

# Batero and Red Eagle mining in bidding war for CB Gold

Despite the market been in the depths of despair, a bidding war Between Batero Mining {TSX.V: BAT}, and Red Eagle Mining for control of CB gold has hotted up, with an improved offer from Batero pipping Red Eagle's latest bid.

Let's see if any counter bids emerge in due course!

Batero boosts offer for CB Gold to six cents a share

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Mr. Michael Mills reports

## BATERO SIGNIFICANTLY RAISES OFFER TO ACQUIRE CB GOLD

Batero Gold Corp. has significantly increased its previous offer to acquire all of the outstanding common shares of CB Gold Inc. to six cents per CB Gold common share. Batero and CB Gold have entered into an amended support agreement to reflect the amended Batero offer. CB Gold's board of directors unanimously supports the amended Batero offer and unanimously recommends that CB Gold shareholders tender to the amended Batero offer.

The amended Batero offer represents a substantial 23-per-cent premium to the hostile Red Eagle Mining Corp. offer based on Sept. 4, 2015, closing prices. The value of today's amended Batero offer represents a 71-per-cent premium to the closing price of CB Gold common shares on July 23, 2015, the day before the announcement of Batero's initial offer. In connection with the amended Batero offer, Batero will file and mail a notice of variation and extension to CB Gold shareholders.

CB Gold shareholders who tender to the amended Batero offer will be entitled to receive, at their option, for each CB Gold common share either six cents in cash or 0.80 of a Batero share, in each case pro rata. The maximum amount of cash payable by Batero under the amended Batero offer will be equal to one-half (approximately \$5.4-million) of the total consideration. The maximum number of shares issuable by Batero under the amended Batero offer will be approximately 72.3 million (based on the number of CB Gold common shares outstanding on Sept. 4, 2015).

The amended support agreement increases the definition of consideration to reflect the amended Batero offer, allows Batero to decrease or waive the minimum tender condition without consent from CB Gold in certain circumstances, and amends the termination fee to \$420,000 (U.S.).

Batero is also pleased to announce that it has entered into a lock-up agreement with Silvercorp Metals Inc., pursuant to which Silvercorp has agreed to tender to the amended Batero offer all of the CB Gold common shares held by it. Copies of such lock-up agreement and the amended support agreement will be filed with securities regulators and will be available on SEDAR. The lock-up of Silvercorp, a sophisticated party, is a signal of strong support for the amended Batero offer.

The amended Batero offer provides CB Gold shareholders far-superior value and the choice of the certainty of cash or significant upside.

#### Financial benefits of the Batero offer

The Batero offer provides a higher premium and the choice of value certainty or more upside versus the Red Eagle offer. Based on Sept. 4, 2015, closing prices, the implied value of Batero's offer, six cents per CB Gold common share, is more than 23 per cent higher than the value of the Red Eagle offer of 4.86 cents. Batero has increased the premium paid to CB

Gold shareholders from 44 per cent to 71 per cent, based on the closing prices on July 23, 2015, the day before the announcement of Batero's initial offer.

Batero is offering six cents per CB Gold common share in cash (pro rata such that a maximum of 50 per cent of its total consideration is in cash) or offering 0.80 of a Batero share for each CB Gold share for those CB Gold shareholders who want to participate in the upside of Batero's projects.

Batero has the technical and financial capacity to unlock value for its shareholders going forward with its objectives of advancing the Vetás and Quinchia projects. CB Gold shareholders electing shares will gain exposure to Batero's preliminary-economic-assessment-stage Batero-Quinchia project.

Red Eagle is currently focused on construction of its own project, which could be subject to delays, and cash flow is at risk of being diverted to service the Red Eagle debt.

The Batero offer is supported by CB Gold's board of directors. The Batero offer is the only bid which has received unanimous support from CB Gold's board of directors. Including the Silvercorp shares, holders of nearly 30 per cent of CB Gold common shares have already tendered to the initial Batero offer even though there is time remaining until expiry.

Despite having its bid outstanding for more than 60 days, Red Eagle has not managed to get the majority of CB Gold shareholders to support its inferior proposal.

CB Gold shareholders will benefit from the technical expertise of Consorcio Minero Horizonte on the back of CMH's alliance with Batero.

CMH has been in operation for over 35 years. CMH has the know-how to help Batero advance the Vetás project through permitting and development. CMH produces more than 250,000 ounces of gold per year in Peru and has mined close to three

million ounces over the last two decades. CMH employs more than 3,500 people. Batero and CB Gold shareholders will be able to draw on CMH's deep underground mining expertise. Throughout its history, CMH has developed more than 100 kilometres of underground headings and sublevels at depths in excess of 700 metres.

Red Eagle has stated that it is focused on developing the Santa Rosa deposit, and any attention to Vetás will be subordinate to the main project. To date, Red Eagle has not produced an ounce of gold and has not operated a gold mine, whether underground or open pit.

CB Gold shareholders will benefit from the financial resources of Batero and strong backing of its partner CMH. Batero has already demonstrated its financial capacity by providing CB Gold shareholders with a cash component and by providing CB Gold with a \$575,000 private placement to keep the company solvent. As of May 31, 2015, adjusting for the private placement, Batero had a cash balance of \$11.5-million.

Batero has the backing and support of CMH, which has been a strong technical and financial supporter of Batero since 2012. Given the turbulence in the gold markets, all of Batero's shareholders benefit from CMH's position in the company. As the company unlocks value, all of Batero's shareholders will be completely aligned to benefit.

Meanwhile, Red Eagle has refused to support CB Gold. Red Eagle is coping with a debt burden and has limited resources to divert toward the Vetás project. Red Eagle's outstanding debt includes a \$60-million (U.S.) credit facility to build its own Santa Rosa project. The facility is greater than the unlevered net present value of the Santa Rosa project of approximately \$43-million (U.S.), according to its own feasibility study (at a discount rate of 8 per cent and a gold price of \$1,100 (U.S.) per ounce).

Red Eagle's shares are concentrated in the hands of three mine finance groups and a mining contractor.

These shareholders together control more than 60 per cent of the shares outstanding in Red Eagle. These parties have business objectives which may not align with the interests of all shareholders. They have taken advantage of this control position to extract dilutive royalties and production payments and provide excessive leverage.

How to tender CB Gold common shares to the Batero offer

All questions regarding the Batero offer and how to tender CB Gold common shares to the Batero offer should be directed to Kingsdale Shareholder Services, the information agent and depository, at 1-866-581-0506 (North American toll-free) or 1-416-867-2272 (collect calls) or by e-mail at [ontactus@kingsdaleshareholder.com](mailto:ontactus@kingsdaleshareholder.com).

Shareholders should also contact Kingsdale Shareholder Services for assistance if they have tendered their shares to the Red Eagle offer to withdraw them immediately, and in any event prior to the Sept. 14, 2015, expiry date of the hostile Red Eagle offer.

We seek Safe Harbor.