

# ARMZ Uranium Holding Makes All Cash Offer For Mantra Resources Valued At A\$1.16 Billion

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## Transaction Summary:

- \* Mantra and ARMZ have entered into a Scheme Implementation Agreement under which ARMZ will acquire all of the issued share capital in Mantra by way of a Scheme of Arrangement with minimal conditions
- \* Under the Scheme, Mantra shareholders will receive cash consideration of A\$8.00 per share. This values the Company at approximately A\$1.16 billion
- \* The cash offer of A\$8.00 per share represents:
  - o A 15.5% premium to the 20 day VWAP of Mantra; and
  - o A 21.2% premium to the 30 day VWAP
- \* The offer equates to US\$10.26 per pound of resource, which is significantly higher than other substantial uranium developers
- \* The cash consideration provides an opportunity for Mantra shareholders to realise immediate value for their Mantra shares and reflects the size, strategic nature and near-term development potential of the Mkuju River Project
- \* The Board, having taken advice from RBC Capital Markets as to the consideration being provided under the offer, has concluded that the transaction is in the best interests of Mantra shareholders
- \* Subject to an Independent Expert determining that the Scheme is in the best interests of Mantra shareholders, the Directors of Mantra have agreed to unanimously recommend ARMZ's offer and to vote in favour of the Scheme, in the absence of a superior proposal
- \* Mantra's major shareholder, Highland Park, which owns 13.5% of the outstanding, fully diluted share capital in Mantra, has represented that it will vote in favour of the Scheme, in the absence of a superior proposal.

PERTH, Western Australia, Dec. 15 /[CNW](#)/ - [Mantra Resources Limited](#) ("Mantra" or "Company") (ASX: MRU, TSX: MRL) is pleased to announce it has received an all-cash offer from ARMZ Uranium Holding Co. (JSC Atomredmetzoloto) ("ARMZ") to acquire all of the issued shares in Mantra for A\$8.00 per share (the "Offer Price") via a Board recommended Scheme of Arrangement (the "Scheme") under the Australian Corporations Act. This values Mantra at approximately A\$1.16 billion.

The Offer Price of A\$8.00 per share represents a 15.5% premium to the 20 day VWAP and a 21.2% premium to the 30 day VWAP on the ASX. The offer also values Mantra at US\$10.26 per pound of resource, which is significantly higher than other substantial uranium developers.

The cash offer enables Mantra shareholders to realise immediate value for their Mantra shares and reflects the size, strategic nature and near-term development potential of the Mkuju River Project uranium deposit.

The Board, having taken advice from RBC Capital Markets as to the consideration being provided under the offer, has concluded that the transaction is in the best interests of Mantra shareholders.

Subject to an Independent Expert determining that the Scheme is in the best interests of Mantra shareholders, the Directors of Mantra have agreed to unanimously recommend ARMZ's offer and will vote in favour of the Scheme in the absence of a superior proposal.

In addition, Mantra's strategic shareholder, Highland Park S.A., which owns 13.5% of the outstanding fully diluted share capital in Mantra, has represented to Mantra that it will vote in favour of the Scheme in the absence of a superior proposal.

Furthermore, the Mantra Directors and Highland Park have undertaken to stand still in relation to their

Mantra securities whilst the Scheme is being implemented.

### **Mantra's Comment**

Peter Breese, CEO of Mantra, said "This clean, all-cash offer from ARMZ is compelling and reflects both the strategic significance of this asset as well as the current status of the project against the backdrop of a recent spike in the uranium price. The offer crystallises immediate value for Mantra shareholders, providing them with the certainty of cash.

We have taken advice from our financial and legal advisers and concluded that this offer is in the best interests of Mantra's shareholders. Therefore, the Board and management, along with our strategic shareholder Highland Park, recommends this offer to Mantra shareholders, subject to confirmation by an Independent Expert's Report."

### **ARMZ's Comment**

"Mantra's flagship asset, the Mkuju River Project, is a world class deposit. Our offer for Mantra demonstrates this by providing Mantra shareholders with the opportunity to realise a cash consideration at a premium value. We believe Mantra will complement our portfolio of assets and is consistent with our stated strategy of acquiring low cost, long life, geographically diverse assets." said Vadim Zhivov, Director General of ARMZ.

### **Scheme Implementation Agreement**

Mantra has entered into a Scheme Implementation Agreement ("SIA") with ARMZ under which Mantra has agreed to propose a Scheme between Mantra and its shareholders for the acquisition of all Mantra shares by ARMZ for cash consideration of A\$8.00 per Mantra share.

A summary of key terms of the SIA is attached as Annexure A to this announcement.

The Scheme is subject to a limited number of conditions that must to be satisfied or waived in order for the Scheme to be implemented and includes Australian Foreign Investment Review Board ("FIRB") approval being granted to ARMZ. Further due diligence is not a condition.

The transaction is also subject to a number of other conditions precedent typical for a Scheme, including Australian court approvals and the approval of the requisite majority of Mantra shareholders at the Scheme meeting.

Mantra will shortly commission an Independent Expert to opine on whether the Scheme is in the best interests of Mantra shareholders. The Mantra Directors' recommendation that shareholders vote in favour of the Scheme is subject to the Independent Expert determining that the Scheme is in the best interests of Mantra shareholders.

The SIA contains terms typical for a transaction of this nature, including "no shop" and "no talk" provisions (subject to typical Directors' fiduciary duty exemptions), a mutual break fee ("Break Fee") of 1% of transaction value payable in certain circumstances.

Payment of the Break Fee by Mantra is not subject to the outcome of the Scheme meeting and the Break Fee is not payable in the event that Mantra Directors withdraw their recommendation for the Scheme as a result of the Independent Expert finding that the Scheme is not in the best interests of Mantra shareholders. A break fee is payable by ARMZ if ARMZ fails to pay the scheme consideration or for breaches of an obligation necessary for the implementation of the Scheme. The mutual break fee contains mutual limitations of liability where the payment of the break fee on termination of the Scheme is in full and final settlement of all claims between the parties.

### **Indicative Timetable**

Set out below is an indicative timetable for the Scheme:

Event	Expected Date	
Lodge Scheme Booklet and Independent Expert's Report with ASIC for review		11 Feb
First Court hearing date	4 March 2011	
Despatch of Scheme Booklet	11 March 2011	
Scheme Meeting held	13 April 2011	
Second Court hearing date	18 April 2011	
Lodge court order with ASIC (Effective Date)	19 April 2011	
Record date	26 April 2011	
Implementation date	29 April 2011	

## Advisers to the Transaction

Mantra's financial advisers are RBC Capital Markets and Haywood Securities and its legal advisers are Hardy Bowen Lawyers in Australia and Blake, Cassels & Graydon LLP in Canada.

ARMZ's financial adviser is BMO Capital Markets and its legal advisers are Blake Dawson in Australia and Stikeman Elliott LLP in Canada.

## Note to Editors:

Mantra (ASX: MRU, TSX:MRL) is an emerging uranium producer, focused on aggressively pursuing the development of its flagship asset, the Mkuju River Project in Tanzania, in order to fulfil its strategic objective of becoming a significant uranium producer in the near-term. For additional information, please visit [www.mantraresources.com.au](http://www.mantraresources.com.au)

ARMZ is the world's fifth largest uranium producer with operating mines in Russia and, through its strategic ownership of shares in Uranium One, in Kazakhstan and the United States. ARMZ is wholly owned by the State Atomic Energy Corporation, "Rosatom", the Russian State Corporation for Nuclear Energy which consolidates all nuclear assets of the Russian Federation. For additional information, please visit ARMZ's website: [armz.ru/eng](http://armz.ru/eng)

## Annexure A

### Summary of the Key Terms of the Scheme Implementation Agreement

JSC Atomredmetzoloto (ARMZ) and Mantra Resources Limited (Mantra) have entered into a Scheme Implementation Agreement dated 15 December 2010 (SIA) setting out each party's obligations in connection with the implementation of the proposed acquisition by ARMZ of the entire issued capital of Mantra by way of scheme of arrangement (Scheme).

A summary of the structure of the Scheme and an outline of the key terms and conditions of the SIA are set out below. Please refer to the Definitions in paragraph 9 when reading this summary.

### 1. Structure of the Scheme

Under the Scheme Mantra shareholders will transfer all their shares in Mantra to ARMZ in exchange for A\$8.00 per share (Scheme Consideration).

### 2. Conditions precedent

Implementation of the Scheme is subject to the satisfaction or waiver of the following conditions precedent:

- \* Receipt of all necessary government agency approvals, including FIRB approval, and no court or regulatory authority taking steps to restrain the Scheme;
- \* Mantra shareholders and the court approve the Scheme;
- \* There is no action by a Government agency in consequence of, or in connection with, the Scheme which restrains, prohibits or impedes the implementation of the Scheme; and
- \* No 'Material Adverse Change' (as defined in the SIA) occurs.

### 3. Recommendation of Board of Mantra

The Board of Mantra has unanimously recommended that Mantra shareholders vote in favour of the Scheme subject to the following:

- \* the Independent Expert's report concluding that the Scheme is in the best interests of Mantra Shareholders; and
- \* in the absence of a Superior Proposal (as defined in the SIA).

The Board of Mantra has also stated that they will vote their shares in favour of the Scheme in the absence of a Superior Proposal.

#### **4. Exclusivity**

##### **(a) No Shop/No Talk/No Due Diligence**

- \* Until the Second Court Hearing Date, Mantra (and its Related Parties, employees, agents or Advisers) must not:
  - \* directly or indirectly solicit, invite, encourage, initiate or otherwise facilitate any Competing Transaction (as defined in the SIA) (No shop);
  - \* negotiate or enter into or participate in negotiations or discussions with any other person regarding a Competing Transaction or potential Competing Transaction (No talk);
  - \* grant any other person any right or access to conduct due diligence investigations in respect of Mantra or provide any non-public information relating to Mantra to another person that could contribute to the formulation of a Competing Transaction (No due diligence).

The no talk and no due diligence obligations do not apply to unsolicited Competing Transactions where in the opinion of the Mantra Board formed in good faith after receiving written advice from its legal and financial advisers such action or inaction (as the case may be) is necessary to discharge the fiduciary or statutory duties of the directors of Mantra (or to avoid a contravention of law).

##### **(b) Competing Transactions and ARMZ Right to Match**

If Mantra receives a written or verbal proposal for a Competing Transaction or is approached or requested by any person to engage in any activity that would breach its exclusivity obligations, it must promptly inform ARMZ of the fact and all material terms of any such proposal (including the price or value and the identity of the person) and of any amended proposal.

Mantra must not enter into any agreement in relation to any such Third Party Proposal unless:

- \* it has notified ARMZ as described above;
- \* it has determined that it is a Superior Proposal;
- \* ARMZ has been given the opportunity to match any such proposal (and any amended proposal) within 5 Business Days of being notified.

If ARMZ submits to Mantra a written proposal which is on terms no less favourable than the Third Party Proposal, Mantra must proceed exclusively with ARMZ's proposal.

#### **5. Break Fee**

The Break Fee is the amount of A\$11.6 million, being approximately 1% of the equity value of Mantra (including outstanding options and performance rights) as reflected in the Scheme Consideration.

##### **(a) Payment of Break Fee by Mantra**

Mantra must pay ARMZ the Break Fee if:

- \* any director of Mantra makes any public statement to the effect that he or she no longer supports the transaction or publicly withdraws or qualifies his or her favourable recommendation of the Scheme (unless the Independent Expert has concluded that the Scheme is not in the best interests of Mantra shareholders);
- \* any director of Mantra publicly recommends, promotes or otherwise endorses a Competing Transaction;
- \* Mantra accepts or enters into any agreement, arrangement or understanding regarding a Competing Transaction;
- \* a Competing Transaction in relation to Mantra is announced or open for acceptance before the Scheme becomes Effective and the person proposing the Competing Transaction acquires a relevant interest in more than 20% of the voting shares in Mantra;
- \* the Scheme does not become Effective because Mantra has failed to perform or satisfy its material obligations necessary for implementation of the Scheme; or
- \* Mantra breaches its exclusivity obligations.

(b) Payment of Break Fee by ARMZ

ARMZ must pay Mantra the Break Fee if:

- \* ARMZ fails to pay the Scheme Consideration; or
- \* the Scheme does not become Effective because Mantra has failed to perform or satisfy its material obligations necessary for implementation of the Scheme.

(c) Limitation of liability

Both parties agree that the payment of the Break Fee by either of them allows them to terminate the SIA and constitutes full and final satisfaction and discharge of any and all liability to the other party under the SIA or otherwise and allows them to terminate the SIA.

For example, if the Mantra Board recommends a Competing Transaction and Mantra pays the Break Fee to ARMZ or if ARMZ fails to pay the Scheme Consideration for any reason and ARMZ pays the Break Fee to Mantra, the transaction will not proceed and the parties will have no further liability to each other under the SIA or otherwise in relation to the transaction.

If the Scheme does not proceed, Mantra shareholders will not receive the Scheme Consideration.

## 6. Termination

(a) Termination by either party

The SIA provides for the following termination rights for either party prior to 8am on the Second Court Date.

- \* if any of the conditions precedent are not satisfied (or waived);
- \* if the Mantra shareholders or the Court does not approve the Scheme or if the Effective Date does not occur before the End Date or a Court or regulatory order is issued which restrains or prohibits the Scheme;
- \* if any member of the Mantra Board withdraws, varies or modifies his recommendation or intention to vote because there is a Superior Proposal or the Independent Expert's report concludes that the Scheme is not in the best interests of Mantra Shareholders;
- \* if either party becomes obliged to pay the Break Fee; or
- \* if ARMZ publicly announces a takeover bid for Mantra shares at a price not less than the Scheme Consideration;

(b) Termination by Mantra

- \* if there is a breach by ARMZ of the SIA (in relation to payment of the Scheme Consideration, its obligations for implementation of the Scheme and its representations and warranties) which is not remedied within 10 Business Days or before 5pm on the last Business Day before the Second Court Hearing Date.

(c) Termination by ARMZ

- \* by ARMZ, if there is a breach by Mantra of the SIA (including in relation to obligations for implementation of the Scheme, its representations and warranties, conduct of business and exclusivity obligations) which is not remedied within 10 Business Days or before 5pm on the last Business Day before the Second Court Hearing Date.

## 7. Treatment of Mantra Options

ARMZ will make an offer to the holders of all Mantra Options on the terms and conditions agreed between ARMZ and Mantra and subject to the Scheme becoming Effective, to acquire all outstanding Mantra Options. Mantra must take all necessary action within Mantra's control to allow the transfer of the Mantra Options to ARMZ and execute all such documents as may be necessary to give effect to the acquisition by ARMZ.

## 8. Treatment of Mantra Performance Rights

The Mantra Performance Rights will automatically vest upon the Court approval of the Scheme.

Mantra must take all necessary action within Mantra's control to ensure that all Mantra Shares issued in respect of any Mantra Performance Rights are issued in a timely fashion so as to ensure that the holders of those Mantra Shares are Scheme Participants.

## 9. Definitions

Adviser means, in relation to an entity, its legal, financial and other expert advisers (not including the Independent Expert).

Break Fee means 1% of the value of all of the Mantra Shares and the intrinsic value of the Mantra Options

and Mantra Performance Rights based upon the value attributed to those securities by the Scheme Consideration.

Business Day means a business day in Australia, Russia and Canada.

Competing Transaction means:

(a) a transaction which, if completed, would mean a person would, directly or indirectly:

(i) acquire all or a substantial part of the assets or business of the relevant company and/or its Related Bodies Corporate;

(ii) acquire a Relevant Interest in or become the holder of 10% or more of the relevant company's share capital or of the share capital of any of its subsidiaries or enter into any cash settled equity swap or other derivative contract arrangement in respect of 10% or more of the relevant company's share capital; or

(iii) acquire Control of the relevant company;

(b) a takeover bid, scheme of arrangement, amalgamation, merger, capital reconstruction, consolidation, purchase of main undertaking or other business combination involving the relevant company and/or its Related Bodies Corporate; or

(c) a transaction involving the formation of a dual listed company structure, stapled security structure or other form of synthetic merger having the same or substantially the same effect as a takeover bid for, or scheme of arrangement in respect of, the relevant company and/or its Related Bodies Corporate.

Deed Poll means a deed to be executed by ARMZ substantially in the form of attached to the SIA (or in such other form agreed by the parties in writing) under which ARMZ covenants in favour of the Scheme Participants to perform its obligations under the Scheme.

Effective means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the court made under section 411(4)(b) in relation to the Scheme, but in any event at no time before an office copy of the order of the court is lodged with ASIC.

FIRB Approval means the first to occur of:

(a) written notification by the Treasurer of the Commonwealth of Australia or his delegate under FATA that the Commonwealth Government has no objection under the Federal Government's foreign investment policy or under FATA to ARMZ acquiring all the Mantra Shares under the Scheme; or

(b) the Treasurer ceasing to be entitled to make an order under Part II of FATA in respect of ARMZ acquiring all the Mantra Shares under the Scheme.

Governmental Agency means any Australian (including the Australian Takeovers Panel), Russian, Canadian, Tanzanian or other foreign government or governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal agency or entity.

Implementation Date means the third Business Day (or earlier if agreed) following the Record Date.

Material Adverse Change means an event occurring after the Execution Date other than: an event required or permitted to be done or procured by Mantra or its subsidiaries pursuant to this agreement or the Scheme;

(a) an event expressly disclosed as an Material Adverse Change in writing by Mantra to ARMZ prior to the Execution Date;

(b) an event done with the prior written approval of ARMZ;

(c) events that are or that arise from changes in uranium prices or currency exchange rate changes;

(d) stock market fluctuations or general economic, business or securities market conditions;

(e) results from exploration activities on the area covered by Mantra's exploration permits; or

(f) any event or matter relating to an application, permit, license, certificate, approval, consent or other authorisation which is connected with Mantra's (or a subsidiary of Mantra's) activities in Tanzania including but not limited to:

(i) any form of exploration or mining right;

(ii) any lease, sub-lease or agreement in respect of real property; or

(i) any form of access right, concession or other material mineral right,

which individually, or when aggregated with all such other events, is reasonably likely to have a material adverse effect on the business, results of operations, assets or liabilities, financial position or prospects of Mantra Group including (without limitation) its mining and exploration operations.

Mantra Board means the board of directors of Mantra.

Mantra Options means all options on issue by Mantra other than the Unlisted Options - 31 December 2010.

Mantra Performance Rights means the Performance Rights as set out in the Mantra Contractor Performance Rights Plan Rules, the Mantra Contractor Performance Rights Terms and Conditions, the Mantra Employee Performance Rights Plan Rules and the Mantra Employee Performance Rights Terms and Conditions.

Mantra Shares means fully paid ordinary shares in Mantra.

Prescribed Event means the occurrence of any of the following:

Mantra converting all or any of its shares into a larger or smaller number of shares;

(a) Mantra resolving to reduce its share capital in any way;

(b) Mantra or any of its subsidiaries:

\* entering into a buy-back agreement; or

\* resolving to approve the terms of a buy-back agreement under the Corporations Act;

(c) Mantra declaring, paying or distributing any dividend, bonus or other share of its shareholder profits or shareholder assets or returning or agreeing to return any capital to its members;

(d) Mantra or any of its subsidiaries issuing shares, or granting an option over its shares to a person outside the Mantra Group, or agreeing to make such an issue or grant such an option to a person outside the Mantra Group;

(e) Mantra or any of its subsidiaries issuing Mantra or agreeing to issue securities or other instruments convertible into shares or debt securities to a person outside the Mantra Group;

(f) Mantra or any of its subsidiaries disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;

(g) other than in the ordinary course of business and consistent with past practice, Mantra or any of its subsidiaries creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole, or a substantial part, of its business or property;

(h) Mantra or any of its operating subsidiaries resolving that it be wound up;

(i) a liquidator, provisional liquidator or administrator of Mantra or any of its operating subsidiaries being appointed;

(j) the making of an order by a court for the winding up of Mantra or any of its operating subsidiaries;

(k) Mantra or any of its operating subsidiaries executing a deed of company arrangement; or

(l) a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of Mantra or any of its operating subsidiaries being appointed,

provided that none of the above events in will constitute a Prescribed Event where:

(m) Mantra has first consulted in detail with ARMZ in relation to the proposed event, and ARMZ has approved in writing in their absolute discretion the proposed event within five Business Days of having been so consulted;

(n) the event is expressly disclosed as a Prescribed Event in writing by Mantra to ARMZ prior to the Execution Date; or

(o) the event is required or permitted to be done or procured by Mantra or its subsidiaries pursuant to this agreement or the Scheme.

Record Date means 7.00pm on the fifth business day (as defined in the ASX Listing Rules) following the Second Court Hearing date or such other date as Mantra and ARMZ agree.

Related Body Corporate has the meaning given to that term in the Corporations Act.

Related Party means in relation to a party, its Related Bodies Corporate and each of the officers.

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between Mantra and the Scheme Participants substantially in the form of Annexure A of the SIA, which if implemented will give effect to the merger between ARMZ and Mantra as described in the SIA.

Scheme Meeting means the meeting to be convened by the Court in relation to the Scheme pursuant to section 411(1) of the Corporations Act.

Scheme Participant means each Mantra Shareholder at the Record Date.

Second Court Hearing Date means the first day on which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard.

Superior Proposal means a bona fide Competing Transaction in relation to all Mantra Shares which the Mantra Board, having taken into account the conditions of the Competing Proposal (specifically, any financing condition or any due diligence condition), acting in good faith and in order to satisfy what the Mantra Board considers to be its fiduciary or statutory duties (and after having taken written advice from its external financial and legal advisers), unanimously determines:

(a) is reasonably capable of being completed on a timely basis taking into account all aspects of the Competing Transaction; and

(b) if completed according to its terms, would be more favourable financially to Mantra Shareholders than the

Scheme, taking into account all terms and conditions of the Competing Transaction (including, without limitation, the form and certainty of the consideration to be provided under the Competing Transaction).

TSX means the Toronto Stock Exchange.

Unlisted Options - 31 December 2010 means the unlisted options issued by Mantra with an exercise price of A\$1.65 which have to be exercised on or before 31 December 2010 and the unlisted options issued by Mantra with an exercise price of A\$3.50 which have to be exercised on or before 31 December 2010.

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