

Elemental Royalties Corp Announces Recommended All-Share Merger of Equals

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RECOMMENDED ALL-SHARE MERGER OF EQUALS OF [Altus Strategies Plc](#) AND [Elemental Royalties Corp.](#) to be implemented by means of a scheme of arrangement under Part 26 of the Companies Act 2006

Summary

The boards of [Elemental Royalties Corp.](#) (ELE.V) ("Elemental") and Altus Strategies plc (ALTS.V) ("Altus") are pleased to announce they have reached agreement on the terms and conditions of a recommended share-for-share merger of equals of Elemental and Altus with the entire issued and to be issued share capital of Altus being acquired by Elemental (the "Merger"). It is intended that the Merger will be implemented by way of a court-sanctioned scheme of arrangement under Part 26 of the Companies Act 2006.

Under the terms of the Merger, each Altus Shareholder will be entitled to receive:

0.5940 New Elemental Shares for each Altus Share

This exchange ratio (the "Exchange Ratio") has been agreed between the boards of Elemental and Altus taking into account the relative market capitalisations of both companies.

Upon completion of the Merger, Elemental Shareholders will own approximately 52.9 per cent. and Altus Shareholders will own approximately 47.1 per cent. of the total issued share capital of the New Elemental Altus Group (based on the undiluted issued share capital of Elemental and Altus on the Last Practicable Date).

The boards of Elemental and Altus believe that the Merger has compelling strategic logic and represents an attractive opportunity for both companies to create a global gold royalty company.

Background to and reasons for the Merger

Substantial benefits for all Altus and Elemental stakeholders as a result of the creation of the New Elemental Altus Group

The Elemental Directors and Altus Directors believe that the creation of the New Elemental Altus Group will deliver substantial benefits for all stakeholders of both Elemental and Altus, including:

- Increased scale and diversification: a combined portfolio of 69 assets across 13 jurisdictions, concentrated in tier-1 mining jurisdictions, of which 11 are in production, and primarily focused on gold;
- Transformed adjusted revenue profile: estimated combined adjusted 2022 revenue of the New Elemental Altus Group of US\$19.6 million with significant near term growth potential from first expected revenue from Ming, Bonikro and Mercedes in 2022 estimated to lead to combined adjusted 2023 revenue of the New Elemental Altus Group of US\$24.6 million, combined with opportunities to add further portfolio revenue and duration*;

* see "Non-IFRS financial measures - (i) Adjusted Revenue" below. The sources and bases for the calculation of the estimated combined New Elemental Altus Group adjusted revenue for FY 2022 and 2023 are set out in Appendix 2.

- Strengthened asset portfolio: centred around 3 cornerstone royalties, the majority of the New Elemental Altus Group's NAV will be based on producing assets, providing investors with exposure to the top line revenue of underlying assets (without direct exposure to the operating costs / capex of those assets and associated inflationary risks) while keeping long dated optionality from existing development pipeline and organic royalty generation portfolio;
- Strong shareholder support: recognised strategic investors have supported the Merger, in La Mancha and Condire having provided shareholder irrevocable undertakings over 44.6 per cent. of Altus's issued share capital; and South32 and La Mancha having entered into voting and support agreements in respect of 25.96 per cent. of Elemental's issued share capital. Additionally, EuroPacific Asset Management and Adrian Day Asset Management have provided letters of intent to vote in favour of the Elemental Shareholder Resolution in respect of a further 10.42 per cent. of Elemental's issued share capital;
- Enhanced capital markets profile: increased scale and liquidity for enhanced market relevance and financial flexibility and a lower cost of capital, with wider investor appeal, analyst coverage and M&A potential coming with a larger market capitalisation; providing the opportunity for a re-rating of the shares of the New Elemental Altus Group;
- Complementary management skills: an experienced management team with Elemental's proven history of accretive royalty acquisitions being a natural fit to the disciplined royalty generation and royalty acquisition track record of Altus;
- Potential cost synergies: opportunity to deliver cost efficiency synergies at the corporate level through simplification of operations and listings; and
- Canadian tax election: the disposition of Altus Shares on the Merger by a Canadian resident holder will constitute a taxable disposition for purposes of the Income Tax Act (Canada) (the "Tax Act") resulting in the realisation of any accrued gain that the holder may have in the Altus Shares. Elemental will permit an 'eligible holder' to partially or fully defer a gain that would otherwise be realised, if any, by making a joint election with Elemental pursuant to section 85 of the Tax Act (in accordance with all applicable rules). An 'eligible holder' refers to (i) a person who is resident in Canada and not exempt from tax under Part I of the Tax Act or (ii) a 'Canadian partnership' no member of which is exempt from tax under Part I of the Tax Act.

Fair value for both sets of shareholders

The Exchange Ratio has been agreed between the boards of Elemental and Altus taking into account the relative market capitalisations of both companies and offers fair value for both sets of shareholders consistent with valuations expected in an all-share merger of equals.

Key Highlights of the Merger

Upon completion of the Merger, it is intended that:

- An eight (8) member board will be constituted from a combination of existing directors from both Elemental and Altus (including four (4) Elemental representatives and four (4) Altus representatives);
- Steven Poulton, current CEO of Altus, will be appointed as Executive Chair and Frederick Bell, current CEO of Elemental, will be appointed as Chief Executive Officer;
- Martin Turenne, a current non-executive director of Elemental, will be appointed as Chair of the Audit Committee and Robert Milroy, a current non-executive director of Altus, will be appointed as Chair of the Compensation Committee;
- After the Merger, Elemental will continue to be listed on TSX-V and will be headquartered in Vancouver, Canada and have teams located in Canada, the United Kingdom and Australia; and
- Elemental's name will be changed to Elemental Altus Royalties Corp. shortly after Completion.

Altus Recommendation and Irrevocable Undertakings

The Altus Directors, who have been so advised by UBS AG London Branch ("UBS") as to the financial terms of the Merger, unanimously consider the terms of the Merger to be fair and reasonable. In providing its advice to the Altus Directors, UBS has taken into account the commercial assessments of the Altus Directors. UBS is providing independent financial advice to the Altus Directors for the purposes of Rule 3 of the Takeover Code.

Accordingly, the Altus Directors intend to recommend unanimously that (a) Scheme Shareholders vote in

favour of the Scheme at the Altus Court Meeting; and (b) Altus Shareholders vote in favour of the Special Resolution to be proposed at the Altus General Meeting, as the Altus Directors who are interested in Altus Shares have irrevocably undertaken to do in respect of their own beneficial holdings (and those of their connected persons) in respect of which they control the voting rights amounting to 15,550,327 Altus Shares representing, in aggregate, approximately 13.25 per cent. of the ordinary share capital of Altus in issue on the Last Practicable Date.

In addition to the irrevocable undertakings from Altus Directors described above, Elemental has also received irrevocable undertakings to vote (or, where applicable, procure voting) in favour of the Scheme at the Altus Court Meeting and the Special Resolution to be proposed at the Altus General Meeting (or in the event that the Merger is implemented by an Offer, to accept or procure acceptance of such Offer) from:

- La Mancha Explorers; and
- Condire Resource Master Partnership, LP,

in respect of 41,158,454 and 11,170,102 Altus Shares, respectively, representing in aggregate approximately 44.6 per cent. of the existing issued ordinary share capital of Altus and 44.6 per cent. of the Scheme Shares being eligible to vote at the Altus Court Meeting, in each case, as at the Last Practicable Date.

Therefore, Elemental has received irrevocable undertakings in respect of, in aggregate, 67,878,883 Altus Shares, representing approximately 57.9 per cent. of the Altus Shares in issue on the Last Practicable Date.

Further details of the irrevocable undertakings are set out in paragraph 8 of this Announcement.

Elemental Recommendation, Voting and Support Agreements, Letters of Intent and Break Payment

The issuance of the New Elemental Shares pursuant to the Merger requires the Elemental Shareholder Resolution to be approved by a simple majority of the votes cast by Elemental Shareholders represented in person or by proxy at the Elemental Special Meeting.

The Elemental Directors, after an extensive review and thorough discussion of all facts and issues they considered relevant with respect to the Merger, unanimously determined that the issuance of the New Elemental Shares pursuant to the Merger is fair to the Elemental Shareholders, and authorised Elemental to enter into the Co-operation Agreement and recommend to Elemental Shareholders that they vote in favour of the Elemental Shareholder Resolution. In connection with making this determination, on 13 June 2022 the Elemental Directors received a fairness opinion from Canaccord Genuity Corp. to the effect that, as of such date, and subject to the analyses, factors, assumptions, qualifications and limitations set forth in such opinion, the Exchange Ratio is fair, from a financial point of view, to Elemental Shareholders. The full text of Canaccord Genuity Corp.'s fairness opinion will be included in the Elemental Information Circular.

The Elemental Directors who are interested in Elemental Shares and certain shareholders of Elemental have agreed to vote their own shareholdings in Elemental representing 11,207,575 Elemental Shares, being approximately 14.32 per cent. of the Elemental Shares in issue on the Last Practicable Date, in favour of the Elemental Shareholder Resolution.

In addition to the voting and support agreements with the Elemental Directors and certain employees of Elemental who are interested in Elemental Shares, Altus has also entered into voting and support agreements to vote in favour of the Elemental Shareholder Resolution at the Elemental Special Meeting with:

- La Mancha Investments; and
- South32,

in respect of 7,250,000 and 13,065,100 Elemental Shares, respectively, representing in aggregate approximately 25.96 per cent. of the Elemental Shares in issue on the Last Practicable Date in favour of the Elemental Shareholder Resolution.

EuroPacific Asset Management and Adrian Day Asset Management have also given non-binding letters of

intent to vote (or, where applicable, procure voting) in favour of the Elemental Shareholder Resolution at the Elemental Special Meeting in respect of a further 6,296,529 and 1,861,700 Elemental Shares respectively, representing approximately 10.42 per cent. of the Elemental Shares in issue on the Last Practicable Date.

Therefore, Altus has received voting undertakings and letters of intent in respect of, in aggregate, 39,680,904 Elemental Shares, representing approximately 50.7 per cent. of the Elemental Shares in issue on the Last Practicable Date.

Further details of the voting and support agreements and letters of intent are set out in paragraph 8 of this Announcement.

Elemental has agreed to pay to Altus a break payment in the amount of US\$2,000,000 in certain circumstances, as agreed in the Co-operation Agreement and described further in paragraph 9.3 of this Announcement.

Click on, or paste the following link on to your web browser to view the full announcement.
http://www.rns-pdf.londonstockexchange.com/rns/7747O_1-2022-6-14.pdf

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