) of the issued and outstanding common shares of Forbes Coal.

If RCF chooses to receive all interest payments under the loan facility in cash, the loan is outstanding until maturity of June 30, 2016 and Forbes Coal receives the requisite shareholder approvals, a total of \$1,389,045 of interest would be paid.

Provided that the loan is outstanding and RCF holds common shares or the right to acquire common shares equal to at least 15% of the issued and outstanding common shares of Forbes Coal, RCF has the right to participate in any future financings by Forbes Coal on a pro rata basis to its partially diluted shareholding.

In addition, provided that the loan is outstanding or if RCF holds common shares or the right to acquire common shares equal to at least 15% of the issued and outstanding common shares, RCF will have the right to nominate one individual to the board of directors.

The Transaction is subject to completion of definitive agreements, approval by Forbes Coal's senior lender and regulatory approvals, including without limitation, Toronto Stock Exchange approval and approval of the South African Reserve Bank. The Transaction is expected to close on or about August 15, 2013.

### **Concurrent Private Placement of \$2 Million of Common Shares**

Forbes Coal also announces a non-brokered private placement of common shares at a price of \$0.36 per common share for gross proceeds of up to \$2 million. RCF will not be participating in the private placement. However, if shareholder approval is received, concurrent with the closing of the private placement of common shares, RCF will convert up to \$2 million of the loan into common shares at a price of \$0.36 per common share. The private placement is expected to close on or about September 18, 2013. The private placement remains subject to receipt of regulatory approval.

### **About Forbes Coal**

Forbes Coal is a growing coal producer in southern Africa. It holds a majority interest in two operating mines through its 100% interest in Forbes Coal (Pty) Ltd., a South African company ("Forbes Coal Dundee") 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 (collectively, "the Forbes Coal Dundee Properties"). The mines have a substantial resource base and each mine has a projected life span in excess of 20 years. Forbes Coal is in the process of increasing production at both mines using existing infrastructure and capacity. The company has in-place transportation infrastructure allowing its coal to reach both export corridors and the growing domestic coal market. Forbes Coal has an experienced coal-focused management team.

Please refer to the Company's NI 43-101 compliant technical report on the Forbes Coal Dundee Properties dated March 6, 2013 entitled "Independent Qualified Persons' Report on Forbes Coal Dundee Operations in the KwaZulu-Natal Province, South Africa" at <http://goo.gl/yxQ4O0>, available on the SEDAR profile of the Company at [www.sedar.com](http://www.sedar.com). Additional information is available at [www.forbescoal.com](http://www.forbescoal.com).

### **Cautionary Notes:**

Johan Odendaal, B.Sc.(Geol.), B.Sc.(Hons)(Min. Econ.), M.Sc. (Min. Eng.), a director of Minxcon and an independent Qualified Person, as defined in National Instrument 43-101 has reviewed and approved the scientific and technical information contained in this release.

The ability of Forbes Coal to increase production amounts has not been the subject of a feasibility study and there is no certainty that the proposed expansion will be economically feasible.

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 convertible loan facility with RCF, future financial or operating performance of Forbes Coal and its projects, statements regarding the anticipated improvements in logistical support and anticipated improvements in sales, statements made with respect to prospects for the business of Forbes Coal, requirements for additional capital, government regulation of the mineral exploration industry, environmental risks, acquisition of mining licences, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters. 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 Forbes Coal 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 Forbes Coal 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. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

## Contact

Forbes & Manhattan Coal Corp.  
Stephan Theron  
President and Chief Executive Officer  
+1 (416) 861-5912  
stheron@forbescoal.com  
Forbes & Manhattan Coal Corp.  
Colinda Parent  
VP Corporate Development  
+1 (416) 861-5811  
cparent@forbesmanhattan.com  
[www.forbescoal.com](http://www.forbescoal.com)

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