

SRHI Inc. Announces Foundational Agreement by MTV with its Creditors

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TORONTO, Aug. 24, 2020 - [SRHI Inc.](#) (the "Company" or "SRHI") (TSX: SRHI, SRHI.WT) is pleased to announce that creditors for Minera Tres Valles SpA ("MTV"), the Company's 70% owned producing copper mine in Salamanca, Chile, have approved a Judicial Reorganization Agreement ("JRA") in Chile with support from 100% of the Lenders and 93% of the unsecured creditors.

Through our restructuring efforts, MTV now has the ability to execute on the construction and expansion of its mining operations including the Papomono Masivo incline block caving underground mining project, stated Michael Staresinic, President and Chief Financial Officer. MTV's senior lenders, shareholders and unsecured creditors all participated in finding a solution that is expected to drive both MTV and the Company to profitability and sustainability over the coming years.

In May 2020, MTV filed a Judicial Restructuring Procedure ("JRP") in Chile providing MTV protection from creditors to give itself sufficient time to complete its refinancing efforts to allow for the completion of the construction of its underground mine. The JRP is similar to creditor protection under the Companies' Creditors Protection Act in Canada.

Emergence from the JRP process represents the culmination of efforts that were undertaken with MTV's senior lenders ("Lenders"), Vecchiola S.A. ("Vecchiola", a related party to MTV's 30% minority shareholder) and other unsecured creditors. Subject to customary documentation, and the formalization of terms between MTV, the Lenders and the Company, the JRA provides MTV with the following:

[SRHI Inc.](#) to Provide \$10 Million

- Up to \$10 million secured second ranking debt to be financed from the Company's cash resources (the "SRHI New Loan")
- Drawn down by MTV over the next 12 months
- Principal and interest subordinated to the Lenders' existing debt under the Facility Agreement (defined below) and New Senior Debt (defined below)
- Expected payback beginning 2025
- Fulfills (and will reduce, pro-rata) the Company's \$10 million corporate guarantee provided under the facility agreement (the "Facility Agreement") entered into between the Lenders, MTV and the Company in December 2019
- No dilution to the Company's 70% equity holding of MTV

Vecchiola Voluntarily Converts over \$5 million to Long-term Debt

- Conversion to subordinated long-term debt, of 75% of amounts owed by MTV to Vecchiola, to be repaid only after all other amounts due to the Lenders and unsecured creditors are fully repaid

Lenders Amend Facility Agreement Terms and Commit to Additional \$6 Million

- Immediate release of \$7 million of cash, currently restricted by the Lenders pursuant to the Facility Agreement, to support MTV's operations - \$2 million was already released to support MTV during the reorganization process
- Extension of the Facility Agreement's maturity by 12 months to December 2024
- Extension of the Facility Agreement's commencement for principal repayments by 12 months to begin March 31, 2022
- Extension by 18 months of the requirement to pay 50% of interest under the Facility Agreement. Full interest payments begin March 31, 2022

- Up to \$6 million of new senior debt (New Senior Debt) to have substantially the same security and terms as currently contemplated in the Facility Agreement (with some amendments)
- The New Senior Debt is to be made available to MTV, if needed, after SRHI has fully advanced the SRHI New Loan

Unsecured Creditors Convert Amounts Owed to Long-Term Debt

- Approximately \$19 million converted from accounts payable of MTV to long-term debt (New Unsecured Debt)
- Principal and interest repayment grace period; first payment to begin March 31, 2022
- 50% of New Unsecured Debt to be repaid in 13 quarterly payments beginning March 31, 2022
- Remaining 50% of New Unsecured Debt to be repaid on June 30, 2025
- Annual interest rate of New Unsecured Debt is 5%
- Opportunity for accelerated prepayments

As part of the JRA, a creditors' commission (the Creditors' Commission) will be created to supervise the compliance with the JRA. The Creditors' Commission is to be composed of two representatives of the Lenders and a third representative from the unsecured creditors, to be determined by the creditors of MTV. Each member of the Creditors' Commission cannot be linked to the main business of MTV.

Under certain specific circumstances and for no longer than 5 days after the approval of the JRA, creditors can challenge the legality of the JRA. The Company and MTV do not expect any challenge to the legality of the JRA.

Specific to the offtake agreement between MTV and the offtake provider (one of the Lenders), MTV and the offtake provider have agreed and executed an increase to the fixed price portion originally agreed to in the offtake agreement from 25% to 40%. MTV has currently contracted to sell 40% of its expected copper cathode production at \$2.90 per pound from August 2020 to July 2022. This stability of cash inflow for the next 2 years provides a degree of certainty for the business during its construction and production ramp up phases.

In addition, and subject to customary documentation, an amendment to the offtake agreement is expected to be implemented resulting in the acceleration of payment terms for the receipt of cash by MTV.

In noting the importance of this occasion, Luis Vega, Chief Executive Officer of MTV, stated, "This is a defining moment for MTV and I take great pride in the participation of all stakeholders; our employees, lenders, suppliers, customers, communities, business partnerships and supporters, without whom this day would not have been possible. In this process, all of us have made sacrifices to place this organization in the much stronger position it now enjoys. MTV values and appreciates the commitment all have shown in helping us reach this point."

MTV will now devote its attention to finalizing the necessary documentation with the Lenders and the Company together with implementing the construction and development of the Papomono Masivo underground mine. Papomono Masivo is expected to be completed in the fourth quarter of 2021 with initial ore production beginning by the third quarter of 2021.

For the remainder of 2020, MTV will be focusing on processing ore in its current inventory, increasing its tolling business and accelerating the processing of ore supplied by third-party miners. Beginning in 2021 and while maintaining its 2020 initiatives, MTV intends to reopen its Don Gabriel open pit mine for approximately 1 year while simultaneously constructing the Papomono Masivo underground mine.

About SRHI Inc.

SRHI is a publicly-listed company based in Toronto and its principal operating business is its 70% equity interest in the producing copper mine Minera Tres Valles in Salamanca, Chile. For more information about SRHI, please visit www.srhi.ca.

Cautionary Statement Regarding Forward-Looking Information

Certain statements in this news release, contain forward-looking information (collectively referred to herein as the "Forward-Looking Statements") within the meaning of applicable Canadian securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify Forward-Looking Statements. In particular, but without limiting the foregoing, this news release contains Forward-Looking Statements pertaining to: the construction and expansion of mining operations including the Papomono Masivo incline block caving underground mining project, as well as the timing thereof and production therefrom; profitability of the Company and MTV and timing thereof; completion of the JRA and the JRP process and the terms thereof; expected timelines for drawdown and repayment of indebtedness of MTV; creation of the Creditors' Commission and the composition thereof; expectations regarding the lack of challenge to the legality of the JRA; expected performance under the offtake agreement; expected implementation of a further amendment to the offtake agreement and the terms thereof; and MTV's focus for the remainder of 2020 and the expected reopening of the Don Gabriel mine and the timing thereof.

Although SRHI believes that the Forward-Looking Statements are reasonable, they are not guarantees of future results, performance or achievements. A number of factors or assumptions have been used to develop the Forward-Looking Statements, including: that the JRA and the JRP process will be resolved as expected and on the terms currently agreed to; that the assumptions for future ore mined and copper cathode production together with future cash flows, including future copper prices, operating costs and capital expenditures remain materially accurate; there being no additional significant disruptions affecting the development and operation of MTV; and assumptions concerning general marketing, political, business and economic conditions.

Actual results, performance or achievements could vary materially from those expressed or implied by the Forward-Looking Statements should assumptions underlying the Forward-Looking Statements prove incorrect or should one or more risks or other factors materialize, including: (i) risks associated with the mining industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of estimates and projections relating to mineral reserves, production, costs and expenses; and labour, health, safety and environmental risks) and risks associated with the other portfolio companies' industries; (ii) risks associated with investments in emerging markets; (iii) general economic, market and business conditions; (iv) the successful challenge to the legality of the JRA; (v) the JRA not being implemented on the expected terms or subsequently complied with; (vi) commodity price fluctuations and uncertainties; (vii) risks associated with catastrophic events, manmade disasters, terrorist attacks, wars and other conflicts, or an outbreak of a public health pandemic or other public health crises, including COVID-19; (viii) risk that MTV and/or the Company cease to be going concerns and the Company's guarantee of the MTV debt is called and the related pledge is realized (ix) those risks disclosed under the heading "Risk Management" in SRHI's Management's Discussion and Analysis for the year ended December 31, 2019 and its first and second quarterly report of 2020; and (x) those risks disclosed under the heading "Risk Factors" or incorporated by reference into SRHI's Annual Information Form dated March 24, 2020.

The Forward-Looking Statements speak only as of the date hereof, unless otherwise specifically noted, and SRHI does not assume any obligation to publicly update any Forward-Looking Statements, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable Canadian securities laws.

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