

# Amarillo Announces Proposed Full Repayment of the Gold-Linked Loan and Other Concurrent Shares for Debt Transactions

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TORONTO, July 24, 2018 -- [Amarillo Gold Corp.](#) (“Amarillo” or the “Company”) (TSX.V:AGC) is pleased to announce that it intends to: (i) fully repay the gold linked credit facility (the “Gold Loan”) for USD\$8.5M through a combination of USD\$7.4M in cash and USD\$1.1M in new equity; and (ii) settle an aggregate amount of CAD\$1.2M in payables owing to certain arm’s length and non-arm’s length parties (the “Concurrent Shares for Debt Transactions”).

Pursuant to the full repayment of the Gold Loan and the completion of the Concurrent Shares for Debt Transactions, the Company is expected to issue 5,377,819 and 4,177,888 common shares in its capital (“Common Shares”), respectively, at a deemed price of CAD\$0.28 per share (and where applicable, at a CAD/USD exchange rate of 1.3168). An aggregate of 2,892,952 Common Shares is expected to be issued to non-arm’s length parties pursuant to the Concurrent Shares for Debt Transactions.

Mike Mutchler, President and Chief Executive Officer of Amarillo, commented: “We are using some of the proceeds from the previously announced net smelter royalty sale to [Royal Gold Inc.](#) to repay the outstanding Gold Loan. The loan, which was from a consortium of lenders who also comprised some of our largest shareholders, was taken out in installments between 2014 and 2016, and was used to cover exploration and operating costs on the Company’s gold projects in Brazil. This loan, which was obtained by the Company’s previous management team during difficult market conditions to minimize shareholder dilution, was indexed to the price of gold and accrued interest at a rate of 12% per annum. We are quite pleased to be able to repay the loan now with the Company on a significantly improved financial standing. I would like to thank the original lenders for their past and ongoing support of the Company. In addition, we will be satisfying a significant amount of the Company’s outstanding payables pursuant to the Concurrent Shares for Debt Transactions, as well as a portion of the indebtedness represented by the Gold Loan, with shares to improve the Company’s balance sheet while conserving the Company’s cash for operational and mine development purposes.”

Hemdat Sawh, Chief Executive Officer of Amarillo, commented: “Following the successful conclusion of the net smelter royalty agreement with [Royal Gold Inc.](#) which resulted in gross proceeds of US\$10.8M, we are now able to extinguish the relatively high interest rate Gold Loan by paying cash of US\$7.4M and the remaining balance of US\$1.1M in shares of the Company. Our net cash position has increased by US\$3.4M after these two transactions. We have also repaid an additional CAD\$1.2 million in payables by issuing shares of the Company. Accordingly, our balance sheet including cash position has improved significantly and we can now focus exclusively on advancing our projects in Brazil.”

The issuance of Common Shares to certain non-arm’s length parties pursuant to the Concurrent Shares for Debt Transactions will constitute a “related party transaction” as this term is defined in Multilateral Instrument 61-101 - *Protection of Minority Securityholders in Special Transactions* (“MI 61-101”). The Company will rely on the exemption from the valuation requirement and the minority approval requirement pursuant to subsections 5.5(a) and 5.7(a) of MI 61-101, respectively, as the securities will not represent more than 25% of the Company’s market capitalization, as determined in accordance with MI 61-101. The participation by the non-arm’s length parties in the Concurrent Shares for Debt Transactions has been approved by directors of the Company who are independent in connection with such transactions.

All securities issued pursuant to the repayment of the Gold Loan and the Concurrent Shares for Debt Transactions will be subject to a hold period of four months and one day from the date of issuance, in accordance with applicable securities legislation.

The repayment of the Gold Loan and the completion of the Concurrent Shares for Debt Transactions are subject to a number of conditions, including the approval of the TSX Venture Exchange (the "TSXV").

A material change report will be filed less than 21 days before the closing date of the transactions contemplated by this news release. The report will be filed once the TSXV reviews the proposed transactions, provides any comments it may have and provides its conditional approval for such transactions.

## ABOUT AMARILLO

Amarillo is developing an economic, open pit gold resource at its Mara Rosa Project in the mining friendly jurisdiction of Goias State in Brazil. An Updated Pre-Feasibility Study (NI 43-101 technical report) for the Mara Rosa Project was filed on SEDAR on May 4, 2017. The Mara Rosa Project was awarded its main (LP) permit which provides the social and environment permission to mine. Amarillo is progressing toward obtaining an installation permit (LI). The Posse Deposit at the Mara Rosa Project contains 540,567 ounces of gold in the Proven category from 9.27MT at 1.81 g/t Au, and 456,968 ounces in the Probable category from 9.74MT at 1.46 g/t Au, for total Reserves of 997,536 ounces from 19.01 MT at 1.63 g/t Au. In addition to the Mara Rosa Project, Amarillo has an advanced exploration project with excellent grades at Lavras do Sul, Brazil. A Mineral Resource Estimate Study (NI 43-101 technical report) for Lavras do Sul was filed on SEDAR on October 4, 2010. The Lavras do Sul Project is an advanced exploration stage property (190 sq. km.) comprising of more than 22 prospects centered on historic gold workings. The initial resource estimate at the Butia prospect reported 215,000 ounces of gold in the Indicated category from 6.4 MT at 1.05 g/t Au, and 308,000 ounces of gold in the Inferred category from 12.9 MT at 0.74 g/t Au using a 0.3 g/t cut-off grade. Both projects have excellent nearby infrastructure.

Mike Mutchler, the President and Chief Executive Officer of the Company, is a Qualified Person as defined by NI 43-101 guidelines, and has reviewed and approved the scientific and technical disclosure in this news release.

For further information, please contact:

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## FORWARD LOOKING STATEMENTS:

*This news release contains Forward Looking Statements regarding the Company's current expectations regarding future events, including with respect to the Company's business, operations and condition, management's objectives, strategies, beliefs and intentions, as well as the closing of the transactions contemplated hereby. Various factors may prevent or delay our plans, including but not limited to, the trading price of the Common Shares, the ability of the Company to obtain approvals from the TSXV in respect of the transactions contemplated hereby, contractor availability and performance, weather, access, mineral prices, and success and failure of the exploration and development carried out at various stages of the program. Permission from the Government and community is also required to proceed with future mining production. Readers should review the Company's ongoing quarterly and annual filings, as well as any other additional documentation comprising the Company's public disclosure record, for additional information on risks and uncertainties relating to these forward-looking statements. Readers should also review the risk factors applicable to junior mining exploration companies generally to better understand the variety of risks that can affect the Company. The Company undertakes no obligation to update publicly or otherwise revise any Forward Looking Statements whether as a result of new information or future events or otherwise, except as may be required by law.*

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