



West African bids for neighbour

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SHARES in West African Resources jumped after the company announced a friendly takeover for Toronto-listed Channel Resources, which owns a 1.2 million ounce deposit adjacent to West African's Boulsa project in Burkina Faso.

West African had been in a trading halt since July 29 and said today it had signed a letter of intent with Vancouver-based Channel for a plan of arrangement that would see Channel shareholders receive one West African share for every four Channel shares held.

Channel shareholders will also receive one share purchase warrant for each two West African shares received in the deal, with each warrant exercisable to acquire one West African share at A40c per share within 36 months of the deal being completed.

Each Channel option will be replaced with 0.25 of a West African option.

Based on last closing prices and exchange rates, the offer represents a 100% premium for Channel shareholders.

West African will issue almost 30 million shares, with Channel shareholders to wind up with 13.2% of the company.

Around 8% of Channel shareholders have already signed lock-up agreements.

In the meantime, West African will subscribe for 29.6 million shares at 5c per share for \$1.48 million, which will allow Channel to fund transaction costs and give West African a 19.9% stake.

Channel's 90%-owned Tanlouka project includes the Mankarga 5 deposit, discovered in 2010, which has a 1.2Moz resource and is only 10km from West African's underexplored Moktedu prospect.

Moktedu is part of West African's flagship Boulsa project, which includes the 651,000oz Sartenga permit, which also contains 174,000 tonnes of copper, 11,000t molybdenum and 2.5Moz silver.

"Market conditions have taken a heavy toll on Channel in the past year, however, under the proposed transaction, Channel shareholders have the opportunity to benefit from West African's ability to realise the value of Tanlouka and also to participate in the exploration and development of its extensive landholdings, which are contiguous with Tanlouka, numerous gold prospects and its flagship Sartenga copper-gold project," Channel president and CEO Colin McAleenan said.

"Importantly, West African is managed by a team with a long operational history in West Africa that operates a fleet of cost-effective company-owned drilling rigs, has a solid track record in financing junior resource companies and has the primary objective of establishing a gold mining operation on the properties as rapidly as possible."

West African managing director Richard Hyde said the company planned to move its fleet of rigs to target shallow gold mineralisation at Moktedu and Tanlouka to maximise near-term production potential.

"Channel shareholders will also benefit from the growth potential of the large-scale Sartenga copper-gold project, which we will continue to diamond drill throughout the current wet season and into 2014, allowing for resource estimates updates to be completed by the end of 2013 and again in 2014," he said.

The companies expect the transaction to be completed by the end of October.

West African shares gained as much as 33% to 2c on the news but closed 20% or 0.3c up to 1.8c.



Drilling at the Sartenga deposit.