

# Amarillo Gold Corp. to be acquired by Hochschild Mining plc

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[Amarillo Gold Corporation](#) ("Amarillo" or the "Company") (TSXV: AGC, OTCQB: AGCBF) has entered into an agreement (the "Arrangement Agreement") with [Hochschild Mining plc](#) ("Hochschild"), whereby Hochschild will acquire all of the outstanding shares of Amarillo by way of a plan of arrangement (the "Arrangement") under the *Business Corporations Act* (British Columbia). Pursuant to the Arrangement, each share of Amarillo will be exchanged for cash consideration of C\$0.40 and one share of a new Brazil-focused exploration company, [Lavras Gold Corp.](#) ("Lavras SpinCo"), based in Toronto, Ontario.

Lavras SpinCo will be capitalized with C\$10 million cash and will hold all assets and rights with respect to the Lavras do Sul gold project (the "Lavras Project") located in southern Brazil in the state of Rio Grande do Sul.

The cash consideration (not including the value of the Lavras SpinCo shares) represents a premium of 66% over the 20-trading day volume weighted average trading price of the Amarillo shares on the TSX Venture Exchange of C\$0.24. The total transaction value is approximately C\$164.5 million, excluding Lavras SpinCo's asset value and C\$10 million of cash. It is anticipated that Lavras SpinCo will complete a share consolidation immediately following the completion of the Arrangement.

## Highlights of the proposed transactions:

- Cash consideration of C\$0.40 per Amarillo share;
- Amarillo shareholders also receive one share of Lavras SpinCo for every Amarillo share held;
- Lavras SpinCo will have C\$10 million cash and will hold a stake of the Lavras Project assets; and
- Lavras SpinCo will have a 2% net smelter return royalty over certain of Amarillo's exploration properties located outside of the current Posse resource and mine plan at Amarillo's Mara Rosa property.

"This acquisition delivers an immediate and compelling opportunity for our shareholders to monetize their investment in Amarillo at an attractive valuation and significant premium to the current and historical trading price of Amarillo's shares," said Mike Mutchler, President and Chief Executive Officer. "The transaction also provides our shareholders with additional value through their continued participation in the future exploration and advancement of the prospective Lavras Project through Lavras SpinCo, where our leadership team will be focussed on unlocking the true value of this project."

## BOARD APPROVAL AND RECOMMENDATION

Following an extensive review and detailed analysis of the proposed Arrangement and the recommendation of the special committee (the "Special Committee") of the board of directors (the "Board") of Amarillo, the Board has unanimously: (i) approved the Arrangement and the entering into of the Arrangement Agreement; (ii) determined that the Arrangement is in the best interests of Amarillo and is fair, from a financial point of view, to Amarillo's shareholders, and (iii) determined to recommend that Amarillo's shareholders vote in favour of the Arrangement.

Research Capital Corporation acted as advisor to the Special Committee and has provided its verbal fairness opinion (the "Fairness Opinion") to the Special Committee and the Board that, as of the date of the Fairness Opinion, and subject to the limitations, qualifications and assumptions disclosed to the Special Committee and the Board in connection therewith, the consideration to be received by Amarillo's shareholders pursuant to the transaction is fair, from a financial point of view to Amarillo's shareholders. The full text of the written Fairness Opinion, which describes the assumptions made, procedures followed, matters considered and limitations and qualifications on the review undertaken, will be included in Amarillo's management information circular.

## SHAREHOLDER APPROVAL

The Arrangement is subject to the approval of the Amarillo shareholders. A special meeting of the Amarillo

shareholders is expected to be held in early 2022 to consider the Arrangement, with an information circular to be mailed to Amarillo shareholders prior to the meeting.

Directors and officers of Amarillo who collectively hold 6.51% of the outstanding shares of Amarillo have entered into voting and support agreements with Hochschild, supporting the Arrangement, pursuant to which they have agreed to vote their shares held in favour of the approval of the Arrangement at the meeting.

In addition, Eric Sprott, through 2176423 Ontario Ltd., a corporation which is beneficially owned by him, and Baccarat Trade Investments Limited, which beneficially hold 68,300,000 and 76,099,500 shares (representing 17.69% and 19.71% of the outstanding shares), respectively, have also entered into similar voting and support agreements with Hochschild supporting the Arrangement.

## **CLOSING**

Subject to the satisfaction of all of the conditions to closing set out in the Arrangement Agreement, it is anticipated that the Arrangement will close in the first quarter of 2022. Conditions to closing under the Arrangement Agreement include, among other matters, receipt of all required regulatory and stock exchange approvals, receipt of required court approvals, receipt of approval from the shareholders of Amarillo and Hochschild and the absence of material adverse changes respecting Amarillo.

## **ARRANGEMENT AGREEMENT TERMS**

The Arrangement Agreement contemplates a reciprocal expense reimbursement/non-completion fee of C\$2.5 million payable if the required shareholder approval is not obtained or on the occurrence of certain other circumstances. In addition, the Arrangement Agreement provides for a termination fee of C\$5 million payable by Amarillo to Hochschild in the event that the Arrangement is not completed or is terminated by Amarillo or Hochschild in certain circumstances, including if Amarillo enters into an agreement with respect to a superior proposal or if the Board, in certain circumstances, withdraws or modifies its recommendation with respect to the Arrangement. The Arrangement Agreement also provides for customary non-solicitation covenants, subject to customary "fiduciary out" provisions entitling Amarillo to consider and accept a superior proposal and a right in favor of Hochschild to match any superior proposal.

A copy of the Arrangement Agreement will be filed by Amarillo on SEDAR and will be reviewable under Amarillo's profile at [www.sedar.com](http://www.sedar.com).

## **STRATEGIC RATIONALE**

The Arrangement is a culmination of Amarillo's exploration and development successes in Brazil. Amarillo's management views the Arrangement as an opportunity for its shareholders to realize value for a large portion of Amarillo's assets, at an attractive premium to the recent market performance of its shares and other metrics, while continuing to participate directly in the upside of Lavras SpinCo's planned exploration at the Lavras Project in Brazil. Lavras SpinCo is expected to be well-capitalized at inception with significant cash, no debt, and led by Amarillo's current management team.

## **LAVRAS SPINCO**

As part of the Arrangement, Lavras SpinCo will be capitalized with C\$10 million in cash and Amarillo's current interests in the Lavras Project. Lavras SpinCo's vision is to be a leading independent exploration and production company in Brazil, maximizing shareholder value by bringing its disciplined exploration approach to the Lavras Project and other potential opportunities.

## **ADVISORS AND COUNSEL**

Research Capital Corporation acted as advisor to the Special Committee and Amarillo engaged Osler, Hoskin & Harcourt LLP and Irwin Lowy LLP as its legal counsel in connection with the Transaction. Hochschild has engaged RBC Capital Markets as its financial advisor, sole sponsor and corporate broker, Stikeman Elliott LLP as its Canadian legal counsel, Pinheiro Neto Advogados as its Brazilian legal counsel, and Linklaters LLP as its UK legal counsel in connection with the Transaction.

## **WEBCAST**

A webcast will be held at 10:00 a.m. Toronto time on November 30, 2021 for investors and analysts.

Register at: <https://my.6ix.com/paColcfT>

## **ABOUT AMARILLO**

Amarillo is advancing two gold projects located near excellent infrastructure in mining-friendly states in Brazil. The development stage Posse Gold Project is on the Company's Mara Rosa Property in Goiás State. It has a positive definitive feasibility study that shows it can be built into a profitable operation with low costs and a strong financial return. Mara Rosa also shows the potential for discovering additional near-surface deposits that will extend Posse's mine life beyond its initial 10 years. The exploration stage Lavras do Sul Project in Rio Grande do Sul State has more than 23 prospects centered on historic gold workings.

Amarillo trades on the TSXV under the symbol AGC and the OTCQB under the symbol AGCBF. Visit [www.amarilogold.com](http://www.amarilogold.com) to learn more, and follow Amarillo on LinkedIn, Twitter, and YouTube.

## **CONTACT INFORMATION**

### [Amarillo Gold Corporation](#)

Mike Mutchler, President & CEO  
416-294-0736  
[mike.mutchler@amarilogold.com](mailto:mike.mutchler@amarilogold.com)

Annemarie Brissenden, Investor Relations  
416-844-6284  
[annemarie.brissenden@amarilogold.com](mailto:annemarie.brissenden@amarilogold.com)

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## **FORWARD-LOOKING STATEMENTS AND CAUTIONARY LANGUAGE**

*Certain information provided in this news release constitutes forward-looking statements. Specifically, this press release contains forward-looking statements relating to: (i) the anticipated timing of the Amarillo shareholder meeting to approve the Arrangement, (ii) the anticipated timing of the closing of the Arrangement, the exploration and development prospects of Lavras SpinCo, and (iv) planned exploration and development activities of Lavras SpinCo.*

*The forward-looking statements are based on certain key expectations and assumptions. With respect to the anticipated timing of the Amarillo shareholder meeting, these include expectations and assumptions concerning the time required to convene the meeting and complete and mail the related information circular. With respect to the anticipated timing of the closing of the Arrangement, these include expectations and assumptions with respect to the timely receipt of all required court, shareholder and regulatory approvals and the satisfaction of all other conditions to the closing of the Arrangement. With respect to the remaining forward-looking statements, these include expectations and assumptions concerning the availability of capital, the success of future drilling and development activities, Lavras SpinCo's contractual rights, prevailing commodity prices and economic conditions, the availability of labour and services, the ability to transport and market production, timing of completion of infrastructure and transportation projects, weather and access to drilling locations.*

*Although Amarillo believes that the expectations and assumptions on which the forward-looking statements are based are reasonable at the time of preparation, undue reliance should not be placed on the forward-looking statements as Amarillo can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. With respect to the timing of the completion of the Arrangement, these include risks that the required court, shareholder and regulatory approvals are not obtained on a timely basis, on terms*

*acceptable to the parties or at all and risks that other conditions to the completion of the Arrangement are not satisfied. There is no guarantee that the Arrangement will close at the anticipated time or at all. With respect to the exploration and development prospects of Lavras SpinCo, the planned exploration and development activities of Lavras SpinCo and such factors and risks include, but are not limited to: general economic, market and business conditions; fluctuations in commodity prices; the test results and performance of exploration and development drilling, fluctuation in foreign currency exchange rates; the uncertainty of historic resource estimates and estimates of the value of undeveloped land; changes in environmental and other regulations; risks associated with mineral operations; and other factors, many of which are beyond the control of Amarillo. These and other risks are described further in Amarillo's most recently filed management discussion and analysis and its annual information form for the year ended December 31, 2019, which have been filed on SEDAR and may be reviewed under Amarillo's profile at [www.sedar.com](http://www.sedar.com).*

*The forward-looking statements contained in this press release are made as of the date hereof. Except as may be required by applicable securities laws, Amarillo assumes no obligation to publicly update or revise any forward-looking statements made herein or otherwise, whether as a result of new information, future events or otherwise.*

*This news release shall not constitute an offer to sell or a solicitation of an offer to buy any securities and shall not constitute an offer, solicitation or sale in any state or jurisdiction in which such an offer, solicitation or sale would be unlawful. The securities to be distributed pursuant to the Arrangement have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. The securities to be distributed pursuant to the Arrangement will be offered and sold in the United States pursuant to the exemption from registration set forth in Section 3(a)(10) of the U.S. Securities Act and similar exemptions under applicable state securities laws.*

PDF available:

<http://ml.globenewswire.com/Resource/Download/a8a9b4e5-738b-4de3-a92f-9527c82db06c>

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