

CAPITAL GOLD CORP
Form PRER14A
March 08, 2011

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

SCHEDULE 14A INFORMATION

**Consent Revocation Statement Pursuant to Section
14(a)
of the Securities Exchange Act of 1934
(Amendment No. 1)**

Filed by the Registrant ☒ x
Filed by a Party other than the Registrant

Check the appropriate box:

- ☒ x Preliminary Consent Revocation Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o Definitive Consent Revocation Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to § 240.14a-12

CAPITAL GOLD CORPORATION

(Name of Registrant as Specified in Its Charter)

N/A

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

Payment of Filing Fee (Check the appropriate box):

- ☒ x No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
(1) Title of each class of securities to which transaction applies:

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(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:

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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:

TABLE OF CONTENTS

**PRELIMINARY COPY SUBJECT TO COMPLETION
DATED MARCH 1, 2011**

[], 2011

**CONSENT REVOCATION STATEMENT BY THE BOARD
OF DIRECTORS OF
CAPITAL GOLD CORPORATION
IN OPPOSITION TO THE CONSENT SOLICITATION BY
TIMMINS GOLD CORP.**

This consent revocation statement filed on Schedule 14A (the **Consent Revocation Statement**) is furnished by the Board of Directors (the **Board** or the **CGC Board**) of Capital Gold Corporation, a Delaware corporation (**CGC** or the **Company**), to the holders of outstanding shares of the Company's common stock, par value \$.0001 per share (the **Common Stock**), in connection with the Board's opposition to the solicitation of written stockholder consent by Timmins Gold Corp. a British Columbia corporation (**Timmins Gold**).

In connection with its desire to enter into a business combination transaction with the Company, Timmins Gold has made repeated offers to the CGC Board and, following the CGC Board's repeated rejections of such offers for the reasons set forth in this Consent Revocation Statement, Timmins solicited your consent to remove the CGC Board and install its own slate of directors who would reconsider the offer by Timmins Gold. The CGC Board is sending you this Consent Revocation Statement to explain why a business combination transaction with Timmins Gold is inferior to the Company's proposed business combination with Gammon Gold Inc. and to solicit the revocation of your consent to remove the CGC Board if you have completed and returned the BLUE consent card mailed to you by Timmins Gold by asking you to sign and mail the GREEN consent revocation card included herewith, or to urge you not to return any BLUE consent card you may receive from Timmins if you have not done so.

On February 10, 2011, Timmins Gold announced an offer for stockholders of the Company to exchange their shares of Common Stock directly for Timmins Shares (the **Exchange Offer**). The Exchange Offer is based on the same economic terms as the merger proposal submitted by Timmins Gold to the Company on September 3, 2010, September 17, 2010, October 12, 2010, December 2, 2010 and December 21, 2010, which the CGC Board, following lengthy deliberations and a careful review of all aspects of the proposal with management and its legal and financial advisors, concluded was not a superior proposal to the Gammon transaction and not in the best interests of the Company and its stockholders.

In connection with a solicitation of interest of potential qualified buyers or merger partners which the Board commenced in August 2010, on September 1, 2010, Timmins Gold made a non-binding proposal to the Board for a merger of equals between Timmins Gold and CGC. On September 3, 2010, Timmins Gold revised its proposal by increasing the consideration from 2.02 to 2.27 common shares, without par value, of Timmins Gold (the **Timmins**

Shares) for each share of Common Stock outstanding (as further described below, the **Timmins Merger Proposal**).

Based upon the Board's unanimous determination that the Timmins Merger Proposal was not the best transaction reasonably available to the Company's stockholders, the Company's financial advisor notified Timmins Gold of the Board's determination not to proceed with the Timmins Merger Proposal on September 9, 2010. On September 27, 2010, Timmins Gold publicly announced that it had made the Timmins Merger Proposal.

On October 1, 2010, the Company announced that it had entered into an Agreement and Plan of Merger, dated as of October 1, 2010, as amended on October 29, 2010 (as the same may be amended, the **Gammon Merger Agreement**), among the Company, Gammon Gold Inc. (**Gammon**) and Capital Gold AcquireCo. (**Gammon Sub**). The Gammon Merger Agreement provides for Gammon Sub to merge with and into the Company, with the Company surviving the merger as a wholly-owned subsidiary of Gammon (the **Gammon**

TABLE OF CONTENTS

Merger). If the Gammon Merger is completed, as a Company stockholder you will be entitled to receive as merger consideration, in exchange for each share of Common Stock you own immediately prior to the merger, 0.5209 common shares of Gammon stock and a cash payment in the amount of \$0.79 per share.

On October 12, 2010, Timmins Gold submitted a letter to the Company in which it resubmitted its proposal to acquire the Company in an all-stock transaction which implied a value of approximately \$4.63 per share of Common Stock valued as of the day of the offer. On October 14, 2010, the Board consulted with its financial advisor, Cormark Securities Inc. (**Cormark**) and outside legal counsel and unanimously determined that the Timmins Merger Proposal did not constitute a superior proposal to the Gammon transaction and advised Timmins Gold as such. On December 2, 2010, Timmins Gold submitted a letter to the Company in which it resubmitted its proposal to acquire the Company in an all-stock transaction which implied a value of approximately \$4.48 per share of Common Stock, based upon the average closing share prices for the prior 20 trading days. Such proposal eliminated a due diligence condition, but otherwise contained the same terms as the Timmins Merger Proposal submitted on October 12, 2010. On December 5, 2010, the Board consulted with Cormark and outside legal counsel and advised Timmins Gold that the Timmins Gold offer did not constitute a superior proposal in accordance with the terms of the Gammon Merger.

On December 21, 2010, counsel to Timmins Gold contacted counsel to the Company and indicated that the Timmins Merger Proposal remained open for consideration by the Board. Timmins Gold's counsel advised Company counsel that Timmins Gold believed its proposal was superior to the proposed merger between Gammon and CGC and also represented that Timmins Gold had sufficient funds to pay the termination fee required under the Gammon Merger Agreement.

On December 28, 2010, the CGC Board held a meeting at which Cormark advised the Board that based upon the closing price of the Timmins Shares on December 22, 2010, the implied per share value of the Timmins Merger Proposal exceeded the implied per share value of the merger consideration in the Gammon transaction by \$0.98 per share. The CGC Board then determined that the Timmins Merger Proposal was reasonably likely to lead to a superior proposal. On January 6, 2011, to better understand the significant terms of the Timmins Merger Proposal, a special committee of the CGC Board (the **M&A Committee**) and certain members of management and the Company's financial advisor and legal counsel met with the chief executive officer of Timmins Gold and Timmins Gold's financial advisors and legal counsel. On January 9, 2011, the CGC Board determined that the Timmins Merger Proposal is reasonably likely to lead to a superior proposal, but that comprehensive legal, operational, financial and technical due diligence with respect to Timmins Gold was critical to the determination of the intrinsic value with respect to the Timmins Merger Proposal compared to the merger consideration in the Gammon transaction and whether the Timmins Merger Proposal constituted a superior proposal for purposes of the Gammon Merger Agreement.

After conducting on-site due diligence, meeting with certain members of management of Timmins Gold, reviewing the operations of Timmins Gold and material provided by Timmins Gold, on January 31, 2011, the CGC Board concluded unanimously that the Timmins Merger Proposal did not constitute a superior proposal to the terms of the Gammon Merger. Such conclusion was based upon a variety of different factors, including a review and analysis of the Timmins Merger Proposal, the due diligence materials provided by Timmins Gold, the failure of Timmins Gold to substantiate its representation that it had the ability to pay the termination fee under the Gammon Merger Agreement and other costs and expenses of a transaction with the Company without risk to the future day-to-day operations of a combined entity, and the failure of Timmins Gold to provide all of the due diligence materials requested by the Company. On February 1, 2011, the M&A Committee notified Timmins Gold that the CGC Board resolved to terminate its consideration of the Timmins Merger Proposal because of its determination that such proposal is not a superior proposal to the terms of the Gammon Merger.

On February 10, 2011, Timmins Gold announced the Exchange Offer to stockholders of the Company to exchange their shares of Common Stock directly for Timmins Shares, with each stockholder receiving 2.27 Timmins Shares for each share of Common Stock tendered for exchange (the **Exchange Offer**), and filed a Registration Statement on Form F-4 (including the prospectus contained therein, the **F-4**) to facilitate the Exchange Offer with the U.S. Securities and Exchange Commission (the **SEC**). The Exchange

TABLE OF CONTENTS

Offer has not yet commenced. In addition, Timmins filed with the SEC a preliminary proxy to facilitate the Timmins Consent Solicitation (hereinafter defined) and a preliminary proxy soliciting proxies in opposition to the Gammon Merger (the Opposition Solicitation).

The CGC Board has had lengthy deliberations and has carefully reviewed all aspects of the Timmins Merger Proposal with management and its legal and financial advisors, and has consistently concluded that the Timmins Merger Proposal is not a superior proposal to the Gammon transaction and not in the best interests of the Company and its stockholders.

The Timmins Gold Consent Solicitation

In addition to the Exchange Offer, Timmins Gold is soliciting consents in order to facilitate its ability to successfully consummate the Exchange Offer by asking you to: (i) repeal certain provisions of CGC's by-laws, (ii) remove all members of the CGC board of directors and (iii) elect certain hand picked individuals nominated by Timmins Gold to the Company's board of directors. According to Timmins Gold's preliminary consent statement, dated February 10, 2011 (as amended, the **Timmins Consent Solicitation**), the Timmins Nominees (as defined below) would be committed, subject to their duties as directors of the Company, to take action to expedite consummation of the Exchange Offer.

Specifically, Timmins Gold is asking you to:

1. Repeal any provision of CGC's by-laws in effect at the time the Timmins Gold proposal becomes effective that were not included in CGC's amended and restated by-laws, dated as of September 1, 2009 (the **By-laws**), which were filed with SEC on September 3, 2009 on Form 8-K;
2. Remove (i) each current member of the CGC Board at the time the Timmins Gold proposal becomes effective and (ii) each person appointed to the CGC Board to fill any vacancy or newly-created directorship prior to the effectiveness of the Election Proposal (as defined below); and
3. Elect each of Glen Ariel Huber, Lawrence R. Litowitz, James P. McGlone, Stephen John Meehan and Russell Tanz (each, a Nominee and collectively, the **Timmins Nominees**) to serve as a director of CGC (or, if any such Nominee is unable or unwilling to serve as a director of CGC, any other person designated as a Nominee by the remaining Nominee or Nominees) (collectively the **Timmins Proposals**).

THE CGC BOARD IS COMMITTED TO ACTING IN THE BEST INTERESTS OF THE COMPANY'S STOCKHOLDERS AND, ACCORDINGLY, HAS:

UNANIMOUSLY DETERMINED THAT THE TERMS OF THE EXCHANGE OFFER ARE INADEQUATE AND NOT IN THE BEST INTERESTS OF CGC AND ITS STOCKHOLDERS, AND UNANIMOUSLY DETERMINED THAT EACH OF THE TIMMINS PROPOSALS ARE NOT IN THE BEST INTERESTS OF THE COMPANY'S STOCKHOLDERS.

ACCORDINGLY, YOUR BOARD URGES YOU NOT TO SIGN ANY BLUE CONSENT CARD SENT TO YOU BY TIMMINS AND INSTEAD URGES YOU TO SIGN AND RETURN THE GREEN CARD INCLUDED WITH THESE MATERIALS.

If you have previously signed and returned Timmins Gold's BLUE consent card, you have the right to change your mind and revoke your consent. Whether or not you have signed Timmins Gold's BLUE consent card, we urge you to mark the **YES, REVOKE MY CONSENT** boxes on the enclosed **GREEN** consent revocation card (the **Consent Revocation Card**) and to sign, date and mail the card in the postage-paid envelope provided. Although submitting a consent revocation will not have any legal effect if you have not submitted a BLUE consent card, it will help us keep

track of the progress of the consent process. Regardless of the number of shares of Common Stock you own, your consent revocation is important. **Please act today.**

If your Common Stock is held in street name, only your broker, bank or other nominee can exercise your right to revoke a consent with respect to your Common Stock. Please contact your broker, bank or other nominee and instruct it to submit a **GREEN** Consent Revocation Card on your behalf today.

iii

TABLE OF CONTENTS

This Consent Revocation Statement and the enclosed **GREEN** Consent Revocation Card are first being mailed to the Company's stockholders on or about March [], 2011.

In accordance with Delaware law and the Company's By-laws, the Board set March 7, 2011 as the record date (the **Record Date**) for the determination of the Company's stockholders who are entitled to execute, withhold or revoke consents relating to the Timmins Consent Solicitation. Only holders of record as of the close of business on the Record Date may execute, withhold or revoke consents with respect to the Timmins Consent Solicitation.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF CONSENT REVOCATION MATERIALS IN OPPOSITION TO THE TIMMINS CONSENT SOLICITATION

In accordance with the rules of the SEC, the Company is advising its stockholders of the availability on the Internet of the Company's consent revocation materials in opposition to the Timmins Consent Solicitation. These rules allow companies to provide access to proxy and consent materials in one of two ways. Because the Company has elected to utilize the full set delivery option, the Company is delivering to all stockholders paper copies of the consent revocation materials, as well as providing access to those materials on a publicly accessible website. Under Delaware law, the Timmins Proposals will become effective if valid, unrevoked consents signed by holders of the requisite number of Shares are delivered to the Company within 60 days of the earliest-dated consent delivered to the Company.

This Consent Revocation Statement and Consent Revocation Card are available at <http://www.capitalgoldcorp.com>.

If you have any questions about giving your consent revocation or otherwise require assistance, please call:

MacKenzie Partners, Inc.

105 Madison Avenue

New York, NY 10016

Tel: (800) 322-2885 (Toll-Free) or

(212) 929-5500 (Collect)

Email: proxy@mackenziepartners.com

TABLE OF CONTENTS

CAPITAL GOLD CORPORATION

TABLE OF CONTENTS

	Page
<u>Cautionary Note Regarding Forward-Looking Statements</u>	<u>1</u>
<u>Questions and Answers About This Consent Revocation Solicitation</u>	<u>2</u>
<u>Description of the Timmins Consent Solicitation</u>	<u>4</u>
<u>Reasons to Reject the Timmins Proposals</u>	<u>4</u>
<u>The Reasons of CGC's Board of Directors to Support the Merger With Gammon</u>	<u>6</u>
<u>Background of The Solicitation</u>	<u>8</u>
<u>The Consent Procedure</u>	<u>31</u>
<u>Solicitation of Revocations</u>	<u>33</u>
<u>Professional Advisors</u>	<u>33</u>
<u>Legal Proceedings</u>	<u>34</u>
<u>Appraisal Rights</u>	<u>35</u>
<u>Current Directors and Officers of the Company</u>	<u>36</u>
<u>Executive Compensation of Capital Gold</u>	<u>45</u>
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	<u>64</u>
<u>Access to Proxy Materials, Annual Report and Other Documents</u>	<u>64</u>
<u>Important Information</u>	<u>64</u>
<u>Certain Information Regarding Participants In This Consent Revocation Solicitation</u>	<u>65</u>
<u>Requests For Certain Documents</u>	<u>65</u>

v

TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Consent Revocation Statement, including those relating to Gammon Gold and CGC's strategies and other statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as expects, anticipates, intends, plans, believes, estimates, will, shall, similar expressions, are forward-looking statements within the meaning of Section 21E of the Exchange Act and Section 27A of the Securities Act of 1933, as amended, which we refer to in this document as the Securities Act.

Forward-looking statements are not historical facts but instead represent only Gammon Gold and/or CGC's expectations, estimates and projections regarding future events.

The forward-looking statements contained in this Consent Revocation Statement are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. The future results and shareholder values of Gammon Gold and CGC may differ materially from those expressed in the forward-looking statements contained in this Consent Revocation Statement due to, among other factors, the parties' ability to obtain the regulatory, shareholder and other approvals required for the merger on the terms and within the time expected, pending litigation, the price of gold and silver, the risks of exploration, development and mining, the risk that Gammon Gold will not be able to integrate successfully the businesses of CGC or that such integration will be more time consuming or costly than expected, the risk that expected synergies and benefits of the merger and other benefits will not be realized within the expected time frame or at all, increased operating costs, labor disruption, civil unrest, employee loss and business disruption following the merger and the factors detailed in each company's filings with the SEC, including the factors detailed in Gammon Gold's Form 40-F for its fiscal year ended December 31, 2009, as amended by Amendment No. 1 to Form 40-F/A for its fiscal year ended December 31, 2009, Gammon Gold's reports on Form 6-K and CGC's Annual Report on Form 10-K for the fiscal year ended July 31, 2010, as amended by Form 10-K/A, CGC's Quarterly Report on Form 10-Q for the quarter ended October 31, 2010 and CGC's Current Reports on Form 8-K.

We caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this Consent Revocation Statement, in the case of forward-looking statements contained in this Consent Revocation Statement. Neither Gammon Gold nor CGC undertakes any obligation to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Consent Revocation Statement or to reflect the occurrence of unanticipated events, except as required by law.

TABLE OF CONTENTS

QUESTIONS AND ANSWERS ABOUT THIS CONSENT REVOCATION SOLICITATION

Q: **Who is making this consent revocation solicitation?**

A: The CGC Board of Directors.

Q: **What are we asking you to do?**

A: You are being asked (i) to NOT return any BLUE consent card solicited by Timmins Gold and (ii) to revoke any consent that you may have delivered in favor of any of the Timmins Proposals by executing and delivering the **GREEN** Consent Revocation Card as discussed below.

Q: **If I have already delivered a consent, is it too late for me to change my mind?**

A: No. Until the requisite number of duly executed, unrevoked consents are delivered to the Company in accordance with the Delaware General Corporation Law (the **DGCL**) and the Company's organizational documents, the consents will not be effective. At any time prior to the consents becoming effective, you have the right to revoke your consent by executing and delivering a **GREEN** Consent Revocation Card as discussed in the following question. If you have already returned a BLUE consent card and wish to revoke that consent, you should sign and return the **GREEN** Consent Revocation Card as soon as possible.

Q: **What is the effect of delivering a GREEN consent revocation card?**

A: By marking the **YES, REVOKE MY CONSENT** boxes on the enclosed **GREEN** Consent Revocation Card and signing, dating and mailing the card in the postage-paid envelope provided, you will revoke any earlier dated consent that you may have delivered to Timmins Gold.

Even if you have not submitted a BLUE consent card, you may submit a **GREEN** Consent Revocation Card. Although submitting a consent revocation will not have any legal effect if you have not previously submitted a BLUE consent card, it will help us monitor the progress of the consent process.

Q: **What is the Board's recommendation?**

A: The Board of Directors has unanimously determined to recommend that you revoke your consent by signing and returning the **GREEN** Consent Revocation Card. The Board of Directors has determined that the Timmins Offer is not the best deal reasonably available to the Company's stockholders, is not a superior proposal to the terms of the Gammon merger and is not in the best interest of the Company's stockholders due in part to:

1. Financial Concerns
2. Operational Concerns
3. Management Depth
4. Other Transaction Risks

See REASONS TO REJECT THE TIMMINS PROPOSALS beginning on page 4.

Q: **What should I do to revoke my consent?**

A: Mark the **YES, REVOKE MY CONSENT** boxes next to each proposal listed on the **GREEN** Consent Revocation Card. Then, **sign and date** the enclosed **GREEN** Consent Revocation Card and return it TODAY or as soon as possible to the Company's proxy solicitor, MacKenzie Partners, Inc. (**MacKenzie**), in the envelope provided. It is important that you **sign and date** the **GREEN** Consent Revocation Card.

Q: **Who is entitled to consent, withhold consent or revoke a previously given consent with respect to the proposals contained in Timmins Gold's Consent Statement?**

A: Only the holders of record of Common Stock on the Record Date are entitled to consent, withhold consent or revoke a previously given consent with respect to the proposals contained in the Timmins Consent Solicitation. As of the record date, there were [] shares of Common Stock outstanding and entitled to consent, held by [] holders of record. Each holder of Common Stock is entitled to one vote for each share of Common Stock owned as of the record date. In accordance with Delaware law and the By-laws, the Board has set March 7, 2011 as the Record Date for the determination of stockholders who are entitled to execute,

TABLE OF CONTENTS

withhold or revoke previously given consents relating to the Timmins Proposals. The Company will be soliciting consent revocations from stockholders of record as of March 7, 2011 and only holders of record of Common Stock as of the close of business on March 7, 2011 may execute, withhold or revoke consents with respect to the Timmins Consent Solicitation. You may execute, withhold or revoke consents at any time before or after the Record Date, provided that any such consent or revocation will be valid only if you were a holder of record of Shares on the Record Date and the consent or revocation was otherwise valid.

Q: When should I return my Consent Revocation Card?

A: In order for the Timmins Proposals to be adopted, the Company must receive valid, unrevoked consents executed by the holders of a sufficient number of shares of Common Stock within 60 days of the earliest-dated consent delivered to the Company. Because the Timmins Proposals could become effective before the expiration of the 60-day period, you should return the **GREEN** Consent Revocation Card as soon as possible.

Q: What happens if I do nothing?

A: If you do not execute and send in any consent that Timmins Gold sends you, you will effectively be voting AGAINST the Timmins Proposals. Although submitting a **GREEN** Consent Revocation Card will not have any legal effect if you have not submitted a BLUE consent card, it will help us keep track of the progress of the consent process.

If you have validly executed and delivered a BLUE consent card that Timmins Gold sent you, doing nothing further will mean that you have consented to the Timmins Proposals. If you have executed and delivered a BLUE consent card that Timmins Gold sent you, the CGC Board urges you to revoke any such consent previously submitted by executing and delivering the **GREEN** Consent Revocation Card as soon as possible.

Q: Who should I call if I have questions about the solicitation?

A: If you have any questions regarding this Consent Revocation Statement or about submitting your **GREEN** Consent Revocation Card, or otherwise require assistance, please call MacKenzie Partners toll free at (800) 322-2885.

TABLE OF CONTENTS

DESCRIPTION OF THE TIMMINS CONSENT SOLICITATION

As set forth in the Timmins Consent Solicitation and related materials filed with the SEC on February 10, 2011 and subsequently amended on February 24, 2011, Timmins Gold is soliciting your consents to the following Timmins Proposals:

1. Repeal any provision of CGC's by-laws in effect at the time this proposal becomes effective that were not included in the amended and restated by-laws, dated as of September 1, 2009, which were filed with the SEC on September 3, 2009 on Form 8-K (the **By-law Restoration Proposal**);
 2. Remove (i) each member of the CGC Board at the time Timmins Proposals become effective and (ii) each person appointed to the CGC Board to fill any vacancy or newly-created directorship prior to the effectiveness of the Election Proposal (as defined below) (the **Removal Proposal**); and
 3. Elect each of Timmins Nominee to serve as a director of CGC (or, if any such Timmins Nominee is unable or unwilling to serve as a director of CGC, any other person designated as a Timmins Nominee by the remaining Timmins Nominee or Nominees) (the **Election Proposal** and collectively with the By-law Restoration Proposal and the Removal Proposal, the **Timmins Proposals**).
- A consent in favor of the Removal Proposal and the Election Proposal would be a consent to remove, without cause, all members of your duly elected Board and replace them with the Timmins Nominees.

The By-law Restoration Proposal is designed to nullify unspecified provisions of the By-laws that may be adopted by the Board in its efforts to act in and protect the best interests of the Company and its stockholders. As of the date of this Consent Revocation Statement, the Company has not amended the Bylaws since September 1, 2009.

According to the Timmins Consent Solicitation, neither the By-law Restoration Proposal nor the Removal Proposal is subject to, or is conditioned upon, the effectiveness of the other Timmins Proposals. The Election Proposal is conditioned in part upon the effectiveness of the Removal Proposal. If none of the then existing members of (or appointees to) the CGC Board are removed in the Removal Proposal, and there are no vacancies to fill, none of the Timmins Nominees can be elected pursuant to the Election Proposal.

REASONS TO REJECT THE TIMMINS PROPOSALS

Timmins Gold is seeking to remove, without cause, all independent members of your duly-elected CGC Board, and replace them with Timmins Gold's hand selected Nominees. We believe the principal purpose of this action is for Timmins Gold to put in place directors of CGC that will vote to effectuate the Exchange Offer and the hostile acquisition of CGC by Timmins Gold. As such, the CGC Board is disclosing its reasons for rejecting the Exchange Offer so that CGC stockholders may make an informed decision to reject the Timmins Proposals and/or revoke any consents previously provided in favor of the Timmins Proposals.

The Exchange Offer is based on the same economic terms as the Timmins Merger Proposal submitted by Timmins Gold to the Company on September 3, 2010, September 17, 2010, October 12, 2010, December 2, 2010 and December 21, 2010, which the CGC Board, following lengthy deliberations and a careful review of all aspects of the proposal with management and its legal and financial advisors, concluded was not a superior proposal to the Gammon transaction and not in the best interests of the Company and its stockholders.

In reaching its determination to reject the Timmins Proposal and the Exchange Offer, and in making the recommendation set forth above, the CGC Board consulted with the management of the Company and its financial and legal advisors and took into account numerous factors, including the following:

There is considerable risk associated with Timmins Gold's ability to raise the required amount of capital.

It is estimated that the combined Timmins/CGC company would have 2011 capital requirements in excess of \$95 million, a substantial portion of which would need to be funded from capital raised from third parties in the public markets. The Company believes that there is considerable risk associated with Timmins Gold's ability to raise that amount of capital. Moreover, even if Timmins Gold were able to raise the necessary funds, given the volatility of Timmins Gold's stock price, the Company believes Timmins Gold may

TABLE OF CONTENTS

be required to raise capital at a significant discount to prevailing market prices, which would cause immediate and perhaps substantial dilution to the proposed all stock consideration to be received by the Company stockholders under the Exchange Offer. In addition, the information provided to the Company by Timmins Gold with respect to its financial position was not consistent with its prior representations to the M&A Committee and other representatives of Capital Gold, thus raising concerns about Timmins Gold's management, internal financial controls, the ability to fund transaction costs and the operations of the combined company going forward.

There are considerable operational concerns associated with Timmins Gold's principal asset.

Timmins Gold's principal asset, the San Francisco mine in Mexico, is in its initial start-up phase and has yet to reach the operating goals set forth in the November 2010 Micon Technical Report. The Company has concerns with respect to (i) the short mine life, (ii) the variance in the life of mine grade disclosed and the actual grade that has been mined to date and its impact on the mine life, (iii) the variance in projected life of mine cash costs and the costs that have been published to date and its impact on future cash flows and valuations and (iv) the ultimate leach recovery not reaching the life of mine expectation of 70%. The Company believes that the risk of operational issues is not insignificant.

There are considerable concerns with Timmins Gold's management depth.

Timmins Gold's inability to respond to the Company's due diligence requests in a timely manner, its lack of a full-time chief financial officer and apparent lack of appropriate internal financial controls raises significant concerns. The Company believes the management of Timmins lacks sufficient depth to execute a transformational merger and to operate the combined companies going forward.

There are considerable market concerns with respect to the liquidity of the shares of Timmins Gold stock.

Timmins Gold stock is illiquid and provides very limited re-rating potential.

There are considerable tax concerns with respect to a merger with Timmins Gold

Timmins has instructed US investors to assume that the Timmins offer is fully taxable. Since there is no cash component to the Timmins offer, this may require that CGC's taxable US investors sell Timmins shares to cover tax liabilities arising out of a Timmins/CGC merger.

There are other risks associated with the Exchange Offer.

The Exchange Offer remains subject to a number of conditions as set forth in the F-4. The most critical conditions include the reinstatement of a due diligence condition, a shareholder approval condition on the part of Timmins Gold's shareholders and a listing condition (Timmins Gold's common stock is not listed on any United States securities exchange), all of which raise material transaction risk in the Exchange Offer. The various conditions to the Exchange Offer increase the likelihood that the Exchange Offer will not be consummated.

TABLE OF CONTENTS

THE REASONS OF CGC S BOARD OF DIRECTORS TO SUPPORT THE MERGER WITH GAMMON

In reaching its decision to approve the merger agreement with Gammon and recommend the merger with Gammon to its stockholders over Timmins Merger Proposal and the Exchange Offer, the CGC Board also considered a number of factors relating to the Gammon offer, including those listed below:

Significant premium to market with cash component As of March 1, 2011 the consideration provided in the Gammon Merger represents an implied premium of approximately 42% to the trading price of CGC s common stock on September 24, 2010 and approximately 54% premium to the 20-day volume weighted average price on the NYSE AMEX ending on that date. CGC believes there is a significant risk that CGC shares could lose substantial value if CGC shareholders do not approve the Gammon transaction.

Balance Sheet Strength Gammon s strong cash position will enable the combined company to execute strategic growth plans without necessarily requiring access to the equity capital markets;

Large Resource and Reserve base at Ocampo and El Cubo The large land position at the Ocampo mine has significant exploration potential within a very productive district. The improving underground mine and mill performance should yield steady production and a long mine life. The El Cubo mine is expected to return to a profitable operation in the future;

Exploration project at Guadalupe y Calvo This project should develop into a producing mine with a district scale land position;

Opportunity for Operating Synergies Redeployment of excess surface mining equipment from Gammon Gold s operations to CGC s El Chanate mine would allow for substantial capital savings in transition to owner-mining while the transportation of idle mill equipment to the Orion project could reduce development capital costs and timeline;

Visibility as a Mid-Tier Producer The combined company will be well established as a mid-tier gold producer in Mexico, and well positioned to execute on further growth opportunities;

Strong Management Team Gammon s management team is experienced in mine development, exploration and capital markets;

Operating Track Record Gammon s high-lift heap leach processing and underground mining experience can be leveraged at El Chanate and Orion;