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## China Sci-Tech bids for Chariot

BY ANTHONY VACCARO

After putting down a dissident shareholder manoeuvre led by Lukas Lundin last September, a triumphant Ulli Rath — **Chariot Resources'** (CHD-T) president and chief executive — told a gathering of shareholders that his management team was the best one to get the job done of selling its Marcona copper project in Peru.

Rath has remained true to his word.

Chariot announced on March 1 that it has entered into a friendly agreement with Hong Kong-based investment house China Sci-Tech Holdings that will see the firm pay roughly \$255 million in cash for all of Chariot's outstanding shares.

The 67¢-per-share offer represents a 52% premium based on the volume-weighted average price of a Chariot share over the 20-day period prior to the company's Feb. 22 announcement that it was in exclusive negotiations with an unnamed firm.

And the premium is far heftier compared to when Rath took the reins in late 2004, when Chariot's market cap was under \$10 million.

Chariot — which has held a 70% interest in Marcona — has spent roughly \$70 million acquiring and developing the project to its current state. The remaining 30% stake is held by two South Korean entities: state-controlled Korea Resources and LS-Nikko Copper.

Rath, who has already brought four mines into production in South America,

would have preferred to have seen Chariot develop Marcona all the way through. However, the financial meltdown in 2008 forced the company to set more modest goals after a term of sheet with six lenders for US\$350 million in debt financing evaporated.

The situation left Chariot in a precarious situation that could have seen it lose the project altogether.

So with just \$30 million in its treasury, management went into cash conservation mode.

The plan worked, and Chariot was able to keep its chief asset. But Rath and his team were painfully aware they didn't have the capital to develop the project themselves and would have to dress up the project to sell.

A feasibility study was also completed last year that envisioned building a \$578-million mine that would produce 244.5 million lbs. copper per year — some of that as copper cathode, some as a premium concentrate with a grade of 37.8% copper.

Next on the to-do list was to get an environmental and social impact assessment (ESIA) finished and approved.

Rath, who is proud of the work that Chariot has done on the social and environmental side (the company has received third-party accolades for some of its local youth programs), says that he expects the ESIA to be approved by mid-year.

And the Peruvian government's selecting the project for its "National Interest"

designation in early February signalled its support for development.

And while the bidder carries China in its name, Rath argues that there is a difference in how mainland Chinese and Hong Kong companies like China Sci-Tech conduct business.

"Mainland Chinese companies have gathered a bit of a bad reputation, and deservedly so, because they don't have a particularly strong record on the environmental and social side of things," Rath says. "But I believe Hong Kong companies are completely different."

Rath explains that while financed with Hong Kong capital, China Sci-Tech is using an experienced outside mining team, in this case from Australia, at its recently acquired gold project in Indonesia, and will likely do the same at Marcona.

Rath says China Sci-Tech would like him to stay on and guide the project, but it's too early for him to decide.

Of course China Sci-Tech may not even end up with the project, as Chariot spoke with as many as 20 interested parties over the past few months, and a rival bid is possible.

China Sci-Tech has the right to match any such bid, and Chariot would have to pay it a \$7.6-million break fee if it were to accept a higher offer.

Chariot and China Sci-Tech are looking to hold shareholder meetings in mid-April. The deal would need 66.7% shareholder approval.

## DJ Hong Kong Company Buys Peru Copper Mine For \$248 Mln

3 marzo 2010

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LIMA (Dow Jones)--The Hong Kong based China Sci-Tech Holdings Limited (0985.HK) has bought a Canadian-owned Peru copper project for about \$248 million, with estimated copper reserves of \$609 million.

President and CEO of Chariot Resources Limited (CHD), which owns 70% of the Marcona Copper Project in southern Peru, said he would have developed the project itself, had it not been for the effects on lenders of the international financial crisis.

'At the end of the day shareholders preferred to sell, and I am confident the mine will be developed in an appropriate manner,' said Ulli Rath, Chariot CEO, Wednesday in a telephone interview.

Rath said despite some suspicion of Chinese projects in Peru, China Sci-Tech, or CST, an investment holding company, was backed by Hong Kong financiers and under Australian management.

'I believe we will see more of this in the future, a new breed of mining finance companies, a fusion between Hong Kong financial entrepreneurs and traditional mining managers like Australia and Canada,' he said.

Rath said CST had agreed to buy all of Chariot's 382 million shares for US\$0.65(US) per common share.

The company's Web site estimates copper reserves at the Marcona Project's main development, the Mina Justa project, at about 6.8 billion pounds of copper, and its worth at about \$609 million. The Marcona project covers four other mine prospects, a total of almost 33,000 hectares.

The other 30% of the Marcona project is owned by the Korea Resources Corporation, and LS-Nikko Copper Inc.

When the deal is complete, pending shareholder approval, the Peru mine project will become China Sci-Tech's principal business, said a Chariot Resources' press release. -By Sophie Kevany, Dow Jones Newswires; 51-198-903-8043; [sophie.kevany@dowjones.com](mailto:sophie.kevany@dowjones.com)

## **Chariot Deal Raises Hong Kong's Profile**

Mining player

Peter Koven, Financial Post, March 02, 2010

It is no secret that mainland China is prowling the globe to secure resources for its economy. But the \$244-million takeover of Chariot Resources Ltd. by China Sci-Tech Holdings Ltd. shows that Hong Kong is an increasingly important player in the mining game as well.

The all-cash deal for Toronto-based Chariot, worth 67¢ a share, was announced yesterday. It passes Chariot's flagship Marcona copper project in Peru over to CST; a Hong Kong based Investment Company.

CST is an emerging player in mining finance. It has created a new publicly traded gold company called G-Resources Group Ltd., and Marcona gives it the potential base for a copper company as well.

Ulli Rath, Chariot's chief executive, said in an interview that Hong Kong will continue to grow as a crucial destination for mining finance. He pointed out that the Hong Kong Stock Exchange has been among the hottest in the world for initial public offerings.

"I believe the future of our business is Hong Kong. They have a very deep, highly regulated market, they have an enormous amount of cash, and they're hungry to build mining finance groups," he said.

Available capital in Hong Kong is exploding as the growing middle class in mainland China sends its savings there for investment. As such, Mr. Rath expects many more Canadian companies will go to Hong Kong to raise money, list shares or do other deals. In January, Canadian coal miner South Gobi Energy Resources Ltd. created a listing on the Hong Kong Exchange.

For Chariot, the sale caps off a turbulent period that began with the credit crisis in 2008.

During the global meltdown, Chariot's lenders reversed course and pulled a US\$350-million loan they planned to give the company to finance the Marcona project. As a result, the stock plummeted from more than \$1 a share to 6¢.

Chariot survived the crisis and canvassed shareholders to see what they wanted the company to do next. The consensus was that it should be sold.

Chariot started preparing for a sale, but the whole process was interrupted by a proxy fight last summer, as directors affiliated with Lundin Mining Corp. tried to take control of the company. The messy fight ended with Mr. Rath and the incumbent directors keeping their jobs.

"We had a pleasant time exchanging insults. But what the process did was crystallize shareholders' desire to see the project sold at a good price," he said.

The company signed confidentiality agreements with 20 potential buyers before entering exclusive negotiations with CST. Lundin Mining, which owns more than 16% of Chariot, supports the transaction.

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