

Rojo Resources Ltd. Announces Entering into Arrangement Agreement with Salvation Botanicals Ltd.

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Vancouver, October 21 2019 - [Rojo Resources Ltd.](#) ("Rojo" or the "Company") (TSXV: RJ:H) is pleased to announce that it has entered into a definitive arrangement agreement (the "Arrangement Agreement") dated October 2, 2019 with Salvation Botanicals Ltd. ("Salvation"), a private company based in Nanaimo, BC. Salvation is an independent, multi-faceted, science based cannabis/hemp and controlled substances technology company focused on progressing and servicing the evolving cannabis/hemp industry and supporting mental health research through Salvation Botanicals Ltd. Including 1134337 BC Ltd, a wholly owned company under Salvation Botanicals Ltd.

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Salvation has a fully functioning 7,000 square foot Health Canada licensed analytical testing facility and provides testing services to Licensed Cultivators, Processors, Patient Growers and Research Facilities and is positioned for rapid growth. Salvation also has a fully built and funded 7,500 square foot processing facility and is a late-stage applicant for a Health Canada Standard Processor license.

Salvation holds the following licenses:

- Analytical Testing License - allowing for the analytic testing of cannabis for quality assurance purposes through the name Salvation Bioscience,
 - Two Industrial Hemp Licenses - allowing for
- -Possession of grain for the purpose of processing it,
 - The sale and distribution of seed and grain, and
 - Exportation of seed and grain.
- -Controlled Drugs and Substances License received in July 2019 allowing for the possession, testing sale and distribution of the following psychedelics substances for medical and research purposes:
- -Psilocybintryptamine (DMT)
 - Psilocin
 - 3,4,5-Tremethoxyphenethylamine (mescaline)
 - N,N-Dimethyltryptamine (DMT)
 - N-Methyl-3,4-methylenedioxamphetamine (MDMA)
- -On September 27, 2019 Salvation submitted its Evidence Package to Heath Canada for a Standard Processor License for its processing facility where it will extract and produce cannabis products under its own brand. It expects to receive its processing license in Q4, 2019 subject to Health Canada approval.

Under the Arrangement Agreement, Rojo and Salvation propose to complete a plan of arrangement which will continue the business of Salvation (the "Transaction") as a subsidiary of Rojo, as a public company listed on the TSX Venture Exchange (the "Exchange"). The Transaction will result in Rojo's reactivation and graduation from the NEX board of the Exchange to a Tier 2 industrial issuer (which after completion of the Transaction, is referred to herein as the "Resulting Issuer").

As at May 31, 2019 (unaudited), Salvation's current assets were \$807,856 (cash, cash equivalents, receivables, inventory) and total assets \$3,695,951 (including property, plant and equipment). Salvation's total liabilities were \$1,005,335 (accounts payable, payroll, current finance lease). For the nine month period ended May 31, 2019, Salvation had revenues of \$85,162 with costs of goods sold \$249,898, and a net loss and comprehensive loss for the period of (\$3,730,084). Salvation's audited financial statements for the financial years ended August 31, 2018 and August 31, 2019 will be included Rojo's filing statement that will be prepared in connection with the Transaction.

Summary of the Transaction

As a condition of closing the Transaction, Rojo will (a) consolidate its currently issued and outstanding

common shares and convertible securities on a two-for-one basis (the "Consolidation"), and (b) change its name to Salvation Labs Inc. Following the Consolidation and before issuing shares to the Salvation securityholders, Rojo will have approximately 3,594,043 common shares outstanding.

The Arrangement Agreement contemplates that Rojo, Salvation and Salvation's securityholders will complete a securities exchange transaction whereby the holders of all shares and convertible securities of Salvation will exchange such securities in consideration for the issuance of equivalent post-Consolidation securities of the Resulting Issuer ("RI Shares") as described below.

It is contemplated that up to 63,666,420 RI Shares will be issued to the shareholders of Salvation and holders of Salvation Special Warrants.

55,221,233 Salvation Shares will be converted into 55,521,233 RI Shares, 5,058,000 Salvation Options will be converted into equivalent Resulting Issuer options, 9,745,226 Salvation Warrants will be converted into equivalent Resulting Issuer warrants, and 8,445,187 Salvation Special Warrants (from the previously closed special warrant financing) will convert into 8,445,187 RI Shares and 4,222,593 RI warrants exercisable for 18 months at \$1.25, subject to acceleration. Salvation has also reserved for issuance 700,000 Salvation milestone shares to management upon certain milestones being met, and 28,000,000 Salvation milestone shares to Clifford Wiltshire upon Salvation achieving certain economic milestones. These Salvation milestone shares reserved for issuance on satisfaction of the milestones will become equivalent obligations of the Resulting Issuer on closing of the Transaction.

The 28,000,000 milestone shares to Mr. Wiltshire may be earned in tranches based on Salvation achieving progressively higher annual earnings before interest, taxes, depreciation and amortization (EBITDA) according to its annual audited financial statements, commencing from at least \$1,000,000 during a fiscal year to \$10,000,000 during a fiscal year.

Certain of the RI Shares issued to the principals of Salvation who will become management of the Resulting Issuer, will be subject to escrow in accordance with the Exchange's policies. In addition, those Salvation shareholders presently holding at least 5% of the outstanding Salvation shares will also be subject to comparable escrow restrictions.

The Salvation special warrant financing previously noted in Rojo's April 30, 2019 news release will not proceed with a further tranche. Instead, Rojo will arrange a non-brokered private placement (the "Private Placement") for total gross proceeds of up to \$650,000. The Private Placement will consist of up to 5,200,000 units at a price of \$0.125 per unit (each a "Unit"). Each Unit is comprised of one common share of the Company and one common share purchase warrant (each a "Warrant"). Each Warrant entitles the holder to acquire RI Share for a period of 12 months at a price of \$0.25, subject to an accelerated expiry if the closing trading price of the Resulting Issuer shares is greater than \$0.75 per share (post-Consolidation Price) for a period of 10 consecutive trading days (the "Acceleration Event"). The Resulting Issuer will give notice to the holders of the Acceleration Event and the Warrants will expire 30 days thereafter. When Rojo completes the Consolidation, the Private Placement securities will be consolidated accordingly (ie. effective price of Units is \$0.25, with Warrant exercise price adjusting to \$0.50).

Rojo is currently listed on the NEX board and therefore the Warrants are not permitted to be for a term longer than 12 months. However, once the Resulting Issuer becomes a Tier 2 issuer, the terms of the Warrants will extend to 24 months, as discussed with the TSXV.

The Private Placement is subject to the Exchange's approval. Rojo may pay finder's fees to eligible finders, as permitted by applicable securities laws and the rules of the Exchange. Any securities issued under the Private Placement will have a hold period of four months and a day from issuance.

In connection with the Transaction, Rojo also intends to conduct a subscription receipt financing for up to 11,000,000 subscription receipts (the "Subscription Receipts") at a price of \$0.125 per Subscription Receipt. Each Subscription Receipt entitles the holder thereof to receive, upon satisfaction of the escrow release conditions (which will include, among other things, the closing of the Transaction) on or before the escrow release deadline, and without payment of additional consideration therefor, to give effect to the Consolidation, one-half of a RI Share and one-quarter of a Resulting Issuer warrant - which would be 5,500,000 RI Shares and 2,750,000 Resulting Issuer warrants, exercisable for two years at an exercise price of \$0.50, subject to the same Acceleration Event described above. Should the escrow release conditions not be satisfied by the escrow release deadline, the Subscription Receipts will be cancelled, and all proceeds from the sale of Subscription Receipts will be returned to subscribers. Rojo's transfer agent is expected to act as the subscription receipt agent in respect of the Subscription Receipts. The Subscription Receipts and the securities into which they are convertible, bear a hold period of four months and a day from the closing of the Subscription Receipts.

On closing of the Transaction, after giving effect to the Consolidation, the Private Placement and the

conversion of the Subscription Receipts, the Resulting Issuer is expected to have 75,365,463 RI Shares outstanding (undiluted).

The Transaction will be considered an RTO under Exchange policies and is not a Related Party Transaction. Further, Rojo is presently without active operations and is not subject to a cease trade order of the securities regulatory authorities (and will not otherwise be suspended from trading on completion of the RTO). Accordingly, under Exchange Policy 5.2 Changes of Business and Reverse Takeovers, Rojo does not anticipate needing to obtain shareholder approval of the Transaction, unless required because of the corporate law structure used to facilitate the Transaction.

Conditions of Closing

Completion of the Transaction will be subject to certain conditions, including but not limited to: (a) completion of the Salvation Private Placement; (b) receipt of all necessary approvals of the boards of directors of Rojo and Salvation; (c) receipt of all necessary third party consents; (d) receipt of shareholder approvals, if required; (e) approval of the Transaction by the Exchange as Rojo's reactivation and graduation; (f) the Resulting Issuer satisfying the Initial Listing Requirements set by the Exchange for a Tier 2 Industrial Issuer; and (g) the parties' entry into a definitive agreement in furtherance to the LOI.

Sponsorship

Rojo intends to apply to the Exchange for a waiver of the Exchange's sponsorship requirements. There is no assurance that this waiver will be granted; however, Rojo anticipates that because the Resulting Issuer will operate in a highly regulated industry, there are reasonable expectations that the Exchange will grant the waiver.

Management and Board of Directors

Upon completion of the Transaction, it is expected that certain members of the Rojo board will resign and the board of directors of the Resulting Issuer will be reconstituted with certain nominees put forth by Salvation, expected to include Michael Tan, Edwin Garner, Gregory Hall, Allen Morishita and Larry Timlick. Messrs. Morishita and Timlick are current Rojo directors.

Michael Tan, Director, President and Chief Executive Officer

Former first executive director, British Columbia Liquor Distribution Branch ("BCLDB") Cannabis Division, in which role he successfully launched BCLDB operations in B.C. Mr. Tan has 20 years strategic planning and execution with national and multinational corporations including UPS, Hudson's Bay Company (including Saks Fifth Avenue and Lord & Taylor) and Indigo Books & Music, with specialization in high impact product development, marketing and operations with a track record of driving profitable revenue growth.

Ming Jang, Chief Financial Officer and Corporate Secretary

Professional accountant with 25 years of senior financial management experience in various sectors, including cannabis and mining. Former financial consultant and CFO for Ignite Brands, Overland Resources, Intigold Mines and Coventry Resources.

Greg Hall, Director

Independent business advisor to Canadian public companies with over 35 years' experience assisting in all aspects of corporate structuring and finance. Previous investment banking positions include Haywood Securities, PI Financial, Canaccord Genuity and Leede Jones Gable. Member of the Institute of Corporate Directors. President of Water Street Assets, a private equity venture capital fund focused on investments in public companies listed on Canadian stock exchanges.

Ed Garner, B.Com, Director

A practicing commercial realtor and Chair of the Commercial Division of the Vancouver Island Real Estate Board. Actively involved in combative sports, he is a Licensed Professional Judge and is the current Vice President for the North American Boxing Federation. Entrepreneur with experience in Land Development, Liquor Licensing and food service industries.

Larry Timlick, Director

Larry Timlick has been in the technology space for over 30 years and has had senior management sales positions with AT&T, Cisco, Arista, and Avaya. Larry has been consulting in the Cannabis / Hemp market for the last 30 months to a number of start-up companies in Canada, USA and Colombia to help build out their business models and find capital to develop their businesses. Larry was an early founder / former director of

NextLeaf Solutions (CSE - OILS). He is also an Advisor and Board Member of Turtle Island Corporation a holding company formed to capitalize on the growing legal cannabis markets and create shared economic development for First Nations across a global network with planned operations in Canada, Colombia and Malta. Larry also has a full understanding of the market requirements for THC / CBD Oils and the Technology required to produce it. Larry has total public board member experience of 29+ years with a number of companies listed on the TSX, TSX.V, Nasdaq and the CSE.

Allen Morishita, Director

Formerly a register investment advisor with Canaccord Capital Corporation (now Canaccord Genuity Inc.), Allen has for the past several years been a senior executive and/or director of several TSXV/CSE issuers.

ON BEHALF OF THE BOARD [Rojo Resources Ltd.](#)

Allen Morishita
President and Chief Executive Officer

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Statements in this press release regarding Rojo which are not historical facts are "forward-looking statements" that involve risks and uncertainties, such as the completion of the proposed Transaction. Such information can generally be identified by the use of forwarding-looking wording such as "may", "expect", "estimate", "anticipate", "intend", "believe" and "continue" or the negative thereof or similar variations. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties such as the risk that the closing may not occur for any reason. Forwarding-looking statements in this news release include the statements that: (i) the parties anticipate that the Resulting Issuer will be listed as a Tier 2 Industrial Issuer and (ii) the terms of the Rojo Private Placement and Subscription Receipts.

Actual results in each case could differ materially from those currently anticipated in such statements due to factors such as: (i) the decision to not close the Transaction, Private Placement or Subscription Receipts for any reason, including adverse due diligence results and Exchange refusal of the Transaction; (ii) adverse market conditions; (iii) the need for additional financing; and (iv) change in laws and regulations regarding the industry in which Salvation operates. Except as required by law, the Company does not intend to update any changes to such statements.

Completion of the transaction is subject to a number of conditions, including but not limited to, Exchange acceptance and if applicable pursuant to Exchange Requirements, majority of the minority shareholder approval. Where applicable, 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 or filing statement 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. Trading in the securities of Rojo should be considered highly speculative.

The TSX Venture Exchange Inc. has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this press release.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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