

Golden Minerals Co
Form PRE 14A
November 12, 2015
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant X

Filed by a Party other than the Registrant O

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

Golden Minerals Company

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:
- Fee paid previously with preliminary materials.
-

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:
-

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350 Indiana Street, Suite 800

Golden, Colorado 80401

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To be held January 19, 2016

Dear Stockholders:

We cordially invite you to attend a special meeting of the stockholders of Golden Minerals Company (the "Company") to be held at the Courtyard by Marriott Denver West/Golden, 14700 W. 6th Avenue Frontage Road, Golden, CO 80401 on January 19, 2016 at 9:00 a.m., Denver time. The primary business of the meeting will be to vote on the Company's proposal to:

Approve the issuance of shares of the Company's Common Stock upon the conversion of a Senior Secured Convertible Note in favor of the Company's stockholder The Sentient Group.

The foregoing is more fully described in the Proxy Statement accompanying this Notice. Only stockholders of record at the close of business on November 24, 2015, the record date fixed by the board of directors, are entitled to notice of, and to vote at, the special meeting and at any postponements or adjournments thereof.

Your vote is very important, regardless of the number of shares you own. Whether or not you expect to attend the special meeting, please complete, sign, date, and return the enclosed proxy card as soon as possible in accordance with the instructions on the proxy card. You may revoke this proxy at any time prior to the special meeting and, if you attend the special meeting, you may vote your shares in person.

The Proxy Statement is available for viewing, printing and downloading at www.viewproxy.com/GoldenMinerals/2016

By order of the Board of Directors,

Warren M. Rehn
President and Chief Executive Officer
December [1], 2015

**Stockholders are requested to sign the enclosed proxy card and
return it in the enclosed stamped envelope by return mail.**

OR

**Stockholders may also complete a proxy via the Internet or by telephone
in accordance with the instructions listed on the proxy card.**

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GOLDEN MINERALS COMPANY

350 Indiana Street, Suite 800

Golden, Colorado 80401

PROXY STATEMENT

SPECIAL MEETING OF STOCKHOLDERS

January 19, 2016

This Proxy Statement is furnished to the stockholders of Golden Minerals Company (Golden Minerals, the Company, we , or our) in connection with the solicitation of proxies by the board of directors of Golden Minerals to be voted at the special meeting of stockholders on January 19, 2016, or at any postponements or adjournments of the special meeting. This special meeting is being held for the purpose set forth in the accompanying Notice of Special Meeting of Stockholders. The Proxy Statement and proxy card were first mailed to stockholders on or about December [1], 2015.

Important Notice Regarding the Availability of Proxy Materials for the Special Stockholder Meeting to be Held on January 19, 2016:

THE PROXY STATEMENT IS AVAILABLE FOR VIEWING, PRINTING AND DOWNLOADING AT:

www.viewproxy.com/GoldenMinerals/2016

ABOUT THE MEETING

Why am I receiving this Proxy Statement and proxy card?

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You have received these proxy materials because our board of directors is soliciting your proxy to vote your common stock at the special meeting of stockholders on January 19, 2016 to approve the issuance of shares of the Company's common stock, par value \$0.01 per share (the "Common Stock") upon the conversion of a Senior Secured Convertible Note (the "Note") in favor of the Company's stockholder The Sentient Group, as further described in this Proxy Statement. This Proxy Statement provides you with information on this matter so that you may make an informed decision.

What is the purpose of the special meeting?

At our special meeting, stockholders will vote on the following item of business:

To approve the issuance of shares of the Company's Common Stock upon the conversion of a Senior Secured Convertible Note in favor of the Company's stockholder The Sentient Group.

What are the board's recommendations?

Our board of directors recommends that you vote **FOR** the issuance of shares of the Company's Common Stock upon the conversion of a Senior Secured Convertible Note in favor of the Company's stockholder The Sentient Group (see "The Proposal").

With respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by the board of directors or, if no recommendation is given, in their own discretion.

What shares are entitled to vote?

As of November 24, 2015, the record date for the special meeting, we had 53,335,333 shares of Common Stock outstanding. This amount includes 465,005 shares of unvested restricted Common Stock issued pursuant to our Amended and Restated 2009 Equity Incentive Plan, which are not entitled to vote at the special meeting. Therefore, as of November 24,

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2015, 52,870,328 shares of Common Stock were outstanding and are entitled to vote at the special meeting. You can vote all of the shares that you owned on the record date. These shares include: (1) shares held directly in your name as the stockholder of record, and (2) shares held for you as the beneficial owner through a stockbroker, bank or other nominee.

What is the difference between holding shares as a stockholder of record and as a beneficial owner?

Most stockholders hold their shares through a broker or other holder of record rather than directly in their own names. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

Stockholder of Record. If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, N.A., you are considered, with respect to those shares, the stockholder of record, and we have sent the Notice and Proxy Statement directly to you. As the stockholder of record, you have the right to grant your voting proxy directly to the named proxy holder or to vote in person at the meeting. You may vote by proxy by filling out the proxy card included with the materials mailed to you, via the Internet, or by calling the toll free number found on the proxy card.

Beneficial Owner. If your shares are held in a brokerage account, or by a bank or other holder of record, you are considered the beneficial owner of shares held in street name, and the proxy materials are being forwarded to you by that holder of record together with a voting instruction card. As the beneficial owner, you have the right to direct your broker, bank or other holder of record how to vote and are also invited to attend the special meeting.

Who may attend the special meeting?

All stockholders as of the record date, or their duly appointed proxies, may attend the meeting. If you are not a stockholder of record but hold shares through a broker, bank or other holder of record (i.e., in street name) and wish to attend the meeting, you will need to provide proof of beneficial ownership on the record date, such as your most recent account statement as of November 24, 2015, a copy of the voting instruction card provided by your broker, bank or other holder of record, or other similar evidence of ownership. Registration and seating will begin at 8:30 a.m., Denver time. Cameras, recording devices and other electronic devices will not be permitted at the meeting.

How may I vote my shares in person at the special meeting?

Shares held in your name as the stockholder of record may be voted in person at the special meeting. Shares held beneficially in street name may be voted by you in person only if you obtain a legal proxy from the broker, bank or other holder of record that holds your shares giving you the right to vote the shares. Even if you plan to attend the special meeting, we recommend that you submit your proxy or voting instructions prior to the meeting as described below so that your vote will be counted if you later decide not to attend the meeting.

How may I vote my shares without attending the special meeting?

Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct how your shares are voted without attending the meeting. If you are a stockholder of record, you may vote by submitting a proxy card or via the Internet or telephone by following the instructions provided on the proxy card. If you hold shares beneficially in street name, you may vote by submitting voting instructions to your broker, bank or other holder of record. For directions on how to vote, please refer to the instructions included on the proxy card or, for shares held beneficially in street name, the voting instruction card provided by your broker, bank or other holder of record.

If you need assistance in voting by telephone or over the Internet or completing your proxy card or have questions regarding the special meeting, please contact our proxy advisor:

Alliance Advisors, LLC

200 Broadacres Drive, 3rd Floor

Bloomfield, NJ 07003

855-928-4483

Proxies submitted properly by one of the methods described above will be voted in accordance with the instructions contained therein. If you submit a proxy but do not provide voting directions, the proxy will be voted FOR the approval of the issuance of shares of the Company's Common Stock upon the conversion of the Note.

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If your shares are held through a broker, bank or other nominee, under applicable rules of the NYSE MKT LLC (NYSE MKT) (the U.S. exchange on which our Common Stock is traded) and applicable Canadian securities laws, the broker will vote your shares according to the specific instructions it receives from you. If the broker does not receive specific voting instructions from you, the broker will not be able to vote your shares, as under the NYSE MKT rules and guidance, the approval of the sale of Common Stock upon conversion of the Note is not a routine matter on which brokers are entitled to vote without specific direction from the beneficial holder. If your broker does not vote your shares because it has not received specific voting instructions from you, commonly referred to as a broker non-vote, it will not affect the outcome of the vote on this matter since the returned proxy will not be counted. However, abstentions will be included in the number of shares voting and will have the effect of a vote against the Proposal.

May I change my vote or revoke my proxy after I return my proxy card?

Yes. Even after you have submitted your proxy, you may change the votes you cast or revoke your proxy at any time before the votes are cast at the meeting by (1) delivering a written notice of your revocation to our Corporate Secretary at our principal executive office located at 350 Indiana Street, Suite 800, Golden, Colorado 80401; (2) executing and delivering a later dated proxy card; or (3) by the Internet or telephone by following the voting instructions provided on the proxy card. In addition, the powers of the proxy holders to vote your stock will be suspended if you attend the meeting in person and so request, although attendance at the meeting will not by itself revoke a previously granted proxy.

What constitutes a quorum?

The presence at the meeting, in person or by proxy, of the holders of a majority (over 50%) of the shares of our Common Stock outstanding and entitled to vote as of the record date will constitute a quorum. There must be a quorum for any action to be taken at the meeting (other than an adjournment or postponement of the meeting). If you properly submit a proxy, even if you abstain from voting, then your shares will be counted for purposes of determining the presence of a quorum.

What vote is required to approve the Proposal?

The affirmative vote of a majority of the outstanding shares of Common Stock present at the meeting (either in person or by proxy) will be required to approve the Proposal.

The Sentient Group has indicated that it intends to vote its shares of Common Stock pro rata in the same percentages as the shares held by all stockholders (except The Sentient Group) are voted.

How may I vote on the Proposal?

For approval of the issuance of Common Stock upon conversion of the Note, you may vote **FOR** or **AGAINST**, or you may indicate that you wish to **ABSTAIN** from voting.

Who will count the proxy votes?

Votes will be tabulated by Alliance Advisors.

What rights of appraisal or similar rights of dissenters do I have with respect to any matter to be acted upon at the meeting?

No action is proposed at this meeting for which the laws of the state of Delaware or our Bylaws provide a right of our stockholders to dissent and obtain appraisal of or payment for such stockholders' Common Stock.

Who will bear the cost of this proxy solicitation?

The accompanying proxy is solicited on behalf of the Company by its board of directors, and the cost of solicitation will be borne by the Company. Following the original mailing of the proxies and soliciting materials, directors, officers, and employees of the Company may solicit proxies by mail, telephone, facsimile, email or personal interviews. We have retained Alliance Advisors to assist in the solicitation of proxies and provide related advice and informational support, for a solicitation service fee and the reimbursement of customary disbursements for a total estimated cost of approximately \$9,000.

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THE PROPOSAL APPROVAL OF THE ISSUANCE OF THE COMPANY'S COMMON STOCK UPON THE CONVERSION OF A SENIOR SECURED CONVERTIBLE NOTE IN FAVOR OF THE COMPANY'S STOCKHOLDER THE SENTIENT GROUP

At the special meeting, you will be asked to consider and vote upon the issuance of the Company's Common Stock upon the conversion of the Note in favor of The Sentient Group, as further described below.

Introduction

On October 27, 2015, the Company entered into a Loan Agreement (the "Loan Agreement") with Sentient Global Resources Fund IV, L.P., a Cayman Islands exempted limited partnership ("Sentient"). Sentient is a private equity fund managed by The Sentient Group, an independent private equity firm that manages investments in the global resources industry. Together with certain other funds managed by The Sentient Group, Sentient is the Company's largest stockholder, holding in the aggregate approximately 27% of the Company's outstanding common stock (excluding restricted common stock held by the Company's employees). On October 27, 2015, the Company borrowed from Sentient \$5.0 million (the "Loan"), the entire amount available under the Loan Agreement, pursuant to a Senior Secured Convertible Note (the "Note") in favor of Sentient, with principal and accrued interest due and payable on October 27, 2016 (the "Loan Maturity Date"). Upon approval by the Company's stockholders as provided in this Proxy Statement, Sentient will have the right to convert the principal and accrued interest under the Note, in whole or in part and from time to time, to shares of the Company's common stock, \$0.01 par value ("Common Stock") at a conversion price equal to \$0.29 per share or a lower price as described below (see the Summary of the Transaction Documents "Conversion Price").

The material terms of the Note and Loan Agreement are summarized herein. Additionally, because the information included herein is a summary, it may not include a discussion of all of the provisions in which you are interested. As such, the Note and the Loan Agreement are attached to this Proxy Statement as Appendix A and B, respectively. We encourage you to read Appendices A and B in their entirety.

Reason for Seeking Stockholder Approval

The Common Stock is listed on the NYSE MKT and the Toronto Stock Exchange. Section 713(a) of the NYSE MKT rules requires stockholder approval in connection with a transaction involving the sale, issuance, or potential issuance by the issuer of common stock (or securities convertible into common stock) equal to 20% or more of presently outstanding shares of common stock at a price less than the greater of book value or market value. Section 713(b) of the NYSE MKT rules requires stockholder approval in connection with a transaction involving the issuance or potential issuance of additional shares which would result in a change of control of the issuer.

If Sentient were to convert the entire amount of principal and interest due at the Loan Maturity Date, estimated at approximately \$5.5 million, at \$0.29, the highest conversion price permitted under the Note, Sentient would receive 18,965,516 shares of Common Stock, increasing its ownership by about 19% from approximately 27% to approximately 46% of the Company's then outstanding Common Stock, assuming no other issuances of Common Stock by the Company. Under certain circumstances described below (see "Summary of the Transaction Documents Conversion Price"), the conversion price could be significantly lower than \$0.29, resulting in Sentient receiving substantially in excess of 20% of the Company's Common Stock on conversion and owning substantially in excess of 46% of the Company's Common Stock following conversion. The NYSE MKT has informed the Company that the potential issuance of Common Stock to Sentient pursuant to a right to convert principal and interest under the Note to Common Stock constitutes a change of control for purposes of NYSE MKT Section 713(b). Therefore, Sentient will

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not have the right to convert the Note, and the Company will not have the right to issue Common Stock on conversion of the Note until the Company's stockholders approve the Proposal.

Additionally, pursuant to the Loan Agreement, the Company is required to obtain stockholder approval by January 31, 2016, subject to extension under certain circumstances.

Certain Consequences if the Proposal is Approved

The Proposal must be approved in order for Sentient to convert the principal and accrued interest under the Note into the Company's Common Stock and for the Company to issue the Common Stock on conversion.

The consequences of approving the Proposal are significant. Approval of the Proposal and a subsequent issuance of Common Stock to Sentient upon exercise by Sentient of its conversion rights will have the effect of diluting the ownership of existing stockholders and giving The Sentient Group more control over the Company. If Sentient were to convert the entire amount of principal and interest due at the Loan Maturity Date,

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estimated at approximately \$5.5 million, at \$0.29, Sentient would receive 18,965,516 shares of Common Stock, increasing its ownership from approximately 27% to approximately 46% of the Company's then outstanding common stock, assuming no other issuances of Common Stock by the Company. A lower stock price prior to the conversion date or the effects of an anti-dilution adjustment in the Note could further reduce the Conversion Price significantly, and significantly increase the number of shares of Common Stock issuable on conversion. As such, by approving the Proposal, stockholders are approving the issuance of an unlimited number of Common Stock to Sentient.

If a significant amount of Common Stock is issued to Sentient upon conversion of the Note, a change of control could occur. If a change of control occurs, Sentient and The Sentient Group would exert significant control over the Company, including over the election of directors, changes in the size or the composition of the board of directors, and mergers and other business combinations involving the Company. Through control of the board of directors and increased voting power, including an ability to prevent a quorum at stockholders meetings, The Sentient Group would be able to control certain decisions, including decisions regarding qualification and appointment of officers, operations of the business including acquisition or disposition of our assets or purchases and sales of mining or exploration properties, dividend policy, and access to capital (including borrowing from third-party lenders and the issuance of equity or debt securities).

Our executives will not receive change of control benefits under Company agreements or plans as a result of Sentient's conversion of the Note. Our executives have waived any rights that might accrue to them upon or following a change of control as defined in change of control agreements, severance plans, and the Company's equity incentive plan, in connection with a change of control that occurs as a result of Sentient's exercise of its conversion rights.

Certain Consequences if the Proposal is Not Approved

If the Proposal is not approved by our stockholders on or before January 31, 2016, as that date may be extended by Sentient, that failure would be an Event of Default as defined in the Loan Agreement. If an Event of Default occurs, Sentient has the right to terminate the Note with the entire amount of principal and interest (at the default rate of 18%) immediately due and payable, and also has the right to foreclose on the stock of and to enforce Loan guarantees against our subsidiaries that hold our principal assets.

We do not expect to generate sufficient funds internally to pay the principal and interest on the Loan either following an Event of Default or when the Loan becomes due on October 27, 2016. We plan, and are required by the Loan Agreement, to seek external funding through the sale of equity or securities convertible into equity in order to raise sufficient funds to repay principal and pay interest on the Loan. There can be no assurance that we will be successful in obtaining sufficient external funding on terms acceptable to us or at all.

Summary of the Transaction Documents

Loan Agreement and Note. The Company borrowed \$5.0 million under the Loan Agreement, which is due and payable on the Loan Maturity Date. The Company has no right to prepay all or any part of the principal or interest prior to the Loan Maturity Date. The Note bears interest at a rate of 14% per annum, compounded monthly. If the Company's

stockholders approve the issuance of Common Stock upon the convertibility of the Note, then the interest rate is reduced to 9% per annum, compounded monthly, retroactively applied to the initial borrowing date. The Loan Agreement contains customary representations, warranties, covenants and default provisions and is secured by the stock of the Company's principal subsidiaries, including subsidiaries that are holding companies for or directly own the Company's Velardeña Properties in Mexico and its El Quevar advanced exploration project in Argentina. The Company has agreed to use its reasonable best efforts to raise at least \$5.0 million through the sale of equity or securities convertible into equity, and to retain the proceeds of any such financing for the purposes of repaying the Note. The Company may use the Loan proceeds to fund certain activities or items specified in the Loan Agreement including the costs of entering into the financing arrangement, operations and general and administrative costs including shutdown and severance costs in connection with the planned shutdown of the Velardeña mine, and the acquisition, exploration and evaluation of new properties.

Conversion Price. Following approval by the Company's stockholders, Sentient will have the right to convert principal and accrued interest, in whole or in part and from time to time, to Common Stock at a price (the Conversion Price) equal to the lowest of (i) \$0.29, equal to 90 percent of the 15-day volume weighted average price (VWAP) of our common Stock for the period immediately preceding the loan closing date, (ii) 90 percent of the 15-day VWAP for the

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period immediately preceding the loan conversion date, or (iii) an anti-dilution adjusted price based on the lowest price for which the Company has sold its stock after October 27, 2015 (subject to certain exceptions set forth in the Note).

If approved, upon conversion of the Note, Common Stock would be issued to Sentient outside the United States pursuant to Regulation S under the Securities Act of 1933, as amended (the Securities Act).

Registration Rights. Upon conversion of all or any portion of the Note, the Company will enter into a Registration Rights Agreement with Sentient pursuant to which the Company will be required to prepare and file a resale registration statement under the Securities Act registering the resale by Sentient from time to time of Common Stock issued to Sentient upon conversion of the Note (the Registrable Securities). The registration statement will be required to be filed after the date that is four months following the date on which Common Stock is issued upon conversion of the Note, but no later than nine months following conversion. The Company will further be required to use its best efforts to have the registration statement declared effective as soon as practical and in no event later than 12 months after conversion is completed. The Company will cause the registration statement to remain effective until the earlier of (i) the sale of the Registrable Securities pursuant to Rule 144 under the Securities Act, or pursuant to the effective registration statement and (ii) the first date on which the Registrable Securities may be sold pursuant to Rule 144 under the Securities Act without being subject to volume restrictions set forth in Rule 144(e) under the Securities Act. The Registration Rights Agreement will provide that if the Company is unable to meet the filing and effectiveness deadlines noted above, it may be subject to a penalty equal to 1.0% of the aggregate purchase price paid by Sentient for the shares paid for every thirty days following the applicable deadline, up to a maximum amount of 3.0% of the aggregate purchase price.

Waiver of Change of Control Benefits. In connection with the Loan Agreement, Sentient required that the Company's three executive officers enter into a Change of Control Benefit Waiver Agreement, pursuant to which each officer (i) agreed that the acquisition by Sentient of the Company's Common Stock pursuant to exercise of its Note conversion rights will not constitute a Change of Control as defined in and pursuant to the officer's Change of Control Agreement, the Company's Amended and Restated 2009 Equity Incentive Plan, or the Company's Severance Compensation Plan, and (ii) waives any rights to benefits under those Agreements or Plans that might otherwise result from Sentient's acquisition of the Company's Common Stock pursuant to its Note conversion rights. This Agreement does not affect the right of any executive officer under his or her Change of Control Agreement or the referenced Plans that might result from a Change of Control as defined in such Agreement or Plans due to a third party's acquisition of the Company's Common Stock, other than Sentient's acquisition of Common Stock by exercising its Note conversion rights.

The material terms of the Loan Agreement and the Note are qualified in their entirety by reference to the text of the Note and the Loan Agreement attached to this Proxy Statement as Appendixes A and B, respectively.

Additional Consequences of the Proposal

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As a result of anti-dilution provisions in our outstanding warrants, the approval of the Proposal, which will permit Sentient to convert the Note to Common Stock at a conversion price of \$0.29 or less, will result in adjustments that reduce the exercise price and increase the number of shares issuable under our outstanding warrants, including warrants held by Sentient.

In September 2012, the Company closed on a public offering and concurrent private placement with Sentient in which it sold units consisting of one share of Common Stock and a five-year warrant to acquire one half of a share of Common Stock at an exercise price of \$8.42 per share (the September 2012 Warrants). The exercise price was subsequently adjusted downward to \$7.17 per share based on a weighted average dilution provision in the September 2012 Warrants. This adjustment was the result of the September 2014 public offering and concurrent Sentient private placement described below. As a result of approval of the Proposal, the number of shares of Common Stock issuable upon exercise of the September 2012 Warrants will be increased from 4,031,409 shares to 5,164,279 shares (1,132,870 share increase) and the exercise price will be decreased from \$7.17 per share to approximately \$5.60 per share due to the anti-dilution provisions of the September 2012 Warrants (the 2012 Warrant Adjustment). Sentient holds September 2012 Warrants exercisable for 802,249 shares, which would increase to 1,027,690 shares as the result of the anti-dilution adjustment described above.

In September 2014, the Company closed on a public offering and concurrent private placement with Sentient in which it sold units, consisting of one share of Common Stock and a five-year warrant to acquire one half of a share of Common Stock at an exercise price of \$1.21 per share (the September 2014 Warrants and together with the September 2012 Warrants, the Warrants). Pursuant to the anti-dilution provisions

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in the September 2014 Warrants issued in the public offering, as a result of approval of the Proposal, the number of shares of Common Stock issuable upon exercise of the September 2014 Warrants issued in the public offering will be increased from 1,846,000 shares to 2,234,391 shares (388,391 share increase), and the September 2014 Warrants' exercise price will be decreased from \$1.21 per share to approximately \$1.00 per share (the 2014 Warrant Adjustment, and together with the 2012 Warrant Adjustment, the Warrant Adjustment). Pursuant to the anti-dilution provisions in the Sentient September 2014 Warrants, the exercise price would be adjusted downward to approximately \$1.00 per share as noted above, but there would be no increase in the shares underlying the Sentient September 2014 Warrants. Sentient would continue to hold September 2014 Warrants exercisable for 2,900,000 shares of Common Stock.

Stockholder Dilution

Stockholder approval of the proposed issuance of Common Stock upon conversion of the Note will have the effect of diluting the ownership of existing stockholders.

The following table shows the potential number of shares of Common Stock issuable upon conversion of the Note at various conversion prices which may result from lower stock prices prior to conversion or anti-dilution adjustments, and assumes Sentient converts the entire amount of principal and interest due on the Note at the Loan Maturity Date, estimated at approximately \$5.5 million (\$5 million principal and approximately \$500,000 accrued interest).

Event	Number of Shares of Common Stock			
	Conversion Price Equal to \$0.29(1)	Conversion Price Equal to \$0.2175(2)	Conversion Price Equal to \$0.145(3)	Conversion Price Equal to \$0.0725(4)
Conversion of the principal	17,241,379	22,988,505	34,482,758	68,965,517
Conversion of accrued interest(5)	1,724,137	2,298,850	3,448,275	6,896,551

-
- (1) Assumes Conversion Price equal to 90 percent of the 15-day VWAP for the period immediately preceding the loan closing date, or \$0.29 (VWAP Price)
 - (2) Assumes conversion at 75% of VWAP Price
 - (3) Assumes conversion at 50% of VWAP Price
 - (4) Assumes conversion at 25% of VWAP Price
 - (5) Assumes the number of shares of Common Stock issuable upon conversion of accrued interest through the Loan Maturity Date

The following table assumes (i) Sentient converts the entire amount of principal and interest due on the Note at the Loan Maturity Date, estimated at approximately \$5.5 million (\$5 million principal and approximately \$500,000 accrued interest), (ii) the Conversion Price is the VWAP Price of \$0.29, and (iii) as a result of the Warrant Adjustment described above, the number of shares of Common Stock issuable upon exercise of all outstanding Warrants of the Company, would increase from 8,777,409 shares to 10,298,670 shares (a 1,521,261 share increase), including an increase from 3,702,249 shares to 3,927,690 shares (a 225,441 share increase) for Warrants held by Sentient as a result of the 2012 Warrant Adjustment.

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	Pre-Conversion Shares Outstanding		At Conversion Shares Outstanding		Upon Exercise of All Outstanding Securities (Fully Diluted)(1)	
Current Company Stockholders and Warrant Holders (Including The Sentient Group)	53,335,333	100%	72,300,849	100%	84,090,614	100%
Current Company Stockholders and Warrant Holders (Excluding The Sentient Group)	39,111,599	73.3%	39,111,599	54.1%	46,973,674	55.9%
The Sentient Group	14,223,734	26.7%	33,189,250	45.9%	37,116,940	44.1%

Interest and dividend income

8

5

19

6

4,060

Interest expense

19

	(66
)	
	(41
)	
	(126
)	
	(41
)	
	(290
)	
TOTAL OTHER (EXPENSE) / INCOME, NET	
	(58
)	
	(36
)	
	(107
)	
	(35
)	
	3,770
LOSS BEFORE INCOME TAXES	
	(6,040
)	
	(3,201
	20

)	(10,194
)	(6,046
)	(109,393
)	
Income Taxes	

CONSOLIDATED NET LOSS

\$	(6,040
)	
\$	(3,201
)	
\$	

	(10,194
)	
\$	
	(6,046
)	
\$	
	(109,393
)	
Less: Net loss attributable to contingently redeemable noncontrolling interest	

680

680

1,927

NET LOSS ATTRIBUTABLE TO GENERAL MOLY, INC.

\$	
	(5,360
)	
\$	
	(3,201
)	

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\$	
)	(9,514
\$	
)	(6,046
\$	
)	(107,466

Basic and diluted net loss attributable to General Moly per share of common stock

\$	
)	(0.06
\$	
)	(0.04
\$	
)	(0.10
\$	
)	(0.08
\$	

Weighted average number of shares outstanding basic and diluted

90,750

72,568

90,749

72,557

The accompanying notes are an integral part of these consolidated financial statements.

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GENERAL MOLY, INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited In thousands)

	Six Months Ended		January 1, 2002 (Inception of Exploration Stage) to June 30, 2011
	June 30, 2011	June 30, 2010	June 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Loss	\$ (10,194)	\$ (6,046)	\$ (109,393)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation and amortization	198	184	1,430
Interest expense	126	41	290
Equity compensation for employees and directors	1,282	604	16,381
(Increase) in deposits, prepaid expenses and other	(291)	(4)	(347)
(Decrease) increase in accounts payable and accrued liabilities	(2,655)	(975)	803
(Decrease) increase in post closure reclamation and remediation costs	(12)	(25)	350
Write downs of development and deposits	3,403		8,819
Services and expenses paid with common stock			1,990
Repricing of warrants		585	965
(Increase) in restricted cash held for electricity transmission			(12,005)
Net cash used by operating activities	(8,143)	(5,636)	(90,717)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for the purchase of equipment			(1,548)
Purchase and development of mining properties, land and water rights	(4,743)	(5,819)	(113,450)
Deposits on property, plant and equipment	(6)	(24,331)	(68,090)
Proceeds from option to purchase agreements	585	100	800
Purchase of securities			(137)
Increase in restricted cash held for reclamation bonds			(642)
Cash provided by sale of marketable securities			246
Net cash used by investing activities	(4,164)	(30,050)	(182,821)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of stock, net of issuance costs	19,412	56	227,719
Net (decrease) increase in leased assets	(99)	(89)	231
Payments for debt issuance costs	(1,310)		(2,197)
Proceeds from debt		10,000	10,000
Cash proceeds from POS-Minerals Corporation			100,000
Cash paid to POS-Minerals Corporation for purchase price adjustment			(2,994)
Net cash provided by financing activities	18,003	9,967	332,759
Net increase (decrease) in cash and cash equivalents	5,696	(25,719)	59,221
Cash and cash equivalents, beginning of period	53,571	48,614	46
Cash and cash equivalents, end of period	\$ 59,267	\$ 22,895	\$ 59,267
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Equity compensation capitalized as development	\$ 112	\$ 472	\$ 6,312
Restricted cash held for reclamation bond acquired in an acquisition			491
Post closure reclamation and remediation costs and accounts payable assumed in an acquisition			263

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Common stock and warrants issued for property and equipment		1,586
Accrued portion of deposits on property, plant and equipment	183	183
Accrued portion of advance royalties		17,900
Accrued portion of payments to the Agricultural Sustainability Trust		4,000

The accompanying notes are an integral part of these consolidated financial statements.

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GENERAL MOLY, INC.
(A DEVELOPMENT STAGE COMPANY)