

# Chaparral Gold Announces Filing and Mailing of Directors' Circular - Over 50% of Shareholders indicate they do not intend to Tender to Waterton Hostile Bid

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SCOTTSDALE, AZ, March 6, 2014 /CNW Telbec/ - [Chaparral Gold Corp.](#) ("Chaparral" or the "Company") (TSX: CHL) announced today that it has filed with the Canadian regulators, and has mailed to its shareholders (the "Shareholders"), a directors' circular (the "Directors' Circular") in response to the hostile take-over bid (the "Hostile Bid") made by Waterton Precious Metals Fund II Cayman, LP ("Waterton") on February 19, 2014 to acquire 100% of the common shares of the Company (the "Common Shares") at C\$0.50 per share in cash.

The Directors' Circular contains the unanimous recommendation of the Company's board of directors (the "Board") that the Chaparral Shareholders REJECT the Hostile Bid by Waterton and DO NOT TENDER their Common Shares.

Shareholders (including all directors and officers of the Company) holding in aggregate over 50% of the outstanding Common Shares have indicated that they do not intend to tender their Common Shares to the Hostile Bid as described below.

The Board's recommendation to Shareholders to REJECT THE HOSTILE BID is based on numerous factors, including the recommendation of the special committee of independent directors (the "Special Committee") and an opinion provided by the Company's financial advisor, Maxit Capital LP, with respect to the financial inadequacy of the Hostile Bid by Waterton. The full text of the opinion is attached as Schedule "A" to the Directors' Circular.

The Board urges the Company's Shareholders to read the Directors' Circular in its entirety. A copy of the Directors' Circular is available on SEDAR ([www.sedar.com](http://www.sedar.com)) under the Company's profile.

The following is a summary of the principal reasons listed in the Directors' Circular for the Board's recommendation that Shareholders REJECT the Hostile Bid by Waterton and DO NOT TENDER their Common Shares:

1. The Hostile Bid implies negative value for Company's mineral properties.

The Hostile Bid is not credible as it implies that the Company's two open-pit, heap leach gold projects in Nevada are worthless and, net of the Company's estimated working capital, implies a negative value for Chaparral's mineral properties. Effectively Waterton is using Chaparral's cash and receivables to fund Waterton's proposed acquisition of Chaparral.

2. The Board is aggressively pursuing value-enhancing alternatives.

Viewing the Hostile Bid as inadequate, the Board and Special Committee have been working, together with Chaparral's management and financial and legal advisors, to develop, review and evaluate a range of alternatives consistent with the Board's focus on maximizing value to the Shareholders. These alternatives include engaging in discussions with third parties regarding value-enhancing alternatives.

3. The Hostile Bid fails to recognize the strategic value of Company's asset base.

The Shareholders currently have indirect 100% ownership of two heap leach gold projects in mining-friendly Nevada. The Company's flagship Goldfield property is a relatively high-grade, low-cost, near-term gold heap leach production scenario. The Company's other project, Converse, contains a large gold resource and provides considerable leverage to the gold price. The Hostile Bid, being all cash, would deprive Shareholders of their exposure to the cash generating potential and gold price optionality of these two high-quality development projects.

4. The timing of the Hostile Bid is opportunistic.

In 2013, the gold price decreased 28%, representing the greatest annual percentage decrease in gold since 1981, and the end of twelve consecutive annual gold price increases. Waterton is attempting to acquire the Company at a time when the Common Share price has been significantly impacted by the current challenging commodity price environment.

At the time of the announcement of the Hostile Bid, the Company had been trading on the Toronto Stock Exchange ("TSX") as an independent company for only 34 trading days (since December 30, 2013) and, as a result, has not had a full opportunity to re-rate to the trading price levels of its peer group with similar development gold projects in favorable jurisdictions. The Hostile Bid would prevent the Shareholders from benefiting from this potential re-rating of the Common Share price.

5. The Hostile Bid is significantly below precedent multiples for similar-scale gold developers.

The Hostile Bid represents a significant discount to the Price to Net Asset Value ("P/NAV") multiples and Enterprise Value ("EV") per ounce of gold economic parameters that have been paid in prior acquisitions of similar-scale gold developers.

6. The Hostile Bid represents an immaterial premium to the Common Share price

The Hostile Bid of C\$0.50 per share represents a meager 14.9% premium to the closing price of the Common Shares on the TSX on February 14, 2014 (the last trading day prior to the announcement of the Hostile Bid). Furthermore, as at March 3, 2014, the Hostile Bid represented a 16.6% discount to the closing price of C\$0.60 for Common Shares on the TSX on the same day. The Common Shares have not traded at or below the Hostile Bid price since the Hostile Bid was announced.

7. Waterton's own financial advisors recognize the scarcity value of assets similar to Goldfield.

In a research report dated September 11, 2013, National Bank Financial ("NBF"), financial advisor to Waterton, highlights the "absolute scarcity of near-term development projects at a time when many mid-tier and senior producers are seeing their production profiles decline." In the same report, NBF depicts recent acquisitions and historical take-out multiples where the take-out averages as compiled by NBF equate to a P/NAV of 0.83x and an EV/Resource of US\$98/oz. Applying those multiples to Chaparral would imply a dramatically higher price range than the Hostile Bid.

8. Chaparral has a strong balance sheet and no near-term dilution risk for Shareholders.

Contrary to Waterton's assertions, with approximately US\$43 million in cash and a further US\$18 million in receivables, Chaparral is in an enviable position, with one of the strongest balance sheets in its peer group. Further, given that the Company's flagship Goldfield project is currently in the permitting phase and that Converse is currently under evaluation, the Company and its Shareholders are not subject to any onerous property holding costs, capital requirements or near-term financing requirements.

The Company's financial future is strong and it is under no financial duress. In fact, Waterton is essentially attempting to use the Company's own working capital to acquire Chaparral's mining properties.

9. The Hostile Bid is financially inadequate.

Maxit Capital LP, financial advisor to the Company, has opined to the Special Committee and the Board that as of February 26, 2014, and based upon and subject to the assumptions, limitations and qualifications set forth therein, the consideration offered under the Hostile Bid for the Common Shares is inadequate, from a financial point of view, to the Shareholders, other than Waterton and its affiliates.

10. Rejection of the Hostile Bid by Shareholders.

Following initial canvassing of Shareholder sentiment, the Company has received correspondence from Shareholders opposing the Hostile Bid and stating that as of the date of said correspondence, Shareholders, excluding the directors and officers of the Company, representing approximately 49% of the outstanding Common Shares, did not intend to tender to the Hostile Bid. Although the Company believes that the correspondence received reflects the current intentions of such Shareholders, there can be no assurance that such Shareholders will not withdraw their opposition to the Hostile Bid prior to the expiry of the Hostile Bid at 5.00pm on March 27, 2014, or any subsequent time and date set.

11. Rejection of the Hostile Bid by Chaparral's directors and officers.

The directors and officers of Company do not intend to tender any of their Common Shares to the Hostile Bid. The directors and officers of the Company, after giving effect to the exercise of all of their stock options,

would hold an aggregate of 5,394,527 Common Shares, representing approximately 4.5% of the outstanding shares on a fully-diluted basis.

## 12. The Hostile Bid is highly conditional.

The Board is concerned that the Hostile Bid is highly conditional, to the benefit of Waterton, and contains 12 conditions which must be satisfied or waived before Waterton is obligated to take up and pay for Common Shares tendered under the Hostile Bid.

For these reasons, the Board unanimously recommends that Shareholders REJECT the offer and NOT TENDER their Common Shares to the Hostile Bid. Shareholders who have already tendered their Common Shares to the Hostile Bid and wish to withdraw them, may do so by following the withdrawal procedures provided in Section 7 of the Waterton Offering Circular.

## About Chaparral Gold

Chaparral is a Nevada-focused precious metals company actively permitting the 100%-owned Gemfield deposit at the Goldfield property, in central Nevada. In addition to the Goldfield property, Chaparral holds a 100% interest in the advanced-stage Converse property, also located in Nevada. As at March 6, 2014, the Company had 117,636,376 Common Shares issued and outstanding.

At December 31, 2013, Chaparral had estimated working capital of C\$59.7 million (including cash and equivalents of C\$49.0 million).

## **Cautionary Statements:**

*Some of the statements contained in this release are "forward-looking statements" within the meaning of Canadian securities law requirements, including statements relating to the Company's plans in respect of the Hostile Bid and in respect of its Goldfield and Converse properties. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from anticipated results include the emergence of potential alternative transactions to the Hostile Bid, or potential amendments to the terms of the Hostile Bid by Waterton, and in respect of the Goldfield and Converse properties, risks of delays in the permitting process and risks of obtaining required construction financing. Except as required pursuant to applicable securities laws, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

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