



Australian Government

Takeovers Panel

MEDIA RELEASE

No: TP20/72

Monday, 2 November 2020

Cardinal Resources Limited 05 – Panel Receives Application

The Panel has received an application from Shandong Gold Mining (HongKong) Co., Limited (**Shandong**) in relation to the affairs of Cardinal Resources Limited (**Cardinal**). Further background details are set out in the Panel’s media release relating to the receipt of Cardinal Resources’ application in *Cardinal Resources Limited 04* ([TP20/71](#)).

Details of the application, as submitted by Shandong, are below.

A sitting Panel has not been appointed at this stage and no decision has been made whether to conduct proceedings. The Panel makes no comment on the merits of the application.

Details

On 2 September 2020, Nordgold announced an increase in its offer price from \$0.66 to \$0.90 per Cardinal share (**Nordgold Price Increase**). On 3 September 2020, Nordgold released a Form 604 disclosing that on 2 September 2020, it acquired 44,983,095 shares in Cardinal (comprising 8.55% of Cardinal) (**Accepted Shares**) as a result of acceptances received under the Nordgold offer.

On 4 September 2020, MM Asset Management Inc. (**MMAM**) released a Form 605 disclosing that, on 2 September 2020, it had disposed of 48,520,066 shares in Cardinal via a series of on-market transactions at an average price of \$0.9007 per share (**MMAM Stake**).

Trading data from 2 September 2020 shows that the Accepted Shares were transacted between MMAM’s broker and Nordgold’s broker immediately following the open of trading between the times of 10:02:40 am and 10:03:08 am (AEST).

The MMAM Form 605 also evidences that on 2 September 2020, MMAM re-entered the market and acquired a total of 3,176,369 Cardinal shares at a price of \$0.91 via a series of on-market transactions (**Further Purchase**).

On 7 September 2020, Shandong increased its offer price to \$1.00 per Cardinal share. On 19 October 2020, Shandong made an announcement that its \$1.00 per share offer price was best and final in the absence of a higher competing offer.

Shandong submits (among other things) that:

- MMAM, a sophisticated investor, “*rushed to accept into the \$0.90 Nordgold offer shortly after the Nordgold Price Increase was announced in a manner that maximised the portion of the MMAM Stake that could be accepted into the Nordgold offer even though that resulted in MMAM receiving a lower price for the MMAM Stake...*”
- MMAM’s conduct was not economically rational when taking into account (among other things) that:
 - there were good prospects of the competitive bidding process continuing and greater value subsequently becoming available (noting that at the time Nordgold’s offer was to remain open for a further 8 days)
 - a material volume of the Accepted Shares could have been sold on market at a price higher than \$0.90 later on 2 September or after that date and
 - MMAM’s Further Purchase indicates that MMAM was compelled to sell to Nordgold notwithstanding it believed there was value in Cardinal shares above \$0.90 per share
- MMAM and Nordgold had come to an agreement, arrangement or understanding that MMAM would accept into the Nordgold offer in consideration for the Nordgold Price Increase
- Nordgold acquired a relevant interest in the MMAM Stake prior to MMAM accepting into the Nordgold offer, resulting in Nordgold’s voting power in Cardinal exceeding 20% in breach of section 606¹
- Shandong’s best and final statement was made in circumstances where there was not an efficient, competitive and informed market and Shandong has been deprived of the opportunity to compete for the MMAM Stake and
- the MMAM Stake is particularly critical in circumstances where Nordgold has sought to frustrate the auction for control of Cardinal by choosing to match Shandong’s offer at \$1.00 per share (rather than exceed it) and declared its offer best and final (in the absence of a higher competing offer).

¹ Unless otherwise indicated, all statutory references are to the *Corporations Act 2001* (Cth), and all terms used in Chapter 6 or 6C have the meaning given in the relevant chapter (as modified by ASIC)

Shandong seeks final orders that:

- the MMAM acceptance of the Nordgold offer be unwound and the Accepted Shares be returned to MMAM (in exchange for \$0.90 per share)
- Shandong be released from its best and final statement and
- Shandong be able to raise its offer price above \$1.00 per share.

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