

Gold Resource Corporation Enters Into Arrangement Agreement With Aquila Resources Inc.

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DENVER, October 6, 2021 - [Gold Resource Corp.](#) (" GRC " or the " Company ") (NYSE American:GORO) is pleased to announce that it has entered into a definitive arrangement agreement (the " Arrangement Agreement ") with [Aquila Resources Inc.](#) (" Aquila ") (TSX:AQA)(OTCQB:AQARF) providing for the acquisition by GRC of all the issued and outstanding common shares of Aquila by way of a plan of arrangement under the Business Corporations Act (Ontario) (the " Transaction ").

As announced by GRC on September 7, 2021, pursuant to the Transaction GRC will, through a wholly-owned subsidiary, acquire all the issued and outstanding Aquila shares for 0.0399 of a GRC share per Aquila share (the " Exchange Ratio "). Based upon the 20-day volume-weighted average price (" VWAP ") of GRC's shares on the NYSE American stock exchange on September 3, 2021, being the last trading day prior to the date of the announcement of the Transaction, the Exchange Ratio represents a 29% premium to the 20-day VWAP of Aquila's shares on the Toronto Stock Exchange as of such date. The Exchange Ratio represents consideration of C\$0.09 per Aquila share (the " Per Share Price "), reflecting a premium of 12.5%, based upon the closing prices of the Aquila shares and the GRC shares on September 3, 2021. The Per Share Price implies an aggregate acquisition price for 100% of the outstanding Aquila shares of approximately C\$30.9 million.

Upon closing of the Transaction, the existing GRC and Aquila shareholders will own approximately 85.1% and 14.9%, respectively, of the combined company on a fully diluted basis.

Allen Palmiere, President and Chief Executive Officer of GRC, said: "This Transaction offers an attractive opportunity to the shareholders of Aquila and GRC to develop the Back Forty Project using GRC's strong balance sheet and cash flows. In addition, the combination of our complementary gold-rich assets will enhance both our mineral inventory and jurisdiction diversification. The announcement by Aquila yesterday, that it had closed the sale of its Bend and Reef exploration properties, was an important step in the process for signing the Arrangement Agreement. With this Transaction, we look forward to becoming a new intermediate gold producer with a peer leading growth profile."

Strategic Rationale for the Transaction

As previously announced on September 7, 2021, the benefits of the Transaction to GRC and Aquila shareholders include the following:

- **Accretive Transaction for GRC Shareholders.** The Transaction is expected to be immediately accretive to GRC shareholders on a net asset value basis.
- **Significantly Improved Gold Resource Profile.** Based upon the parties' respective public disclosure and GRC's technical due diligence to date on the Back Forty Project, GRC anticipates that its gold resources have the potential to increase by in excess of 500% upon completion of the Transaction.
- **Growth Profile and Financial Strength of Combined Company.** The combined company is expected to benefit from a peer leading growth profile, a robust balance sheet with no debt and cash of US\$30.2 million at June 30, 2021, free cash flow generation from its Don David Gold Mine and the synergies that generally accrue from scale in the areas of general and administrative expenses, from less duplication of salaries, wages and other public company expenses, improved concentrate sales and marketing and supply chain efficiencies. Its position of financial strength is expected to result in an improved ability to access required additional financing to fund the Back Forty Project's capital expenditures.
- **Enhanced Project and Jurisdictional Diversification.** Each of GRC and Aquila is currently a single-asset, single-jurisdiction company. Through the Transaction, GRC and Aquila shareholders will have the opportunity to participate in the ongoing growth of a multi-jurisdictional, diversified precious and base metal producer with exposure to gold, silver, zinc, copper and lead through GRC's producing Don David Gold Mine in Oaxaca, Mexico and Aquila's Back Forty Project in Menominee County, Michigan.

- **Enhanced Market Presence and Re-Rating Potential.** GRC currently benefits from inclusion in the VanEck Junior Gold Miners ETF (the " GDXJ ") and from an average daily trading volume of approximately 1 million shares, trailing three months. The Transaction is intended to result in the Back Forty Project being placed into production on a more accelerated basis, funded by cash flow generation, thus elevating the combined company to intermediate producer status. Following the completion of the Transaction, GRC is expected to continue to be included in the GDXJ and to benefit from an enhanced capital markets profile in the United States and Canada, as well as increased trading liquidity and broadened appeal to global index, resource, and generalist investors. This offers the potential for a re-rating to a multiple more in line with other intermediate gold producers.
- **Experienced Management Team.** The combined company will benefit from GRC's and Aquila's technical and operational teams' expertise in polymetallic open pit and underground mines. The GRC executive team has a demonstrated record of success in developing and operating mining projects in the Americas.
- **Immediate and Significant Premium to Aquila Shareholders.** Based on the 20-day VWAPs of the GRC shares and the Aquila shares, the Transaction offers an immediate and significant premium to Aquila's shareholders of 29%. Given the current market environment and lack of liquidity for the shares of Aquila, GRC continues to believe that this a compelling value proposition.

Demonstrated Consistent Dividend History. Post-Transaction, GRC intends to continue to pay dividends in accordance with its past practice. The recent dividend of US\$0.01 per GRC share, paid to shareholders on September 30, 2021, continues the more than ten years of consistent dividend payments by GRC.

Support for the Transaction from Key Aquila Stakeholders

- Each of Orion Mine Finance and Hudbay Minerals Inc., which hold 28.3% and 10.4%, respectively, of the issued and outstanding Aquila shares, has entered into a voting support agreement with GRC pursuant to which they have agreed to vote their Aquila shares in favour of the Transaction. In addition, all of the directors and officers of Aquila holding approximately 1.9% Aquila shares in aggregate have also executed a voting support agreement.
- Osisko Bermuda Limited which is a wholly-owned subsidiary of [Osisko Gold Royalties Ltd.](#) and a party to gold and silver stream agreements with Aquila relating to the Back Forty Project, has also reiterated that it considers GRC to be an approved purchaser under those agreements, and that it is supportive of the Transaction.

Board Approvals

The Arrangement Agreement has been unanimously approved by the boards of directors of both GRC and Aquila. The Aquila board's approval of the Arrangement Agreement was based in part on the unanimous recommendation of a special committee of independent directors of Aquila which was appointed to consider the Transaction. The board of Aquila has received an opinion from one of its financial advisors, PI Financial Corp., that based upon and subject to the assumptions, limitations, and qualifications set forth therein, the consideration to be received by Aquila shareholders pursuant to the Transaction is fair, from a financial point of view, to Aquila shareholders.

Transaction Summary

The Transaction will require the approval of 66 2/3 percent of the votes cast by Aquila shareholders at a special meeting of shareholders (the " Aquila Shareholder Meeting "). The Aquila Shareholder Meeting is scheduled to be held on November 17, 2021. The Transaction is also subject to approval by the Ontario Superior Court of Justice (Commercial List) and applicable stock exchange approvals. The Transaction does not require the approval of GRC's shareholders.

In addition to shareholder, court and regulatory approvals, the Transaction is also subject to the satisfaction of certain other closing conditions that are customary for a transaction of this nature, and each of GRC and Aquila has provided appropriate interim period covenants regarding the operation of its business in the ordinary course. The Arrangement Agreement includes customary deal protection provisions pursuant to which Aquila has agreed not to solicit any other acquisition proposal (subject to customary fiduciary out rights), has agreed to grant GRC the right to match any superior proposal, and will pay a termination fee of US\$1,000,000 to GRC if the Arrangement Agreement is terminated in certain circumstances.

Details of the Transaction and the Arrangement Agreement will be set out in the management information circular to be prepared and mailed to Aquila shareholders in connection with the Aquila Shareholder Meeting. A copy of the Arrangement Agreement will be filed with the Securities and Exchange Commission on Form

8K and will be available on GRC's website under the Reports and Filings tab located in the Investors section located here: <https://goldresourcecorp.com/investors/reports-and-filings/> .

Subject to all conditions precedent to completion of the Transaction being met, the Transaction is expected to close in late November 2021. In connection with the closing of the Transaction, Aquila will apply to have its shares delisted from the TSX.

Advisors

Fasken Martineau DuMoulin LLP and Davis Graham & Stubbs LLP are GRC's Canadian and U.S. legal advisors, respectively, and Beacon Securities Limited is GRC's financial advisor.

About Gold Resource Corporation

Gold Resource Corporation is a gold and silver producer, developer, and explorer with its operations centered on the Don David Gold Mine in Oaxaca, Mexico. Under the direction of a new board and senior leadership, the Company focus is to unlock the significant upside potential of its existing infrastructure and large land position surrounding the mine, to close our acquisition of [Aquila Resources Inc.](#), and to develop the Back Forty Project in Michigan, USA. For more information, please visit GRC's website, located at www.goldresourcecorp.com and read the Company's 10-K for an understanding of the risk factors involved.

About Aquila Resources Inc.

[Aquila Resources Inc.](#) is a development stage company focused on the development its 100%-owned gold-rich Back Forty Project in Michigan.

Forward-Looking Information and other Cautionary Statements

This press release contains forward-looking statements that involve risks and uncertainties. The statements contained in this press release that are not purely historical are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. When used in this press release, the words "plan", "target", "anticipate", "believe", "estimate", "intend", "propose", "potential" and "expect" and similar expressions are intended to identify such forward-looking statements. Such forward-looking statements include, without limitation: statements regarding the Transaction, including statements with respect to the benefits of the Transaction and expectations regarding the combined company (including its growth profile and resource profile, the development of the Back Forty Project, cash flow generation from the Don David Gold Mine, its market presence and re-rating potential and expectations regarding the payment of dividends); the timing of key Transaction milestones and closing; the ability of GRC and Aquila to satisfy the conditions to and to complete the Transaction; and expectations regarding the impact of the Transaction on GRC and Aquila including in respect of anticipated financial and operating results, strategy and business, and on stakeholders in general.

All forward-looking statements in this press release are based upon information available to GRC on the date of this press release, and the Company assumes no obligation to update any such forward-looking statements. Forward-looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Such risks and uncertainties and other factors that could cause actual results and future to differ from those expressed or implied by the forward-looking statements include, but are not limited to: the satisfaction of the conditions precedent to the closing of the Transaction (including the obtaining of all shareholder, court and regulatory approvals); risks associated with the Transaction and acquisitions generally; the Arrangement Agreement may be terminated in certain circumstances; GRC will incur costs even if the Transaction is not completed; all necessary approvals and consents may not be obtained; uncertainty regarding the ability of the parties to complete all Transaction milestones on the intended timing; inherent risks of mining exploration, development and production operations; economic factors affecting the Company and/or Aquila; the integration of the businesses of the Company and Aquila; political conditions and the regulatory environment in the United States and Mexico; and the scope, duration, and impact of the COVID-19 pandemic on mining operations, Company employees, and supply chains as well as the scope, duration and impact of government action aimed at mitigating the pandemic. Additional factors that could cause or contribute to such differences include, but are not limited to, those discussed in the periodic and current reports filed by the Company with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

For further information please contact:

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