

# Canaco Agrees to Acquire Shark Minerals, Spin-Out Its Tanzanian Assets and Make Changes to Board and Management

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(All figures in Canadian dollars)

VANCOUVER, BRITISH COLUMBIA -- (Marketwire) -- 12/17/12 -- [Canaco Resources Inc.](#) (TSX VENTURE: CAN) ("Canaco" or the "Company") today announced it has entered into a binding share purchase agreement (the "Share Purchase Agreement") dated December 14, 2012 whereby Canaco is expected to acquire all of the outstanding common shares of Shark Minerals Inc. ("Shark") in exchange for common shares of Canaco (the "Shark Acquisition"), conditional upon, among other things, certain assets of Canaco being spun out to a new company to be held pro rata by current Canaco shareholders (the "Spinout Transaction" and, together with the Shark Acquisition, the "Transaction").

Under the Share Purchase Agreement, Shark shareholders will receive 2.705 Canaco common shares for each Shark share held or, in aggregate, Shark shareholders will receive 117.3 million Canaco shares, to be adjusted for any Canaco option exercises prior to closing. The implied equity value of Shark is approximately \$35.2 million or, net of Shark's \$7 million cash balance, the transaction value is approximately \$28.2 million.

Shark is a privately held, British Columbia incorporated resource company engaged in the acquisition and exploration of mineral properties in East Africa. Shark was founded and is managed by the former executives of [Red Back Mining Inc.](#) Shark is currently focused on exploring the Galat Sufur Project, a 20,020 square kilometre land package in northern Sudan near the border with Egypt that forms part of the Arabian-Nubian Shield ("Galat Sufur").

Galat Sufur has had little, if any, modern exploration activity prior to Shark and is considered prospective with many artisanal miners active within the region. Shark has been exploring Galat Sufur for the past 12 months and has identified several drill targets and an initial drill program is under way.

In addition, Shark controls the 4,846 square kilometre Ghazal Project near the Eritrean border in northeastern Sudan. This project is prospective for VMS style mineralization.

As a condition to completion of the Shark Acquisition, Canaco will first complete the Spinout Transaction by way of plan of arrangement whereby it will: (a) transfer all of its Tanzanian assets, approximately \$26 million in cash and certain other assets and liabilities to a new company, named [East Africa Metals Inc.](#) ("East Africa Metals"), expected to be listed on the TSX Venture Exchange, and (b) distribute all of the shares of East Africa Metals to current Canaco shareholders on the basis of one East Africa Metals share for every three shares of Canaco held by shareholders as of the effective date of the Spinout Transaction. East Africa Metals' business plan will focus on advancing its Tanzanian assets through a measured approach and actively evaluating other exploration opportunities throughout Africa. Upon completion of the Spinout Transaction, it is expected that East Africa Metals will be managed by certain current executives of Canaco as required to pursue the company's new business plan.

Upon completion of the Shark Acquisition, Canaco will have approximately 317.1 million common shares issued and outstanding, of which former Shark and current Canaco shareholders will own approximately 37% and 63%, respectively. Immediately following the completion of the Shark Acquisition, Canaco is expected to consolidate its common shares on the basis of one post-consolidation common share for every three pre-consolidation common shares.

Upon completion of the Shark Acquisition, which is expected to occur in February 2013, the following individuals will be appointed to serve as officers of Canaco: Rick Clark as Chairman, Simon Jackson as President and Chief Executive Officer, Alessandro Bitelli as Chief Financial Officer and Hugh Stuart as Vice President, Exploration. The board of directors will initially be comprised of Rick Clark, Dr. Jingbin Wang, Shuixing Fu, Simon Jackson, Robert Chase and Alex Davidson. In light of Canaco's new focus and changes to the board of directors and management team, Canaco will change its name to Orca Minerals Inc. ("Orca").

Orca is expected to be a well-financed resource company with over \$60 million in cash, focused on exploration opportunities in Sudan and East Africa with an experienced board of directors and management

team.

Canaco President and CEO Andrew Lee Smith stated: "We believe Shark's assets will serve as an excellent foundation to build a leading resource company in the Arabian-Nubian Shield. We are very pleased Rick and his team have entered into the Transaction. We feel their significant experience and proven track record coupled with the Shark exploration properties will provide Canaco shareholders with unique exposure to one of the most prospective geological belts in Africa. In addition, the Transaction preserves Canaco shareholders' interest in its Tanzanian assets through East Africa Metals and provides sufficient capital to ensure the potential value of its asset base is realized."

### **Principal terms of the Transaction**

- Canaco shareholders will receive one East Africa Metals share for every three shares of Canaco held as of the effective date of the Spinout Transaction, which is expected to occur immediately prior to the completion of the Shark Acquisition.

- Shark shareholders will receive 2.705 Canaco common shares for each Shark share held, to be adjusted for any option exercises prior to closing.

- Immediately following the Shark Acquisition, Canaco is expected to consolidate its common shares on a three for one basis.

- In the event the Transaction is not completed, Canaco has agreed, under certain circumstances, to pay Shark a termination fee of \$3 million.

A special committee established to review the Transaction received an oral opinion from Canaccord Genuity Corp. that the Transaction is fair, from a financial point of view, to the shareholders of Canaco. Canaco's board of directors has determined the Transaction is in the best interest of Canaco and its shareholders and has unanimously approved the Transaction. The Shark Acquisition has also been unanimously approved by the board of directors of Shark.

The Transaction will be subject to, among other things, the approval of the TSX Venture Exchange, the approval of the Court for the Spinout Transaction and the favourable vote by Canaco shareholders at a special meeting called to approve it. The directors of Canaco intend to recommend, in the information circular for the shareholder meeting at which Canaco shareholders will be asked to approve the Transaction, that Canaco shareholders vote in favour of the Transaction. Directors and officers of Canaco as well as its significant shareholder, SinoTech (Hong Kong) Corporation Limited, have entered into voting support agreements under which they have agreed to vote their Canaco shares in favour of the Shark Acquisition and the Spinout Transaction, which represent, in the aggregate, approximately 22% of Canaco's outstanding shares. It is expected that the special meeting of Canaco shareholders to approve the Shark Acquisition and the Spinout Transaction will be held in February 2013.

The Transaction is targeted to close in February 2013. An application will be submitted to the TSX Venture Exchange for the listing of the common shares of East Africa Metals under the trading symbol EAM with effect following completion of the Spinout Transaction.

Canaccord Genuity Corp. has been engaged to provide a fairness opinion and Canaco's legal advisor is Cassels Brock & Blackwell LLP. Shark's legal advisor is Blake, Cassels and Graydon LLP.

Cormark Securities Inc., Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2800, Toronto, Ontario M5J 2J2, has agreed to act as Shark's sponsor in connection with the Shark Acquisition.

Canaco shareholders and other interested parties are advised to read the materials relating to the proposed Transaction that will be filed by Canaco with securities regulatory authorities in Canada when they become available. Anyone may obtain copies of these documents when available free of charge at the Canadian Securities Administrators' website at [www.sedar.com](http://www.sedar.com).

This announcement is for informational purposes only and does not constitute an offer to purchase, a solicitation of an offer to sell the shares or a solicitation of a proxy.

Additional information about Canaco including news releases, interim financial statements and other public documents can be viewed at the Company's website [www.canaco.ca](http://www.canaco.ca) or at [www.sedar.com](http://www.sedar.com).

### **About Canaco**

[Canaco](#) is a Vancouver-based mineral exploration company focused on advanced exploration projects in Africa. The Company has \$90 million cash and no debt. Canaco's shares trade on the TSX Venture Exchange under the symbol CAN.

On behalf of the Board of Directors:

Andrew Lee Smith, P. Geo.  
President, CEO and Director

### **Cautionary Statement Regarding Forward-Looking Information**

*This news release contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "anticipate", "believe", "plan", "expect", "intend", "estimate", "forecast", "project", "budget", "schedule", "may", "will", "could", "might", "should" or variations of such words or similar words or expressions or statements that certain events "may" or "will" occur. Forward-looking statements in this news release include, but are not limited to, statements relating to completion of the Transaction and the expected timing; the cash balance East Africa Metals and Canaco will have upon completion of the Transaction; and the plans of Canaco and East Africa Metals following the Transaction, including exploration activities, in the Galat Sufur and Ghazal projects. Forward-looking information is based on reasonable assumptions that have been made by the Company as at the date of such information and is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to: risks associated with mineral exploration and development; metal and mineral prices; availability of capital; accuracy of the Company's projections and estimates; interest and exchange rates; competition; stock price fluctuations; availability of drilling equipment and access; actual results of current exploration activities; government regulation; political or economic developments; environmental risks; insurance risks; capital expenditures; operating or technical difficulties in connection with development activities; personnel relations; the speculative nature of strategic metal exploration and development including the risks of diminishing quantities of grades of reserves; contests over title to properties; and changes in project parameters as plans continue to be refined. Forward-looking statements are based on assumptions management believes to be reasonable, including but not limited to the price of gold; the demand for gold; the ability to carry on exploration and development activities; the timely receipt of any required approvals; the ability to obtain qualified personnel, equipment and services in a timely and cost-efficient manner; the ability to operate in a safe, efficient and effective manner; the expected timing, costs, and results of the PEA; the expected burn rate; the regulatory framework regarding environmental matters, and such other assumptions and factors as set out herein.*

*Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Neither the Company nor Shark undertakes any obligation to update forward-looking information if circumstances or management's estimates, assumptions or opinions should change, except as required by applicable law. Accordingly, readers should not place undue reliance on forward-looking information contained herein, except in accordance with applicable securities laws.*

Neither 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.

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