

Lepidico Ltd. and Desert Lion Energy Inc. to Merge

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Lepidico 1 for 9 Entitlements Offer to Fund Business Integration, New Development and Growth Opportunities

TORONTO, May 7, 2019 - [Desert Lion Energy Inc.](#) (TSXV: DLI) ("Desert Lion") is pleased to announce that on May 5, 2019 it entered into a definitive arrangement agreement (the "Arrangement Agreement") with ASX-Listed [Lepidico Ltd.](#) (ASX: LPD) ("Lepidico") whereby Lepidico, an arm's length party from Desert Lion, will acquire all of the outstanding common shares of Desert Lion for 5.4 Lepidico shares for every 1 Desert Lion share (The "Transaction"). No finder's fee is payable in connection with the Transaction. The Transaction is anticipated to create a vertically integrated lithium development company from mine to chemical conversion plant by combining Lepidico's leading proprietary lithium processing technologies with Desert Lion's lepidolite Mineral Resources and extensive exploration package.

The agreed exchange ratio represents a premium of either 38% based on the closing price of Lepidico and Desert Lion shares on 3 May 2019 or 39% based on the 10 trading day volume weighted average price of the shares. Directors and officers of Desert Lion representing 17% of Desert Lion's shares on issue have entered into voting and support agreements to vote in favour of the Transaction.

Transaction Highlights

- The Transaction will combine two companies with highly complementary assets to create an integrated lithium business which has:
 - Lepidico's innovative L-Max®, LOH-Max™ and S-Max™ proprietary process technologies and offtake arrangement with Mota Ceramic Solutions ("MCS") from the operational Alvarrões lepidolite mine in Portugal.
 - Desert Lion's Rubicon and Helikon deposits in Namibia and partially developed lepidolite concentrator. Mineral Resources & Indicated 3.0Mt @ 0.63% Li₂O & Inferred 5.8Mt @ 0.53% Li₂O (see section 14 of Desert Lion's NI 43-101 Technical Report dated November 28, 2018, as amended and restated on December 7, 2018, for more information);
 - Lepidico's pilot plant with L-Max® and S-Max™ capability, which is in the commissioning phase, and the Phase 1 Plant Project, at the advanced stages of feasibility study which contemplates output capacity of 5,000tpa lithium hydroxide;
 - Battery grade lithium carbonate of 99.8% purity produced from Desert Lion lepidolite mineralisation in L-Max® amenability trial; and
 - Desert Lion's non-binding offtake agreement for lithium hydroxide with chemicals and materials multinational corporation BASF SE.
- Lepidico will also undertake a 1 for 9 pro-rata renounceable Entitlements Offer at an issue price of A\$0.029 to raise up to A\$10.8 million for business integration, new development and growth opportunities, with one (1) free attaching option for every two (2) new shares issued under the offer. The Entitlements Offer is scheduled to close on 29 May 2019.
- The merged company will be called [Lepidico Ltd.](#) and will continue to be headquartered in Perth, Australia. No changes to Lepidico's Board of Directors are planned.

Proposed Merger of Lepidico and Desert Lion

The Transaction will be effected by way of a statutory plan of arrangement pursuant to the Business Corporations Act (Ontario). Under the terms of the Transaction, Desert Lion shareholders will exchange each of their Desert Lion shares for 5.4 ordinary shares of Lepidico. Following the completion of the Transaction, Lepidico will maintain its primary listing on the ASX under the code "LPD", and the Desert Lion common shares will be delisted from the TSXV.

Each option of Desert Lion will be exchanged for a replacement option of Lepidico reflecting the exchange ratio and any outstanding warrants and convertible notes of Desert Lion will be adjusted to allow for the acquisition of Lepidico ordinary shares upon their exercise (also reflecting the exchange ratio). Desert Lion

securityholders will hold approximately 15.9% of the shares in the combined company and 19.8% on a fully diluted basis (prior to the effects of the planned entitlements offer).

The Transaction is subject to regulatory, court, Desert Lion shareholder approval and Lepidico shareholder approval (if required), together with other customary conditions. The written consent of a majority of the holders of Desert Lion's convertible debt has been obtained and is a condition of closing of the Transaction.

Lepidico has received confirmation from ASX that the proposed transaction does not attract any requirements under Chapter 11 of the ASX Listing Rules. Lepidico will seek a waiver from Listing Rule 7.1 (in relation to the issue of securities the subject of the proposed transaction) on the basis that Listing Rule 7.2 (exception 5) should apply to the transaction. If the waiver is granted by ASX, Lepidico will not need to seek any shareholder approvals in relation to security issues to be made under the Desert Lion transaction.

As part of the process in the approval of the Arrangement Agreement, the directors of Desert Lion received an opinion from its financial advisor, INFOR Financial Inc., that the consideration to be received is fair, from a financial point of view, to shareholders of Desert Lion. Directors and officers of Desert Lion representing 17% of Desert Lion's shares on issue have entered into voting and support agreements to vote in favour of the Transaction. Convertible note holder, AIP Global Macro Fund L.P., has also indicated its support for the transaction.

A Desert Lion management information circular setting out the terms of the Transaction, as well as further information regarding the Transaction and the combined company, is expected to be circulated to all Desert Lion shareholders in June 2019. A special meeting of Desert Lion shareholders to consider the Plan of Arrangement is expected to be held in July 2019 and the Transaction is expected to be implemented in July 2019.

The Arrangement Agreement includes customary provisions, including a commitment by Desert Lion not to solicit alternative transactions to the Transaction, subject to the right of Desert Lion to accept a superior proposal in certain circumstances, with Lepidico having a five business day right to match any superior proposal. Each company has agreed to pay a termination fee to the other party equal to C\$1 million in certain circumstances.

"The transaction with Lepidico represents a significant advancement for the Desert Lion Energy Project," commented Tim Johnston, CEO of [Desert Lion Energy Inc.](#) "The combination of Desert Lion Energy's lepidolite assets with Lepidico's advanced L-Max® and LOH-Max™ processing technology will enable the acceleration of lithium chemical production."

Lepidico Managing Director Joe Walsh said, "Closing of these transactions announced today will be transformative for Lepidico. They will allow it to advance its technologies and projects, demonstrate the commercial viability of L-Max® and LOH-Max™, and hopefully become a globally significant, vertically integrated lithium chemical producer. The Desert Lion transaction will provide Lepidico with a direct controlling interest in its first quality lepidolite deposit under an awarded mining license, providing a clear path to development."

Following completion of the Transaction, it is expected that the combined company will conduct a feasibility study to establish mineral reserves and to determine the economic and technical viability of production.

Indicative timetable for merger completion

Announcement of the Transaction	6 May 2019
Dispatch of Desert Lion's Circular to Desert Lion shareholders	June 2019
Desert Lion Company Meeting	July 2019
Implementation of merger	July 2019

Summary of assets and attributes

Lepidico Ltd	Desert L
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L-Max®, LOH-Max™ and S-Max™ proprietary process technologies	Desert L Indicate 14 of De Decemb
Pilot plant with L-Max® and S-Max™ capability is in the commissioning phase – plant developed on schedule and within budget before contingency	10 year develop
Phase 1 Plant Project is in the advanced stages of feasibility study – engineering for Li ₂ CO ₃ production complete, engineering for LiOH capability to commence June 2019	Prospec
Phase 1 Plant Abu Dhabi location trade off study offers potential for fast track to development with enhanced economics versus Sudbury, Canada	Infrastru construc
Research & development capability to evaluate further identified value add process technologies	Two mill capacity
Offtake arrangement with MCS for production from the operational Alvarrões lepidolite mine in Portugal	Memora cathode
Well capitalised with A\$4.9 million cash and no debt as at 31 March 2019	Testworl mineralis

Strategic Rationale for Proposed Merger

Lepidico and Desert Lion share a similar strategic objective: to get to free cash flow generation as swiftly as possible by developing a scalable, vertically integrated new lithium chemical business based on lithium mica and lithium phosphate minerals.

Desert Lion's assets provide a platform to advance a mine and lepidolite concentrator into development. Importantly, Desert Lion has already secured a Mining Licence for a similar development, thereby substantially reducing permitting risk and providing an opportunity to rapidly transition to development. Furthermore, Desert Lion has acquired and is in the process of refurbishing two mills and two banks of flotation cells, which could reduce the capital cost of the concentrator.

L-Max® amenability testwork undertaken on a sample of Desert Lion lepidolite mineralisation returned excellent results, with a lithium extraction of 94% from concentrate and production of lithium carbonate with 99.8% purity.

Lepidico recently extended the scope of the Phase 1 Plant Feasibility Study (the "Study") to include a LOH-Max™ circuit for the production of lithium hydroxide, as well as the evaluation of a plant development in the Industrial City of Abu Dhabi (ICAD). The Study will, however, continue to contemplate the base case scenario of Sudbury, Canada for the Phase 1 Plant until the ICAD trade-off study is complete, scheduled for the second half of 2019. Lead Study consultant, Minmet Services, has advised of material capital and operating cost benefits associated with developing the Phase 1 Plant at ICAD and a separate study has revealed that local markets exist for L-Max® and S-Max™ by-products. Engineering for the LOH-Max™ circuit is expected to be completed by Lycopodium in December 2019, which will also take into account the change in location. Finally, ICAD promotes a "plug and play" philosophy for new developments, allowing for rapid permitting and approvals. This is in part afforded by having world class established infrastructure, including power, gas, water and developed roads, storage and logistic hubs that have quick and easy access to multiple ports and airports.

Results for the integrated Phase 1 Plant Feasibility Study are now scheduled for completion in the March 2020 quarter. This will incorporate a new mine plan for Alvarrões based on the recent Mineral Resource upgrade, a mine design for the Desert Lion project following a planned intensive drill programme intended to upgrade the Mineral Resource, the following transaction close and a re-engineered Phase 1 lithium hydroxide chemical plant designs for both ICAD and Sudbury.

Entitlements Offer

- 1 for 9 renounceable rights issue to raise up to A\$10.8 million
- Attractively priced at A2.9 cents per share
- Discount of 26% to the 10 day volume weighted average share price and 24% to the closing share price on 3 May 2019
- With every two new shares issued, shareholders will receive one free attaching option
- New options will be listed, have an exercise price of A5.0 cents and a term of three years ("New Options")
- Shareholders can trade their rights and apply for additional shares and options
- Rights to start trading from 10 May 2018
- [Galaxy Resources Ltd.](#) & Bacchus Capital Advisors plan to take up their full entitlements
- Directors of Lepidico intend to participate
- Funds will be used for Business integration, new development and growth opportunities

Shares under the Entitlements Offer (each, a "New Share") will be issued at A\$0.029 per New Share. The maximum number of New Shares which will be issued under the Entitlements Offer is 372,908,354 to raise up to approximately A\$10,814,342 (before expenses, based on the current capital structure of Lepidico). New Options will be listed, have an exercise price of A\$0.05 and a three year term.

New Shares issued under the Entitlements Offer will rank equally with existing shares and Lepidico will apply for official quotation of the New Shares and New Options.

Lepidico confirms it is in compliance with its continuous disclosure obligations.

The Entitlement Offer is partially underwritten by Lead Manager CPS to A\$3.0 million.

It is intended that the proceeds of the Entitlements Offer will fund the integration of the Desert Lion business post-merger, including the evaluation of a mine and concentrator development at the Desert Lion Project, for incorporation into the Phase 1 Plant Feasibility Study. In the event that the Plan of Arrangement does not complete, these proceeds will be used by Lepidico for the acquisition of alternative lithium assets and Mineral Resource development.

If sufficient proceeds are raised from the Entitlements Offer, Lepidico will use these additional proceeds to: undertake LOH-Max™ engineering and revised location evaluation for the Phase 1 Plant Feasibility Study; undertake further L-Max® and LOH-Max™ product development work; accelerate drilling activities at Alvarrões in Portugal and other exploration; working capital; and expenses of the offer.

The Entitlement Offer price of A\$0.029 per New Share represents a 24% discount to the last traded price of Lepidico's shares being A\$0.038 on 3 May 2019, and a 26% discount to the 10-day volume weighted average price of Lepidico's shares.

All Directors who hold Shares currently intend to participate in their personal capacity to the fullest extent possible, subject to funding.

The Company has been advised that [Galaxy Resources Ltd.](#) (ASX: GXY) intends to take up its full entitlement in the Entitlements Offer. In addition, Bacchus Capital Advisers Ltd, Lepidico's financial adviser, has advised its intention to take up its rights under the Entitlement Offer.

The timetable for the Entitlement Offer is as follows:

Lodgement of prospectus with ASIC and ASX	7 May 2019
Notices sent to option holders	7 May 2019
Notices sent to shareholders	9 May 2019
Ex-date, rights start trading	10 May 2019
Record Date for determining Entitlements	13 May 2019
Prospectus sent to shareholders & Company announcement this has been completed	14 May 2019
Rights stop trading	

22 May 2019

Shares quoted on a deferred settlement basis	23 May 2019
Last date for Closing Date to be extended	24 May 2019
Closing Date*	29 May 2019
ASX notified of under subscriptions	31 May 2019
Issue date / shares entered into shareholders' security holdings / deferred settlement trading ends	5 June 2019
Quotation of shares and options issued under the Entitlements Offer*	6 June 2019
* The directors of Lepidico may extend the Closing Date by giving at least three business days' notice to ASX prior to the Closing Date. As such, the date the New Shares are expected to commence trading on ASX may vary.	

Advisers

Bacchus Capital Advisers Ltd is acting as Lepidico's exclusive financial adviser, and Stikeman Elliott LLP and Steinepreis Paganin are acting as Lepidico's legal advisers.

INFOR Financial Inc. is acting as Desert Lion's exclusive financial adviser, and Fasken Martineau DuMoulin LLP is acting as Desert Lion's legal adviser.

Shares for Debt Settlement

Desert Lion is also pleased to announce that it intends to issue 27,473 common shares of Desert Lion (the "Common Shares"), at an effective price per share of C\$1.82 in payment of C\$50,000 of certain additional obligations owed in connection with its acquisition of Exclusive Prospecting License 5718.

In accordance with applicable securities laws, the Common Shares issued will be subject to the approval of the TSX Venture Exchange and will be subject to a hold period of four months and one day from the date of completion of the debt settlement.

About Desert Lion Energy Inc.

Desert Lion Energy is a Toronto based emerging lithium development company focused on building Namibia's first large-scale lithium mine located near the town of Karibib approximately 210 km from the nation's capital of Windhoek and 220 km from the Port of Walvis Bay (the "Desert Lion Project"). Desert Lion's Rubicon and Helikon mines, which have been mined intermittently for petalite and tantalum since the 1930's, are located within a prospective land package covering approximately 1,000 km². The project site is accessible year-round by road and has access to power, water, rail, port, airport and communication infrastructure. Desert Lion has delineated a NI 43-101 Mineral Resource estimate at Rubicon and Helikon of Indicated 3.0Mt @ 0.63% Li₂O and 59ppm Ta₂O₅ & Inferred 5.8Mt @ 0.53% Li₂O and 59ppm Ta₂O₅ (see section 14 of Desert Lion's NI 43-101 Technical Report dated November 28, 2018, as amended and restated on December 7, 2018, for more information).

About Lepidico Ltd

[Lepidico Ltd](#) is an ASX-listed company focused on exploration, development and production of lithium chemicals. Lepidico owns the technology to a metallurgical process that has successfully produced lithium carbonate from non-conventional sources, specifically lithium-rich mica minerals including lepidolite and zinnwaldite. The L-Max® Process has the potential to complement the lithium market by adding low-cost lithium carbonate supply from alternative sources. More recently Lepidico has added LOH-Max™ to its technology base, which produces lithium hydroxide from lithium sulphate without by-produce sodium sulphate. Lepidico is currently conducting a Feasibility Study for a 5,000 tonne per annum Phase 1 lithium chemical plant. Work is currently being undertaken to evaluate the incorporation of LOH-Max™ into the Phase 1 Plant Project flow sheet. Lepidico has entered into an access agreement in Portugal with owner-operator Mota Ceramic Solutions (ASX announcement of 7 December 2017).

Lepidico's current exploration assets include a farm-in agreements with [Venus Metals Corporation Ltd.](#) (ASX:VMC) over the lithium mineral rights at the Youanmi Lithium Project in Western Australia. Lepidico also has a Letter of Intent with TSX listed [Avalon Advanced Materials Inc.](#) for planned lithium mica concentrate supply from its Separation Rapids Project in Ontario, Canada.

Qualified Persons Consents

The information in this report that relates to the Alvarrões Mineral Resource estimate is based on information compiled by John Graindorge who is a Chartered Professional (Geology) and a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". John Graindorge is a full-time employee of Snowden Mining Industry Consultants Pty Ltd and consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The information in this report that relates to Lepidico Exploration Results is based on information compiled by Mr Tom Dukovcic, who is an employee of Lepidico and a member of the Australian Institute of Geoscientists and who has sufficient experience relevant to the styles of mineralisation and the types of deposit under consideration, and to the activity that has been undertaken, to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Mr Dukovcic consents to the inclusion in this report of information compiled by him in the form and context in which it appears.

The information in this report that relates to the Desert Lion Mineral Resource estimates is based on information compiled and verified by Mike Venter, Pr.Sci.Nat and VP Exploration for Desert Lion, who is a Qualified Person as defined by National Instrument 43-101.

Tim Johnston, CPEng, Chief Executive Officer of [Desert Lion Energy Inc.](#), and a Qualified Person as defined by National Instrument 43-101 has reviewed and approved the scientific and technical information contained in this news release pertaining to the Namibian Property and was responsible for verifying the data herein.

Cautionary Note Regarding Forward-Looking Statements

*This news release contains "forward-looking information" within the meaning of applicable securities laws. Generally, any statements that are not historical facts may contain forward-looking information, and 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 indicates that certain actions, events or results "may", "could", "would", "might" or "will be" taken, "occur" or "be achieved." Forward-looking information is based on certain factors and assumptions management believes to be reasonable at the time such statements are made, including but not limited to: (i) assumptions and expectations with regard to the proposed merger, its completion and anticipated benefits and advantages; (ii) the future prospects, including the integration and commercial viability of Lepidico's technologies, resulting from the proposed merger and the ability to unlock value; (iii) the completion of the entitlements offers; (iv) continued exploration activities; (v) lithium and other metal prices; (vi) , the estimation of initial and sustaining capital requirements; (vii) the estimation of labour and production costs; (viii) the estimation of mineral reserves and resources; (ix) assumptions with respect to currency fluctuations; * the timing and amount of future exploration and development expenditures; (xii) receipt of required regulatory approvals; (xiii) the availability of necessary financing for Lepidico, Desert Lion and the Desert Lion Project, permitting; and (xv) such other assumptions and factors as set out herein.*

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 Desert Lion and Lepidico to be materially different from those expressed or implied by such forward-looking information, including but not limited to: risks related to changes in lithium prices; sources and cost of power and water for the Desert Lion Project; the estimation of initial capital requirements; the lack of historical operations; the estimation of labour and operating costs; general global markets and economic conditions; risks associated with exploration, development and operations of mineral deposits; the estimation of initial targeted mineral resource tonnage and grade for the Desert Lion Project; risks associated with uninsurable risks arising during the course of exploration, development and production; risks associated with currency fluctuations; environmental risks; competition faced in securing experienced personnel; access to adequate infrastructure to support exploration activities; risks associated with changes in the mining regulatory regime governing Lepidico, Desert Lion and the Desert Lion Project; completion of the environmental assessment process; risks related

to regulatory and permitting delays; risks related to potential conflicts of interest; the reliance on key personnel; financing, capitalization and liquidity risks including the risk that the financing necessary to fund continued exploration and development activities at the Desert Lion Project may not be available on satisfactory terms, or at all; the risk of potential dilution through the issuance of additional common shares of Lepidico and Desert Lion; the risk of litigation; the risk that the proposed merger will not be completed within the proposed timeline, or at all; and the risk that Lepidico's entitlements offers will not be completed.

Although Desert Lion has attempted to identify important 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 information. Accordingly, readers should not place undue reliance on forward-looking information. Forward-looking information is made as of the date of this announcement and Desert Lion does not undertake to update or revise any forward-looking information that is included herein, except in accordance with applicable securities laws.

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SOURCE Desert Lion Energy

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