

Darnley Bay Resources Limited and Canadian Arrow Mines Limited enter into a Letter of Intent

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TORONTO and SUDBURY, July 3, 2014 - [Darnley Bay Resources Limited](#) (TSXV: DBL) ("Darnley Bay") and [Canadian Arrow Mines Ltd.](#) (TSXV: CRO) ("Canadian Arrow") (collectively the "Companies") and their respective Boards of Directors (the "Boards") are pleased to announce they have entered into a non-binding letter of intent (the "Letter of Intent") with respect to a proposed business combination (the "Proposed Transaction") of the Companies. The Proposed Transaction, if completed, will create a larger exploration and development company with experienced management.

Pursuant to the terms of the Letter of Intent, Darnley Bay would issue to Canadian Arrow shareholders 0.82 of a common share in Darnley Bay (the "Darnley Bay Shares") for every 1 (one) common share of Canadian Arrow. Holders of options of Canadian Arrow will receive replacement options in Darnley Bay such that each former Canadian Arrow option will be exchanged for a Darnley Bay replacement option, exercisable for that number of Darnley Bay shares that is equal to the number of Canadian Arrow shares that would otherwise have been issuable thereunder as adjusted by the foregoing exchange ratio with the exercise price of such Darnley Bay replacement option being adjusted based on the exchange ratio.

Kerry Knoll, Chairman of Darnley Bay, said of the proposed transaction: "this business combination will result in a much stronger company with a mine ready to develop into production and a number of very exciting exploration targets."

The Kenbridge nickel property held by Canadian Arrow was last drilled in 2008 and, if the Proposed Transaction is completed, one of the first undertakings of the combined company will be to complete a drilling program to drill for a potential strike extension of hole 07-180, which returned 21.5 metres grading 2.95% Ni and 0.82% Cu, including 5.5 metres grading 7.2% Ni and 0.67% Cu. This was not previously followed up on by Canadian Arrow due to lack of funds. The new company also plans to undertake a bankable feasibility study on the Kenbridge deposit. Work will also continue on the Darnley Bay property in the Northwest Territories, which hosts one of the world's strongest gravity anomalies.

Dean MacEachern, Chief Executive Officer of Canadian Arrow, said: "Kerry Knoll and his team have a proven track record of becoming involved in undervalued advanced projects and doing the necessary work to bring those projects through feasibility to production. Kerry's past success and his confidence in the quality of the Kenbridge Nickel Deposit is a vote of confidence for Canadian Arrow shareholders."

The Letter of Intent provides that on completion of the Proposed Transaction the board of directors would initially be composed of six (6) members consisting of three (3) nominees from Darnley Bay and three (3) nominees from Canadian Arrow. Kerry Knoll will serve as Chairman, while Darnley Bay's current President Jamie Levy will continue to serve as President and Chief Executive Officer of the combined Companies.

The Letter of Intent includes customary non-solicitation covenants by both parties together with customary exemptions to permit the respective boards of directors to exercise their fiduciary duties. In addition, the agreement provides for a mutual break fee of \$200,000 payable by Darnley Bay or Canadian Arrow, as applicable in certain situations where the Agreement is terminated or the Transaction is not completed.

The Letter of Intent is non-binding other than the covenants with respect to non-solicitation, payment of the above referenced break fee, access to records to allow the parties to conduct their respective due diligence investigations, public announcements and conduct of business prior to completion of the Proposed Transaction.

Completion of the Proposed Transaction will be subject to certain standard conditions including, without limitation: (a) entering into a definitive agreement; (b) receipt of all necessary consents, waivers, permits, exemptions, orders and approvals, including the approval of the TSX Venture Exchange (the "TSXV"); (c) receipt of shareholder approval by Canadian Arrow shareholders to the Proposed Transaction and (d) completion of an equity financing to raise not less than \$5 million. The Proposed Transaction will not be subject to the approval of the shareholders of Darnley Bay.

Full details of the Proposed Transaction will be included in the management information circular that

Canadian Arrow will prepare and file with the regulatory authorities and mail to its shareholders in connection with the special meeting of the Canadian Arrow shareholders to be held to consider the transaction and in accordance with applicable law.

Dean MacEachern is the Qualified Person pursuant to National Instrument 43-101 with respect to the technical information regarding the Canadian Arrow property disclosed in this press release and has reviewed and approved the contents of this press release.

About Darnley Bay Resources Limited

[Darnley Bay's](#) main focus is exploration for base metals and diamonds in an area surrounding the hamlet of Paulatuk, located along the shores of Darnley Bay, in the Inuvialuit Settlement Region, NWT, Canada.

About Canadian Arrow Mines Limited

[Canadian Arrow](#) is an experienced exploration and mine operating team that is focussed on acquiring and developing economically viable nickel sulphide deposits near existing infrastructure. Canadian Arrow operates in north-western Ontario, near the towns of Kenora and Dryden. The company's main asset is the Kenbridge Nickel Project, a nickel-copper sulphide deposit containing over 98 million lbs of nickel in Measured & Indicated Resources. The deposit is equipped with a 620m shaft and has never been mined.

On behalf of the Boards of the Companies,

Jamie Levy
President & Chief Executive Officer

Dean MacEachern
Chief Executive Officer

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

The securities offered will not be registered under the United States Securities Act of 1933, as amended (the "Act") and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Act.

Completion of the Proposed Transaction is subject to a number of conditions including but not limited to TSXV acceptance and if applicable pursuant to the TSXV requirements, receipt of approval by Canadian Arrow shareholders to the Proposed Transaction. Where applicable, the Proposed Transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the Proposed Transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the management information circular or filing statement to be prepared in connection with the Proposed Transaction, any information released or received with respect to the Proposed Transaction may not be accurate or complete and should not be relied upon.

Cautionary Statements to Shareholders – Forward Looking Statements

This news release contains certain "forward-looking statements" and "forward-looking information" under applicable securities laws, and include any statements regarding beliefs, plans, expectations or intentions regarding the future. All statements in this release, other than statements of historical facts are forward-looking statements that involve various risks and uncertainties. Such forward looking statements include, among others, that the Proposed Transaction will be completed and that the combined entity will add opportunity and value for its shareholders. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are based on a number of assumptions and subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Although the Companies believe the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Assumptions upon which such forward-looking

statements are based include that Darnley Bay and Canadian Arrow will be able to negotiate and execute definitive transaction documentation, that the due diligence investigations by each of Darnley Bay and Canadian Arrow will not identify any materially adverse facts or circumstances, that all required approvals will be obtained from the shareholders of each of Darnley Bay and Canadian Arrow, that all required third party regulatory and governmental approvals to the Proposed Transaction will be obtained and all other conditions to completion of the Proposed Transaction will be satisfied or waived. It is important to note that actual outcomes and actual results could differ materially from those in such forward-looking statements. Factors that could cause actual results to vary materially from results anticipated by such forward-looking statements include: (1) the failure to complete the Proposed Transaction for whatever reason; (2) the combined entity's ability to raise the necessary financing for operations and to complete any acquisitions or pursue any further exploration and development opportunities; (3) risks inherent in the mining industry.

Each of Darnley Bay and Canadian Arrow undertake no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events, changes in management's estimates or opinions or otherwise, unless so required by applicable laws or regulatory policies. For additional discussion of risks and uncertainties, readers should also refer to the annual Management's Discussion and Analysis and other filings for each of Darnley Bay and Canadian Arrow filed with the securities regulatory authorities in Canada and available at www.sedar.com. The reader is cautioned not to place undue reliance on forward-looking statements.

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