

Colossus Minerals Inc. Enters Into Agreements for Additional Financing

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TORONTO, Dec. 18, 2013 - [Colossus Minerals Inc.](#) (TSX:CSI)(OTCQX:COLUF) (the "Company" or "Colossus") announced today that, subject to the receipt of regulatory approvals, it intends to enter into agreements with Arias Resource Capital Fund II L.P. and Arias Resource Capital Fund II (Mexico) L.P. (together, the "ARC Funds"), in relation to a two tranche financing (the "Financing") comprised of: (i) a senior secured convertible loan (the "Loan") in the aggregate principal amount of \$4 million, and (ii) a private placement (the "Private Placement") of units (each, a "Unit") of the Company for targeted gross proceeds of approximately \$21 million.

Completion of the Financing is conditional upon receipt of, among other things, all required regulatory approvals. The Company may not draw down on the Loan until Sandstorm Gold Ltd. ("Sandstorm") has entered into a binding term sheet relating to the Sandstorm Amendment Agreement (as defined below), as more particularly described under "Concessions to the Company". Completion of the Private Placement tranche of the Financing will be contingent upon, among other things, the implementation of the proposed amendments to the Notes contemplated by the Noteholders' Resolutions (as defined below), and execution of the Sandstorm Amendment Agreement. The implementation of the proposed amendments to the Notes contemplated by the Noteholders' Resolution and the proposed amendments to the Sandstorm Agreement (as defined below) as contained in the Sandstorm Amendment Agreement will be contingent upon each other.

To facilitate the Financing, certain holders (the "Noteholders") of the Company's outstanding gold-linked notes (the "Notes"), and Sandstorm, with whom the Company has a long-term precious metals purchase agreement with, are considering concessions that would defer and reduce certain of the Company's financial liabilities.

About the Loan

The Loan will consist of the ARC Funds lending up to an aggregate amount of \$4 million (comprised of a \$2 million commitment by the ARC Funds and a "back-stop" commitment for an additional \$2 million in the event the Company is unable to find other lenders to lend the remaining \$2 million). The Loan is expected to close on December 27, 2013 or as soon as practicable thereafter (the "Closing Date"), and will have a maturity date of three months from the Closing Date. Interest will accrue at an annual rate of 20% and, subject to the satisfaction of certain conditions, will be payable at the option of the Company in common shares of the Company (each, a "Common Share"), unless the Noteholders do not approve the Noteholders' Resolutions, in which case the interest will be paid in cash. The price of the Common Shares to be issued in satisfaction of interest will be based on the 10 day volume-weighted average price of the Common Shares prior to the day the interest is due and payable. The Company will also issue an aggregate of 12,500,000 warrants (the "Loan Warrants") to the lenders pro rata on each draw down of the Loan. Each Loan Warrant will have an exercise price equal to the share price of the Company on the Closing Date, and will be exercisable for five years from that date.

A number of events constitute an event of default under the Loan, including certain material adverse changes, non-payment of the amounts owed under the Loan, and failure of Noteholders to approve the Noteholders' Resolutions, as more particularly described under "Concessions to the Company".

Early repayment of the Loan may occur at any time without charge. If the early repayment occurs prior to the approval of the Noteholders' Resolutions, such repayment will be in cash. If the repayment occurs after the approval of the Noteholders' Resolutions, such repayment shall be made in Common Shares, based on the maximum permitted discount to the 10 day volume-weighted average price of the Common Shares prior to the date of notice of repayment.

The Loan will be a secured obligation of the Company and security will rank senior to all unsecured indebtedness of the Company and pari passu with all other future secured indebtedness, subject to the Company's existing secured debt. The lenders will enter into an inter-creditor agreement with Sandstorm concurrently with the closing of the Loan, which will provide that the security granted to the lenders under the Loan will be pari passu with the security granted by the Company to Sandstorm.

The Loan will be convertible in increments of \$1,000, at the option of each of the lenders individually, at any time after the Meeting (as defined below) and prior to the maturity date, into Common Shares at the maximum permitted discount to the 10 day volume-weighted average price of the Common Shares prior to the date of notice of conversion.

During the term of the Loan, and for a period of 18 months after the maturity date (the "Participation Term"), if the Company conducts a private placement (which includes the Private Placement) or public offering, the lenders will have the collective right to purchase securities being offered for a minimum of 50% of the total amount of securities being offered, with such amount to be allocated among each lender pro rata to the amount it has contributed under the Loan. If the Company conducts a rights offering during the Participation Term, the lenders will have the collective right to provide a stand-by commitment for a minimum of 50% of the securities not issued by the Company under certain privileges of the rights offering.

The Loan will be used by the Company to carry on its business until the closing of the Private Placement. Subject to the satisfaction of certain conditions precedent, the Private Placement is anticipated to close shortly after the Noteholders approve the Noteholders' Resolutions at the Meeting.

About the Private Placement

Subject to the receipt of regulatory approvals, the Private Placement is expected to close on or about January 15, 2013. The Private Placement is for Units to be sold for targeted gross proceeds of approximately \$21 million. The price of the Units will be determined in the context of the market, provided that such price will reflect the maximum discount permitted by the Toronto Stock Exchange ("TSX"). Each Unit will consist of one Common Share of the Company and one Common Share purchase warrant (a "Private Placement Warrant") to acquire another Common Share for a period of five years following the closing date of the Private Placement. The Units will be priced in the context of the market but will reflect the maximum discount permitted by the TSX. The Private Placement Warrants will be exercisable at the market price of the Common Shares at the time of pricing of the Units. The Units are expected to be sold pursuant to an agency agreement to be entered into in connection with the Private Placement. Upon closing of the Private Placement, the agent will be paid a commission based on the number of Units sold, but subject to no commission being paid on Units sold to the ARC Funds or to the other lenders of the Loan.

The ARC Funds have agreed to participate in the Private Placement for a minimum amount of \$10 million and up to a maximum amount of \$15 million, as applicable based on certain conditions, and in each case provided the Company receives: (i) a National Instrument 43-101 compliant resource estimate from Roscoe Postle Associates Inc. for the Company's Serra Pelada project; and (ii) a written report from JDS Energy & Mining Inc. for a technically feasible and financially robust project recovery plan for the Serra Pelada project, both in form and substance satisfactory to the ARC Funds.

The Company intends to use net proceeds from the Private Placement to advance the Company's Serra Pelada project in Brazil described in its press release dated December 6, 2013 and for working capital purposes.

Concessions to the Company

In connection with the Financing, the Company intends to hold a special meeting (the "Meeting") of Noteholders on January 10, 2014. At the Meeting, Noteholders will be asked to approve, among other things, resolutions regarding: (i) a deferral until June 30, 2015 of the payments of interest on the Notes due on December 31, 2013, June 30, 2014 and December 31, 2014; and (ii) a reduction of the principal amount outstanding on the Notes from time to time based upon the aggregate amount added to the Company's stated capital account between December 31, 2013 and June 30, 2015, in increments under a prescribed schedule (collectively, the "Noteholders' Resolutions"), all as more particularly described in the notice and management information circular of the Meeting dated December 17, 2013 (the "Circular"). Depending on the amounts added from time to time to the Company's stated capital account between December 31, 2013 and June 30, 2015, and the purchase price for each security, the aggregate outstanding principal amount of Notes may be reduced by up to 60%.

Sandstorm is also considering certain concessions (the "Sandstorm Concessions") in respect of the metals purchase agreement dated September 18, 2012 between the Company and Sandstorm (the "Sandstorm Agreement"), the exact terms of which will be reflected in the terms of an agreement to amend the Sandstorm Agreement (the "Sandstorm Amendment Agreement"). The Sandstorm Concessions are being negotiated and will be made by Sandstorm for the purposes of facilitating the Financing, and are set out in the Circular.

The Circular will be mailed to Noteholders and has been filed on the Company's profile on www.sedar.com.

TSX Matters

Colossus has applied to the TSX for approval for the Financing, including approval for the listing of the Common Shares issuable under the Loan and the Private Placement, including pursuant to the exercise of the warrants thereunder, on the TSX. The Financing is subject to the approval of the TSX. Since the Financing will: (i) materially affect control of Colossus; (ii) provide for the issuance of Common Shares and warrants to an insider of the Company of greater than 10% of the number of Common Shares of the Company which are currently outstanding; and (iii) be done at a discount and for an aggregate number of Common Shares greater than 25% of the number of Common Shares, the rules of the TSX require that, unless an exemption is applicable, the Company obtain approval of the Financing from the holders of a majority of the Common Shares of the Company. However, the rules of the TSX contain an exemption from the requirement to obtain shareholder approval if a committee of independent board members of the Company, free from any interest in the offering and unrelated to the parties involved in an offering, has recommended the offering, and the independent members of the board of directors have resolved that the Company is in serious financial difficulty, the offering is designed to improve the Company's financial condition, and the offering is reasonable for the Company in the circumstances.

By resolution dated November 25, 2013, the Company's board of directors re-constituted its special committee (the "Special Committee") consisting of the Company's three independent directors (which does not include Mr. Arias). On November 27, 2013, the Special Committee retained Dundee Securities Ltd. as financial advisor for the purpose of advising on the Financing. The Special Committee has concluded that the Company is in serious financial difficulty and that the proposed Financing is designed to improve the Company's financial condition and the Financing is reasonable for the Company in the circumstances. This conclusion was reached on the basis that the Company does not have sufficient funds to carry out its business activities and its attempts to raise capital from a variety of sources have been unsuccessful. If the Loan is not completed immediately, and the Private Placement shortly thereafter, the Company and its subsidiaries will not be able to meet their respective obligations including without limitation their obligations to employees and trade creditors. In addition, the Company will not have the resources to pay the interest payments of approximately \$3.3 million due on December 31, 2013 under the Notes unless the Noteholders approve the deferral of the interest payment date at the Meeting. If the Financing is completed, the Noteholders' Resolutions are approved at the Meeting, and the Sandstorm Concessions are effected, the Company will benefit from an inflow of capital as well as deferrals and reductions of financial liabilities.

The TSX has advised the Company that reliance on this exemption will automatically result in a TSX de-listing review period of 120 days to confirm that the Company continues to meet TSX listing requirements. The Company believes the de-listing review is a routine procedure when using this exemption and currently complies with applicable TSX listing requirements. In considering whether the Company complies with TSX listing requirements at the end of the 120 day de-listing review period, the TSX will require that the Company have at least six months of financial resources. While the Company intends to raise additional capital prior to the end of the de-listing review period and be in compliance with applicable TSX listing requirements, there is no assurance that the Company will be able to raise such additional capital on acceptable terms, or at all.

Pro Forma Ownership of Major Shareholders

No shareholder of the Company currently owns or exercises control over a number of Common Shares representing more than 20% of the issued and outstanding Common Shares. The ARC Funds currently hold 30,657,233 Common Shares and 4,966,667 warrants (representing approximately 17.46% of the issued and outstanding Common Shares on a non-diluted basis, and 19.73% on a partially diluted basis). Assuming the Loan is converted and the Private Placement is completed with reference to a market price of \$0.17 per Common Share (based on the five day volume-weighted average price of the Common Shares as of December 17, 2013), and the Private Placement is completed at a 25% discount to such market price, the ARC Funds will hold 171,833,704 Common Shares and 146,143,138 warrants following the completion of the Financing (representing, if \$19 million is raised, approximately 54.25% on a non-diluted basis and approximately 68.70% on a partially diluted basis).

The general partner of the ARC Funds retains the power to make investment and voting decisions in respect of the securities of the Company beneficially owned by the ARC Funds. J. Alberto Arias, who serves as a director of Company, is the sole director of the general partner of the ARC Funds. As such, Mr. Arias may be deemed to share voting and dispositive power with respect to the securities of the Company beneficially owned by the ARC Funds, but disclaims any beneficial ownership of any such securities, except to the extent of his pecuniary interest therein. Mr. Arias, in connection with his service as a director of the Company, has also been granted 125,000 options to purchase Common Shares of Colossus at \$2.92 and \$1.54 for each Common Share. Mr. Arias also disclaims any beneficial ownership of these securities, except to the extent of

his pecuniary interest in the ARC Funds.

Securities Legislation Matters

The Financing may constitute a related party transaction for the purposes of Multilateral Instrument 61-101 and the Company is relying on exemptions from the formal valuation and minority approval requirements of Multilateral Instrument 61-101 based on its financial hardship. A material change report will be filed less than 21 days before the closing date of the Private Placement. The board of directors has determined this shorter period to be reasonable and necessary given the circumstances in order to improve the Company's financial condition in a timely manner.

This news release does not constitute an offer to sell any of Colossus's securities.

Cautionary Statement Regarding Forward-Looking Information

Forward-looking statements in this press release include statements regarding the use of proceeds, timing and nature of future exploration and development programs that are dependent on projections that may change as drilling continues, or if unexpected ground conditions are encountered. The Company does not currently have any mineral properties that are in production or that contain a reserve as defined by National Instrument 43-101. In addition, areas of exploration potential are identified which will require additional drilling to determine whether or not they contain similar mineralization to areas that have been explored in more detail. Significant additional drilling is required at Serra Pelada to fully understand system size.

Except for statements of historical fact relating to Colossus, certain statements in this press release relating but not limited to the Company's exploration and development plans, results of negotiations with Sandstorm in connection with the Sandstorm Concessions, activities and intentions, constitute "forward-looking information" within the meaning of the Securities Act (Ontario) or "forward-looking statements" within the meaning of the United States Private Litigation Reform Act of 1995. These forward-looking statements represent management's best judgment based on current facts and assumptions that management considers reasonable. Forward-looking statements are frequently characterized by words such as "target", "plan", "expect", "project", "intend", "believe", "anticipate" and other similar words, or statements that certain events or conditions "appear to", "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. The factors include but are not limited to risks related to the Company's relationship with COOMIGASP and/or those seeking to control it, the joint venture operation, actual results of exploration activities, the inherent risks involved in the exploration and development of mineral properties, changes in project parameters as plans continue to be refined, delays in obtaining government approvals, the uncertainties of project cost overruns or unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future, the uncertainties inherent to conducting business in Brazil and the rest of Latin America, the availability of equipment and supplies, unexpected adverse climate conditions, the reliance on only a few key members of management, as well as those factors discussed in the section entitled "Risk Factors" in the Company's most recent Annual Information Form which has been filed with Canadian provincial securities regulatory authorities and other regulatory filings which are posted on SEDAR at www.sedar.com. Unless required by law, Colossus undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

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