

Leagold and Brio Gold Agree to a Friendly Acquisition

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VANCOUVER, Feb. 16, 2018 /CNW/ - [Leagold Mining Corp.](#) (TSX:LMC; OTCQX:LMCNF) ("Leagold" or the "Company") is pleased to announce it has reached an agreement with [Brio Gold Inc.](#) ("Brio") (TSX:BRIO) under which the previously announced proposed take-over bid by Leagold will now be completed on a Brio Board-supported basis by way of a statutory plan of arrangement ("Arrangement"). Pursuant to the definitive arrangement agreement (the "Arrangement Agreement"), for each common share issued and outstanding, Leagold will issue 0.922 of a Leagold share and 0.4 of a Leagold share purchase warrant (each whole warrant, a "Leagold Warrant"). With the addition of 0.4 of a Leagold Warrant, the aggregate consideration received by Brio shareholders represents an increase in the value of the implied consideration disclosed in Leagold's press release of January 23, 2018 from C\$2.80 per Brio share to C\$2.90. Both the Leagold and Brio Boards of Directors have unanimously approved the terms of the Arrangement Agreement.

Leagold CEO Neil Woodyer stated:

"We are pleased to have reached a friendly agreement with the board and management of Brio. While Leagold was highly confident in the future success of the shareholder supported take-over process, we sought the opportunity to go friendly to accelerate the completion of the transaction by approximately 70 days, providing greater certainty to Brio's employees and shareholders and allowing us to unlock value for Brio shareholders sooner. We will also be better positioned to implement and communicate the business integration plan to Brio's employees and the communities in which Brio operates. Importantly, we envisioned that Brio's operating procedures and reporting relationships within Brazil will be largely unaffected by the transaction. To enhance this integration plan, Leagold will be pleased to welcome Gil Clausen as Brio's nominee to Leagold's Board of Directors."

Terms of the Arrangement Agreement

Under the Arrangement, Leagold will acquire all of the outstanding shares of Brio in exchange for i) 0.922 of a Leagold share and ii) 0.4 of a Leagold Warrant for each Brio share outstanding. Each Leagold Warrant will entitle the holder thereof to purchase one Leagold share at a price of C\$3.70 for a period of two years following completion of the transaction. Using the Black-Scholes methodology, each Leagold Warrant is valued at approximately C\$0.25, such that 0.4 of a Leagold Warrant represents an increase in the value to Brio shareholders of C\$0.10 per Brio share. The total consideration to be paid by Leagold in exchange for all of the issued and outstanding Brio shares is approximately US\$279M, based on the unaffected pre-announcement 50-day volume weighted trading price of Leagold shares on the Toronto Stock Exchange (the "TSX") for the period ending January 16, 2018.

Upon completion of the Arrangement, assuming [Goldcorp Inc.](#) does not exercise its anti-dilution rights in connection with the Arrangement, former Brio shareholders will own approximately 42% of Leagold, which includes [Yamana Gold Inc.](#) ("Yamana") who will own approximately 22% of Leagold. Yamana has agreed to hold the Leagold shares it receives pursuant to the Arrangement for a minimum period of 12 months, subject to certain exceptions. Upon completion of the Arrangement, Leagold expects to have approximately 263 million shares issued and outstanding, subject to Goldcorp exercising its anti-dilution rights.

The Arrangement is structured as a plan of arrangement under the Business Corporations Act (Ontario) and, in addition to the customary conditions, is subject to regulatory and court approvals or orders. The Arrangement requires approval by (i) a majority of the votes cast by Brio shareholders at a meeting of Brio shareholders, and if required (ii) a simple majority of the votes cast by Brio shareholders excluding the votes held by certain persons as required by Multilateral Instrument 61-101. Additionally, pursuant to the rules of the TSX, Leagold will require the approval of its shareholders holding a simple majority of Leagold shares for Leagold to issue Leagold shares and Leagold Warrants under the terms of the Arrangement.

Brio's shareholder meeting is expected to be held in April 2018. As previously announced, Leagold has entered into a support agreement with Yamana. Yamana holds 63,032,488 Brio shares representing approximately 53.6% ownership of Brio on a non-diluted basis. Leagold has also entered into support agreements with all the directors of Brio and certain of Brio's senior management who in the aggregate hold approximately 3.3% of Brio's outstanding shares. Pursuant to the terms of the Arrangement Agreement, Leagold will acquire all of the outstanding shares of Brio in exchange for i) 0.922 of a Leagold share and ii) 0.4 of a Leagold Warrant for each Brio share outstanding.

agreements, each of Yamana, the Brio directors and certain members of Brio's senior management have agreed to vote for Brio shares at the Brio shareholders' meeting in favour of the transaction.

Leagold has also entered into voting agreements in support of the transaction with certain of its shareholders who in the aggregate hold approximately 57% of Leagold's outstanding shares. The supporting shareholders of Leagold include Goldcorp and certain of Leagold's directors and officers including Neil Woodyer and Frank Giustra. Subject to approval of the TSX, Leagold will seek shareholder approval by way of obtaining a consent resolution from Leagold shareholders holding at least a simple majority of issued and outstanding Leagold shares.

The Arrangement Agreement includes customary deal protection terms. Brio has agreed not to solicit any alternative transaction and Leagold has been granted the right to match any superior competing offer and reciprocal expense reimbursement of up to US\$3.0 million to be paid in certain circumstances.

Transaction Highlights

Leagold believes the combination with Brio delivers significant benefits to the shareholders of Brio and Leagold, including:

- Attractive, all-share based premium offer
 - Assuming that Goldcorp has not exercised its anti-dilution rights, Brio shareholders will receive an approximate 62.5% ownership interest in the enlarged company, providing participation in the expected value creation and growth of the combined entity.
 - All-share based consideration preserves cash for funding growth, with Leagold's Bermejil Underground project and Brio's Santa Luz mine restart as the principal opportunities.
 - The consideration to be paid under the Arrangement Agreement represents an increase of 3.6% over the value of Brio's consideration disclosed in Leagold's January 23, 2018 press release, and a premium of 62.5% to Brio shareholders based on each of Leagold's and Brio's unaffected 5-day volume weighted average share prices on the TSX from the period ending January 22, 2018.
- Enhanced scale improving the potential for a valuation re-rating
 - The combined entity is expected to produce between 420,000 and 475,000 oz of gold in 2018, based on market guidance provided by each of Leagold and Brio¹.
 - Both Leagold and Brio are currently valued with market discounts. The enhanced scale of the combined operations improves the potential for a valuation re-rating.
- Growth upside
 - With the addition of Leagold's Bermejil Underground project at the Los Filos mine and the restart of Brio's Santa Luz mine, the combined operations have the potential to produce over 700,000 ounces of gold per year in 2020 at a cost of approximately US\$850/oz.
- All-in sustaining costs (AISC) and AISC margin profile^{1,2}
 - The combined entity, based on the mid-point of market guidance provided by each of Leagold and Brio, has an AISC of approximately US\$930/oz for 2018. Assuming a US\$1,250/oz gold price and production of 447,500 ounces in 2018, the AISC margin is calculated to be US\$143 million.
- Enhanced capital markets profile
 - With a pro forma market capitalization of approximately US\$650 million, the combined entity is expected to attract increased institutional investor interest.
- Platform of further expansion in Mexico and Brazil
 - With the diversification benefit from multiple jurisdictions, Leagold will have a strong platform to expand with operations in Mexico and Brazil.
- Leagold's experienced team and financial strength will de-risk Brio's growth plans
 - Leagold's management team has successfully acquired and integrated mines with an organizational approach that emphasizes each mine operating on a profit-center basis.
 - Leagold has a strong operating team in place, with experience in mine building and optimizing operations.
- Reduction of Brio's corporate costs
 - Leagold anticipates significant cost savings through the reduction of Brio's corporate costs, with savings estimated between US\$8 and US\$10 million per year.
- Low completion risk
 - With support received for the transaction from Brio's controlling shareholder (Yamana), both Leagold and Brio's directors and officers, and several top shareholders of Leagold, this transaction has low completion risk.

¹ Leagold news release of 19 January 2018 with 2018 guidance of 215,000 to 240,000 oz at mine-level AISC of \$875 to \$925/oz and Brio news release of 16 January 2018 with 2018 guidance of 205,000 to 235,000 oz at mine-level AISC of \$945 to \$975/oz

² All-in sustaining cost (AISC) and AISC margin are non-IFRS financial performance measures with no standard meaning under IFRS

Advisors

Leagold has retained UBS Investment Bank as its financial advisor in connection with the transaction. Fasken Martineau DuMoulin LLP and Skadden, Arps, Slate, Meagher & Flom LLP are acting as Canadian and United States legal advisors to Leagold.

About Leagold Mining Corporation

Leagold is building a new mid-tier gold producer with a focus on opportunities in Latin America. Leagold is based in Vancouver, Canada and is listed on the TSX under the trading symbol "LMC" and trades on the OTCQX market as "LMCNF". The 2017 acquisition of the Los Filos mine, a low-cost gold producer in Mexico, provides an excellent platform for growth.

Cautionary Note Regarding Forward-Looking Information

This News Release contains "forward-looking statements" and "forward looking information" (as defined under applicable securities laws). Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "expect", "believe", "may", "plan", "project", "should", "scheduled", "intend", "objective", "continuous", and "estimate", or similar words suggesting future events, circumstances or outcomes. Forward-looking statements in this News Release include but are not limited to anticipated production, AISC and AISC margin of a combined Brio-Leagold entity, enhanced capital markets profile, growth upside, potential for expansion in Brazil and Mexico, anticipated timing of the Arrangement, conditions to closing the Arrangement including shareholder approvals, the proposed appointment of Gil Clauson to Leagold's board of directors, expectations with respect to the benefits of a combination of the businesses of Leagold and Brio and expectations with respect to the business and geographical diversification of the combined entity.

Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ materially from those expressed in the forward-looking statements and information. They include, among others, the accuracy of mineral reserve and resource estimates and related assumptions, inherent operating risks, risks related to successful integration of Brio if the combination is consummated, risks related to international operations, the failure to obtain regulatory or other approvals in connection with the proposed business combination and those risk factors identified in Leagold's most recent Annual Information Form prepared and filed with securities regulators which is available on SEDAR at www.sedar.com under Leagold's profile.

There are no assurances that Leagold can fulfill forward-looking statements and information. Such forward-looking statements and information are only predictions based on current information available to Leagold's management team; actual events or results may differ materially as a result of risks facing Leagold, some of which are beyond Leagold's control. Although Leagold believes that any forward-looking statements and information contained in this press release are based on reasonable assumptions, readers cannot be assured that actual outcomes or results will be consistent with such statements. Accordingly, readers should not place undue reliance on forward-looking statements and information. The forward-looking statements and forward-looking information are made as of the date hereof and Leagold disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements or forward-looking information contained herein to reflect future results. Please refer to Leagold's most recent filings under its profile at www.sedar.com for further information respecting the risks affecting Leagold and its business.

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Contact

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