

San Gold Corp and Kerr Mines Inc Enter into Letter of Intent to Merge Businesses

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WINNIPEG, MANITOBA and TORONTO, ONTARIO -- (Marketwired - July 21, 2014) - [San Gold Corporation](#) (TSX:SGR)(OTCQX:SGRCF) ("San Gold") and [Kerr Mines Inc.](#) ("Kerr Mines") (TSX:KER) are pleased to announce that they have entered into a non-binding letter of intent (the "Letter of Intent") pursuant to which San Gold and Kerr Mines have agreed to merge their respective businesses pursuant to a plan of arrangement (the "Transaction").

"This combination reflects our new strategy of operating multiple, efficient high grade gold mines that are located in mining friendly jurisdictions. Our operating principles of strict grade control, better cost control, lower overheads and operating the mines at the optimum mining rate to properly match the geometry of the orebodies are paying off at Rice Lake and will be applied to other projects, most notably at the Copperstone gold mine in Arizona. The high grade Copperstone mine will be similar in size to the Rice Lake mine and with the ability to restart quickly with low capital requirements under our combined management team. As well, our large portfolio of advanced gold deposits and projects in the Timmins and Kirkland Lake regions is increased immensely with our ownership in SGX Resources in combination with the current Kerr assets," said Gestur Kristjansson, San Gold's President and Vice President Finance.

"It's important to emphasize the extent to which San Gold has reshaped itself over the past four months. This merger provides an important step toward ensuring the full potential of that effort is realized. With more than one producing mine, San Gold is better positioned to get optimum utilization of the knowledge and skills of the operating team and better diversified use of equipment and infrastructure, resulting in greater efficiencies and lower overall costs," Mr. Kristjansson, added.

"San Gold has made tremendous strides in its turnaround over the past three months. Greg Gibson and the Kerr team have made important contributions to that turnaround. The next step to creating a mid-tier producer will be applying the same principles to the Copperstone property," said Stephen McIntyre, Chairman of Kerr Mines.

Under the terms of the Letter of Intent, each Kerr Mines shareholder will be entitled to receive a number of common shares (each, a "San Gold Share") of San Gold for every common share of Kerr Mines (each, a "Kerr Mines Share") held by such Kerr Mines shareholder based on an exchange ratio (the "Exchange Ratio") to be determined by the parties at a later date. Jennings Capital Inc. has been engaged by Kerr Mines and Primary Capital Inc. by San Gold to provide an opinion to the respective Board of Directors of Kerr Mines and San Gold to consider whether the consideration to be received by shareholders under the Transaction, when determined, is fair, from a financial point of view, to the shareholders of each of Kerr Mines and San Gold.

Currently, San Gold has approximately 373 million San Gold Shares outstanding and Kerr Mines has approximately 1.3 billion Kerr Mines Shares outstanding.

In addition, each holder of outstanding stock options and common share purchase warrants of Kerr Mines (the "Kerr Mines Options") will receive such number of replacement options or warrants of San Gold based upon the Exchange Ratio. A break fee of \$1,000,000 is payable by either San Gold or Kerr Mines in the event that either party proceeds with an alternative transaction during a specified period while the parties pursue completion of the Transaction.

Completion of the Transaction will be subject to certain conditions including, without limitation: (a) execution of a definitive agreement by August 31, 2014; (b) completion of satisfactory due diligence by both parties; (c) receipt of all necessary consents, waivers, permits, exemptions, orders and approvals, including court approval of the plan of arrangement and the approval of the Toronto Stock Exchange (the "TSX"); (d) receipt of fairness opinions concerning the Transaction by both parties; and (e) receipt of shareholder approval of the Transaction by the shareholders of San Gold and Kerr Mines.

About San Gold

[San Gold](#) is an established Canadian gold producer, explorer, and developer that owns and operates the

Rice Lake Mining Complex near Bissett, Manitoba. San Gold is on the Toronto Stock Exchange under the symbol "SGR" and on the OTCQX under the symbol "SGRCF".

For further information on San Gold, please visit www.sangold.ca.

About Kerr Mines

[Kerr Mines](#) is a Canadian mineral exploration and development company based in Toronto, Canada. Kerr Mines' focus is the acquisition, exploration and development of prospective mineral properties in North America. With a proven track record of making discoveries and managing mines, Kerr's team seeks assets in low risk jurisdictions to increase its existing resource base, from the exploration drill bit or through strategic acquisitions.

Kerr Mines has established a sizeable footprint of contiguous gold properties near Virginiatown, Ontario on the prolific 200-km long Cadillac-Larder Lake Break that straddles the Ontario-Quebec border. Mining properties along the Break have historically produced over 95 million ounces of gold. Kerr controls a 26-km long section of the Break with properties extending into Quebec. Kerr's Ontario assets include the McGarry and Cheminis gold mines in the Kirkland Lake area as well as a five-year option to purchase the Kerr-Addison property, adjacent to McGarry. The Kerr-Addison Gold Mine was one of Canada's largest gold producers, producing more than 11 million ounces of gold during a 58-year operating life from 1938 to 1996.

Kerr's recently acquired Larder Lake gold project from Bear Lake Gold, located west of the McGarry Mine, is under an option and joint venture agreement with Gold Fields Abitibi Exploration Corporation (a subsidiary of Gold Fields Limited) entitling Gold Fields to acquire up to 60% of the Larder Lake project by spending up to C\$40 million over 5 years.

Kerr also recently acquired the Copperstone gold mine from American Bonanza in Arizona. The mine is fully permitted with significant mining and processing infrastructure in place.

For further information on Kerr Mines, please visit www.kerrmines.com.

Cautionary Notes

No stock exchange, securities commission or other regulatory authority has approved or disapproved the information contained herein.

Completion of the Transaction is subject to a number of conditions including but not limited to TSX acceptance and receipt of approval by San Gold and Kerr Mines shareholders for the Transaction. 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.

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.

This press release contains "forward-looking information" within the meaning of Canadian securities legislation. All information contained herein that is not clearly historical in nature may constitute forward-looking information. Generally, such forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of San Gold or Kerr Mines to be materially different from those expressed or implied by such forward-looking information, including, but not limited to, the possibility that the Transaction may not be completed and those risks included in the most recent management discussion and analysis and annual information forms of San Gold and Kerr Mines.

Forward-looking information is based on assumptions management believes to be reasonable at the time such statements are made, including but not limited to, completion of the Transaction, continued exploration activities, no material adverse change in metal prices, exploration and development plans proceeding in accordance with plans and such plans achieving their stated expected outcomes, receipt of required regulatory approvals, and such other assumptions and factors as set out herein. Although San Gold and Kerr Mines have attempted to identify important factors that could cause actual results to differ materially from

those contained in the 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 forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking information. Such forward-looking information has been provided for the purpose of assisting investors in understanding San Gold and Kerr Mines' business, operations and exploration plans and may not be appropriate for other purposes. Accordingly, readers should not place undue reliance on forward-looking information. Forward-looking information is made as of the date of this press release, and San Gold and Kerr Mines do not undertake to update such forward-looking information except in accordance with applicable securities laws.

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