

# Magnolia Colombia Ltd. Update to Proposed Reverse Takeover Transaction

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TORONTO, Feb. 26, 2020 - [Magnolia Colombia Ltd.](#) (Magnolia or the Company) (TSXV: MCO) wishes to provide additional information concerning the background to its proposed transaction with Gamesquare Inc. (the Target) as outlined in the press release dated February 10, 2020. Magnolia and the Target have entered into a definitive amalgamation agreement dated February 26, 2020 (the Agreement) pursuant to which Magnolia will acquire all of the issued and outstanding securities of the Target (Target Shares) in exchange for securities of the Company (the Transaction). The Transaction will be carried out by way of a three-cornered amalgamation. As a result of the Transaction, Magnolia will continue on with the business of the Target.

## Gamesquare Inc.

The Target is a private company incorporated under the Business Corporations Act (*Ontario*) that has entered into a binding agreement to acquire Code Red Esports Ltd. (Code Red). Code Red is a private company incorporated in England and Wales that operates an esports agency representing on screen talent, influencers and players in Europe and throughout the world, and has worked with some of the biggest brands in gaming and technology.

Gamesquare is an esports company seeking to acquire additional assets and entities serving the esports market and more broadly in sports and entertainment. Pursuant to the unaudited financial statements of Code Red for the 11 months ended October 31, 2019, Code Red's working capital was \$138,427 and it held current assets of approximately \$521,000. Code Red's current liabilities were \$223,967. For the period, Code Red generated \$2.7 million of gross revenue, up 40% over the prior fiscal year whilst realizing positive net income of \$41,400. The agency business is benefitting from positive industry trends as a result of esports audience growth and a significant increase in attention and investment from major global brands. Industry experts expect secular growth to continue in the foreseeable future.

## Transaction Summary

The Transaction is structured as a three-cornered amalgamation, pursuant to which 2631443 Ontario Inc. (Magnolia Subco), a wholly-owned subsidiary of the Company, and the Target will amalgamate (the Amalgamation) to form a newly amalgamated company (Amalco). Prior to the completion of the Amalgamation, the existing common shares in the capital of the Company (the Magnolia Shares) will be consolidated on a 5.8 to 1 basis resulting in 9,996,050 Magnolia Shares outstanding post consolidation. Pursuant to the Amalgamation, former holders of common shares of the Target (the Target Shares) will receive one Magnolia Share (the Magnolia Shares) for each Target Share held and Amalco will become a wholly-owned subsidiary of the Company.

Upon completion of the Amalgamation, the Company will be the parent and the sole shareholder of Amalco and thus will indirectly carry on the business of the Target under the name Gamesquare Esports Inc. Further, it is proposed that the management and Board of Directors of the Company be changed to consist of persons that have experience in the new business to be undertaken. Biographical information regarding proposed management and directors of the combined company is provided below under the heading *Management Team and Board of Directors*.

As of the date hereof, the Target's authorized capital consists of an unlimited number of Target Shares, of which 20,000,000 are issued and outstanding. The Target also has stock options exercisable for 100,000 Target Shares at a price of \$0.05 per share (the Target Options) outstanding. The 20,000,000 Target Shares will be exchanged for 20,000,000 Magnolia Shares upon the closing of the Amalgamation (the Closing) at a deemed price of \$0.25 per Target Share. On Closing, the shareholders of Code Red shall also be issued an additional 9,300,000 Target Shares. Pre-financing, there will be a total of 39,296,050 Magnolia Shares issued and outstanding on Closing.

In connection with the Transaction, each Target Option will be exchanged for an option to buy Magnolia

Shares on the same terms and conditions as the prior Target Options other than such option will now be exercisable to receive one Magnolia Share.

In connection with the Transaction, the Company will be seeking shareholder approval of the reverse take-over pursuant to the policies of the TSX Venture Exchange (&ldquo;TSXV&rdquo;), the election of the new directors, the change of name of the Company, and the consolidation of the Magnolia Shares. In addition, the proposed delisting of the Company from the TSXV in order to list on the Canadian Securities Exchange (&ldquo;CSE&rdquo;) will be subject to the approval of the majority of the minority shareholders of Magnolia, which excludes the votes of Non-Arm&rsquo;s Length Parties (as such term is defined pursuant to the policies of the TSXV) of the Company. The Target will also be seeking shareholder approval with respect to the Amalgamation. The Transaction has been unanimously approved by the Boards of Directors of Magnolia and the Target and both boards of directors recommend that their respective shareholders vote in favor of the Transaction and related matters.

Aside from the receipt of the shareholder and regulatory approvals outlined above, the completion of the Transaction will also be subject to other conditions precedent, including the representations and warranties contained in the Agreement continuing to be accurate with no material change thereto and the completion of a private placement financing by the Company of at least \$3,000,000.

The Transaction represents a Reverse Take-Over for Magnolia under the policies of the TSXV. There are no Non-Arm&rsquo;s Length Parties (as defined in the policies of the TSXV) to the Transaction. No Sponsor has been retained as part of the Transaction.

### **Management Team and Board of Directors**

Upon completion of the Transaction, it is anticipated that the management and directors of the Company will be the individuals as set out below:

- Kevin Wright &ndash; *Chief Executive Officer and Director*. Kevin Wright has spent the past 15 years providing financial, strategic and communications advice to public and private companies. His experience includes strategy consulting for Rogers Communications, equity research covering publicly listed telecommunications and wireless for Macquarie Capital. Kevin has previously held the role of director with Canaccord Genuity where he was an equity analyst covering companies in the technology, fintech, gaming, and diversified financials sectors. He was awarded an MBA from the University of Western Ontario where he graduated as an Ivey Scholar.
- Paul Bozoki &ndash; *Chief Financial Officer*. Paul Bozoki is a dual Canadian and U.S. CPA with approximately 25 years of accounting, tax and corporate finance experience. He has served as CFO of several development stage TSX and TSXV-listed companies involved in mining, technology and consumer products. He also has extensive experience working in emerging markets. Mr. Bozoki began his career at EY LLP where he spent six years in the audit practice. He has an MBA from the Richard Ivey School of Business and a Bachelor of Commerce from Queen&rsquo;s. Paul is veteran corporate financial executive who draws upon 25 years of experience working on six continents to support his portfolio companies.
- Neil Said &ndash; *Corporate Secretary*. Neil Said is a corporate securities lawyer who works as a legal consultant to various TSX and TSX Venture listed companies in the mining, gaming and technology industries. He previously worked as a securities lawyer at a large Toronto corporate law firm, where he worked on a variety of corporate and commercial transactions. Mr. Said obtained a Juris Doctor from the Faculty of Law at the University of Toronto and he received a Bachelor of Business Administration (Honours) with a minor in Economics from Wilfrid Laurier University.
- Maurice Colson- *Director*. Mr. Colson has worked in the investment industry for more than 35 years and was previously managing director for a major Canadian investment dealer in the United Kingdom. He is actively involved in providing strategic counsel and assistance with financing to emerging private and public companies in Canada and to Canadian companies operating internationally. He sits on the board of directors of several TSX, TSX Venture and CSE listed companies and is the former President and CEO of Lithium One Resources. Mr. Colson holds a Masters of Business Administration degree.

- **Craig Armitage - Director.** Mr. Armitage is a highly experienced capital markets practitioner, having spent the past 17 years advising and working with growth companies. Craig was a senior member of Canada's largest Investor Relations agency, where he led the technology and financial services practices. Previously, he led IR and communications at one of Canada's largest independent asset management companies. During his time in the field, Craig has gained extensive experience in all areas of IR, IPOs, M&A, investor outreach, media and crisis management. Craig served on the Board of Directors of CIRI Ontario for several years. He is a graduate of the University of Western Ontario.
- **Paul Chaloner - Director.** Mr. Chaloner is a co-founder and Managing Director of Code Red Esports. Dubbed by ESPN as "the voice of esports", Paul has more than 15 years experience in esports with a wide range of skills and roles performed from running large scale events, writing, producing and directing shows to heading up broadcast teams and appearing as on stage talent in host, presenter and commentator roles. Founded in 2016, Paul has been instrumental in growing Code Red Esports into a leading global esports agency.

### **Loan to Target**

Subject to the approval of the TSXV, Magnolia intends to provide a secured loan to the Target in the amount of \$250,000 (the "Target Loan"). The Target Loan is intended to provide the Target with working capital to complete the Transaction and the acquisition of Code Red. In the event the Transaction is not completed, the Target Loan is to be repaid in full to the Company. The Target Loan shall bear interest at 10% per annum and shall be secured against the assets of the Target.

### **Concurrent Offering**

Prior to, or concurrently with the closing of the Transaction, the Target intends to complete a private placement offering of subscription receipts of the Target (the "Subscription Receipts") for gross proceeds of up to \$3 million. Each Subscription Receipt will, upon satisfaction of the escrow release conditions, be exercisable for one Target unit (each a "Target Unit" and collectively the "Target Units") at a proposed price of \$0.25 per Target Unit. It is anticipated that each Target Unit shall be comprised of one Post-Consolidation Target Share and one half of one common share purchase warrant, exercisable for 24 months from the date of completion of the Transaction at a price to be determined (the "Concurrent Offering"). In connection with the Concurrent Offering, Magnolia may pay finder's fees in accordance with the policies of the TSXV.

The net proceeds of the Concurrent Offering will be used for a payment of \$2,325,000 to be made to the shareholders of Code Red due on Closing and for general working capital purposes.

### **Timing of the Transaction**

Full details of the Transaction and the Target will be included in the management information circular of Magnolia which is to be mailed to its shareholders. It is anticipated that both the shareholder meeting and the closing of the Transaction will take place in the second quarter of 2020. The common shares of Magnolia will remain halted pending further filings with the TSXV.

### **Cautionary Note Regarding Forward-Looking Information**

This press release contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, without limitation, statements regarding the proposed Transaction, the business of the Target, the ability of the Company to complete the proposed Transaction, the expected benefits of the proposed Transaction to the Company and its shareholders, the delisting of the Magnolia Shares from the TSXV, the listing of the Magnolia Shares on the CSE and the future plans or prospects of the Company. Generally, 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 state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". 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 Magnolia, as the case may be, to be materially different from those expressed or implied by such forward-looking information. Although Magnolia has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. Magnolia does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

**About Magnolia Colombia Limited:**

[Magnolia Colombia Ltd.](#) is a Canadian independent oil exploration company.

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*Completion of the Transaction is subject to a number of conditions, including but not limited to TSXV acceptance and, if applicable, disinterested shareholder approval. 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 of Magnolia 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 Magnolia should be considered highly speculative.*

*The TSX Venture Exchange Inc. has in no way passed upon the merits of the proposed transaction and has not approved or disapproved of the contents of this news release.*

*Neither the 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.*

*Neither the Canadian Securities Exchange nor its regulation services provider has reviewed or accepts responsibility for the adequacy or accuracy of this release.*

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