

# Mandalay Resources to Acquire Elgin Mining

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TORONTO and VANCOUVER, Jun 4, 2014 - [Mandalay Resources Corp.](#) ("Mandalay") (TSX:MND) and [Elgin Mining Inc.](#) ("Elgin") (TSX:ELG) announced today that they have entered into an arrangement agreement pursuant to which Mandalay will acquire all of the outstanding common shares of Elgin for consideration consisting of C\$0.37 cash or 0.4111 of a Mandalay common share per Elgin common share, subject to pro ration. The total transaction value is approximately C\$70 million.

Based on the closing price of Mandalay's shares on June 3, 2014, the implied transaction value of C\$0.37 per Elgin share represents an 85% premium to Elgin's closing share price of \$0.20 on June 3, 2014, the last trading day before announcement of the transaction and a 53% premium to Elgin's 20 day volume-weighted trading price of \$0.24 on June 3, 2014.

The transaction will add Elgin's Björkdal gold mine in Sweden as Mandalay's third producing and positive cash flow generating asset. Björkdal is a safe, highly productive, mechanized underground and open pit mine with a highly automated processing plant producing gravity gold concentrate and flotation gold concentrate. Elgin's full-year production guidance for Björkdal in 2014 is 44,000 to 49,000 ounces of gold at US\$886 to US\$982/oz cash cost and US\$1,088 to US\$1,207/oz all-in cost. With Björkdal's forecast production for the second half of 2014 added to Mandalay's existing production guidance, Mandalay's total gold equivalent production guidance for 2014 increases to 152,000 to 167,000 gold equivalent ounces.

Brad Mills, CEO of Mandalay, commented, "Mandalay's core strategy is to acquire cash flowing or near cash flowing assets in geopolitically stable and mining-supportive jurisdictions that have excellent exploration potential and where Mandalay's operational expertise can make a material difference to the performance of the asset in the short to medium-term. The Björkdal mine is an ideal fit for Mandalay. Elgin has already identified and initiated optimization strategies for Björkdal mine. These, coupled with Mandalay's mine design and execution experience, will insure the operational strategies being deployed at Björkdal achieve maximum impact. We believe that the application of Mandalay's financial and technical resources can help the Björkdal mine significantly grow production and materially reduce costs per ounce in the coming 12 to 36 months. We expect that with this growth, this transaction will be highly accretive to Mandalay shareholders on an EBITDA, earnings per share, net asset value, free cash flow per share, and reserves and resources per share basis from 2015 onwards at current metal prices."

Patrick Downey, CEO of Elgin stated, "The combination of Mandalay and Elgin will provide our shareholders with the opportunity to gain exposure to a growing and profitable producer with operations in politically and fiscally stable jurisdictions, while still providing exposure to the upside at Björkdal. Mandalay has an excellent track record of growing and optimizing mine operations and producing value for their shareholders. With their balance sheet and technical expertise, I believe that the combined company will maximize the value of Björkdal for the benefit of both the Mandalay and Elgin shareholders, and I look forward to working with the Mandalay team."

## Benefits for Mandalay Shareholders

The proposed transaction:

- adds a third producing and cash flow generating mine in a mining friendly jurisdiction to Mandalay's existing operations;
- increases and diversifies Mandalay's production profile by adding Björkdal's annual production of nearly 50,000 oz of gold to Mandalay's current 130,000 to 143,000 oz gold equivalent annual production rate;
- provides an opportunity for Mandalay to generate additional value by applying Mandalay's demonstrated capabilities to grow production, lower costs and increase reserves to Björkdal's operations over the next 12 to 36 months;
- provides Mandalay with positive EBITDA and cash flow at current gold prices and current cash and all-in cost levels at Björkdal;
- includes large resources and excellent exploration potential for potentially long mine life and/or significant organic growth profile;
- demonstrates Mandalay's continued business development success in being able to add high value assets to its portfolio at attractive prices; and

- offers the potential for a substantial re-rating of Mandalay to a multiple in line with or superior to other mid-tier precious metals producers based on Mandalay's low-cost production, free cash flow, dividend policy, proven management team and a fully funded growth trajectory going forward through to the scheduled construction in 2016 of the Challacollo silver-gold project currently in feasibility.

### **Benefits for Elgin Shareholders**

- significant and immediate premium to the current common share price;
- strong re-rate potential as Mandalay continues to grow to a mid-tier profitable producer;
- diversifies our asset base while remaining in politically stable jurisdictions;
- provides the cash and balance sheet to accelerate the continued ongoing growth at Björkdal;
- proven combined management and technical teams with extensive exploration, development and operations experience; and
- the combined company will have increased market presence and enhanced trading liquidity.

### **Transaction Details**

The transaction will be completed by way of a statutory plan of arrangement pursuant to the Business Corporations Act (*Ontario*). Under the terms of the arrangement, Elgin shareholders may elect to receive, in exchange for each of their Elgin common shares, C\$0.37 in cash or 0.4111 of a Mandalay share. Elections will be subject to pro ration based on a maximum aggregate amount of Mandalay common shares of 50,000,000 and a maximum aggregate amount of cash of \$25,000,000. The transaction is not conditional on any financing. As part of the transaction, all of Elgin's C\$0.20 common share purchase warrants (to the extent not otherwise exercised prior to closing) will be cancelled at closing in exchange for a cash payment of C\$0.17 per common share purchase warrant.

The transaction has been unanimously approved by Mandalay's board of directors and no further corporate or shareholder approvals are required by Mandalay to complete the transaction. The Elgin board of directors has unanimously approved the transaction and has resolved to unanimously recommend that Elgin shareholders vote in favor of the transaction at a special meeting of the shareholders to approve the transaction. Primary Capital Inc. has provided an opinion to the Elgin board of directors that, as of June 2, 2014, the consideration under the proposed transaction is fair, from a financial point of view, to Elgin's shareholders.

Completion of the transaction is subject to customary closing conditions, including Ontario court approvals and a favorable vote of at least two-thirds of the votes cast by Elgin shareholders as well as the resolution, to Mandalay's satisfaction, of Elgin's outstanding reclamation obligations relating to its former coal operations in Kentucky.

In connection with the execution of the arrangement agreement, shareholders who collectively own approximately 41.4% of Elgin's issued and outstanding common shares have entered into agreements with Mandalay pursuant to which they have agreed, among other things, that they will vote all of their Elgin common shares in favour of the transaction.

The arrangement agreement includes customary non-solicitation provisions applicable to Elgin and provides for the payment of a C\$2,000,000 break-up fee to Mandalay if the transaction is terminated in certain circumstances.

Elgin will seek shareholder approval for the transaction at its annual general meeting, which it expects will be held in the third quarter of 2014. In connection with the meeting, Elgin will mail an information circular to its shareholders providing further details of the transaction. Assuming timely receipt of all necessary court and shareholder approvals and the satisfaction of all other conditions, closing is expected to occur shortly after the Elgin shareholder meeting. Elgin has obtained the approval of the Toronto Stock Exchange to defer holding its annual meeting until September 30, 2014.

### **Bridge Loan**

In connection with the transaction, Mandalay has agreed to provide a convertible bridge loan of approximately \$5,000,000 to Elgin. Elgin will use the proceeds of the loan to repay its existing bridge loan from Sprott Resource Lending Partnership, which contains restrictions on Elgin's ability to satisfy its Kentucky coal reclamation obligations. The Bridge Loan will (i) bear interest at a rate of 10% per annum, (ii)

have a term of six months, (iii) subject to TSX approval, be convertible into Elgin common shares at Mandalay's option at a price of C\$0.1565 per share and (iv) be secured by, among other things, a pledge of all of the shares of Elgin's Swedish subsidiaries (Björkdalsgruvan Aktiebolag and Björkdal Exploration AB).

### **Advisors**

Raymond James Ltd. is acting as financial advisor to Mandalay and Goodmans LLP is acting as legal counsel to Mandalay.

Primary Capital Inc. is acting as financial advisor to Elgin and Cassels Brock & Blackwell LLP is acting as legal counsel to Elgin.

### **Conference Call**

Interested Analysts and investors are invited to participate in a conference call which will be held on June 4, 2014 at 11:00 am (ET), using the following dial-in numbers:

Participant Number (International/Local): (647) 427-7450  
Participant Number (Toll free North America): (888) 231-8191  
Conference ID: 56501272

A replay of the conference call will be available until 23:59 pm (ET), June 11, 2014 and can be accessed using the following dial-in numbers:

1.855.859.2056  
416.849.0833  
403.451.9481  
778.371.8506  
Password: 56501272

### **About Mandalay Resources Corporation**

Mandalay Resources is a Canadian-based natural resource company with producing assets in Australia and producing and development projects in Chile. Mandalay is focused on executing a roll-up strategy, creating critical mass by aggregating advanced or in-production gold, copper, silver and antimony projects in Australia and the Americas to generate near-term cash flow and shareholder value.

### **About Elgin Mining Inc.**

Elgin is a Canadian-based company focused on production at the Björkdal gold mine in Sweden. In addition, Elgin's portfolio includes the Lupin and Ulu gold projects located in Nunavut, Canada.

### **Forward-Looking Statements**

*This news release contains forward-looking statements within the meaning of securities legislation and which are based on the expectations, estimates and projections of management of the parties as of the date of this news release unless otherwise stated. Forward-looking statements are generally identifiable by use of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" or the negative of these words or other variations on these words or comparable terminology. More particularly, and without limitation, this news release contains forward-looking statements and information concerning expectations regarding the consideration to be issued pursuant to the transaction, the ability of Mandalay and Elgin to consummate the transaction on the terms and in the manner contemplated thereby, the anticipated benefits of the transaction, the anticipated timing of the transaction and forecast production amounts for both Mandalay and Elgin. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, the time required to prepare and mail meeting materials to Elgin shareholders, the ability of the parties to receive, in a timely manner and on satisfactory terms, the necessary court, shareholder, stock exchange and regulatory approvals and the ability of the parties to satisfy, in a timely manner, the conditions to the closing of the transaction, as well as other uncertainties and risk factors set out in filings made from time to time by Mandalay and Elgin with the*

*Canadian securities regulators, including, without limitation, Mandalay's annual information form dated March 28, 2014 and Elgin annual information form dated March 21, 2014, both of which are available on SEDAR at [www.sedar.com](http://www.sedar.com). Actual results, developments and timetables could vary significantly from the estimates presented. Readers are cautioned not to put undue reliance on forward-looking statements.*

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