

# East Africa Metals Inc. and Tigray Resources Inc. Enter Into Arrangement Agreement

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VANCOUVER, Feb 24, 2014 - [East Africa Metals Inc.](#) ("East Africa") (TSX VENTURE:EAM) and [Tigray Resources Inc.](#) ("Tigray") (TSX VENTURE:TIG) today jointly announce that they have entered into a definitive agreement (the "Arrangement Agreement") pursuant to which East Africa has agreed to acquire all of the issued and outstanding common shares of Tigray (other than the Tigray shares it currently owns). The transaction will be implemented by way of a statutory Plan of Arrangement (the "Arrangement") under the *Canada Business Corporations Act*.

Under the terms of the Arrangement Agreement, on completion of the Arrangement East Africa will issue to each holder of a Tigray common share 0.55 of an East Africa common share and 0.40 of an East Africa warrant. Each full warrant will entitle the holder to acquire one common share of East Africa at a price of \$0.23 for a period of three years from the closing date.

The Arrangement Agreement is conditional on, among other things, each of East Africa and Tigray being satisfied with its legal due diligence investigations as against the other party and its subsidiaries and their respective business and operations by no later than March 7, 2014. In addition, the obligation of East Africa to complete the Arrangement is subject to Tigray acquiring for cancellation for no consideration, a sufficient number of common share purchase warrants of Tigray and options of Tigray, such that after such acquisition, upon completion of the Arrangement, the former holders of common shares of Tigray shall hold no more than 49.9% of the issued and outstanding shares of East Africa on a partially diluted basis.

Following the completion of the Arrangement, current shareholders of Tigray, excluding East Africa, will hold approximately 34.4% of the issued and outstanding shares of East Africa (prior to the exercise of the East Africa warrants to be issued in connection with the Arrangement) and no more than 49.9% of the issued and outstanding shares of East Africa assuming the exercise of the East Africa warrants to be issued in connection with the Arrangement.

The consideration to be provided as part of the Arrangement represents a 10.0% premium over the closing price of the Tigray common shares on the TSX Venture Exchange ("TSXV") on February 21, 2014, the last day of trading prior to the announcement of the Arrangement, based on the closing price of the East Africa common shares of \$0.165 on February 21, 2014, and based on a Black-Scholes valuation of the East Africa warrant of \$0.0344 per warrant (based on a forecast volatility of East Africa shares of 45% (derived having consideration for historical East Africa trading volatility), a risk free rate of 1.39%, as well as other assumptions), or an implied value of \$0.0138 for the 0.40 warrant consideration per Tigray share.

Andrew Lee Smith, CEO of East Africa and Tigray, commented, "We are pleased to announce the combination of these two businesses which represents an opportunity for both East Africa and Tigray shareholders. East Africa shareholders benefit from exposure to Tigray's high-grade exploration assets in the Arabian Nubian Shield. Tigray shareholders benefit from certainty of capital that will allow continued exploration of Tigray's properties while providing additional upside through exposure to East Africa's Magambazi asset. The Arrangement provides Tigray shareholders with a further implied premium based on East Africa's cash per share value of \$0.25."

As a result of the fact that a control person of East Africa is also a control person of Tigray, the Arrangement is considered a "related party transaction" pursuant to Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Arrangement is exempt from the requirements under MI 61-101 to obtain a formal valuation pursuant to Section 5.5(e) of MI 61-101 and minority shareholder approval from the shareholders of East Africa pursuant to Section 5.7(c) of MI 61-101.

The members of the Board of Directors of Tigray who are entitled to vote, acting on the recommendation of its Independent Special Committee, after consultation with its financial advisor, have unanimously approved entering into the Arrangement Agreement and recommends that Tigray shareholders vote their shares in favour of the Arrangement. GMP Securities L.P., the financial advisor to Tigray's Independent Special Committee, has provided an opinion to the effect that, as of the date of such opinion and subject to the assumptions, limitations, and qualifications stated in such opinion, the consideration to be paid on completion of the Arrangement is fair, from a financial point of view, to Tigray shareholders.

The members of the Board of Directors of East Africa who are entitled to vote, acting on the recommendation

of its Independent Special Committee, after consultation with its financial advisor, have unanimously approved entering into the Arrangement Agreement. Cairn Merchant Partners LP, the financial advisor to East Africa's Independent Special Committee, has provided an opinion to the effect that, as of the date of such opinion and subject to the assumptions, limitations, and qualifications stated in such opinion, the consideration to be paid on completion of the Arrangement is fair, from a financial point of view, to East Africa shareholders.

Tigray's Board of Directors and management team will enter into lock-up agreements with East Africa agreeing to vote their shares to support the Arrangement. Other insiders, including SinoTech (Hong Kong) Corporation Limited and its affiliates, are expected to enter into lock-up agreements. As of the date of this press release, holders of a total of 25.9 million shares of Tigray, representing 36% of the basic shares outstanding, are expected to enter into lock-up agreements. All parties that enter into a lock-up agreement will agree to vote in favour of the Arrangement Agreement.

The Arrangement will require the approval of 66 2/3% of the votes cast by Tigray shareholders, and will require minority approval in accordance with MI 61-101, at an annual and special meeting which is expected to take place in April 2014. The Arrangement is subject to other customary conditions, including court approvals and the receipt of all necessary regulatory and third party approvals, including the approval of the TSXV. Assuming Tigray shareholders approve the transaction at the annual and special meeting and all court and regulatory approvals are obtained, the transaction is expected to close in the second quarter of 2014.

As of February 18, 2014, Tigray has a working capital (deficiency) of approximately (\$1.9M) and liabilities of approximately \$2.9M (\$2M of which is a loan from East Africa and is due and payable on June 3, 2014). In the event any of the condition precedents are not met, including shareholder approval, and the Arrangement is terminated, Tigray will have to seek alternative financing.

The Arrangement Agreement provides for, among other things, a non-solicitation covenant on the part of Tigray (subject to customary fiduciary out provisions). In the event of a superior proposal, East Africa has the right to either match such superior proposal or receive a termination fee in the amount of \$250,000. The termination fee is also payable to East Africa under certain other scenarios.

Details of the Arrangement, including a summary of the terms and conditions of the Arrangement Agreement, will be disclosed in a Management Information Circular of Tigray which will be mailed to shareholders of Tigray and will also be available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Advisors and Legal Counsel**

GMP Securities L.P. is acting as financial advisor to the Independent Special Committee of Tigray and Beadle Raven LLP is acting as legal counsel to Tigray and its Board of Directors. Cairn Merchant Partners LP is acting as financial advisor to the Independent Special Committee of East Africa and Cassels Brock & Blackwell LLP is acting as legal counsel to East Africa and its Board of Directors.

### **About Tigray Resources**

[Tigray](#) is a Canadian mineral exploration company focused on discovery through advancing early-stage mineral projects in Ethiopia. Tigray's key property is the 70%-owned Harvest polymetallic VMS exploration project, which covers 155 square kilometres in the Tigray region of Ethiopia, 600 kilometres north-northwest of the capital city of Addis Ababa. The company has an option to earn an 80% interest in the Adyabo property covering 418 square kilometres immediately west of the Harvest project. Tigray's shares trade on the TSX Venture Exchange under the symbol TIG.

More information on Tigray Resources Inc. can be viewed at the company's website [www.tigray.ca](http://www.tigray.ca).

### **About East Africa Metals**

[East Africa Metals](#)' principal asset is the Handeni Property located in north-eastern Tanzania. The Handeni Property includes the Magambazi Project, a gold deposit discovered in 2009.

More information on East Africa Metals Inc. can be viewed at the company's website [www.eastafricametals.com](http://www.eastafricametals.com).

*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. Forward-looking information is based on reasonable assumptions that have been made by East Africa and Tigray 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 East Africa and Tigray to be materially different from those expressed or implied by such forward-looking information, including but not limited to: risks associated with completion of the Arrangement, including obtaining all shareholder, regulatory and third party approvals, mineral exploration and development; metal and mineral prices; availability of capital; accuracy of East Africa's and Tigray's respective 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; foreign taxation 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, as well as those risk factors set out in East Africa's listing application dated July 8, 2013 and Tigray's listing application dated August 18, 2011.*

*Forward-looking statements are based on assumptions management believes to be reasonable, including but not limited to completion of the Arrangement, receipt of all shareholder, regulatory and third party approvals, the business of the resulting issuer on completion of the Arrangement, 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; and the regulatory framework regarding environmental matters, and such other assumptions and factors as set out herein. Although East Africa and Tigray have 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. Accordingly, readers should not place undue reliance on forward-looking information. East Africa and Tigray do not undertake to update any forward-looking information that is included herein, except in accordance with applicable securities laws.*

*None of the securities to be issued pursuant to the Arrangement Agreement have been or will be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws, and any securities exchanged pursuant to the Arrangement are anticipated to be issued in reliance upon available exemptions from such registration requirements pursuant to Section 3(a)(10) of the U.S. Securities Act and applicable exemptions under state securities laws. This press release does not constitute an offer to sell or the solicitation of an offer to buy any securities*

*Neither the 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 news release.*

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