

MEMORANDUM

From: Rockwall Analytics

Subject: Mining Co Rights Issue and Board Spill

Date: August 2, 2020

Capital Markets, Corporate and M&A

Here is the background information

WHO IS OUR CLIENT?

We act for Activist Limited (Activist)

Activist is the largest shareholder of *Mining Co Limited*, an ASX-listed company (Mining Co), having accumulated 15% of the shares in *Mining Co* over the last 3 years

RECENT HISTORY

In the space of 15 months, *Mining Co's* share price has dropped 75%. Activist is very concerned about the future of *Mining Co*. It has lost faith in the current board and is seeking a change of strategic direction of the company

Mining Co's AGM (annual general meeting) of shareholders is scheduled to take place in two weeks' time. In anticipation of the upcoming AGM, Activist gave notice to *Mining Co* under sections 249N and 203D of the Corporations Act requiring *Mining Co* to seek a shareholder vote on the removal of the existing *Mining Co* board. Activist has also proposed to nominate a number of directors for election to the Board. Activist believes that there are enough discontented shareholders who will approve the resolutions to remove the existing board and appoint the new directors

THE ISSUE

Unexpectedly, *Mining Co* has just announced to the market that it proposes to undertake an equity raising. The equity raising scheme is to be structured as a **rights issue** (also known as an 'entitlement offer'), which gives all existing shareholders the right to participate equally. *Mining Co* is seeking to raise USD100 million by issuing 1 share for every 1 share already on issue. The rights issue will be underwritten and will be 'non-renounceable'. *Mining Co* has publicly stated that the purpose of the equity raising is some "general balance sheet tailoring", i.e. to repay some of its debt and improve its financial position

The equity raising scheme is scheduled to be complete before *Mining Co's* AGM. This would mean that shares issued under the equity raising could be voted at the AGM

Activist has realised that if it does not participate in the equity raising scheme, then its shareholding in *Mining Co* will decrease to 7.5%. It is now concerned that if it does not participate in the equity raising, there may not be enough votes to pass its resolutions. Activist believes that the timing of *Mining Co's* equity raising scheme is suspicious and is only being undertaken to prevent the ousting of the existing board