

Capstone Mining to Acquire Far West Mining and Form Strategic Partnership and Joint Venture with Korea Resources Corporation

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Creating a Financially Strong Copper Growth Story

VANCOUVER, April 17 /CNW/ - [Capstone Mining Corp.](#) ("Capstone" or the "Company") (TSX: CS) and [Far West Mining Ltd.](#) ("Far West") (TSX: FWM) have entered into a definitive agreement (the "Agreement") pursuant to which Capstone will acquire all of the issued and outstanding common shares of Far West, by way of a court-approved plan of arrangement. Under the terms of the Agreement, Far West shareholders will be entitled to elect to receive, in exchange for each Far West share held, 1.825 shares of Capstone and C\$1.00 in cash. The consideration implies a total transaction value of approximately C\$725 million. The consideration represents a total of C\$9.19 per Far West share, based on the volume weighted average price of Capstone shares on the TSX for the 30 trading days ended April 15, 2011 and a premium of 30% to the volume weighted average price of Far West shares on the TSX for the same period.

Far West's 100% owned Santo Domingo project ("Santo Domingo" or the "Project") is a large-scale copper-iron-gold development project located in Region III, Chile. Santo Domingo has the potential to be a long lived significant copper and iron ore producer, based on an indicated mineral resource of 486 million tonnes at a copper-equivalent¹ grade of 0.57% and an additional inferred mineral resource of 61 million tonnes at a copper-equivalent grade of 0.46%. The Project is strategically located near key infrastructure (highway, rail, power, port, smelter and airport) in a prolific, established mining district with several significant copper and iron mining and smelting operations. A Preliminary Economic Assessment ("PEA") completed in May 2008, using indicated and inferred resources, projected life of mine average annual production of 65,000 tonnes of copper² and 4 million tonnes of iron concentrate. Since completion of the PEA, the indicated mineral resource has more than doubled. The pre-feasibility study, which the Company anticipates completing in Q3 2011, is currently underway based on the updated mineral resource estimate. If warranted by the pre-feasibility study, the Company may also consider higher throughput rates, which could potentially increase copper production significantly.

KORES Partnership

Capstone has also entered into agreements with Korea Resources Corporation ("KORES") to form a long-term strategic partnership for the development of Far West's Santo Domingo Project, subject to completion of the Far West transaction. Under these agreements:

- Upon completion of the Far West acquisition, KORES will acquire a 30% interest in Santo Domingo for cash consideration of approximately C\$210 million to Capstone.
- KORES will arrange for a debt financier to offer to provide funding, on then prevailing market terms, for 65% of the capital costs of the Project and fund 30% of the balance of the capital requirements at the Project.
- KORES will enter into an off-take agreement for 50% of all copper concentrate and iron concentrate produced from the Project over the life of the Santo Domingo mine, on then prevailing market terms (at the appropriate time).
- Upon completion of the acquisition, KORES will subscribe for an approximate 11% interest in Capstone to become Capstone's largest shareholder. The private placement will represent approximately 39 million Capstone shares and Capstone will receive proceeds of approximately C\$170 million, based on the volume weighted average price of Capstone shares on the TSX for the 5 trading days ended April 15, 2011.
- KORES will appoint one representative to Capstone's board of directors upon completion of the acquisition.

The agreements between Capstone and KORES are subject to a number of conditions, including completion of the acquisition of Far West by Capstone.

Transaction Benefits

- Highly compelling transaction delivering fully-funded growth from Santo Domingo.
- Santo Domingo is favourably located with access to nearby infrastructure and ongoing studies continue to demonstrate the potential for significant copper and iron ore production.
- Consistent with Capstone's strategy of building a mid-tier copper producer focused in the Americas forming a combined portfolio of high quality operating mines and a strong pipeline of copper production growth in mining friendly jurisdictions.
- Over 200% growth in anticipated copper production from 2011 to 2016 and over 125% increase in measured and indicated copper contained in mineral resources.
- Further asset diversification in a preferred mining geography.
- Robust cash flow generation in a company with a strong pro-forma balance sheet and a strategic partnership with KORES to fund a leading copper production growth profile.
- No future share dilution to fund Santo Domingo as Capstone expects to fund its portion of Santo Domingo capital requirements through pro-forma balance sheet and ongoing cash flow from operations.
- Enhanced capital markets profile through increased market capitalization, which should further improve trading liquidity for shareholders of Capstone.

Compelling Offer for Far West Shareholders

- Immediate premium to current share price.
- Opportunity to participate in the future potential of an Americas-based mid-tier copper producer with a fully-funded growth pipeline.
- Santo Domingo project de-risking through Capstone and KORES' development and operational expertise and funding capabilities.
- Exposure to a diverse portfolio of producing and development assets in a robust commodity price environment.
- A platform through which to participate in future industry consolidation.
- Increased trading liquidity through ownership of Capstone shares.
- Tax free roll-over option for Canadian shareholders, upon election of share consideration.

Darren Pylot, Capstone's President and CEO commented, "The proposed acquisition of Far West is consistent with Capstone's strategy of building a growth focused mid-tier copper producer in the Americas and represents an excellent value opportunity for our shareholders. Santo Domingo is a robust development opportunity that will substantially increase Capstone's leverage to copper and long-term growth profile. Our strategic partnership with KORES brings significant financial support and mitigates risk for all shareholders."

Rick Zimmer, Far West's President and CEO commented, "The proposed transaction delivers an immediate premium to our shareholders. Moreover, it provides our shareholders with the opportunity to participate in the future potential of the combined portfolio of producing and development assets. We are pleased to be announcing this transaction with Capstone. Their financial strength and current base of operations, combined with the KORES partnership, provide a clear path forward for the funding and development of Santo Domingo. This transaction has the potential to unlock the full value of Santo Domingo for all shareholders."

Transaction Overview

The proposed transaction will be carried out by way of a court-approved plan of arrangement whereby Capstone will acquire all of the issued and outstanding common shares of Far West and Far West would be held through a newly-formed subsidiary of Capstone, to be owned 70% by Capstone and 30% by KORES. Far West shareholders will be entitled to elect to receive, in exchange for each Far West share held (i) 1.825

shares of Capstone and C\$1.00 in cash, (ii) 2.047 shares of Capstone and C\$0.001 in cash, or (iii) C\$9.19 cash, subject to proration on the basis of an aggregate maximum cash amount of approximately up to C\$79 million and provided that no Far West shareholder that elects option (iii) above, will receive less than C\$1.00 in cash per Far West share. The proposed transaction is subject to certain customary conditions including the approval of not less than 66-2/3% of the votes cast at a special meeting of Far West securityholders that is expected to be held in June 2011 and not less than a majority of the votes cast at a special meeting of Capstone shareholders that is expected to be held at approximately the same time. The Far West annual general meeting will be rescheduled and may be combined with the special meeting for Far West securityholders. Pursuant to the terms of the Agreement, the proposed transaction is also subject to applicable regulatory approvals and the satisfaction of certain closing conditions customary for transactions of this nature. The arrangement agreement also provides for, among other things, customary board support and non-solicitation covenants from Far West (subject to customary "fiduciary out" provisions that entitle Far West to consider and accept a superior proposal and a 5-business day "right to match" in favour of Capstone). The arrangement agreement also provides for the payment of a break fee of C\$20 million to Capstone and to Far West in certain specified circumstances.

The boards of directors of Capstone and Far West have each unanimously determined that the proposed transaction is in the best interest of their respective companies and fair to their respective shareholders and recommend that their respective shareholders vote in favour of the proposed transaction, other than those directors who were recused from meetings regarding the Agreement. Scotia Capital provided a fairness opinion to Capstone's board of directors that the transaction is fair, from a financial point of view, to Capstone. The Far West Board's determinations are based on the recommendations of a special committee of independent Far West directors. BMO Capital Markets, financial advisor to Far West and its board of directors, and National Bank Financial, fairness opinion provider to the special committee of the board of directors of Far West, have each provided an opinion to the effect that the consideration to be received by Far West shareholders is fair, from a financial point of view, to Far West shareholders. Far West's directors, senior management, Quadra FNX Mining Ltd. and certain other shareholders, representing, in aggregate, approximately 38% of Far West's fully diluted shares outstanding, have entered into customary voting support agreements pursuant to which, among other things, they have agreed to vote their Far West shares in favour of the proposed transaction. Capstone's directors and senior management have entered into customary voting support agreements pursuant to which, among other things, they have agreed to vote their Capstone shares in favour of the proposed transaction.

If it is approved by securityholders of Far West and shareholders of Capstone, the proposed transaction is expected to be completed in July 2011 and is subject to certain customary conditions, including receipt of all necessary court, TSX and securityholder approvals. Upon completion of the proposed transaction, a Far West nominee will be appointed to the board of directors of Capstone. In order to accommodate the appointment of the Far West and KORES nominees to the Capstone board, Stephen Quin has agreed to resign from the board of Capstone upon the effective date.

The terms and conditions for the proposed transaction will be summarized in the respective Management Information Circulars to be mailed to Far West securityholders and Capstone shareholders in May 2011. Copies of the Agreement, the agreements between Capstone and KORES, the Management Information Circulars, and certain related documents and agreements will be filed with Canadian securities regulators and will be available at the SEDAR website at www.sedar.com under Capstone's and Far West's profiles, as applicable.

Advisors

Scotia Capital is acting as lead financial advisor to Capstone and its board of directors and a finders fee is payable upon closing of the transaction to RCI Capital Group in respect of the KORES agreement. Scotia Capital has provided a fairness opinion to Capstone's board of directors. Capstone's legal counsel is Blake, Cassels & Graydon LLP.

BMO Capital Markets is acting as financial advisor to Far West and its board of directors and National Bank Financial is acting as fairness opinion provider to the special committee of the board of directors of Far West. Far West's legal counsel is Davis LLP and Borden Ladner Gervais LLP is acting as legal counsel to the special committee of the board of directors of Far West.

Gryphon Partners acted as financial advisor to KORES with respect to the Capstone private placement. KORES' legal counsel is Stikeman Elliott LLP.

Conference Call

Capstone and Far West will hold a conference call at 8:30 a.m. Eastern time (5:30 a.m. Pacific time) on April

18, 2011 to allow shareholders, securities analysts and investors the opportunity to hear management discuss the transaction outlined herein. The call can be accessed by dialing (toll free) (888) 231-8191 or International (647) 427-7450. The call will also be webcast at:

<http://event.on24.com/r.htm?e=307644&s=1&k=1E15C4AA5C5B8ACD107644F2D3F55E17>.

The webcast and presentation can be accessed at Capstone or Far West's websites at www.capstonemining.com or www.farwestmining.com, respectively. The call will also be available for replay by dialing (toll free) 1-800-642-1687 or International 1-416-849-0833 Password: 61244676 for 14 days. A slide presentation will be available on Capstone and Far West's websites before the conference call.

Capstone Mining Corp.

Capstone Mining Corp. is a TSX-listed Canadian mining company whose principal business activity is the production of copper from the Company's two producing copper mines: the 100% owned Cozamin copper-silver-zinc-lead mine located in Zacatecas State, Mexico and the 100% owned Minto copper-gold-silver mine in the Yukon, Canada.

Using its operations as a springboard, Capstone aims to grow both organically and through mergers and acquisitions: organic growth through continued mineral resource and reserve expansions at its operating mines and through the development of its 100% owned high grade Kutcho copper-zinc-gold-silver deposit in British Columbia, while M&A provides opportunities to accelerate that growth profile by combining with other current producers or acquiring operating mines or development projects.

Capstone is included in the S&P/TSX Global Mining Index and S&P/TSX Composite Index.

Additional information on Capstone Mining is available on Capstone's website at www.capstonemining.com.

Far West Mining Ltd.

Far West Mining Ltd. is an international mineral exploration company headquartered in Vancouver, Canada. Far West is primarily engaged in the evaluation, acquisition, and exploration of mineral properties in Chile and Australia. Far West's main project is the wholly owned Santo Domingo copper-iron-gold deposit in Chile. The deposit has NI 43-101 compliant indicated mineral resources of 486 million tonnes at a copper-equivalent grade of 0.57% and inferred resources of 61 million tonnes at a copper-equivalent grade of 0.46% (See news release dated July 12, 2010 for the key assumptions, conditions and other factors on which these estimates were based). The Project is located at low elevation (1000m), approximately 800km north of Santiago. There is superior infrastructure nearby, with a paved highway (1km), power (7km), railway (7km), deep water port (60km) and smelter (60km), which all provide an ideal scenario for rapid development of the Project. Since the completion of the Preliminary Economic Assessment in May 2008, the indicated mineral resource has more than doubled and the recovery of copper and magnetite iron has been confirmed by detailed test work. Far West is currently working towards completing a pre-feasibility study due in Q3 2011 on Santo Domingo (news release dated April 16, 2011).

Additional information on Far West Mining is available on Far West's website at <http://www.farwestmining.com>.

Korea Resources Corporation

Korea Resources Corporation is wholly-owned by the Korean government and is charged with a policy mandate to further Korea's access to strategically important mineral resources, both domestically and internationally. The company carries out the Korean government's mineral resources policy objectives by engaging directly, or indirectly through joint ventures or in the form of minority investments, in overseas exploration, development and production of strategically important mineral resources, and managing the nation's stockpile of rare mineral resources.

Additional information on KORES is available on KORES' website at <http://eng.kores.or.kr>.

Compliance With NI 43-101

The technical information in this news release has been prepared in accordance with Canadian regulatory

requirements set out in National Instrument 43-101 and technical information related to Capstone has been reviewed by John Sagman, P. Eng, Vice President, Technical Services, Capstone, Qualified Person under NI 43-101. In addition, Gregg Bush, Senior Vice President and Chief Operating Officer for Capstone, reviewed all Capstone technical information in this news release. Richard Zimmer, P. Eng, Chief Executive Officer of Far West has reviewed and approved all technical information related to Far West.

Cautionary Note Regarding Estimates of Measured, Indicated and Inferred Resources

This press release uses the terms "measured, indicated and inferred resources." We advise U.S. investors that while these terms are recognized and required by Canadian rules, they are not recognized by the SEC. "Measured, indicated and inferred resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of a "measured, indicated or inferred mineral resource" will ever be upgraded to a higher category. Under Canadian rules, estimates of "inferred mineral resources" may not form the basis of a feasibility study or pre-feasibility studies. The SEC normally only permits issuers to report mineralization that does not constitute "reserves" as in-place tonnage and grade without reference to unit measures. U.S. investors are cautioned not to assume that any part or all of a measured, indicated or inferred resource exists or is economically or legally mineable.

Forward-Looking Statements

This document may contain "forward-looking information" within the meaning of Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking statements"). These forward-looking statements are made as of the date of this document.

Forward-looking statements relate to future events or future performance and reflect Capstone and Far West management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the timing and implementation of the proposed transaction, the integration of Capstone and Far West following the transaction, estimation of mineral reserves and mineral resources, availability of cash flow to fund capital requirements, the timing and amount of estimated future production, availability of project financing, and success of mining and development operations. Assumptions upon which such forward-looking statements are based include that Capstone and Far West will be able to satisfy the conditions in the Agreement, that the required approvals will be obtained from the shareholders of each of Capstone and Far West, that all third party, court, regulatory and governmental approvals to the transaction will be obtained, tax treatment of the transaction and that all other conditions to completion of the transaction will be satisfied or waived. Many of these assumptions are based on factors and events that are not within the control of Capstone or Far West and there is no assurance they will prove to be correct.

In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "potential", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Capstone and Far West to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration and development activities; changes in project parameters as plans continue to be refined; future prices of metals; possible variations in mineral reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in Capstone's and Far West's interim and annual financial statements and management's discussion and analysis of those statements, all of which are filed and available for review on SEDAR at www.sedar.com. Although each of Capstone and Far West have attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Capstone and Far West provide no assurance that forward-looking statements 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 statements.

1 Copper-equivalent grades calculated using prices of US\$2.25/lb copper, US\$950/oz gold and

US\$0.74/dmtu iron (US\$50 per tonne concentrate at 67.5% iron content).

2 Based on AMEC International (Chile) S.A. Preliminary Assessment dated April 30, 2008. Refer to "Forward-Looking Statements" and "Compliance With NI 43-101" for additional information.

Mineral Resources that are not mineral reserves do not have demonstrated economic viability. Mineral resource estimates do not account for mineability, selectivity, mining loss and dilution. These mineral resource estimates include inferred mineral resources that are normally considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is also no certainty that these inferred mineral resources will be converted to measured and indicated categories through further drilling, or into mineral reserves, once economic considerations are applied. Also there is no certainty that this Preliminary Economic Assessment will be realized.

For further information:

Capstone Mining Corp.
Cindy Burnett, VP Investor Relations
Telephone: 604-637-8157
Email: cburnett@capstonemining.com
Website: www.capstonemining.com

Far West Mining Ltd.
Richard Zimmer, President & CEO
Telephone: 604-602-9144
Email: info@farwestmining.com
Website: www.farwestmining.com

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