

RTG Mining Inc. to merge with Sierra Mining Limited

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PERTH, Western Australia, Feb. 24, 2014 /CNW/ - [RTG Mining Inc.](#) (TSX:RTG) (RTG) and [Sierra Mining Limited](#) (ASX:SRM) (Sierra) are pleased to announce that they have entered into a conditional Scheme Implementation Deed (Merger Agreement) to combine the two companies at an agreed exchange ratio¹ of:

- 3 RTG shares for each Sierra share held; plus
- 1 RTG option for every 3 Sierra shares held.

The RTG options will be exercisable for a period of three years at an exercise price of C\$0.15 (\$A0.152).

This consideration represents:

- approximately A\$0.3013 (C\$0.301) per Sierra share;
- a premium of 27.4% to the 30 day VWAP of the Sierra share price based on the 30 day VWAP of the RTG share price; and
- a premium of 15.9%⁴ to the closing price of Sierra shares of A\$0.26 on 21 February 2014.

The resultant combined entity will be led by a management team which holds the exploration, mine development and operating experience in the Philippines to progress Sierra's Mabilo and Bunawan Projects. The management team of RTG was previously responsible for the successful development and operation of the Masbate Gold Mine for CGA Mining Limited prior to its acquisition by B2Gold Corp. in early 2013. The transaction with RTG will also provide improved funding capability, a listing on the Toronto Stock Exchange (TSX) and a strong institutional shareholder following, resulting in a combined company well positioned to capitalise on the significant mine development opportunity at Mabilo and Sierra's other regional projects in the Philippines.

The Mabilo Project is a potentially high grade polymetallic development project, with a direct shipping opportunity in the early years of operation which would strongly mitigate the need for development capital. Mabilo is a near-surface deposit, and it is anticipated that the newly combined company will be well positioned to further explore and develop the mineral potential of the area in the near-term. Sierra also owns the Bunawan Project which is a highly prospective high grade gold exploration project, situated contiguous to the existing high grade Co-O mine owned by Medusa Mining Limited.

1 To allow comparison with current share market trading prices, the exchange ratio shown is a pre-RTG share consolidation basis. On a post RTG share consolidation basis, the exchange ratio is 3 RTG shares for each 10 Sierra Shares held and 1 RTG Option for every 30 Sierra Listed Options held with the RTG Options to be issued as consideration having an exercise price of C\$1.50 after the RTG Share Consolidation.

2 Assumes an exchange rate on 21 February 2014 of CAD:AUD 1.005.

3 Calculated using the closing share price for RTG on TSX on 21 February 2014, and the Black-Scholes option pricing model based on Sierra's 12 month volatility.

4 Based on the closing price for RTG shares and Sierra shares on 21 February 2014.

The merger will be implemented by way of Scheme of Arrangement between Sierra and its shareholders under the Australian Corporations Act 2001 (Merger). RTG is listed on the TSX, and will also seek a listing on the Australian Securities Exchange (ASX) as part of the transaction.

The Merger is conditional upon approvals from Sierra shareholders, RTG shareholders and the Australian

Court as well as necessary regulatory approvals and other customary conditions (see Merger Agreement for more details). In conjunction with the Merger, RTG also intends to undertake a consolidation of its shares on a 10:1 basis⁵.

The Merger Agreement will be available on SEDAR (www.sedar.com) under the profile of RTG, the electronic filing system for the disclosure of Canadian public companies.

The Merger Agreement will also be released to the ASX by Sierra in a contemporaneous announcement.

Recommendations

Sierra Directors unanimously recommend that Sierra shareholders vote in favour of the Merger in the absence of a superior proposal and subject to an Independent Expert concluding that the Scheme is in the best interests of Sierra shareholders. On the same basis, the Sierra Directors intend to vote the Sierra shares they respectively currently control in favour of the Merger. In aggregate, the Sierra Directors control approximately 15.9% of the diluted capital of Sierra.

The RTG Directors unanimously recommend that RTG shareholders vote in favour of all resolutions required to implement the Merger, and they intend to vote all RTG shares they respectively control in favour of the Merger.

Ms Justine Magee, Chief Executive Officer of RTG said "The acquisition fits well with our strategy of targeting projects with low technical and project risk where we can add value through rapid and successful development and optimisation. RTG's strong financial position, technical expertise and track record of building mines responsibly and efficiently in the Philippines positions us to rapidly advance the Mabilo Project and maximise value for both RTG and Sierra shareholders and other stakeholders."

Mr Matthew Syme, Chief Executive Officer of Sierra said "We believe we have put together an unsurpassed package of exploration and development assets in Sierra. We have great confidence that Mike Carrick, Justine Magee and the RTG team are the right management group to now extract the best value from Sierra's projects, given their outstanding track record of delivering profitable mining outcomes in the Philippines. This transaction puts the right assets, management and capital together, while ensuring that Sierra's shareholders retain maximum exposure to the outstanding potential of the merged entity. We have taken advice from our financial and legal advisers and concluded that this offer is in the best interests of Sierra's shareholders. Therefore the Board and management recommends this offer to Sierra shareholders, subject to confirmation by an Independent Expert's Report."

B2 Gold has advised both companies that it supports the transaction. B2 Gold is the largest shareholder in both RTG and Sierra, with an 18.2% shareholding in RTG and a 7.4% interest in Sierra.

Clive Johnson, President and Chief Executive Officer of B2 Gold said "The RTG management team have an excellent track record in the development of new gold projects and particularly in the Philippines. The business case for this merger is compelling and we look forward to continuing our support of the merged entity."

⁵ To allow comparison with current share market trading prices, the information and exchange ratios in this announcement are shown on a pre RTG share consolidation basis. On a post RTG share consolidation basis, the exchange ratio is 3 RTG shares for each 10 Sierra Shares held and 1 RTG Option for every 30 Sierra Listed Options held with the RTG Options to be issued as consideration having an exercise price of C\$1.50 after the RTG Share Consolidation.

Merged entity board of Directors

Following the Merger becoming effective, Mr Matthew Syme, Sierra's current Managing Director will be invited to join the Board of the merged RTG entity as a Non-Executive Director with the existing RTG Board of Directors.

Treatment of Sierra options

Sierra's listed options will be acquired under a separate scheme of arrangement between Sierra and its optionholders under the Corporations Act (Option Scheme). The exchange ratio⁶ for the listed options of 2 RTG shares for each Sierra listed option held plus 2 RTG options for every 9 Sierra listed options held,

reflects the exchange ratio for the acquisition of Sierra shares under the Merger. The Merger is subject to a waivable condition that the Option Scheme is approved. The Option Scheme is itself conditional and will only be implemented if the Merger proceeds. See the Merger Agreement for more details.

If the Merger becomes effective, RTG also proposes to acquire all outstanding unlisted Sierra options and will issue RTG shares and options as consideration for the transfer of these options at an exchange ratio which reflects the exchange ratio for the acquisition of Sierra shares.

Overview of Merger process

The Merger and the Option Scheme are subject to various ASX, TSX and Australian Securities and Investments Commission approvals, shareholder approvals and Australian Court approval. The parties are progressing to obtain these approvals.

A Scheme booklet setting out information relevant to the Merger, including an Independent Expert's Report on whether the Merger is in the best interests of Sierra shareholders will be sent to all Sierra shareholders and listed optionholders to consider before the meetings of Sierra shareholders and optionholders to approve the Merger and the Option Scheme respectively.

In addition RTG shareholders will receive a circular in relation to the RTG shareholder approvals required to implement the Merger.

Indicative timing for implementation of the Merger is as follows:

Event	Target Date
Court hearing to approve scheme booklet	late March 2014
RTG Circular sent to RTG shareholders	late March 2014
Scheme booklet sent to Sierra shareholders and optionholders	late March 2014
RTG shareholders meeting	mid April 2014
Sierra shareholders meeting and optionholders meeting	late April 2014
Court hearing to approve Merger and Option Scheme	late April 2014
Merger and Option Scheme become effective	late April 2014
Sierra shareholder and optionholders receive RTG shares and options	early May 2014
RTG listed on ASX	early May 2014

6 To allow comparison with current market trading prices, the information and exchange ratios in this announcement are shown on a pre RTG share consolidation basis. On a post RTG share consolidation basis, the exchange ratio under the Option Scheme is 2 RTG shares for each 10 Sierra Shares held and 1 RTG Option for every 45 Sierra Listed Options held with the RTG Options to be issued as consideration having an exercise price of C \$1.50 after the RTG Share Consolidation.

Exclusivity arrangements

The Merger Agreement also contains customary exclusivity arrangements, including no-shop and no-talk provisions, matching and notification rights in the event of a competing proposal and a reciprocal reimbursement fee payable by RTG or Sierra in specified circumstances. Details are set out in the Merger Agreement.

Advisors

RTG's Australian legal counsel is Corrs Chambers Westgarth and its Canadian legal counsel is Blake, Cassels & Graydon LLP. RTG's financial advisor is Haywood Securities Inc.

Sierra's Australian legal counsel is Hardy Bowen Lawyers and its Canadian Legal Counsel is Stikeman Elliott LLP.

About RTG 7

[RTG Mining Inc.](#) is a British Virgin Islands-incorporated company listed on the main board of the TSX. It is a mining exploration company focused on identifying new gold development and operating acquisition

opportunities.

As at 31 December 2013, RTG had cash and receivables of in excess of US\$12.8m (A\$14.3m⁸). RTG has sold its interest in the Mkushi Copper Project in Zambia for consideration of US\$13.1m, including US\$6.6m in shares of Elephant Copper Limited and a convertible note due in January 2015 for US\$6.5m. RTG has also entered into a sale agreement for its interest in the Segilola Gold Project in Nigeria to the current joint venture partner for a total consideration of US\$14m, with US\$1m due on completion, US\$5m due in 18 months after completion and a 3% net smelter royalty, under which up to a maximum of US\$8m may be paid to RTG. The sale also resolves the existing dispute with the current joint venture partner. Completion is anticipated in the next couple of months.

RTG is led by the previous management team of [CGA Mining Limited](#) which developed the Masbate Gold project in the Philippines and successfully merged with [B2Gold Corp.](#) in a US\$1.1bn scheme of arrangement in January 2013. The RTG Board comprises Michael Carrick (Chairman), Justine Magee (President and CEO), Phil Lockyer, David Cruse and Rob Scott (Non Executive Directors).

About Sierra 9

[Sierra](#) is an Australian company listed on ASX which is focused on exploration and development of gold and copper projects in the Philippines.

Sierra has a majority interest in the Mabilo Project, with exploration to date highlighting high grade gold, copper and magnetite mineralisation and significant exploration potential. Sierra has a joint venture with Galeo Equipment and Mining Company, Inc. in relation to the Mabilo Project, under which Galeo can hold and retain up to 42%¹⁰ of the joint venture, subject to payment of farm-in expenditures, provision of approximately 14,000 metres of drilling within a 2 year period (further mitigating near term funding requirements), provision of management services and satisfaction of other conditions within defined periods. Sierra also has an interest in the Nalesbitan Project in Eastern Luzon and two permit applications in eastern Mindanao known as the Bunawan Project which provides a significant land holding of over 88 square kilometres adjacent to Medusa Mining Limited's Co-O Mine. Sierra had cash reserves of approximately A\$2m as at 31 December 2013.

7 Information in this announcement regarding RTG has been prepared by RTG and RTG takes responsibility for the accuracy and completeness of that information.

8 Assumes an exchange rate on 21 February 2014 of USD:AUD 1.114.

9 Information in this announcement regarding Sierra has been prepared by Sierra and Sierra takes responsibility for the accuracy and completeness of that information.

10 The joint venture arrangements with Galeo are subject to a Memorandum of Understanding announced in November 2013 and also a subsequent conditional MOU with Galeo which allows it to earn up to 42% of the joint venture by mining 1.5Mt of waste, subject to satisfaction of a range of conditions, including Sierra shareholder approval.

Cautionary Note Regarding Forward Looking Statements

Certain statements contained in this announcement constitute forward looking statements within the meaning of applicable securities laws including, among others, statements made or implied relating to RTG's and / or Sierra's objectives, strategies to achieve those objectives, beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts.

Forward looking statements generally can be identified by words such as "objective", "may", "will", "expect", "likely", "intend", "estimate", "anticipate", "believe", "should", "plans" or similar expressions suggesting future outcomes or events. All statements, other than statements of historical fact, included herein including, without limitation; statements about the completion of the Merger, development and exploration potential of Sierra's properties, use of proceeds and the business objectives of RTG, Sierra and the merged entity, are forward-looking statements. By their nature, such forward looking statements are not guarantees of future performance and reflect RTG's and Sierra's current beliefs based on information currently available to them. Such statements involve estimates and assumptions that are subject to a number of known and unknown risks, uncertainties and other factors inherent in the businesses of RTG and Sierra and the risk factors discussed in materials filed with the relevant securities regulatory authorities from time to time which may

cause the actual results, performance or achievements of the companies to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Those risks and uncertainties include, but are not limited to: the mining industry (including operational risks; risks in exploration, and development; the uncertainties involved in the discovery and delineation of mineral deposits, resources or reserves; and the uncertainty of mineral resource and mineral reserve estimates); the risk of gold, copper and other commodity price and foreign exchange rate fluctuations; the ability to fund the capital and operating expenses necessary to achieve stated business objectives; the uncertainty associated with commercial negotiations and negotiating with foreign governments; the risks associated with international business activities including disputes with joint venture partners; risks related to operating in the countries in which the respective companies operate; environmental risk; the dependence on key personnel; and the ability to access capital markets.

Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date the statements were made and readers are advised to consider such forward looking statements in light of the risks set forth above. Except as required by applicable securities laws, RTG and Sierra assume no obligation to update or revise any forward looking statements to reflect new information or the occurrence of future events or circumstances.

This press release does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws and may not be offered or sold within the United States, unless an exemption from such registration is available.

SOURCE RTG Mining Inc.

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