

Four Winners in a Takeover – Miocene Metals and OZ

What is a “takeover”? There are hostile bids, failed bids, friendly bids, partial bids, white knight bids, reverse takeovers, forward delaware mergers, amalgamations, continuations, backflips, changes of voting control, changes of board control ... each is a kind of takeover.

Miocene Metals Limited (TSXV: MII) is in the middle of one of these.

There is a lot of money to be made on a takeover. Lawyers, accountants, tax advisers, and investing bankers all want a piece. The regulators and stock exchanges want some of that cash too, but it's the shareholders who stand to lose or gain the most.

Remember that the shareholders are the owners of the company. Management just runs it, and the board supervises management. The shareholders own it. An increase or decrease in equity directly affects those owners.

If the hunter overvalues the target, then Hunter's shareholders are taking the hit in their equity pocket. If Hunter can gain control of Target for less than real value, then it will be Target's shareholders who take the hit.

Sometimes, though, everything lines up just right. Target, Hunter, WhiteKnight and Friends all get a chance to make some money. Which brings us to a takeover winner you can't buy yet, involving Miocene, Carube, OZ and Wallbridge.

Miocene Metals was pupped out of Wallbridge Mining Company Limited in 2010 to hold Wallbridge's British Columbia mining assets in the Cascade Magmatic Arc. This allowed Wallbridge to focus on its polymetallic Broken Hammer property near Sudbury,

Ontario. (I like Wallbridge as a company but not as a takeover target, yet.)

Miocene's B.C. mining tenures are highly prospective for gold and copper, and possibly molybdenum. I'm on record as being a big fan of north BC – massive deposits have been found and I believe more will be. The recent completion of the Northwest Transmission Line provides access to cheaper power to drive development. Except for the ongoing horror that Teuton Resources has become, most companies operating in that part of the world have a bright future. (I could write for weeks and not fully describe the gong show at Teuton – it's a bizarre story begging to be made into a movie.)

Work to date at Mioecene's B.C. properties has been promising, and they deserve further exploration. They are in good standing until 2018, so there is no immediate need to do a dilutive financing to carry out any work on them. The problem is, even if Miocene did a financing, unless they prove up a massive deposit like Red Chris (Imperial Metals) or Brucejack (Pretium) or KSM (Seabridge), the market just won't care. The shareholders won't get fair value from the market for quality results, which translates to a waste of cash. Management had to find another approach to create shareholder value.

That approach came by way of a "reverse takeover". In Nov/13 Miocene announced a negotiated (friendly) RT0 with Carube Resources Inc. TSXV conditional approval was received in April/14. The plan was to effect a 1-for-10 consolidation (since effected) and then issue common shares to buy all of Carube's outstanding securities. Carube shareholders will then own the majority of the Resulting Issuer. (See Miocene's April 29, 2014 information circular on SEDAR (www.sedar.com)).

Trading in Miocene's shares is halted pending completion of the RT0.

Carube was a private company having an interest in six large

copper-gold licences in Jamaica, totalling roughly 280 sq km. One of those six licences is "Bellas Gate". Carube needed to raise money to explore Bellas Gate and the other licences, but as a private company it could not offer liquidity to its investors. To get that liquidity and access financing, Carube entered into the RT0 agreement with Miocene. (Disclosure: Euro Pacific Canada is the lead agent and bookrunner – one of the lead brokers is a good friend of mine.)

Given the current crappy market in junior mining, Miocene on its own might not have been able to raise the needed financing, which brings us to the fourth player named above, OZ Minerals (ASX: OZL). OZ' shares trade on the Australian Stock Exchange at roughly AUD\$3.50 for roughly a one billion dollar market cap. It has a substantial cash balance and is debt-free. OZ is an old-time mining company, driving value from existing operations, the drill bit and JV / option agreements around the world.

OZ has already invested almost \$1M in Carube directly, on the same terms as the RT0, and must spend \$7M to earn 70% of the Bellas Gate project. If OZ funds to the completion of a feasibility study, then OZ earns an additional 10%. OZ also has the right to fund the other Carube licences up to roughly \$20M to earn a 70% interest in them.

So how does this takeover benefit everyone? Start with Carube.

It's hard to raise any money for a Jamaica-based mining project, so for the Carube shareholders, capital plus liquidity equals a win. The exact price per share (\$0.20) is almost irrelevant. Philosophically, it would be the same benefits for the Carube shareholders at 15 or 25 cents. Twenty cents happens to be the "fair" number negotiated at arm's length with Miocene.

Carube gets to raise money to explore its assets, and its otherwise-trapped shareholders get shares in a Canadian-traded

public vehicle. Plus Carube gets the benefit of the leadership team from Miocene and Wallbridge, including Alar Soever, the avuncular P.Geo. with a history of success. The Carube group makes out very well on this RT0.

Miocene wins by adding another leg to its stool. It diversifies risk for its shareholders by entering Jamaica. The Carube assets appear to be highly prospective – Miocene's core and non-core disclosure documents show significant intersections of copper-gold (see the press releases of Jan 14/15 and March 3/15 for details).

Then we have the existing Miocene BC assets, which provide great opportunity down the road. As a medium term play, those assets give the shareholders exposure to one of the world's great mining districts at a fairly inexpensive entry point. And if Jamaica doesn't work out, at least the shareholders have these quality assets to fall back upon.

Wallbridge wins by having a massive upside in its equity holdings in Miocene. Prior to the announcement of this RT0, Wallbridge owned roughly 40% of Miocene and will own roughly 13% post-closing on the new assets and financing. Wallbridge did not have to fund Miocene but now it enjoys huge exposure to the drill bit, in partnership with a billion dollar miner.

Last, OZ, that billion dollar miner, is a winner. Like every other large mining company, it cannot grow by the drill bit alone. It needs acquisitions like this to feed it. OZ can make its value grow by investing its cash in diverse projects and seeing that investment grow into a mineable deposit. OZ's shareholders have the same upside exposure as do the Wallbridge shareholders.

This takeover, when closed, will be that rare win-win we so frequently hear about. Kudos to Mr. Soever and everyone on the team for battling on behalf of the shareholders.