

Sinchao Metals and Southern Legacy Minerals Announce Business Combination

02.03.2012 | [Marketwired](#)

TORONTO, ONTARIO -- ([Marketwire](#) - March 2, 2012) - [Sinchao Metals Corp.](#) ("Sinchao" or the "Company") (TSX-VENTURE: SMZ) and [Southern Legacy Minerals Inc.](#) ("Southern Legacy"), a private mineral exploration company organized under the laws of the State of Idaho, are pleased to announce that they have entered into an agreement (the "Agreement") to combine the two companies by means of a share exchange or statutory arrangement (the "Transaction"). The Transaction will consolidate a majority of Sinchao's deposit claims, located within the Yanacocha-Hualgayoc mining district in the department of Cajamarca, Northern Peru, and form a diversified mineral exploration company (the "Resulting Issuer") with base and precious metals properties in Peru, Chile and Colombia. The two companies have agreed to combine through Sinchao acquiring all of the issued and outstanding common shares of Southern Legacy by means of a share exchange on the basis of 0.8352 of a common share of Sinchao for each one common share of Southern Legacy (the "Exchange Ratio"). The Transaction has been unanimously approved by the boards of directors of both companies.

PRIMARY OBJECTIVES OF THE TRANSACTION:

Sinchao will combine with Southern Legacy, a private exploration company led by a seasoned management team with extensive mineral exploration and development experience in South America. Southern Legacy's principal mineral projects include mining concessions contiguous to Sinchao's project in Peru and the Puchuldiza gold deposit in northern Chile. The objectives of the Transaction include:

- Amalgamating the two companies' portfolios of projects to facilitate a better valuation of their mineral resources and potential for development;
- Combining the strengths of the two management teams' relationships with local government officials, community members and property owners in South America to expedite the recovery of property titles previously understood to form part of the Sinchao land holdings;
- Providing Southern Legacy with a streamlined process for listing their assets on the TSX Venture Exchange;
- Creating a strong pro forma balance sheet following the proposed financing; and
- Forming a diversified portfolio of projects in Peru, Chile and Colombia.

"This transaction provides the shareholders of Sinchao with significant potential for value growth both in terms of facilitating the development of the Sinchao Project in Peru and in terms of the diversification to other well-established mining districts in South America, specifically Chile and Colombia. This is a fair offer with an attractive premium for Sinchao shareholders," said David Rae, Chairman and CEO of Sinchao.

"We are excited to join our forces with Sinchao and believe the synergy will generate a promising contender in the base and precious metals space," commented Cesar Lopez, Chairman of Southern Legacy.

TRANSACTION DETAILS:

Pursuant to the terms of the Agreement, Sinchao will acquire all of the issued and outstanding common shares of Southern Legacy by means of a share exchange or statutory arrangement on the basis of 0.8352 of a common share of Sinchao for each one common share of Southern Legacy (the "Exchange Ratio"). It is anticipated that upon closing, Southern Legacy shareholders will hold 70% of the pre-financing shares outstanding with Sinchao shareholders holding 30%. In addition, outstanding options and warrants of Southern Legacy will also be exchanged for options and warrants of Sinchao adjusted to give effect to the Exchange Ratio. Southern Legacy is an arm's length party to both Sinchao and [Andean American Gold Corp.](#) (Sinchao's largest shareholder).

Sinchao anticipates (i) completing an offering of C\$7 million of subscription receipts ("Subscription

Receipts"), the terms of which have not yet been finalized and the proceeds from which will be held in escrow pending completion of the Transaction, and (ii) completion of a consolidation of its common shares based on a consolidation ratio to be calculated as follows ((6 x the issuance price of each Subscription Receipt):1). Upon completion of the Transaction, all outstanding Sinchao options and warrants will additionally be adjusted to reflect the consolidation. The foregoing consolidation ratio calculation is designed to ensure that Sinchao is provided with a valuation of approximately \$15 million as part of the Transaction. This represents approximately a 67% premium to Sinchao's 20-day volume-weighted average share closing price for the 20 trading days up to and including March 1, 2012.

Following completion of the Transaction, the company's name will be changed to "Southern Legacy Minerals Inc." or another name acceptable to the parties. The resulting issuer will have a board of directors comprised of five members, four being nominees of Southern Legacy and one being a nominee of Sinchao. It is anticipated that management of the Resulting Issuer will be comprised of the existing management of Southern Legacy or their nominees.

Pursuant to the terms of the Agreement, the completion of the Transaction is conditional upon a number of items, including, without limitation, approval of the shareholders of Sinchao and Southern Legacy, receipt of all necessary regulatory approval, formalization of the legal structure of the Transaction, no material adverse change occurring with respect to either Sinchao or Southern Legacy, compliance by both parties with their respective obligations under the Agreement, holders of no greater than 5% of the common shares of either Sinchao or Southern Legacy exercising dissent rights, and completion of the Subscription Receipt financing.

The Agreement includes customary non-solicitation covenants by both Sinchao and Southern Legacy together with customary exemptions to permit the respective boards of directors to exercise their fiduciary duties. In addition, the agreement provides for a mutual break fee of C\$500,000 payable by Sinchao or Southern Legacy, as applicable in certain situations where the Agreement is terminated or the Transaction is not completed.

In connection with the execution of the Agreement, the officers and directors of both Sinchao and Southern Legacy as well as Andean American Gold Corp. (Sinchao's majority shareholder) have entered into lock-up agreements pursuant to which they have agreed to vote in favour of the Transaction and to not take any actions which are contrary to the completion of the Transaction.

The boards of directors of both companies 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 Sinchao's financial advisor, the details of which will be provided to shareholders in the management information circular to be provided to Sinchao shareholders. Each company's board of directors unanimously approved the terms of the proposed business combination and recommend that their respective shareholders vote in favour of the transaction.

Full details of the business combination will be included in the management information circular that Sinchao will prepare and file with the regulatory authorities and mail to its shareholders in connection with the special meeting of the Sinchao shareholders to be held to consider the transaction in accordance with applicable law. All shareholders are urged to read the information circulars once they become available as they contain additional important information about the transaction.

ADVISERS AND COUNSEL:

Paradigm Capital Inc. is acting as financial adviser to Sinchao and its board of directors. Fogler Rubnioff LLP is acting as Sinchao's Canadian legal adviser.

Haywood Securities Inc. is acting as financial adviser to Southern Legacy and its board of directors. Fraser Milner Casgrain LLP is acting as Southern Legacy's Canadian legal adviser.

ABOUT SINCHAO METALS CORP.

[Sinchao Metals Corp.](#) is a Canadian-based mineral exploration company, publicly traded since 2006, and listed on the TSX Venture Exchange under the symbol SMZ. The Company owns a gold-silver-copper-zinc-lead exploration project in the Yanacocha-Hualgayoc mining district in the department of Cajamarca, Northern Peru. The Company is a subsidiary of Andean American Gold Corp., which owns approximately 64.95% of its outstanding shares.

ABOUT SOUTHERN LEGACY MINERALS INC.

[Southern Legacy Minerals Inc.](#) is a private Idaho-based mineral exploration company with exploration projects in Chile, Colombia and Peru. Southern Legacy is led by a seasoned management team with extensive mineral exploration and development experience in South America. The principal mineral projects of Southern Legacy include interests in mining concessions contiguous to the Sinchao Project in Peru and the Puchuldiza gold deposit in northern Chile.

For further information about Sinchao Metals Corp. please visit the Company's website at www.sinchaometals.com or view the Company's documents on SEDAR at www.sedar.com.

On behalf of Sinchao Metals Corp.,
David Rae, President and CEO

On behalf of Southern Legacy Minerals Inc.
Cesar Lopez, Chairman

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 Sinchao should be considered highly speculative.

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

FORWARD-LOOKING STATEMENTS

Certain of the information contained in this news release constitutes 'forward-looking statements' within the meaning of securities laws. Such forward-looking statements, including but not limited to those with respect to the completion of the proposed Transaction, the prices of metals and minerals, purchase payments, royalty payments, estimated future production and estimated costs of future production involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any forecast results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the actual prices of metals and minerals, the actual results of current exploration, development and mining activities, changes in project parameters as plans continue to be evaluated, as well as those factors disclosed in the documents of the Company filed from time to time with the British Columbia Securities Commission.

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

Contact Information

Sinchao Metals Corp.
David Rae, President and CEO
416-368-9500
drae@aaggold.com

Sinchao Metals Corp.
Linda Dorrington, Investor Relations
905-491-6852
ldorrington@aaggold.com
www.sinchaometalscorp.com

Southern Legacy Minerals Inc.
Cesar Lopez, Chairman
786-427-3547
maco64@me.com

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