

# Steppe Gold Ltd. Signs Arrangement Agreement to Acquire Anacortes Mining Corp. and Creates a Leading Diversified Precious Metals Producer

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Ulaanbaatar, May 8, 2023 - [Steppe Gold Ltd.](#) (TSX: STGO) (OTCQX: STPGF) (FSE: 2J9) ("Steppe Gold") and [Anacortes Mining Corp.](#) (TSXV: XYZ) (OTCQX: XYZFF) ("Anacortes") are pleased to announce they have entered into an arrangement agreement (the "Arrangement Agreement") pursuant to which Steppe Gold will acquire all of the issued and outstanding common shares of Anacortes (the "Anacortes Common Shares") by way of a court-approved plan of arrangement under the Business Corporations Act (British Columbia), in an all share transaction (the "Transaction").

Under the terms of the Arrangement Agreement, Anacortes shareholders will receive 0.4532 of a Steppe Gold common share (each, a "Steppe Common Share") for each Anacortes Common Share, which represents consideration of approximately C\$0.48 per Anacortes Common Share and a premium of 36% based on the closing prices of the Anacortes Common Shares on the TSX Venture Exchange (the "TSXV") and the Steppe Common Shares on the Toronto Stock Exchange (the "TSX"), each as of the close of trading on March 3, 2023, the date that the Transaction was publicly announced. On the closing of the Transaction, shareholders of Steppe Gold and Anacortes will own approximately 79% and 21% of the combined company, respectively, on a basic basis.

The Transaction is anticipated to create a leading junior gold producer with significant near-term growth. In addition to current production from Steppe Gold's ATO gold mine, which is expected to increase in scale with the current Phase 2 expansion, additional future growth would be supported by the development of the high-grade Tres Cruces oxide project in Peru, which is located approximately 10 km from the Lagunas Norte mine.

The Transaction has been unanimously approved by the board of directors of each of Steppe Gold and Anacortes, including, in the case of Anacortes, following receipt of the unanimous recommendation of a special committee of independent directors of Anacortes. Stifel Nicolaus Canada Inc. provided an opinion to the special committee of Anacortes to the effect that, as of the date of such opinion, the consideration to be received by Anacortes shareholders and warrant holders, as applicable, pursuant to the Transaction is fair, from a financial point of view, to the Anacortes shareholders and warrant holders, subject to the limitations, qualifications and assumptions set forth in such opinion. The board of directors of Anacortes unanimously recommends that Anacortes shareholders vote in favour of the Transaction.

Pursuant to the Arrangement Agreement, Anacortes' officers, directors and significant shareholders holding approximately 22% of the Anacortes Common Shares entered into lock-up agreements with Steppe Gold, pursuant to which they will vote their respective Anacortes Common Shares in favour of the Transaction.

Matthew Wood, Executive Chairman of Steppe Gold, stated: "This Transaction transforms Steppe Gold into a multi asset, multi jurisdiction gold company with existing production and development projects in two of the most exciting and still untapped gold provinces in the world in both Mongolia and Peru. The new combined company will have a potential development profile of over 200,000 ounces and a resource base of over 4.5 million gold equivalent ounces."

Bataa Tumur-Ochir, President and Chief Executive Officer of Steppe Gold, stated: "We are very pleased to add one of the highest-grade undeveloped oxide gold deposits in the world to our development pipeline. Having recently built a heap leach gold mine in Mongolia and now in production since 2020, this next project works well in our sequence of production growth to come online in the next few years. Our vision is to build a 200,000 oz gold equivalent production profile, with our ATO Phase 2 expansion project expected to come

online in 2025 and the Tres Cruces Mine moving to production soon thereafter. The Tres Cruces project has many similarities to our ATO project, with an oxide deposit at surface that can be quickly brought into production with significant upside in the underlying fresh rock."

James A. Currie, President and Chief Executive Officer of Anacortes, stated: "The Transaction offers our shareholders with an immediate and attractive premium, in addition to meaningful ongoing ownership in the combined company. We see this as an excellent opportunity for our shareholders to participate in a growing junior gold producer that will have an enhanced ability to advance and develop the Tres Cruces project. I am proud of the Anacortes team for their efforts and look forward to our participation in the ongoing success of the Steppe Gold team as they surface meaningful value from the combined asset base."

#### Benefits of the Transaction

The Transaction is expected to provide meaningful benefits to shareholders of both companies.

For Steppe Gold shareholders:

- Adds the Tres Cruces project to the growth pipeline - an attractive and technically straightforward development project in Peru with low capital intensity and the potential to add 68,000 ounces of gold production per year at average all-in sustaining cash costs of US\$734 per ounce.
- Diversifies the asset portfolio with the addition of another development project and provides entry into one of the world's most prolific gold mining belts in Peru, thereby allowing the potential for Steppe Gold to become a multi asset and multi-jurisdictional gold company.
- Further reinforces the value proposition of Steppe Gold, with the Tres Cruces project having an underlying NPV of approximately US\$170 million at US\$1,700 gold (per the preliminary economic assessment filed in March 2022).
- Tres Cruces adds a large and underexplored land package that current hosts indicated resources of approximately 2.5 million ounces at 1.65 g/t and inferred resources of 104 kcozs at 1.26 g/t, inclusive of 630 kcozs of high grade 1.28 g/t leachable gold.
- Adds to the existing asset base at the ATO Gold Mine where it recently reported Proven and Probable Reserves of 1.7m oz Au Eq and Resources of 2.05m oz Au Eq.

For Anacortes shareholders:

- Immediate and upfront premium of 36%.
- Share exchange provides for meaningful retained ownership in the combined company and ongoing exposure to near-term value catalysts, including the Phase 2 expansion at the ATO Gold Mine and the future advancement and construction of the Tres Cruces project.
- Participation in an established, low cost and growing producer with increased access to capital.
- Opportune time to transact given the impending Phase 2 expansion at the ATO Gold Mine, which is expected to increase annual production to approximately 100,000 of gold equivalent oz.

#### Transaction Details

The Transaction is structured as a plan of arrangement of Anacortes pursuant to the Business Corporations Act (British Columbia).

Under the Transaction, the outstanding Anacortes warrants will be cancelled and exchanged for the applicable warrant consideration, pursuant to the plan of arrangement. The vested in-the-money Anacortes options will be exercised into Anacortes Common Shares on a cashless basis and such Anacortes Common Shares will be exchanged for Steppe Common Shares and all of the unvested and out-of-the-money Anacortes options will be cancelled without payment, pursuant to the plan of arrangement.

The Transaction requires the approval of at least 66 2/3% of the votes cast by the shareholders of Anacortes present or represented by proxy at a special meeting of Anacortes shareholders to be called to consider the Transaction (the "Special Meeting") and separate approval of at least a simple majority by Anacortes shareholders, excluding votes from certain shareholders, including Steppe Gold, as required by Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions. The Transaction does

not require Steppe Gold shareholder approval.

In addition to the approval by Anacortes' shareholders, the Transaction is subject to the receipt of certain court and stock exchange approvals and the satisfaction of customary conditions precedent in transactions of this nature, as well as certain other specified conditions precedent set out in the Arrangement Agreement.

The Arrangement Agreement provides for customary deal protection provisions, including non-solicitation covenants of Anacortes, "fiduciary out" provisions in favour of Anacortes and "right-to-match superior proposals" provisions in favour of Steppe Gold and reciprocal expense reimbursement in certain circumstances. In addition, the Arrangement Agreement provides that, under certain circumstances, Steppe Gold would be entitled to a \$1.1 million termination fee. Each of Steppe Gold and Anacortes have made customary representations and warranties and covenants in the Arrangement Agreement, including covenants regarding the conduct of their respective businesses prior to the closing of the Transaction.

Following completion of the Transaction, the Steppe Common Shares will continue trading on the TSX and the Anacortes Common Shares will be de-listed from the TSXV. Approximately 72,535,634 Steppe Common Shares are currently outstanding on a non-diluted basis and approximately 86,080,773 Steppe Common Shares are currently outstanding on a fully diluted basis. Upon completion of the Transaction, it is expected there will be approximately 103,822,329 Steppe Common Shares outstanding on a non-diluted basis and approximately 109,958,218 Steppe Common Shares outstanding on a fully diluted basis.

Further information regarding the Transaction will be included in the management information circular that Anacortes will mail in due course to its securityholders in connection with the Special Meeting. Anacortes will also be applying in the coming weeks to the Supreme Court of British Columbia to obtain an interim order approving various procedural and related matters in order to convene the Special Meeting.

Anacortes has agreed to pay a finders' fee to Leede Jones Gable Inc. on the closing of the Transaction that is equal to 2% of the consideration to be received by Anacortes' securityholders in connection with the Transaction. At the election of Anacortes, up to 80% of the finder's fee may be paid in Steppe Common Shares based on the Transaction price.

The Arrangement Agreement will be filed under the SEDAR profiles of Anacortes and Steppe Gold on the SEDAR website at [www.sedar.com](http://www.sedar.com).

None of the securities to be issued pursuant to the Arrangement Agreement have been or will be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws, and any securities issued upon closing of the Transaction are anticipated to be issued in reliance upon the exemption from such registration requirements provided by Section 3(a)(10) of the U.S. Securities Act and applicable exemptions under state securities laws. This news release does not constitute an offer to sell or the solicitation of an offer to buy any securities.

#### Advisors

Steppe Gold's financial advisor is Maxit Capital LP and its legal counsel is Fasken Martineau DuMoulin LLP. Anacortes' financial advisors are Medalist Capital Ltd. and Trinity Advisors Corporation, and its legal counsel is Clark Wilson LLP.

#### Technical Disclosure and Qualified Persons

The technical content of this news release regarding mineral properties of Anacortes has been reviewed and validated by James Currie, PEng., a Qualified Person as that term is defined in National Instrument 43-101 - Standards of Disclosure for Mineral Projects. Mr. Currie is the President and CEO of Anacortes.

#### About Steppe Gold

Steppe Gold is Mongolia's premier precious metals company.

## About Anacortes

Anacortes is a growth-oriented gold company in the Americas, which owns a 100-per-cent interest in the Tres Cruces gold project located in Peru. Tres Cruces is one of the highest-grade undeveloped gold oxide deposits globally and hosts oxide plus sulphide indicated resources of 2,474,000 oz at 1.65 g/t gold, inclusive of 630,000 oz of high-grade leachable gold at 1.28 g/t gold and inferred resources of 104,000 oz at 1.26 g/t gold. The PEA on the leachable resource at Tres Cruces released earlier in 2022 indicates a robust open-pit, heap leach project.

For further information, please contact:

### Steppe Gold

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## Notice Regarding Forward Looking Statements

This news release includes certain statements that constitute "forward-looking statements", and "forward-looking information" within the meaning of applicable securities laws collectively "forward-looking statements". These include statements regarding Anacortes' and Steppe Gold's intent, or the beliefs or current expectations of the officers and directors of Anacortes and Steppe Gold (the "Companies") for Steppe Gold's growth and valuation post-closing. When used in this news release, words such as "anticipated", "expected", "future", "opportunity", "ongoing", "potential", "proposed", "vision" and similar expressions are intended to identify these forward-looking statements as well as phrases or statements that certain actions, events or results "could", "may", "should", "will", "would" or the negative connotation of such terms. As well, forward-looking statements may relate to future outlook and anticipated events, such as the consummation and timing of the Transaction; the satisfaction of the conditions precedent to the Transaction; the strengths, characteristics, benefits and potential of the resulting company; and discussion of future plans, projections, objectives, estimates and forecasts and the timing related thereto, including with respect to the ATO gold mine. These forward-looking statements involve numerous risks and uncertainties, including those relating to required shareholder and regulatory approvals, exercise of any termination rights under the Arrangement Agreement, meeting other conditions in the Arrangement Agreement, material adverse effects on the business, properties and assets of the Companies, and such other risk factors detailed from time to time in the Companies' public disclosure documents including, without limitation, those risks identified in Steppe Gold's annual information form for the year ended December 31, 2022, which is available on SEDAR at [www.sedar.com](http://www.sedar.com), and Anacortes' management's discussion and analysis for the year ended December 31, 2022 which is available on SEDAR at [www.sedar.com](http://www.sedar.com). Forward-looking statements are based on information available at the time those statements are made and/or management's good faith belief as of that time with respect to future events and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Forward-looking statements speak only as of the date those statements are made. Except as required by applicable law, the Companies assume no obligation to update or to publicly announce the results of any change to any forward-looking statement contained or incorporated by reference herein to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements. If either of the Companies updates any one or more forward-looking statements, no inference should be drawn that the company will make additional updates with respect to those or other forward-looking statements. All forward-looking statements contained in this news release are expressly qualified in their entirety by this cautionary statement.

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

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