

# Forbes Coal Reports Progress on Loan Facility

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TORONTO, ONTARIO--(Marketwired - Jan 15, 2014) - **Forbes & Manhattan Coal Corp. (TSX:FMC)(JSE:FMC)** ("Forbes Coal" or the "Company") is pleased to provide additional information on the proposed up to US\$25 million financing (the "Financing") to be provided by Resource Capital Fund V L.P. (the "Lender" or "RCF") comprising: (i) a bridge loan (the "Bridge Loan") in the principal amount of US\$4 million, (ii) a convertible loan (the "Convertible Loan") in the principal amount of up to US\$15 million; and (iii) a refinancing (the "Refinancing") of the existing US\$6 million convertible loan facility that was completed by the Company with RCF on September 6, 2013 (the "Existing RCF Loan"), as previously announced on December 31, 2013.

This news release is provided pursuant to certain requirements of the Toronto Stock Exchange (the "TSX") in connection with an application to rely on the financial hardship exemption in connection with any or all of (i) the Bridge Loan, (ii) the Convertible Loan and (iii) the Refinancing.

The Company has made an application to the TSX to rely on the exemption from the requirement to obtain shareholder approval of the Financing on the basis of financial hardship found at section 604(e) of the TSX Company Manual. The Financing would otherwise be subject to disinterested shareholder approval pursuant to section 607(g)(i) and (ii) and section 501(c) of the TSX Company Manual as a result of (i) the total dilution to current shareholders in connection with common shares ("Common Shares") that may be issued to RCF as a result of the Financing will be in excess of 25% and (ii) it is anticipated that the value of the consideration to be received by RCF (who is an insider of the Company as a result of owning more than 10% of the issued and outstanding Common Shares and having a representative on the board of directors of Forbes Coal), in the form of the respective establishment fees and interest under each of (a) the Bridge Loan (when combined with the consideration to be received by RCF under the Existing RCF Loan); and (b) the Convertible Loan (whether or not combined with the consideration to be received by RCF under the Existing RCF Loan or the Bridge Loan) will exceed 10% of the market capitalization of Forbes Coal.

The Company is in serious financial difficulty. The application to rely on the financial hardship exemption was made upon the recommendation of a special committee of board members free from any interest in the Financing and unrelated to the Lender. The Financing is designed to improve the Company's financial situation, and, based on the determination of the special committee, the Financing is reasonable for the Company in the circumstances.

The TSX has confirmed that the Company may rely on the financial hardship exemption in connection with the Bridge Loan portion of the Financing.

## Bridge Loan

A 5% establishment fee is payable to RCF in connection with the Bridge Loan and the Bridge Loan will bear interest at a rate of 15% per annum, payable in arrears at the end of each calendar quarter. The establishment fee will be payable in Common Shares at a price of C\$0.1446 per Common Share and interest payments will be payable in cash or Common Shares at a price per share equal to the 20-day VWAP as at the date the payment is due and consequently cannot be conclusively determined as at today's date.

The following table illustrates the sensitivity of the number of Common Shares issuable as interest payments on the Bridge Loan to fluctuations in the market price of the Common Shares.

20-day VWAP <sup>(1)</sup>	Number of Common Shares Issuable <sup>(2)(3)</sup>	Total dilution per issuance <sup>(4)</sup>
C\$0.09	20,181,599	57.55 %
C\$0.12	15,136,199	43.16 %
C\$0.15	12,108,959	34.53 %
C\$0.18	10,090,799	28.77 %

C\$0.21	8,649,257	24.66 %
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Notes:

1. The 20-day VWAP for the Common Shares on the TSX on January 13, 2014 was \$0.1501.
2. Assumes the Bridge Loan is outstanding from January 30, 2014 to April 30, 2014 at 15% interest and from May 1, 2014 to June 30, 2017 at 12% interest.
3. Assumes an exchange rate of US\$1.00 = C\$1.0869, being the Bank of Canada noon spot rate of exchange for US\$ in terms of C\$ on January 13, 2014.
4. Total dilution is calculated as the number of Common Shares issued pursuant to the specified issuance divided by the non-diluted number of issued and outstanding Common Shares as of the date of this news release.

The Bridge Loan will mature on June 30, 2014, provided that if Forbes Coal receives all necessary regulatory and/or shareholder approvals as may be required in connection with the Convertible Loan, the Bridge Loan will convert into a convertible loan with the same terms and conditions as the Convertible Loan. The terms of the Bridge Loan will contain standard anti-dilution provisions.

If, prior to conversion of the Bridge Loan into a convertible loan, the establishment fee of US\$200,000 and the interest payments from January 30, 2014 to April 30, 2014 were paid in Common Shares (assuming a 20-day VWAP for the Common Shares of \$0.1501 and an exchange rate of US\$1.00 = C\$1.0869), Forbes Coal would issue an aggregate of 13,604,212 Common Shares to RCF, representing 38.79% of the issued and outstanding Common Shares on a non-dilutive basis, following which RCF would own 21,155,728 Common Shares, representing 43.46% of the issued and outstanding Common Shares.

The gross proceeds of the Bridge Loan will be used for general working capital in relation to Forbes Coal's operations in Dundee, South Africa as well as to facilitate the closing of the Company's Toronto office.

The Bridge Loan is expected to close prior to January 31, 2014.

### Convertible Loan

A 5% establishment fee is payable to RCF in connection with the Convertible Loan, and the Convertible Loan will bear interest at a rate of 12% per annum, payable in arrears at the end of each calendar quarter. Subject to receipt of disinterested shareholder approval, the establishment fee will be payable in cash or Common Shares at a price of C\$0.1446 per share and interest payments will be payable in cash or Common Shares at a price per Common Share equal to the 20-day VWAP as at the date the payment is due and consequently cannot be conclusively determined as at today's date.

The following table illustrates the sensitivity of the number of Common Shares issuable as interest on the Convertible Loan to fluctuations in the market price of the Common Shares.

20-day VWAP <sup>(1)</sup>	Number of Common Shares Issuable <sup>(2)(3)</sup>	Total dilution per issuance <sup>(4)</sup>
C\$0.09	68,906,482	196.48 %
C\$0.12	51,679,862	147.36 %
C\$0.15	41,343,889	117.89 %
C\$0.18	34,453,241	98.24 %
C\$0.21	29,531,349	84.21 %

Notes:

1. The 20-day VWAP for the Common Shares on the TSX on January 13, 2014 was \$0.1501.

2. Assumes the maximum amount under the Convertible Loan (US\$15 million) is drawn, outstanding from April 30, 2014 to June 30, 2017.
3. Assumes an exchange rate of US\$1.00 = C\$1.0869, being the Bank of Canada noon spot rate of exchange for US\$ in terms of C\$ on January 13, 2014.
4. Total dilution is calculated as the number of Common Shares issued pursuant to the specified issuance divided by the non-diluted number of issued and outstanding Common Shares as of the date of this news release.

Subject to receipt of disinterested shareholder approval the principal amount of the Convertible Loan is convertible into Common Shares at a price of C\$0.1446 per Common Share. The market price of the Common Shares for the purposes of the TSX (calculated as the volume-weighted average trading price on the TSX for the five days prior to December 30, 2013, the date the Financing was agreed to) (the "**Market Price**"), was \$0.1435, therefore the conversion price of \$0.1446 represents a 0.77% premium to the Market Price.

The Convertible Loan matures on June 30, 2017. The terms of the Convertible Loan will contain standard anti-dilution provisions.

The gross proceeds of the Convertible Loan will be used to provide further funds for general working capital which will allow the Company to enact strategies to improve its operations in Dundee, South Africa as well as to provide for further necessary capital investment.

The Convertible Loan is expected to close by April 30, 2014.

### **Refinancing of the Existing RCF Loan**

The Existing RCF Loan is currently convertible into Common Shares at a price of C\$0.36 per Common Share. Assuming an exchange rate of US\$1.00 = C\$1.0869, if the Lender converts the entire amount of the Existing RCF Loan into Common Shares (assuming no additional Common Shares are paid as interest), the Lender will be issued an aggregate of 18,115,000 Common Shares, which would result in the Lender holding an aggregate of 25,666,516 (48.26%) of the issued and outstanding Common Shares.

The Lender also has the right to receive interest payments under the Existing RCF Loan in Common Shares, at a price per Common Share equal to the 20-day VWAP prior to the date the interest payment is due.

Subject to receipt of disinterested shareholder approval, the Existing RCF Loan will be refinanced as part of the convertible loan facility and will contain the same terms and conditions as the Convertible Loan.

The number of Common Shares potentially issuable in satisfaction of interest payments on the Existing RCF Loan (as proposed to be refinanced) will be calculated with reference to the 20-day VWAP as at the date the payment is due, and consequently cannot be conclusively determined as at today's date. The following table illustrates the sensitivity of the number of Common Shares issuable as interest on the Existing RCF Loan to fluctuations in the market price of the Common Shares.

20-day VWAP <sup>(1)</sup>	Number of Common Shares Issuable <sup>(2)(3)</sup>	Total dilution per issuance <sup>(4)</sup>
C\$0.09	26,109,422	74.45 %
C\$0.12	19,582,067	55.84 %
C\$0.15	15,665,653	44.67 %
C\$0.18	13,054,711	37.22 %
C\$0.21	11,189,752	31.91 %

Notes:

1. The 20-day VWAP for the Common Shares on the TSX on January 13, 2014 was \$0.1501.

2. Assumes conversion of the maximum amount outstanding under the Existing RCF Loan into a loan with the same terms as the Convertible Loan, outstanding from April 30, 2014 to June 30, 2017.
3. Assumes an exchange rate of US\$1.00 = C\$1.0869, being the Bank of Canada noon spot rate of exchange for US\$ in terms of C\$ on January 13, 2014.
4. Total dilution is calculated as the number of Common Shares issued pursuant to the specified issuance divided by the non-diluted number of issued and outstanding Common Shares as of the date of this news release.

The table below illustrates the number of Common Shares that could be issued upon the occurrence of any of the establishment fee for the Bridge Loan or the Convertible Loan, or the interest payments and principal for each of the Bridge Loan, Convertible Loan and Existing RCF Loan (as refinanced), being satisfied through the issuance of Common Shares, and the respective percentage of the outstanding Common Shares held by RCF as a result of each such occurrence.

Bridge Loan <sup>(1)</sup>			
	Dollar Value (US\$)	Number of Common Shares Issuable	Percentage of issued and outstanding Common Shares held by RCF on
Establishment Fee <sup>(4)</sup>	\$ 200,000	1,503,320	
Interest Payments <sup>(4)(5)</sup>	\$ 1,671,123.29	12,100,892	
Principal Amount <sup>(4)</sup>	\$ 4,000,000	30,066,390	
Total	\$ 5,871,123.29	43,670,602	

Notes:

1. Assumes the Bridge Loan is outstanding from January 30, 2014 to April 30, 2014 at 15% interest and from May 1, 2014 to June 30, 2017 at 12% interest.
2. Assumes the maximum amount under the Convertible Loan (US\$15 million) is drawn, outstanding from April 30, 2014 to June 30, 2017.
3. Assumes conversion of the maximum amount outstanding under the Existing RCF Loan into a loan with the same terms as the Convertible Loan, outstanding from April 30, 2014 to June 30, 2017.
4. All calculations based on an assumed exchange rate of US\$1.00 = C\$1.0869, being the Bank of Canada noon spot rate of exchange for US\$ in terms of C\$ on January 13, 2014.
5. Share issuances in satisfaction of interest payment obligations are calculated at C\$0.1501, being the 20 day VWAP as of January 13, 2014.

If the establishment fees under both the Bridge Loan and the Convertible Loan and all interest payments under the Bridge Loan, the Convertible Loan and the Refinancing were paid in Common Shares (on the basis of the assumptions noted in the table above), and the entire principal amount of the Financing (being US\$25 million) was converted into Common Shares (on the basis of the assumptions noted in the table above), Forbes Coal would issue an aggregate of 264,128,160 Common Shares to RCF, following which RCF would own 271,679,676 Common Shares, representing approximately 91% of the issued and outstanding Common Shares.

The table below illustrates the total dilution to existing shareholders if RCF accepts payment of the establishment fee for the Bridge Loan and Convertible Loan in Common Shares, chooses to accept payment of interest on the Bridge Loan, Convertible Loan and Existing RCF Loan in Common Shares, and converts the entire amount of the Bridge Loan, Convertible Loan and Existing RCF Loan (as refinanced) into Common Shares.

Bridge Loan <sup>(1)</sup>				Convertible Loan <sup>(2)</sup>	
	Dollar Value (US\$)	Number of Common Shares Issuable	Total Dilution (%) <sup>(4)</sup>	Dollar Value (US\$)	Number of Common Shares Issuable
Establishment Fee <sup>(5)</sup>	\$ 200,000	1,503,320	4.29	\$ 750,000	5,625,000
Interest Payments <sup>(5)(6)</sup>	\$ 1,671,123.29	12,100,892	34.50	\$ 5,705,753.42	41,338,753.42
Principal Amount <sup>(5)</sup>	\$ 4,000,000	30,066,390	85.73	\$ 15,000,000	112,700,000
Total	\$ 5,871,123.29	43,670,602	124.52	\$ 21,455,753.42	159,738,753.42

Notes:

1. Assumes the Bridge Loan is outstanding from January 30, 2014 to April 30, 2014 at 15% interest and from May 1, 2014 to June 30, 2017 at 12% interest.
2. Assumes the maximum amount under the Convertible Loan (US\$15 million) is drawn, outstanding from April 30, 2014 to June 30, 2017.
3. Assumes conversion of the maximum amount outstanding under the Existing RCF Loan into a loan with the same terms as the Convertible Loan, outstanding from April 30, 2014 to June 30, 2017.
4. Total dilution is calculated as the number of Common Shares issued pursuant to the specified issuance divided by the non-diluted number of issued and outstanding Common Shares as of the date of this news release.
5. All calculations based on an assumed exchange rate of US\$1.00 = C\$1.0869, being the Bank of Canada noon spot rate of exchange for US\$ in terms of C\$ on January 13, 2014.
6. Share issuances in satisfaction of interest payment obligations are calculated at C\$0.1501, being the 20 day VWAP as of January 13, 2014.

If the establishment fees under both the Bridge Loan and the Convertible Loan and all interest payments under the Bridge Loan, the Convertible Loan and the Refinancing were paid in Common Shares (on the basis of the assumptions noted in the table above), and the entire principal amount of the Financing (being US\$25 million) was converted into Common Shares (on the basis of the assumptions noted in the table above), the aggregated 264,128,160 Common Shares Forbes Coal would issue to RCF would represent total dilution of 753.14% to existing Forbes Coal Shareholders.

Forbes Coal will call and hold a special meeting of shareholders to obtain disinterested shareholder approval for each of the Convertible Loan and the Refinancing. Common Shares held by RCF will be excluded from the votes required to approve the Convertible Loan and the Refinancing as RCF is a party to the Financing. RCF currently owns 7,551,516 (21.5%) of the issued and outstanding Common shares on a non-dilutive basis.

The Financing 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. Forbes Coal does not have 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 will have the right to participate in any future financings by the Company on a *pro rata* basis, to its partially diluted shareholding. In addition, provided that RCF holds Common Shares or the right to acquire Common Shares equal to at least 10% of the issued and outstanding Common Shares, RCF will have the right to nominate one individual to the board of directors. If RCF holds Common Shares or the right to acquire Common Shares equal to at least 30% of the issued and outstanding Common Shares, RCF will have the right to nominate two individuals to the board of directors. If RCF holds Common Shares or the right to acquire Common Shares equal to at least 50% of the issued and outstanding Common Shares, RCF will have the right to nominate three individuals to the board of directors.

### **TSX Delisting Review**

The TSX has informed the Company that it will be placed under remedial delisting review in connection with the Company's application for reliance on the financial hardship exemption from shareholder approval. Delisting review is customary practice under TSX policies when a company requests relief in reliance on this exemption.

### **About Forbes Coal**

Forbes Coal is a 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 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. Forbes Coal has an experienced coal-focused management team.

#### Cautionary Notes:

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 Financing with RCF, use of proceeds, references to the future financial or operating performance of Forbes Coal and its projects. 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.

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