

Aquila Resources to Be Acquired by Gold Resource Corporation to Form Diversified North American Precious and Base Metals Producer

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[Aquila Resources Inc.](#) (TSX: AQA, OTCQB: AQARF) ("Aquila" or the "Company") is pleased to announce that it has entered into a binding letter agreement (the "Letter Agreement") with Gold Resource Corporation ("GORO") (NYSE American: GORO) setting out certain key terms of a proposed acquisition by GORO of all the issued and outstanding common shares of Aquila by way of a plan of arrangement under the Business Corporations Act (Ontario) (the "Transaction").

Pursuant to the Transaction, which is subject to the entering into of a definitive arrangement agreement (the "Arrangement Agreement"), GORO will acquire all the issued and outstanding Aquila shares for 0.0399 of a GORO share per Aquila share (the "Exchange Ratio"). Based upon the 20-day volume-weighted average price ("VWAP") of GORO's shares on the NYSE American stock exchange on September 3, 2021, being the last trading day prior to the date of the Letter Agreement, the Exchange Ratio represents a 29% premium to the 20-day VWAP of Aquila's shares on the Toronto Stock Exchange as of such date. The Exchange Ratio represents consideration of C\$0.09 per Aquila share (the "Per Share Price"), reflecting a premium of 12.5%, based upon the closing prices of the Aquila shares and the GORO shares on September 3, 2021. The Per Share Price implies an aggregate acquisition price for 100% of the outstanding Aquila shares of approximately C\$30.9 million.

Upon closing of the Transaction, the existing GORO and Aquila shareholders will own approximately 85.1% and 14.9%, respectively, of the combined company on a fully diluted basis.

Strategic Rationale for the Transaction

Barry Hildred, Executive Chair, commented, "We believe strongly that this Transaction provides substantial immediate and long-term benefits to Aquila shareholders. The business combination with GORO, a proven operator of a cash flowing mine in the Americas, materially de-risks the financing and development of the Back Forty Project. The Transaction also allows our shareholders to maintain exposure to the value that is created as Back Forty advances towards production."

Guy Le Bel, President & CEO, added, "We share Allen's vision for the combined company which, as a growth-oriented, multi-jurisdictional, diversified precious and base metal producer, will be well-positioned to create value for all shareholders."

Commenting on the entering into of the Letter Agreement, Allen Palmiere, President and Chief Executive Officer of GORO, said: "This proposed business combination offers an attractive opportunity to the shareholders of both GORO and Aquila. By combining our complementary assets, we will enhance our mineral inventory and add jurisdictional diversification to our project portfolio. The combined company will become a new intermediate gold producer following the commencement of production at Aquila's Back Forty Project, and its shareholders can look forward to the potential of a company that is expected to benefit from a peer leading growth profile, underpinned by a healthy balance sheet and strong cash flow capable of supporting the development of the Back Forty Project. We look forward to entering into the Arrangement Agreement with Aquila and successfully completing the Transaction."

Further details of the benefits of the Transaction to Aquila and GORO shareholders include the following:

- Immediate and Significant Premium to Aquila Shareholders. Based on the 20-day VWAPs of the GORO shares and the Aquila shares, the Transaction offers an immediate and significant premium to Aquila's shareholders of 29%.

- **Enhanced Market Presence and Re-Rating Potential.** GORO currently benefits from inclusion in the VanEck Junior Gold Miners ETF (the "GDXJ") and from an average daily trading volume of approximately 1 million shares, trailing three months. The Transaction is intended to result in the Back Forty Project being placed into production on a more accelerated basis, funded by cash flow generation, thus elevating the combined company to intermediate producer status. Following the completion of the Transaction, GORO is expected to continue to be included in the GDXJ and to benefit from an enhanced capital markets profile in the United States and Canada, as well as increased trading liquidity and broadened appeal to global index, resource, and generalist investors. This offers the potential for a re-rating to a multiple more in line with other intermediate gold producers.
- **Enhanced Project and Jurisdictional Diversification.** Each of GORO and Aquila is currently a single-asset, single-jurisdiction company. Through the Transaction, GORO and Aquila shareholders will have the opportunity to participate in the ongoing growth of a multi-jurisdictional, diversified precious and base metal producer with exposure to gold, silver, zinc, copper and lead through GORO's producing Don David Gold Mine in Oaxaca, Mexico and Aquila's Back Forty Project in Menominee County, Michigan. It is anticipated that Aquila's previously announced sale of its Bend and Reef exploration properties will be completed prior to the completion of the Transaction.
- **Growth Profile and Financial Strength of Combined Company.** The combined company is expected to benefit from a peer leading growth profile, a robust balance sheet with no debt and cash of US\$30.2 million at June 30, 2021, free cash flow generation from its Don David Gold Mine and the synergies that generally accrue from scale in the areas of general and administrative expenses, from less duplication of salaries, wages and other public company expenses, improved concentrate sales and marketing and supply chain efficiencies.
- **Materially De-Risks the Financing and Development of the Back Forty Project for Aquila Shareholders.** Benefitting from the free cash flow generated by the Don David Gold Mine, Aquila shareholders will not be diluted by a near-term equity financing that would otherwise be required to advance the Back Forty Project through the final stages of permitting and engineering. GORO is supportive of Aquila's project development plans including continuing working towards an optimized Feasibility Study. The combined Company's position of financial strength is also expected to result in an improved ability to access required additional financing to fund the Back Forty Project's construction capital expenditures.
- **All-Stock Transaction Enables Aquila Shareholders to Maintain Upside Exposure.** Through their ownership in the combined company, Aquila shareholders will maintain exposure to the value that is expected to be unlocked as the Back Forty Project is advanced towards construction and production. Despite being a proven gold producer, GORO currently trades at only approximately 2.5 times free cash flow from operations. Aquila shareholders will participate in the anticipated re-rating of GORO from a one mine company in Mexico to a two-mine company with jurisdictional diversification.
- **Experienced Management Team.** The combined company will benefit from GORO's and Aquila's technical and operational teams' expertise in polymetallic open pit and underground mines. The GORO executive team has a demonstrated record of success in developing and operating mining projects in the Americas.
- **Demonstrated Consistent Dividend History.** Post-Transaction, GORO intends to continue to pay dividends in accordance with its past practice. GORO has made consistent dividend payments to its investors for more than ten years.

Support for the Transaction from Key Aquila Stakeholders

Aquila's largest shareholder, Orion Mine Finance ("Orion"), which holds 28.6% of the issued and outstanding Aquila shares, has confirmed to GORO that it is supportive of the Transaction. Subject to its review of the proposed Arrangement Agreement, Orion has indicated its intention to enter into a voting support agreement in favor of the Transaction, on terms to be agreed between GORO and Orion, contemporaneously with the execution of the Arrangement Agreement. The Letter Agreement also provides for the delivery of voting support agreements by each of Aquila's directors and officers at such time (together with the aforementioned Orion agreement, the "Support Agreements").

Osisko Bermuda Limited, a wholly-owned subsidiary of Osisko Gold Royalties and which is a party to gold and silver stream agreements with Aquila relating to the Back Forty Project, has also confirmed that it considers GORO to be an approved purchaser under those agreements, and that it is supportive of the proposed Transaction.

Board Approvals

The Letter Agreement has been unanimously approved by the boards of directors of both GORO and Aquila. The Aquila board's approval of the Letter Agreement was based in part on the unanimous recommendation of a special committee of independent directors of Aquila which was appointed to consider the Transaction.

Arrangement Agreement and Transaction Approvals

The Letter Agreement provides for a period of up to 45 days of exclusive negotiations by Aquila with GORO (the "Exclusivity Period") with a view to entering into a mutually acceptable Arrangement Agreement, and provides that the Arrangement Agreement will reflect the Exchange Ratio and other economic terms set out in the Letter Agreement. The Arrangement Agreement will contain customary representations and warranties, covenants, closing conditions and deal protection mechanisms for a transaction of this nature, including a break fee payable by Aquila to GORO equal to 4.0% of the total Transaction value in the event of termination of the Arrangement Agreement under certain circumstances.

The entering into of the Arrangement Agreement is subject to certain conditions set out in the Letter Agreement, including (i) the satisfaction of each of GORO and Aquila with its respective ongoing due diligence investigations, (ii) the receipt by Aquila's board of directors of an opinion that the consideration proposed to be received by the Aquila shareholders pursuant to the Transaction is fair, from a financial point of view, to the Aquila shareholders, (iii) the approval of the Arrangement Agreement by the boards of directors of each of GORO and Aquila, and (iv) the entering into of the Support Agreements and certain other arrangements with third parties under certain of Aquila's material contracts on a basis acceptable to GORO. The Letter Agreement also provides that if the Arrangement Agreement is not entered into, Aquila or GORO will reimburse the other party for certain of its expenses incurred in connection with the proposed Transaction depending on the circumstances.

The Transaction will require the approval of at least 66% of the votes cast in person or by proxy at a special meeting of Aquila shareholders. The Transaction is also subject to Ontario court approval and the receipt of applicable regulatory approvals. The parties anticipate that the Aquila special shareholder meeting and the closing of the Transaction will take place in the fourth quarter of 2021. The Transaction will not require the approval of GORO's shareholders.

Advisors

Goodmans LLP is Aquila's Canadian legal advisor and Scotiabank is Aquila's financial advisor.

Conference Call and Live Webcast

Management of GORO will host a conference call and live webcast at 10:00 a.m. Toronto time / 8:00 a.m. Denver time on September 8, 2021 to discuss the Transaction. Please use the following information to access the call and/or webcast:

There are two ways to join the conference call.

To join the conference via webcast, please click on the following link:
<https://www.webcaster4.com/Webcast/Page/2361/42777>.

To join the call via telephone please use one of the following dial-in details:

Participant Numbers:

Toll Free: 844-602-0380

International: 862-298-0970

Replay Number: Toll Free: 877-481-4010

International: 919-882-2331

Replay Passcode: 42777

Please connect to the conference call at least 10 minutes prior to the start time using one of the connection options listed above.

ABOUT AQUILA

[Aquila Resources Inc.](#) (TSX: AQA, OTCQB: AQARF) is a development stage company focused on high grade polymetallic projects in the Upper Midwest, USA. Aquila's experienced management team is currently advancing pre-construction activities for its flagship 100% owned gold and zinc rich Back Forty Project in Michigan.

The Back Forty Project is a volcanogenic massive sulfide deposit with open pit and underground potential located along the mineral rich Penokean Volcanic Belt in Michigan's Upper Peninsula. Back Forty contains approximately 1.1 million ounces of gold and 1.2 billion pounds of zinc in the Measured & Indicated Mineral Resource classifications, with additional exploration upside. An optimized Feasibility Study for the Project is underway.

Additional disclosure of Aquila's financial statements, technical reports, material change reports, news releases and other information can be obtained at www.aquilaresources.com or on SEDAR at www.sedar.com.

ABOUT GOLD RESOURCE CORPORATION

[Gold Resource Corp.](#) is a gold and silver producer, developer, and explorer with its operations centered on the Don David Gold Mine in Oaxaca, Mexico. Under the direction of a new board and senior leadership, the company's focus is to unlock the significant upside potential of its existing infrastructure and large land position surrounding the mine. For more information, please visit GORO's website, located at www.goldresourcecorp.com and read the company's Form 10-K for an understanding of the risk factors associated with its business.

Cautionary statement regarding forward-looking information

This press release may contain certain forward-looking statements. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". In particular, this news release contains forward-looking information pertaining to the following: statements regarding the proposed Transaction (including with respect to the satisfaction of conditions to the entering into of the Arrangement Agreement, the terms and conditions of the Arrangement Agreement and Support Agreements, and the receipt of shareholder, court and regulatory approvals for the Transaction); the potential strategic benefits of the Transaction and expectations regarding the combined company (including its growth profile and resource profile, the development of the Back Forty Project, cash flow generation from the Don David Gold Mine, and its market presence and re-rating potential and expectations regarding the payment of dividends); and timing expectations for all of the foregoing. Forward-looking statements and information are subject to various known and unknown risks and uncertainties, many of which are beyond the ability of Aquila to control or predict, that may cause their actual results, performance or achievements to be materially different from those expressed or implied thereby, and are developed based on assumptions about such risks, uncertainties and other factors set out herein, including but not limited to: the ability of the Company and GORO to negotiate the Arrangement Agreement and the satisfaction of the conditions precedent to the execution of the Arrangement Agreement (including the satisfaction of each of GORO and Aquila with their respective due diligence investigations, the approval of the Arrangement Agreement by the boards of directors of each of GORO and Aquila, and the execution of the Support Agreements); the satisfaction of all conditions precedent to closing the Transaction (including the obtaining of all shareholder, court, and regulatory approvals); inherent risks of mining exploration, development and production operations; economic factors affecting the Company and/or GORO; the integration of the businesses of the Company and GORO; political conditions and the regulatory environment in the United States and Mexico; and the scope, duration, and impact of the COVID-19 pandemic on the Company and GORO as well as the scope, duration and impact of government action aimed at mitigating the pandemic; and other related risks and uncertainties, including, but not limited to, risks and uncertainties disclosed in Aquila's filings on its website at www.aquilaresources.com and on SEDAR at www.sedar.com. Aquila undertakes no obligation to update forward-looking information except as required by applicable law. Such forward-looking information represents Aquila's best judgment based on information currently available. No forward-looking statement

can be guaranteed and actual future results may vary materially. Accordingly, readers are advised not to place undue reliance on forward-looking statements or information. Furthermore, mineral resources that are not mineral reserves do not have demonstrated economic viability.

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