

# LeadFX Announces Going Private Transaction

24.07.2018 | [CNW](#)

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(All dollar amounts are in Canadian dollars unless otherwise indicated)

PERTH, Australia, July 23, 2018 /CNW/ - LeadFX Inc. (the "Company" or "LeadFX") (Toronto Stock Exchange "TSX": LFX) today announced a proposed "go private" transaction (the "Arrangement") to be completed by way of a statutory plan of arrangement (the "Plan of Arrangement") pursuant to section 192 of the Canada Business Corporations Act (the "CBCA").

If the Arrangement becomes effective, then Sentient Executive GP III, Limited and Sentient Executive GP IV, Limited (collectively, "Sentient") and InCoR Energy Materials Limited ("InCoR" and together with Sentient, the "Controlling Shareholders") will own or have control or direction over 100% of the Common Shares of the Company ("Common Shares").

Under the Arrangement, among other things, the Common Shares will be consolidated at the Effective Time (as defined below) on the basis of five million (5,000,000) pre-consolidation Common Shares to one (1) post-consolidation Common Share (the "Consolidation"). In lieu of fractional Common Shares, shareholders of the Company ("Shareholders"), other than the Controlling Shareholders, who would otherwise receive less than one (1) whole post-Consolidation Common Share in exchange for their pre-Consolidation Common Shares held immediately prior to the Consolidation will be entitled to receive cash consideration of \$1.00 (the "Cash Consideration") for each pre-Consolidation Common Share.

The Cash Consideration of \$1.00 per pre-Consolidation Common Share represents an implied 24.9% premium to the volume weighted average trading price of the Common Shares for the five (5) trading days ended July 23, 2018, a 21.6% premium to the volume weighted average trading price of the Common Shares for the fifteen (15) trading days ended July 23, 2018 and a 14.0% premium to the volume weighted average trading price of the Common Shares for the thirty (30) trading days ended July 23, 2018. The Arrangement therefore presents an efficient liquidity mechanism for all Shareholders at a premium to the recent share price which could not otherwise be generated from the trading platforms given the Company's liquidity and capital structure.

The aggregate Cash Consideration required to purchase the fractional Common Shares resulting from the Consolidation is \$13,330,974. This includes the Common Shares held by Sentient Executive GP I, Limited & Sentient (Aust.) Pty Ltd ("Sentient I") and Sentient Executive GP II, Limited & Sentient Trustees PTC Limited ("Sentient II"), as each entity holds less than 5,000,000 Common Shares.

To finance the aggregate Cash Consideration payable under the Arrangement, InCoR has agreed to, at the Effective Date (as defined below) and after all conditions precedent to completing the Arrangement have been satisfied, subscribe for 13,330,974 pre-Consolidation Common Shares at a price of \$1.00 per Common Share.

In addition to the Consolidation, the Arrangement also provides for, at the Effective Time: (i) the cancellation of all outstanding options to acquire Common Shares; (ii) the cancellation of all unexercised common share purchase warrants to acquire Common Shares; and (iii) the cancellation of all performance share units to acquire Common Shares then outstanding, provided, however, that (a) if the previously issued Stage 3 Warrant to acquire 5,750,000 Common Shares held by InCoR (refer the Umbrella Agreement dated June 20, 2017, as filed on the Company's SEDAR profile) has not previously been exercised in accordance with its terms, then it will be deemed to be exercised without any further action by InCoR and InCoR will be issued 5,750,000 pre-Consolidation Common Shares, and (b) 269,000 performance share units shall be deemed to

be unconditionally vested and exercised, without any further action by the holder(s) thereof, into 269,000 pre-Consolidation Common Shares.

#### Special Committee, Valuation and Fairness Opinion

In April 2018, Company management undertook an informal review of the Company's capital structure to assess the effect that a small number of individual and institutional Shareholders would have on future attempts to rationalize and redirect the Company's activities as it seeks to finance the construction of a hydrometallurgical facility at the Paroo Station Lead Mine in Western Australia. Information collected by management over the course of prior months and quarters made it increasingly evident that the Common Shares were very thinly traded, making it difficult for Shareholders to sell efficiently through the facilities of the TSX. These issues present significant challenges to the Company's efforts to raise the additional capital it needs efficiently.

On May 10, 2018, a special committee of independent directors (the "Special Committee") was appointed by the board of directors of the Company (the "Board") to consider and evaluate a potential "go-private" transaction, the effect of which, among other things, would be that the Controlling Shareholders would become the sole Shareholders, the Common Shares would be delisted from the TSX and the Company would, following the Arrangement, apply to cease to be a reporting issuer (or the equivalent) in any jurisdiction of Canada.

The Special Committee was comprised of two (2) independent directors (Mr. David Warner and Mr. Stephen Dennis), and was mandated, among other things, to (i) oversee and supervise the process carried out by the Company in negotiating the Arrangement (ii) review and consider the terms and conditions of the Arrangement and (iii) advise the Board with respect to any recommendation that the Board should make to Shareholders. The Arrangement constitutes a "business combination" for the purposes of Multilateral Instrument 61-101 – Protection of Minority Securityholders in Special Transactions ("MI 61-101").

MI 61-101 provides that, unless exempted, an issuer proposing to carry out a transaction such as the Arrangement is required to: (i) engage an independent valuator to prepare a valuation of the affected securities (and any non-cash consideration being offered therefore) and provide to the holders of the affected securities a summary of such valuation; and (ii) obtain the approval of a majority of the "minority" shareholders (as that term is used in MI 61-101) unless an exemption is available or discretionary relief is granted by applicable securities regulatory authorities.

The Company appointed INFOR Financial Inc. ("INFOR Financial") to prepare a Valuation and Fairness Opinion in accordance with the formal valuation requirements of MI 61-101. INFOR Financial determined that, subject to the assumptions, limitations and qualifications set out in its report, the Cash Consideration is fair, from a financial point of view, to the Shareholders (other than the Controlling Shareholders).

Pursuant to Section 4.6(1)(a) of MI 61-101, an exemption from the minority approval requirement is available if "interested parties" (as that term is used in MI 61-101) beneficially own 90% or more of the affected securities at the time the business combination is agreed to and an enforceable appraisal right or substantially equivalent right is made available to minority Shareholders. The Controlling Shareholders and their affiliates are "interested parties" within the meaning of MI 61-101 and beneficially own more than 90% of the pre-Consolidation Common Shares. Accordingly, an exemption from the minority approval requirement in connection with the adoption of the Arrangement Resolution (as defined below) is available and will be relied upon.

Following consideration of the surrounding circumstances, including the Valuation and Fairness Opinion, the Special Committee has concluded that the Arrangement is fair to the Shareholders and in the best interests of the Shareholders and LeadFX.

Accordingly, the Special Committee unanimously recommended that the Board approve the Arrangement and the implementation of the Plan of Arrangement, subject to the receipt of all required Shareholder, court and other regulatory approvals, including approval of the TSX. Following an extensive review of the terms of the Arrangement, the Plan of Arrangement, the Valuation and Fairness Opinion and the recommendation of the Special Committee, the Board has unanimously (with three interested directors abstaining) approved the Arrangement and the related Plan of Arrangement, having determined that the Arrangement is in the best

interests of the Company. The Board recommends that all Shareholders vote in favour of the Arrangement Resolution (as defined below).

#### Conditions to implementing the Arrangement

Closing of the Arrangement will occur as soon as reasonably practicable following the receipt of the Final Order (as referred to below), or such later date as the parties may agree (the "Effective Date"). The implementation of the Arrangement is conditional upon the satisfaction, on or before the effective time of the Arrangement (the "Effective Time") on the Effective Date, of the following conditions precedent:

1. Approval of not less than 66% of Shareholders at a special meeting of the Shareholders to be held no later than October 15, 2018 ("Arrangement Resolution");
2. Interim and Final Orders shall have been obtained in form and substance satisfactory to the parties, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to the parties, acting reasonably, on appeal or otherwise;
3. the Final Order shall have been granted by October 31, 2018 and no earlier than October 5, 2018;
4. the Arrangement shall have resulted in the number of Securityholders being reduced to the Controlling Shareholders and their affiliates such that the Company can successfully apply for a decision under applicable Canadian securities legislation that it is not a reporting issuer in any jurisdiction of Canada;
5. all regulatory approvals, including the approval of the TSX, will have been received by the Company;
6. there shall not be in force any law and no governmental authority shall have issued any order or decree restraining or prohibiting the completion of the Arrangement; and
7. there shall not be in force any order or decree restraining or enjoining or materially modifying or imposing material conditions on the implementation of the Arrangement and there shall be no proceeding, whether of a judicial or administrative nature or otherwise brought by a governmental entity that relates to or results from the Arrangement that would, if successful, result in an order or ruling that would preclude completion of, or materially modify or impose material conditions under the Arrangement.

#### Meeting

The Company anticipates calling a special meeting of the Shareholders to be held at 10:00 a.m. on October 3, 2018, in Toronto, Ontario to consider the Arrangement Resolution (the "Meeting"). The record date to receive notice of and vote at the Meeting is expected to be on or around August 7, 2018.

Sentient (inclusive of Sentient I and Sentient II) has advised the Company that it intends to vote for the Arrangement Resolution. The votes attached to the Common Shares held by the Controlling Shareholders, Sentient I and Sentient II are sufficient to adopt the Arrangement Resolution and they are therefore in a position to have the Arrangement approved.

Minority Shareholders will be entitled to dissent and be paid the fair value of their Common Shares in accordance with and subject to strict compliance with section 190 of the CBCA, which constitutes an enforceable appraisal remedy for the purposes of MI 61-101.

Full details of the Arrangement, the Plan of Arrangement, the dissent rights and the Meeting, and a copy of the Valuation and Fairness Opinion will be included in a Management Information Circular which the Company will mail to Shareholders and which will be posted on LeadFX's SEDAR profile at [www.sedar.com](http://www.sedar.com).

## Forward looking statements

This news release may contain "forward-looking statements" within the meaning of applicable Canadian securities laws. Examples of forward-looking information in this news release includes but is not limited to statements and information concerning the Arrangement and Plan of Arrangement; the Meeting of the Shareholders; any future intentions of the Company to de-list the Common Shares from the TSX and cease to be a reporting issuer in the applicable provinces of Canada. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "contemplate", "target", "believe", "plan", "estimate", "expect", and "intend" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. Forward-looking information by its nature requires assumptions and involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information, and readers are cautioned not to place undue reliance on such information. These statements are based on expectations, estimates and projections as at the date of this news release and are subject to a number of risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results, performance or achievement may vary materially from those expressed or implied by the forward-looking information contained in this news release. These risk factors should be carefully considered and readers are cautioned not to place undue reliance on forward-looking information, which is current only as of the date of this news release. All subsequent forward-looking information attributable to LeadFX herein is expressly qualified in its entirety by the cautionary statements contained in or referred to herein. LeadFX does not undertake any obligation to release publicly any revisions to this forward-looking information to reflect events or circumstances that occur after the date of this news release or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/304490--LeadFX-Announces-Going-Private-Transaction.html>

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