

Core Gold Provides Update on Its Strategic Process

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VANCOUVER, Dec. 17, 2019 - [Core Gold Inc.](#) ("Core Gold" or the "Company") (TSX-V: CGLD, OTCQX: CGLDF) is today providing this update to its previously announced strategic process. As well, on December 9, 2019, Core Gold announced that it was in advanced negotiations with another company as a result of that strategic process. Core Gold is also providing an update on those negotiations.

Strategic Process Summary

In July 2019, Core Gold recommenced its strategic review process of alternatives available to Core Gold, including equity or debt financings, core and non-core asset sales, strategic investments and joint ventures, as well as a potential merger of Core Gold with another company. The opening phase of that process continued through to the end of October, 2019.

In the strategic process, 65 parties were contacted by Core Gold, of which 49 responded and 17 entered into confidentiality agreements. [Titan Minerals Ltd.](#) ("Titan") (which announced on December 9, 2019 that it will improve its existing unsolicited offer to purchase all of the outstanding Core Gold common shares by increasing the consideration in its offer to 3.1 Titan ordinary shares for each 1 (one) Core Gold common share (the "Titan Increased Offer") from the original 2.5 Titan ordinary shares (the "Titan Original Offer")), did not sign a confidentiality agreement or participate in the strategic process, although they were invited to do so.

As a result of the strategic process, 5 non-binding confidential proposals were made to Core Gold, and all of which were subject to conditions. Three (3) of the proposals related to proposed joint ventures on Core Gold's projects, two (2) of which were related exclusively to the Company's Copper Duke Project, and all were considered unanimously by the board of Core Gold (the "Board") to be insufficiently value maximizing directly to Core Gold shareholders to warrant pursuing further given the other proposals that were made. The fourth proposal was an all-share merger proposed by another TSX listed junior mining producer with a similar market capitalization to Core Gold. That proposal did not specify an exchange ratio, and remained subject to diligence and the necessity of financing, and was unanimously not considered sufficiently attractive for financial and strategic reasons by the Board to continue to pursue.

The final non-binding proposal was made by a senior producing gold company with a market capitalization in excess of US\$4 billion (the "Interested Party"). This non-binding proposal has been subject to significant and lengthy negotiations, but the Board has, for the reasons set forth below, determined not to accept the Interested Party's stated last and final offer.

Core Gold and the Interested Party did enter into a confidentiality agreement in September 2019. On December 13, 2019, in its stated last and final non-binding offer, the Interested Party waived the confidentiality provisions of that agreement thus permitting Core Gold to make these disclosures.

Third Party Non-Binding Proposals and Negotiations

Chronology of Key Events

On September 2, 2019, Core Gold received the first non-binding proposal from the Interested Party. Core Gold subsequently received non-binding amendments and revisions to that original non-binding proposal in October and November 2019 as the negotiations progressed. The last amendment to that proposal was received on December 12, 2019 following Titan's announcement of the Titan Increased Offer.

The original September 2, 2019 non-binding proposal from the Interested Party had the following key terms (the "Original September Proposal"):

- C\$0.225 in cash per Core Gold common share.
- Issuance by Core Gold of a convertible security prior to completion of the transaction for gross proceeds of C\$5M which would automatically convert to Core Gold common shares at C\$0.225 per share within 60 days of issuance.
- The proceeds from the convertible security would have had a restricted use of proceeds, with C\$1M being used for working capital and C\$4M being available only for specific debt repayment.
- Creation of a new company ("SpinCo") which would contain all of Core Gold's projects (Zaruma, Portovelo, Copper Duke and Linderos), other than the Dynasty Goldfield Project, and which would be spun-out to Core Gold shareholders but would be unlisted. The Interested Party would have been entitled to one (1) board seat on the board of directors of SpinCo.
- The Interested Party would invest US\$10M into the SpinCo for a 19.9% share ownership position.
- Creation of a joint venture in respect of mining and processing oxide ore from the Dynasty Goldfield Project with 60% of the profit to SpinCo and 40% of the profit to the Interested Party.

Nine main conditions were also presented, including legal, financial and technical due diligence, as well as drafting definitive documentation. That documentation would have included a US\$3M break fee. The Interested Party also sought 45 days of exclusivity, which the Board was not prepared to grant given it would have meant terminating the strategic process in its early stages and thus potentially excluding other parties interested in proposing a transaction to Core Gold. Nevertheless, the Board unanimously considered the Original September Proposal to have merit and be of interest, and instructed management to provide due diligence access, organize a site visit for the Interested Party, and commence negotiations to advance the Original September Proposal. On September 12, 2019, Core Gold and the Interested Party signed a confidentiality and standstill agreement, and due diligence commenced.

Through October and November, numerous discussions and negotiations were held with the Interested Party and its representatives. On November 25, 2019 Core Gold received a draft form of arrangement agreement from counsel to the Interested Party that reflected the non-binding proposal at that time. Subsequently, the proposal continued to evolve until the last and final non-binding proposal was received on December 12, 2019 from the Interested Party.

The last and final December 12, 2019 non-binding proposal from the Interested Party had the following key terms (the "Final December Proposal"):

- C\$0.33 in cash per Core Gold common share.
- A private placement by Core Gold of common shares to the Interested Party of C\$10M at C\$0.25 per Core Gold common share, for 19.1% of the resulting Core Gold common shares.
- Restricted use of funds, with US\$2.5M (approximately C\$3.3M) being used only to repay debt principal and interest owed to Titan (totaling approximately US\$3.0M or C\$4.0M) and C\$5M being "restricted funds" that Core Gold could only use with the prior approval of the Interested Party and then only to be used to advance key projects approved by the Interested Party, which projects were not identified specifically. Assuming the full US\$2.5M was used to repay debt principal and interest owed to Titan and assuming the full C\$5M was used as restricted funds to advance key projects, only approximately C\$1.0M (approximately US\$0.75M) would remain as a balance to then be used by Core Gold for general working capital purposes or potentially transferred to SpinCo.
- The creation of SpinCo, which would now only contain the Copper Duke and Linderos Projects and which would be spun-out to Core Gold shareholders, but be unlisted.
- The Interested Party would make no cash investment into the SpinCo but would receive 19.1% of the SpinCo shares *pro rata* with other Core Gold shareholders (as a result of its up to C\$10M private placement).
- The Final December Proposal also included a break fee of C\$7M which would be payable in circumstances not fully set out in the proposal, but also if a definitive arrangement agreement between Core Gold and the Interested Party was terminated. Importantly, the break fee was expressly set to also be immediately payable by Core Gold to the Interested Party if Titan took up any shares under the Titan Increased Offer.
- The Final December Proposal was also conditional upon the Interested Party entering into voting support agreements with Core Gold shareholders holding an aggregate of 40M common shares (representing approximately 24% of Core Gold's issued and outstanding common shares).

Assessment of the Final December Proposal

The Board, together with its legal advisors, has assessed the Original September Proposal and the Final December Proposal and has unanimously rejected the Final December Proposal. The Board's decision is based on many factors and assessments, but when looked at collectively, and considering the current circumstances of Core Gold, the Board has determined that the Final December Proposal should be rejected, but remains open to further amendments and proposals from the Interested Party. The Board has considered and assessed these factors among others:

- *No Material Increase in Overall Value to Core Gold Shareholders.* While the cash component of the non-binding proposals from the Interested Party has increased from C\$0.225 per common share to C\$0.33 per common share, the actual value increase is limited as the asset mix has materially changed. In the Original September Proposal, the C\$0.225 per share cash component reflected the only asset that would have remained in Core Gold – the Dynasty Goldfield Project – with all other assets being transferred to SpinCo. The Final December Proposal, however, retained the Dynasty Goldfield Project, the Zaruma Project and the Portovelo plant within Core Gold, and only would only have the Copper Duke and Linderos Projects been transferred to SpinCo, meaning that C\$0.33 per share also reflects the fact that the Zaruma Project and the Portovelo plant would remain with Core Gold and be acquired for C\$0.33 per share. The Board believes that the additional cash consideration per share of C\$0.105 from the Original September Proposal does not fairly reflect the value of the additional assets that the Interested Party would have been acquiring. In effect, despite the publicly announced Titan Increased Offer, the Interested Party has proposed to pay more in cash to Core Gold shareholders only because it would acquire two more assets.
- *Interested Party would assume all of Core Gold's Corporate Level Debt.* All of the proposals from the Interested Party reflect that it would assume all of Core Gold's corporate level debts and none of those obligations would be transferred to SpinCo, and which was considered carefully by the Board in assessing the proposals.
- *SpinCo would be Undercapitalized, Unlisted and have no Project with defined Mineral Resources.* In the Final December Proposal, the Interested Party would invest no cash into SpinCo and would acquire a 19.1% interest in SpinCo *pro rata* as a Core Gold shareholder. It would, in effect, acquire an interest in Core Gold and SpinCo for C\$0.33 per common share. In contrast, in the Original September Proposal, the Interested Party would have had to have invested US\$10M into SpinCo in order to gain a marginally higher share ownership percentage of 19.9%. SpinCo would also only have the early-stage exploration Copper Duke and Linderos Projects, neither of which host currently mineral resources, and would at most, obtain C\$1.0M (US\$0.75M) of starting capital from the C\$10M private placement, meaning it would need to immediately engage in an equity or debt fundraising. Effectively, the Interested Party would, under the Final December Proposal, pay US\$10M less to obtain effectively the same interest in SpinCo as compared to what it originally proposed, which would now only contain early stage exploration projects without any current mineral resources.
- *Private Placement would be Open to Regulatory Challenge.* Core Gold is currently subject to an unsolicited take-over offer from Titan. Titan has entered into lock-up agreements covering 51.7% of the Core Gold common shares that it does not own. The Board, on the advice of its legal counsel, considers that attempting to create a new 19.1% shareholder in Core Gold via a private placement to the Interested Party would be considered an inappropriate defensive tactic under Canadian securities laws and open to regulatory challenge. The private placement would also require TSX Venture Exchange ("TSXV") approval, which Core Gold considers would be challenging to obtain given the current circumstances. Finally, if successful, it could potentially deny Core Gold shareholders holding almost 50% of Core Gold common shares the opportunity to accept a take-over offer that they have determined they wish to accept.
- *Restrictions on use of Private Placement Funds limits Utility of Funding.* The Final December Proposal would leave Core Gold with the use of just C\$1.0M (approximately US\$0.75M), which may or may not be used to initially capitalize SpinCo. The Board would also have to defer decisions it is required to make in the best interests of Core Gold shareholders to the Interested Party in order to use the balance of the funds, and those interests may not be aligned as those funds could be directed by the Interested Party only to projects that would not likely form part of SpinCo. The Board determined that it could not accept such limitations by a counterparty to a transaction that would not then have been approved by Core Gold shareholders.

- *A Break Fee of C\$7M would be Coercive, Off-Market, and Unfunded.* In Canadian dollar terms, the break fee proposed by the Interested Party between the Original September Proposal and the Final December Proposal increased by approximately C\$3.1M or approximately 80%, yet there has been no commensurate increase in value to Core Gold shareholders. Such a break fee would be approximately 12.6% of the cash value of the Final December Proposal which is severalfold higher than that which is acceptable, customary or permitted in order to induce a higher offer and for the Board to accept and be consistent with its statutory duties. As well, the break fee would be payable in the unique circumstance of Titan acquiring any common shares under the Titan Increased Offer. Given the Company's financial situation, Core Gold does not have sufficient funds to fund such a liability, and given the current number of locked-up shareholders, Core Gold considers it probable that such a break fee would be triggered and become payable. Both the quantum and circumstances of the C\$7M break fee are not justifiable, nor would entering into an agreement to provide for such a break fee be consistent with the director's statutory duties. As well, the break fee may also be seen as coercive in that it would penalize Core Gold shareholders that accept the Titan Increased Offer by stripping C\$7M of value from Core Gold should that offer be successful. By way of comparison, the C\$7M break fee is more than twice the break fee agreed in the arrangement agreement with Titan entered into in February 2019.
- *The Final December Proposal Fails to Respond to the Increased Titan Offer and is Not Likely Sufficient to Permit or Encourage Withdrawal of Locked-Up Shares.* The Final December Proposal was substantially unchanged from the Interested Party proposals that were received prior to the Titan Increased Offer. The Board notes that it would be unlikely in those circumstances that shareholders who have entered into "soft" lock-up arrangement would be able to withdraw their lock-ups to the Titan Increased Offer in the face of a substantially unchanged proposal. Unless sufficient Core Gold common shares are withdrawn from the Titan Increased Offer prior to its expiry date (currently January 14, 2020), then Titan would be in a position to take-up and acquire those shares (assuming other conditions to the Titan Increased Offer are satisfied) meaning it would then be in a position to vote against and block the Final December Proposal which would require a vote of Core Gold's common shareholders to approve.
- *Cash Consideration offered by the Interested Party is Important, but Cash Consideration would truncate Core Gold Shareholders' Upside in Retaining an Interest in Core Gold's Assets.* The Board does note that the Final December Proposal is a cash and shares offer (SpinCo shares). However, given that the Interested Party would then be acquiring all of Core Gold's projects (except Linderos and Copper Duke) for cash, Core Gold shareholders would be losing any increase in value that may be generated in the future from the Dynasty Goldfield Project, the Zaruma Project, the Portovelo plant, and other projects that would be acquired by the Interested Party. Core Gold shareholders' "upside" would be limited to any increase in value from Linderos and Copper Duke, which would then be housed in a then undercapitalized and unlisted SpinCo company without any current mineral resources.
- *The success of SpinCo is uncertain.* Unlike the Original September Proposal, in the Final December Proposal only two assets would be contributed to SpinCo, which would be unlisted, and no new cash would be provided by the Interested Party. SpinCo would, however, not acquire any of Core Gold's corporate level debt but given the limited potential cash resources remaining available from the C\$10M private placement (not more than C\$1.0M), SpinCo would need to immediately engage in an equity or debt financing, the success of which would be uncertain. The Board considers the these risks are unacceptably high and likely to lead to a circumstance where SpinCo may not be successfully launched. Without a listing, SpinCo would not be subject to any exchange regulation and Core Gold shareholders acquiring SpinCo shares would have no liquidity. As well, SpinCo's asset base would be limited to just two exploration projects. By contrast, should the Titan Increased Offer be successful, Core Gold shareholders would continue to participate in the upside associated with all of Core Gold's assets, have a listed trading market for Titan ordinary shares on the Australian Securities Exchange ("ASX"), and be subject to ASX listing rules, which under ASX Listing Rule 7.1, limit the size of new share issuances in placements to 15% of the issued capital without shareholder approval, unless the offering proceeds by way of rights issue or entitlement offer. Core Gold is currently subject to no such limitation under TSXV policies.

Given all of these factors, after careful assessment and consideration and months of negotiations, the Board has unanimously determined to reject the Final December Proposal, being the last proposal emanating from the strategic process. Core Gold does remain open to receiving any further proposals from the Interested Party.

The Titan Increased Offer

On December 16, 2019, Titan has announced that it has now entered into lock-up agreements by which shareholders holding approximately 51.7% of the outstanding Core Gold common shares excluding any Core Gold common shares beneficially owned, or over which control or direction is exercised, by Titan (or any person acting jointly or in concert with Titan), and approximately 48.9% of the total outstanding Core Gold

shares. The number of Core Gold common shares currently subject to the lock-up agreements would be sufficient to allow Titan to meet the 50.1% minimum tender condition required under securities laws.

The Board has not made any recommendation with respect to the Titan Original Offer or the Titan Increased Offer and has not entered into any agreement with Titan. Core Gold shareholders are continued to be advised to take no further action.

The Board is assessing its response to the Titan Increased Offer and will issue a press release and responding Directors' Circular in accordance with applicable securities laws.

About Core Gold Inc.

The Company is a Canadian based mining company involved in the mining, exploration and development of mineral properties in Ecuador. The Company is currently focused on gold production at its wholly-owned Dynasty Goldfield Project. Mineral is treated at the Company's wholly-owned Portovelo treatment plant. The Company also owns other significant gold exploration projects including the Linderos and Copper Duke area in southern Ecuador all of which are on the main Peruvian Andean gold-copper belt extending into Ecuador.

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