

Falco Closes \$7 Million Financing with Osisko

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MONTREAL, July 03, 2018 -- [Falco Resources Ltd.](#) (TSX-V:FPC) ("Falco" or the "Company") is pleased to announce that it has closed its previously announced \$7 million financing transaction (the "Debenture Financing") with [Osisko Gold Royalties Ltd.](#) (TSX:OR) (NYSE:OR) ("Osisko"). Under the terms of the Debenture Financing, Osisko purchased a secured debenture (the "Debenture") having a principal amount of \$7,000,000 (the "Principal"). The Company shall use the net proceeds received under the Debenture for the development, construction and working capital requirements of the Horne 5 Property.

Upon receipt of disinterested shareholder approval, the Debenture is convertible (the "Conversion") into units of Falco (the "Units"). There will be no interest payable at any time on the outstanding Principal of the Debenture unless Falco fails to obtain disinterested shareholder approval for the Conversion, in which case interest shall accrue retroactively from the closing date of the Debenture Financing at a rate per annum that is equal to 7%, compounded quarterly. Accrued interest shall be payable upon repayment of the Principal when due, as per the terms of the Debenture. The maturity date of the Debenture shall be the earlier of (i) the date of the meeting of the Falco shareholders to be held to obtain the disinterested shareholder approval and (ii) December 31st, 2018, subject to extension in accordance with the terms of the Debenture.

On the date upon which Falco obtains the disinterested shareholder approval for the Conversion, the Debenture shall be converted into 12,104,444 Units of Falco. Each Unit shall consist of one common share of Falco ("Common Shares") and one-half of one common share purchase warrant. Each whole warrant shall entitle the holder to purchase one Common Share, subject to customary anti-dilution clauses, at a price of \$0.75 for a period of thirty-six (36) months from the date the Units are issued.

The Units, if issued following receipt of the disinterested shareholder approval, will be subject to a hold period of four months from the date of Conversion in accordance with applicable Canadian securities laws.

The Debenture Financing is considered to be a "related party transaction" under Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions ("Regulation 61-101"). The Debenture Financing is exempt from the requirements to obtain a formal valuation pursuant to section 5.5(b) of Regulation 61-101, as the Common Shares are not listed on any of the specified markets. The Conversion of the Debenture is subject to receipt of disinterested shareholder approval. Without the Conversion feature, the Debenture Financing is exempt from disinterested shareholder approval pursuant to section 5.7(1)(f) of Regulation 61-101, as the Debenture, at the time of closing, (i) is not convertible, directly or indirectly, into equity or voting securities of the Company or a subsidiary of the Company, and (ii) is on reasonable commercial terms that are not less advantageous to the Company than if the Debenture was obtained from an arm's length party. The special meeting of shareholders to obtain the disinterested shareholder approval for the Conversion of the Debenture is expected to occur at the end of September 2018.

For greater clarity, the Debenture shall only become convertible if the shareholders of Falco approve both the Conversion and the previously announced silver stream transaction with Osisko. At the meeting, the shareholders will also be asked to approve a waiver of the application of the Shareholder Rights Plan of the Company should, as a result of the Conversion, Osisko become the beneficial owner of more than 20% of the issued and outstanding Common Shares on a partially diluted basis assuming exercise of the warrants then held by Osisko.

Concurrently with the signing of the Debenture, Falco and Osisko have entered into an investor rights agreement (the "Investor Rights Agreement") in favor of Osisko granting Osisko, so long as

Osisko holds a minimum of 5% of the issued and outstanding Common Shares of Falco, i) a contractual right to participate in future equity or equity-linked offerings by Falco to maintain its pro rata ownership interest in Falco at the time of Conversion and ii) a right to designate two individuals for election to the board of directors of Falco. In addition, the Investor Rights Agreement provides that, so long as Osisko holds a minimum of 10% of the issued and outstanding Common Shares of Falco, Osisko shall have customary demand and piggyback registration rights with respect to the registration of sales of Common Shares owned by Osisko. Osisko's initial representatives on the board of directors of Falco under the Investor Right Agreement are current directors Sean Roosen and Bryan A. Coates.

About Falco

[Falco Resources Ltd.](#) is one of the largest mineral claim holders in the Province of Québec, with extensive land holdings in the Abitibi Greenstone Belt. Falco owns about 67,000 hectares of land in the Rouyn-Noranda mining camp, which represents approximately 70% of the entire camp and includes 13 former gold and base metal mine sites. Falco's principal asset is the Horne 5 Project located in the former Horne mine that was operated by Noranda from 1927 to 1976 and produced 11.6 million ounces of gold and 2.5 billion pounds of copper. Osisko is the largest shareholder of the Company and currently owns 13.2% of the issued and outstanding shares of the Company. The Company has 180,620,244 shares issued and outstanding.

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Cautionary Note Regarding Forward-Looking Statements

This news release contains forward-looking statements and forward-looking information (together, "forward-looking statements") within the meaning of applicable securities laws. All statements, other than statements of historical facts, are forward-looking statements, and subject to risks and uncertainties. Generally, forward-looking statements can be identified by the use of terminology such as "plans", "seeks", "expects", "estimates", "intends", "anticipates", "believes", "could", "might", "likely" or variations of such words, or statements that certain actions, events or results "may", "will", "could", "would", "might", "will be taken", "occur", "be achieved" or other similar expressions. Forward-looking statements, including statements concerning the Conversion of the Debenture, obtaining disinterested shareholder approval, and the Company's use of proceeds from the Debenture Financing, involve risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements are subject to business and economic factors and uncertainties, and other factors that could cause actual results to differ materially from these forward-looking statements, including the obtaining of all required authorizations from third parties on terms acceptable to the Company and in a timely manner and those risks set out in Falco's public documents, including in each management discussion and analysis, filed on SEDAR at www.sedar.com. Furthermore, should one or more of the risks, uncertainties or other factors materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements or information. These risks, uncertainties and other factors include, among others, political, economic, environmental and permitting risks, regulatory restrictions, mining operational and development risks, litigation risks, regulatory restrictions, environmental and permitting restrictions and liabilities, internal and external approval risks, changes in the use of proceeds relating to the Debenture Financing, currency fluctuations, global economic climate, dilution, share price volatility, competition, loss of key employees, additional funding requirements, and defective title to mineral claims or property. Although Falco believes that the assumptions and factors used in preparing the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this news release, and no assurance can be given that such events will occur in the disclosed time frames or at all. Except where required by applicable law, Falco disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of

new information, future events or otherwise.

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