

Avala Resources and Dunav Resources Enter into an Agreement to Merge

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LONGUEUIL, Aug. 18, 2014 - [Avala Resources Ltd.](#) (TSX VENTURE:AVZ) ("Avala") and [Dunav Resources Ltd.](#) (TSX VENTURE:DNV) ("Dunav") are pleased to announce that they have entered into an arrangement agreement on August 15, 2014 (the "Agreement") in respect of the previously announced business combination of the two companies (for background to the Agreement, see joint news release issued on July 28, 2014). Under the terms of the Agreement, Avala agreed to issue to Dunav shareholders 1.0457 common shares for every one (1) outstanding common share of Dunav (the "Exchange Ratio") held, pursuant to a plan of arrangement under the Business Corporations Act (British Columbia) (the "Arrangement"). All outstanding stock options and share purchase warrants of Dunav will be exchanged for options and warrants of Avala in an amount and at exercise prices adjusted in accordance with the Exchange Ratio. This will result in Avala issuing 183,331,540 new common shares, 63,768,411 warrants and 8,292,401 stock options, for a combined total of 437,823,763 Avala common shares outstanding and 129,165,812 shares reserved for issuance following completion of the Arrangement.

Completion of the Arrangement is subject to certain conditions including (i) the approval of the Supreme Court of British Columbia, (ii) the approval of the Arrangement by not less than two-thirds (66 2/3%) of the votes cast by the shareholders of Dunav, as well as 'majority of the minority' approval by Dunav and Avala shareholders at their respective meetings in accordance with Multilateral Instrument 61-101 ("MI 61-101"), and (iii) approval by all applicable regulatory authorities, including the TSX Venture Exchange ("TSXV").

Avala and Dunav are non arm's length parties to one another by virtue of the fact that they have four common directors and overlapping management and the same controlling shareholder, Dundee Precious Metals Inc., which owns 53.1% of Avala's outstanding common shares and 45.5% of Dunav's outstanding common shares. As a result, the transaction is a business combination with a related party under MI 61-101 and Policy 5.9 of the TSXV Corporate Finance Manual.

The special committees of Avala and Dunav, each composed of independent directors, have reviewed the proposed business combination with advice from independent financial advisors and legal counsel. After careful consideration, having received a fairness opinion from their respective financial advisors, legal advice and such other matters as it considered relevant, each special committee has unanimously approved the Arrangement and the Agreement.

The boards of directors of Avala and Dunav, on recommendation of their respective special committees composed of independent directors, have each approved the Agreement and will recommend to their respective shareholders to vote in favour of the Arrangement. Avala and Dunav intend to hold their annual and special meetings on September 30, 2014 and, subject to shareholder approval and final order of the British Columbia Supreme Court, expect to complete the Arrangement on or about October 2, 2014.

Avala and Dunav believe that the merger of the two companies will bring a number of benefits, including a reduction in management and administrative costs, and will bring together a robust portfolio of projects that includes Avala's Timok Gold Project and Dunav's Tulare Copper-Gold Porphyry Project along with several early stage prospects all located within Serbia, a mining friendly jurisdiction with excellent infrastructure and a skilled workforce.

As previously announced, Avala intends to consolidate, by the end of October 2014, its common shares on the basis of one (1) post-consolidation common share for up to every ten (10) pre-consolidation common shares, to provide Avala with greater flexibility in pursuing its plans to advance its mineral exploration projects, including its ability to obtain additional financing and potentially acquire new mineral projects.

A copy of the Arrangement Agreement will be filed on SEDAR and will be available for viewing under the Avala and Dunav websites. Full details regarding the Arrangement will be provided in a special management information circular of each company to be filed with applicable Canadian securities regulatory authorities and mailed to shareholders in accordance with applicable Canadian securities laws.

About Avala Resources Ltd.:

Avala is a mineral exploration company focused on the exploration and development of the Timok Gold

Project in Eastern Serbia. The Timok Gold Project comprises several targets, including the Korkan, Bigar Hill, Kraku Pester, and Korkan East deposits. The common shares of Avala trade on the TSXV under the symbol AVZ. Additional information about the Avala is available on SEDAR at www.sedar.com and at www.avalaresources.com.

About Dunav Resources Ltd.:

Dunav is a mineral exploration company focused on the acquisition, exploration and development of mineral properties in Serbia. Dunav's main projects are the Tulare Copper-Gold Porphyry Project which includes the Kiseljak and Yellow Creek deposits, and the Dergmen Gold-Copper Porphyry Project. The common shares of Dunav trade on the TSXV under the symbol DNV. Additional information about the Dunav is available on SEDAR at www.sedar.com and at www.dunavresources.com.

Cautionary Statement Regarding Forward-Looking Information

This press release contains 'forward-looking information' within the meaning of Canadian securities legislation. Forward looking information in this press release includes information about the completion, timing and potential benefits of the proposed business combination between Avala and Dunav and the proposed share consolidation. These forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ materially from those anticipated, including, the contemplated business combination not being completed as a result of a number of factors including, without limitation, the shareholders of Avala or Dunav not approving the transaction, or required regulatory or court approvals not being obtained; the possible failure to realize anticipated synergies, expense reductions or other benefits of the transaction; the share consolidation not being completed or the benefits of the consolidation not being obtained; and other risks and uncertainties. Readers should not place undue reliance on the forward-looking information contained in this news release. Neither Avala nor Dunav undertakes to update any forward-looking information, except as required by applicable securities laws.

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

The TSXV has in no way passed upon the merits of the proposed transactions and has neither approved nor disapproved the contents of this press release.

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

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