

Lupaka Gold and Andean American Gold Corp. Announce Business Combination to Create a Peru Focused Gold Exploration Company

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VANCOUVER, 07/05/12 - [Lupaka Gold Corporation](#) (TSX: LPK) ("Lupaka") and [Andean American Gold Corp.](#), (TSX VENTURE: AAG) (FRANKFURT: AQN) ("Andean American") are pleased to announce the signing of a Binding Letter of Intent (the "LOI") that provides for a combination of the two companies (the "Business Combination") to create a new Peru-focused gold exploration and development company. Under the terms of the Business Combination, Andean American shareholders will receive 0.245 shares of Lupaka for each share of Andean American owned, resulting in the shareholders of Andean American owning 45.27% of Lupaka upon the completion of the Business Combination.

The boards of directors of both Lupaka and Andean American have determined that the proposed Business Combination is in the best interests of their respective companies, based on a number of factors, including a fairness opinion received from Andean American's financial advisor, the details of which will be provided in the management information circular to be provided to shareholders. Each company's board of directors unanimously approved the terms of the proposed business combination and intends to recommend that their respective shareholders vote in favour of the transaction.

Transaction Benefits

Lupaka and Andean American believe that the Business Combination will result in significant benefits to the shareholders of each company, including:

- Creating a Peru-focused gold explorer and developer with a combined Measured and Indicated resource estimate of approximately 2.1 million ounces of gold equivalent and an additional combined Inferred resource estimate of approximately 0.9 million ounces of gold equivalent^(1,2);
- Geographic diversification and balance through an asset base spread across three regions of Peru, while taking advantage of country-wide synergies, relationships and expertise;
- Exploration focus on the potential of the Crucero gold project, with a view to drive shareholder value through the addition of new estimated resources and discoveries on 10 additional targets within the project area;
- Near-term underground gold and poly-metallic development potential at Invicta;
- Exposure to the substantial and prospective AntaKori copper-gold deposit through a strategic 17% stake in [Southern Legacy Minerals Inc.](#);
- A platform to pursue further accretive acquisitions with a pro forma cash balance of approximately \$18 million as at June 30, 2012;
- Complementary on-site management teams and in-country experience offering relative strengths in exploration, permitting, community relations and development;
- Proven management track record of creating shareholder value through growth and acquisitions; and,
- A merging of two complementary shareholder bases.

"We believe Andean American complements and significantly advances Lupaka's goal of creating a pan-Peruvian precious metals focused company to create shareholder value through exploration, community and government relations, strong industry associations, environmental sensitivity and attracting and retaining the most qualified workforce possible," said Eric Edwards, President, CEO & Director of Lupaka. "Invicta will add additional estimated gold resources as described above and the strategic stake in Southern Legacy will provide additional exposure to another highly prospective deposit, in partnership with an emerging Latin

American metals company."

"Andean American has conducted a strategic review over the past eight months and reviewed many potential transactions and partnerships. We believe this proposed transaction provides our shareholders with the most value for our current assets, along with the continued exposure to positive developments at Invicta and AntaKori in addition to the exciting potential of Crucero," commented David Rae, President, CEO & Director of Andean American. "Lupaka has proven highly effective in advancing the Crucero project since acquiring its initial ownership position in 2009, and we believe the new management team and board of directors will continue its success at Crucero, and unlock additional value at Invicta."

Transaction

Lupaka and Andean American expect the Business Combination will take place by way of a plan of arrangement whereby Lupaka and/or a wholly-owned subsidiary will enter into an arrangement agreement (the "Arrangement Agreement") with Andean American. Pursuant to the terms of the LOI, the completion of the Business Combination is conditional upon a number of items, including, without limitation, approval of the shareholders of Lupaka and Andean American, receipt of all necessary regulatory approvals, formalization of the legal structure of the transaction, no material adverse change occurring with respect to either Lupaka or Andean American, compliance by both parties with their respective obligations under the LOI and holders of no greater than 3% of the common shares of Andean American and, if applicable, Lupaka exercising dissent rights.

The LOI contains customary deal protection mechanisms, including a reciprocal break fee of \$1,150,000 payable if the proposed Business Combination is not completed in certain circumstances. In addition, the LOI includes customary non-solicitation covenants by both Lupaka and Andean American together with customary exemptions to permit the respective boards of directors to exercise their fiduciary duties and a right to match any superior proposal that may arise.

Full details of the Business Combination will be included in the formal Arrangement Agreement and management information circular to be filed with the regulatory authorities and mailed to Lupaka and Andean American shareholders in accordance with applicable securities laws. All shareholders are urged to read the information circulars once they become available as they will contain additional important information about the transaction.

As noted above, under the terms of the proposed transaction Lupaka will acquire all of the issued and outstanding shares of Andean American in consideration for the issue of Lupaka shares on the basis of 0.245 Lupaka shares for each Andean American share. This represents a 21% premium to Andean American's 20-day volume weighted average price ("VWAP") for the period ending July 5th. Based on the current Andean American shares outstanding, the transaction would involve the issuance of approximately 37.0 million Lupaka shares, which will equate to 45.3% of Lupaka's shares outstanding upon the completion of the Business Combination. Senior officers, directors and major shareholders of Lupaka and Andean American representing approximately 36.5% and 3.3%, respectively, of the outstanding shares have either entered into or committed to enter into lock-up agreements to irrevocably support the Business Combination.

Andean American's outstanding options and warrants will be adjusted in accordance with their terms such that the number of Lupaka shares received upon exercise and the exercise price will reflect the exchange ratio described above.

The proposed transaction is expected to be completed in September 2012 or such later date as the parties may agree. Special meetings of the shareholders of Andean American and Lupaka will be held at a time yet to be determined to approve the proposed transaction.

Lupaka has engaged Haywood Securities Inc. as its financial adviser and Dumoulin Black LLP as its legal advisor in respect of this transaction. Andean American has engaged Paradigm Capital Inc. as its financial advisor and Fogler, Rubino LLP as its legal advisor in respect of this transaction.

Board & Management

The board of the new company will consist of the six (6) current members of the Lupaka board, with Jean-Pierre Chauvin and David Rae joining the board as nominees of Andean American. Gordon Ellis will maintain his current role as Chairman. The management team of the new company will be comprised primarily of the current Lupaka management, with each member to continue on in his or her current role, and is to be augmented by the existing Andean American management team.

Conference Call

Lupaka and Andean American will hold a conference call at 11:00 AM Toronto time (8:00 AM Vancouver time) on July 6, 2012 to allow shareholders, securities analysts and investors the opportunity to discuss the business combination outlined herein. The call can be accessed by dialing 1-800-319-4610 in Canada and the USA (toll free) or at 1-604-638-5340 outside of Canada and the USA. The call will also be available via webcast online. The call and presentation can be accessed through Lupaka's or Andean American's websites at www.lupakagold.com or www.aaggold.com, respectively. The recorded version of the call will also be available online following completion of the call.

Technical Information

Greg Mosher is an employee of Tetra Tech, a "qualified person" as defined by National Instrument 43-101 and independent of Lupaka as defined by Section 1.5 of NI 43-101. Mr. Mosher has reviewed and approved the scientific and technical information regarding the Crucero Project contained in this news release.

Jeffrey Volk, CPG, FAusIMM, is a Principal Resource Geologist with SRK Consulting (US), Inc., a "qualified person" as defined by National Instrument 43-101 and is independent of Andean American as defined by Section 1.5 of NI 43-101. Mr. Volk has reviewed and approved the scientific and technical information regarding the Invicta Project contained in this release.

About Lupaka Gold Inc.

[Lupaka Gold](#) is aggressively exploring and developing the Crucero Gold Project, its 5,500 hectare gold property located in southern Peru. Lupaka is based in Vancouver, Canada, and is project operator and holds a 100% indirect interest in the property. Since commencing active exploration in April 2010, Lupaka has outlined NI 43-101 measured and indicated resources of 1.145 million oz Au at a 1.03 grams per tonne capped grade, plus inferred resources of 0.647 million oz Au at 0.69 grams per tonne capped grade (see the report titled "Technical Report for the Crucero Property, Peru" dated March 2, 2012 which is available on sedar.com). In addition to the existing resource estimate, Lupaka Gold has identified a number of exploration targets within the Crucero Project that display similar anomalous characteristics. Lupaka Gold is led by a strong management team with the proven ability to develop, finance and operate mining projects. Lupaka completed an initial public offering of its common shares and warrants on the Toronto Stock Exchange on June 28, 2011.

Additional information on Lupaka and its Crucero project is available on Lupaka's website at www.lupakagold.com.

About Andean American Gold Corp.

[Andean American](#) is an international mining and exploration company focused on value growth through the development of gold and copper projects in Peru. Their key assets include the 31,600 hectare Invicta gold-silver-copper development project and a 17% strategic stake in Southern Legacy Minerals, owner of the AntaKori gold-silver-copper exploration project.

Additional information on Andean American and its Invicta project is available on Andean American's website at www.aaggold.com.

Cautionary Statements:

Investors are cautioned that, except as disclosed in the management information circular to be prepared in connection with the transaction, any information released or received with respect to the transaction may not be accurate or complete and should not be relied upon. Trading in the securities of Lupaka and Andean American should be considered highly speculative.

As noted above, completion of the transaction is subject to a number of conditions, including regulatory approval. The transaction cannot close until the required shareholder and regulatory approval is obtained. There can be no assurance that the transaction will be completed as proposed or at all.

Forward-Looking Statements

This news release may contain "forward-looking statements" and/or "forward-looking information" within the

meaning of applicable securities regulations in Canada and the United States (collectively, forward-looking information"). Any forward-looking information contained in this news release is made as of the date of this news release. Except as required under applicable securities legislation, Lupaka and Andean American (the "Companies") do not intend, and do not assume any obligation, to update this forward-looking information. Forward-looking information includes, but is not limited to, statements with respect to the proposed Business Combination, mineral resource estimates, corporate objectives and expected outcomes. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes", or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will" be taken, occur or be achieved.

The forward-looking information contained in this news release is based on certain assumptions that the Companies believe are reasonable, including, with respect to any mineral resource estimates, the key assumptions and parameters on which such estimates are based, that the current price of and demand for gold will be sustained or will improve, that general business and economic conditions will not change in a material adverse manner, that the Companies will be able to obtain required shareholder, court and regulatory approvals and that the other conditions to completion of the proposed Business Combination will be satisfied and that the proposed Business Combination will complete in the anticipated timeframe, that financing will be available if and when needed on reasonable terms, that supplies, equipment, personnel, permits and local community approval required to conduct planned exploration and development activities will be available on reasonable terms and that the Companies will not experience any material accident, labour dispute, or failure of equipment.

However, forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Companies to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, among others, the failure to obtain necessary shareholder, court or regulatory approvals or to satisfy other conditions to completion of the proposed Business Combination, the risk that the proposed Business Combination will be delayed or will not complete, risks and uncertainties relating to potential political risks involving the Companies' operations in a foreign jurisdiction, actual results of exploration activities will be different than anticipated, cost of labour will increase more than expected, cost of equipment or materials will increase more than expected, fluctuations in the price of gold and other commodities, currency fluctuations, that mineral resources are not as estimated, unexpected variations in mineral resources, grade or recovery rates, risk of accidents, labour disputes and other risks generally associated with mineral exploration and unanticipated delays in obtaining or failure to obtain governmental or community approvals or financing. Although the Companies have attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results to not be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Readers are cautioned not to place undue reliance on forward-looking information due to the inherent uncertainty thereof.

(1) Resource information for Invicta from "NI 43-101 Technical Report on Resources Invicta Gold Project Huaura Province, Peru" by SRK Consulting (U.S.), Inc., April 6, 2012 which is available on SEDAR. Mineral resource estimate calculated using a 1.30 g/t gold equivalent cut-off grade. Metal prices assumed for the gold equivalent calculation are US\$1,500/oz for gold, US\$32.50/oz for silver, US\$3.90/lb for copper, US\$1.05/lb for lead and US\$1.00/lb for zinc. The Measured and Indicated resource estimate is based on 8,644,000 tonnes grading 2.13 g/t Au, 15.90 g/t Ag, 0.43% Cu, 0.24% Pb and 0.29% Zn, the Inferred resource estimate is based on 2,534,000 tonnes grading 1.61 g/t Au, 12.02 g/t Ag, 0.46% Cu, 0.27% Pb and 0.18% Zn.

(2) Resource information for Crucero from "Technical Report for the Crucero Property, Peru" by Tetra Tech Inc., March 2, 2012, which is available on SEDAR. Mineral resource estimate calculated using a 0.40 g/t gold cut-off grade. The Indicated resource estimate is based on 34,641,233 tonnes grading 1.03 g/t Au (capped) for 1,145,000 gold ounces and the Inferred mineral resource estimate is based on 28,965,683 tonnes grading 0.69 g/t Au (capped) for 647,000 gold ounces.

Neither the TSX nor 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.

Contacts:

Lupaka Gold Corp.

Eric Edwards, President, CEO & Director
1 (604) 681-5900
gold@lupakagold.com
www.lupakagold.com

Andean American Gold Corp.
David Rae, President, CEO & Director
1 (416) 368-9500
investors@aaggold.com
www.aaggold.com

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