

All Share Merger Between GGG Resources Plc and Auzex Resources Limited

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The Directors of [GGG Resources Plc](#) ("GGG") (ASX:GGB) (AIM:GGG) are pleased to announce the signing of a binding Heads of Agreement with [Auzex Resources Limited](#) ("AZX" or "Auzex") (ASX: AZX) to combine the Bullabulling Gold Project into a new single corporate entity to be named [Bullabulling Gold Limited](#) ("BBG") through an all share merger which will be Australian domiciled and listed on ASX and AIM.

Highlights:

- Creation of an advanced exploration / pre-development gold-focussed company, Bullabulling Gold Ltd., which owns 100% of the Bullabulling Gold project, located 65km south-west of Kalgoorlie, Western Australia.
- Merger with Auzex and GGG shareholders owning 50% each of BBG adjusted for the Auzex securities already owned by GGG prior to its conversion to BBG and relative cash holdings of both companies.
- New independent Board to be formed.
- Unified management team with sole focus on the development of Bullabulling based in Western Australia.
- Listed on the ASX and AIM providing global access to capital markets.
- AZX to demerge its non-Bullabulling assets.
- Outcome enables project to be accelerated through feasibility.
- GGG takeover offer for AZX to lapse on 5 September and GGG will not accept any of the shares tendered so far.

Transaction Mechanics:

- Implementation of Two Schemes:
 - GGG will create an Australian registered company called Bullabulling Gold Limited Pty ("BBG") and go through a UK Scheme of arrangement to cancel each ordinary share, warrant and option in GGG for the issuance of an equivalent number of shares, warrants and options in BBG. Initially the share capital and the Board of Directors of BBG will be exactly the same to that of GGG. BBG will seek admission to the Australian Stock Exchange ("ASX") as its primary listing with a secondary listing on the AIM market in London; and
 - All scrip merger of AZX and BBG through an Australian Scheme of arrangement. BBG will acquire the whole share capital and outstanding options of AZX, except for the AZX securities already owned by BBG.
 - Should there be a difference in the cash (net of liabilities) between BBG and AZX at the Record Date, BBG will subscribe to a placement of shares in AZX at a 10% discount to the five days VWAP.
 - Following the implementation of the Australian Scheme, the Board of Directors of BBG will change so that it consists of two non-executive directors nominated by GGG and two non-executive directors nominated by AZX. BBG will appoint three new independent directors including the Chairman and Managing Director.
 - AZX will spin out its non-Bullabulling assets and its shareholding in GGG into a separate vehicle ("AZX2") prior to the Record Date.

Immediately upon execution of the Heads of Agreement, GGG and AZX will form a management company ("OpCo"), to be owned by GGG and AZX in equal shares. This entity will immediately assume management of Bullabulling Gold Project to deliver upon the agreed development strategy. The Board of OpCo will initially comprise 3 directors from each GGG and AZX with Nigel Clark and Chris Baker acting as co-Chairman until a new Chairman is appointed. The OpCo will immediately commence a search for a Non-Executive

Chairman, Managing Director and a third non-executive director who will subsequently become directors of BBG.

GGG and AZX have agreed to each lend OpCo half of three months budget for the Bullabulling Joint Venture (\$6.5 million) within 5 days of completion of a capital raising by AZX and will keep OpCo funded for at least two months of budget rolling forward.

Peter Ruxton, Chairman of GGG Resources, said:

"We are delighted to announce that we are consolidating our highly attractive Bullabulling gold project into a single corporate entity. This is clearly the most desirable outcome for both GGG and AZX shareholders in terms of creating value. Asset consolidation was something that we recognised was needed from the beginning. With an accelerated development plan in motion, coupled with the recent and upcoming JORC update, we feel this is the right time to recommend this deal to our shareholders.

"To facilitate its full independence, Bullabulling Gold Limited will operate with a new independent board led by a senior management team operating out of Western Australia with help and assistance from a number of existing GGG and AZX directors during the transition phase.

"And while we are in a high gold price environment, we are pleased that BBG will be finding out just how significant the gold deposit could potentially be, as well as fast-tracking the mine through feasibility studies. Consolidation of the asset will enable this process to be accelerated."

Chris Baker, Chairman of Auzex Resources Limited, commented:

"This transaction delivers an outstanding outcome for all parties, it has been complex to structure and negotiate due to requirements of both parties ensuring the interests of all shareholders was recognised and that they benefited equally from the outcome."

This merger will provide the opportunity to unlock significant value for both parties and ensure the fast-track development of the Bullabulling Gold project at a critical time in its development."

Transaction Details:

GGG and AZX have entered into a Binding Heads of Agreements ("HOA") to give effect to the proposed transaction which involves two Schemes of Arrangements.

UK Scheme:

In the first step GGG will create an Australian-registered company - Bullabulling Gold Limited Pty ("BBG") - and will seek shareholder approval for a UK Scheme of Arrangement under Part 26 of the UK Companies Act 2006 to cancel all the issued ordinary shares, warrants and share options in GGG for the issuance of an equivalent number of shares, warrants and options in BBG.

Initially the share capital and the Board of Directors of BBG will be exactly the same to that of GGG. BBG will then seek for its shares to be re-admitted for trading on the ASX and AIM markets.

GGG may elect to propose a demerger of some of its assets and excess cash to a new company. This spin out would be transacted as part of the UK Scheme.

Auzex Spin Out:

In the meantime AZX will spin out its non-Bullabulling assets and its shareholding in GGG into a separate vehicle ("AZX2"), leaving AZX with 50% ownership of Bullabulling and cash. This will be done prior to the Australian Scheme.

Australian Scheme:

Australian-registered BBG will then go through an Australian Scheme of Arrangement under part 5.1 of the Australian Corporations Act under which all of the fully paid ordinary shares of AZX are transferred or

cancelled for new shares in BBG that will result in AZX shareholders holding 50% of all BBG shares, subject to any adjustment for shares already held by BBG.

Any difference in cash will be adjusted by private placement of the company with larger cash into the company with lesser cash at a 10% discount to the 5 days VWAP of that party.

The merger ratio will be calculated according to the formula stated below. Using the current capital structure, former GGG shareholders will own 54% of the shares in BBG.

Existing AZX options are to be exchanged for equivalent options in BBG on equivalent terms or converted into shares in AZX prior to the Australian Scheme taking effect.

Transaction Conditions:

The transaction is subject to a number of other conditions including:

- receipt of the required regulatory and court approvals;
- no prescribed occurrences (except for a capital raising by Auzex to fund ongoing development expenditure of Bullabulling prior to completion);
- approvals by GGG and Auzex Shareholders;
- the listing of BBG on ASX and AIM; and
- Auzex demerger of non-Bullabulling asset.

The HOA also contains customary deal protection mechanisms, including no shop and no talk provisions, matching and notification rights in the event of a competing proposal and a mutual break fee payable by Auzex or GGG in specified circumstances of \$750,000 with management control reverting to the other party.

Timetable and next steps:

Auzex and GGG will finalise a formal merger implementation agreement reflecting the terms of the HOA within 21 days. Other key steps include:

- GGG shareholders will receive a Scheme Document that will contain full details of the proposed Scheme (being the transfer of GGG Shareholders shares in GGG to BGL).
- GGG will immediately begin the process of listing BGL on the ASX and AIM.
- Auzex shareholders will receive a Scheme Document that will contain full details of the proposed Scheme (being the transfer of AZX Shareholders shares in AZX to BGL).

Advisors:

GGG's Nominated Advisor is Westhouse Securities Limited and GGG's legal advisers are Cobbetts LLP (UK) and Steinepreis Paganin (Australia).

The Australian Scheme Ratio is calculated as follows:

Ratio = $R = \text{AZX Share Scheme Consideration} / \text{the number of AZX Shares held by AZX Scheme Shareholders on the Record Date}$

AZX Share Scheme Consideration = A (being the total number of BBG Shares on issue immediately after the Implementation Date) x C

Where:

A = B / (1-C)

B = the total number of BBG Shares on issue immediately prior to the Implementation Date

C = $(0.5 \times ((D-E)/D))$, being an adjustment to allow for any AZX Shares held by GGG on the Record Date

D = the total number of AZX Shares on issue on the Record Date

E = the total number of AZX Shares held by GGG on the Record Date

As a worked example:

Assuming on the Record Date there are on issue 95.1 million AZX Shares (of which GGG holds 8 million AZX Shares, ie 8.4%), and immediately prior to the Implementation Date there are 165.7 million BBG Shares on issue:

A = 305.7 million

B = 165.7 million

C = 0.46

D = 95.1 million

E = 8 million

AZX Share Scheme Consideration = 140 million

R = 1.47

In this example, AZX Scheme Shareholders will be issued with 1.47 BBG Shares for every 1 AZX Share they hold on the Record Date.

Former GGG shareholders will hold 54.2% of BBG shares.

Contact Information

Dr. Jeffrey Malaihollo
MD, GGG Resources plc (UK)
+ 44 1992 531820
www.gggresources.com

David McArthur
GGG Resources plc (Australia)
+ 61 8 9423 3200

Westhouse Securities Limited (UK Nominated Adviser)
Tom Price / Martin Davison
+ 44 20 7601 6100

Collins Stewart Europe Limited (Broker)
John Prior / Adam Miller
+ 44 20 7523 8350

Neil Boom
MD, Gresham PR Ltd (UK).
+ 44 7866 805 108

David Brook
Professional Public Relations (Australia media)
+ 61 8 9388 0944/ + 61 433 112 936
david.brook@ppr.com.au

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