

# Sinchao Metals and Southern Legacy Minerals Sign Definitive Agreement Setting Forth Legal Structure of Previously Announced Proposed Business Combination

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TORONTO, ONTARIO -- ([Marketwire](#)) -- 03/28/12 -- [Sinchao Metals Corp.](#) ("Sinchao" or the "Company") (TSX VENTURE: SMZ) and [Southern Legacy Minerals Inc.](#) ("Southern Legacy") are pleased to report that Sinchao and Southern Legacy have signed a definitive agreement setting forth the structure of the proposed business combination of the two entities (the "Transaction") to form a diversified mineral exploration company (the "Resulting Issuer") with base and precious metals properties in Peru, Chile and Colombia. In this release, the agreement announced on March 2, 2012 and the agreement announced herein, are referred to collectively as the "Definitive Agreements".

## TRANSACTION DETAILS

The two companies will combine their businesses through the merger of Southern Legacy with Sinchao Idaho, Inc., an Idaho corporation and wholly-owned subsidiary of the Company. In connection with the merger the shareholders of Southern Legacy will receive 0.8352 of a common share of Sinchao for each one common share of Southern Legacy (the "Exchange Ratio") after giving effect to the consolidation of the common shares of Sinchao on the basis of the consolidation ratio discussed below. The merged entity will become a wholly-owned subsidiary of Sinchao.

It is anticipated that upon closing, Southern Legacy shareholders will hold 70% of the pre-financing shares of the Resulting Issuer, and Sinchao shareholders will hold the remaining 30%. In addition, outstanding options and warrants of Southern Legacy will be exchanged for options and warrants of Sinchao, adjusted to give effect to the Exchange Ratio. Southern Legacy is an arm's length party to both Sinchao and [Andean American Gold Corp.](#), Sinchao's largest shareholder.

In connection with the completion of the Transaction it is anticipated that Sinchao will complete a consolidation of its common shares based on a consolidation ratio to be calculated as follows:

(6 x the Subscription Receipt price):1

Upon completion of the Transaction, all outstanding Sinchao options and warrants will be adjusted to reflect the consolidation. The foregoing consolidation ratio calculation is designed to ensure that Sinchao is provided with a valuation of approximately \$15 million as part of the Transaction.

As part of the Transaction, Sinchao anticipates completing an offering of up to C\$10 million of subscription receipts ("Subscription Receipts") at a price of \$1.00 per Subscription Receipt. Each Subscription Receipt will entitle the holder to receive, without the payment of any additional consideration or further action on the part of the holder thereof, one unit (a "Unit") upon closing of the Transaction. Each Unit will be comprised of one post-consolidation common share of Sinchao and one-half of one post-consolidation warrant (each whole warrant being referred to herein as a "Warrant") of Sinchao. Each Warrant will entitle the holder thereof to acquire, for 24 months following the date of issuance, one common share of Sinchao at an exercise price of \$1.30 per share, subject to adjustment. The gross proceeds from the sale of the Subscription Receipts (the "Escrowed Proceeds") will be delivered to, and held by, a licensed Canadian trust company or other escrow agent in an interest bearing account. The Escrowed Proceeds, plus accrued interest thereon, shall be released to the Resulting Issuer upon closing of the Transaction. In the event that the Transaction is terminated or is not completed by an as yet to be determined date, the holders of Subscription Receipts will be entitled to the return of the purchase price for such Subscription Receipts together with any accrued interest thereon.

Immediately following the closing of the Transaction the name of Sinchao will be changed to "Southern Legacy Minerals Inc." or another name acceptable to the parties. The resulting issuer will have a board of directors comprised of five members, four being nominees of Southern Legacy (Cesar Lopez, Fernando Pickmann, Antonio Pichardo, and one to be named at a later date) and one being a nominee of Sinchao,

(David Rae). It is anticipated that management of the Resulting Issuer will be comprised of the existing management of Southern Legacy or their nominees.

The completion of the Transaction is conditional upon a number of items, including, without limitation, approval of the shareholders of Sinchao and Southern Legacy, receipt of all necessary regulatory approval, no material adverse change occurring with respect to either Sinchao or Southern Legacy, compliance by both parties with their respective obligations under the Definitive Agreements, holders of no greater than 5% of the common shares of either Sinchao or Southern Legacy exercising dissent rights, and completion of the Subscription Receipt financing.

The Definitive Agreements include customary non-solicitation covenants by both Sinchao and Southern Legacy, together with customary exemptions to permit the respective boards of directors to exercise their fiduciary duties. In addition, the Definitive Agreements provide for a mutual break fee of C\$500,000 payable by Sinchao or Southern Legacy, as applicable, in certain situations where the Definitive Agreements are terminated or the Transaction is not completed.

In connection with the execution of the agreement announced on March 2, 2012, the officers and directors of both Sinchao and Southern Legacy as well as Andean American Gold Corp. (Sinchao's majority shareholder) have entered into lock-up agreements pursuant to which they have agreed to vote in favour of the Transaction and to not take any actions which are contrary to the completion of the Transaction.

The boards of directors of both companies have determined that the Transaction is in the best interests of their respective companies based on a number of factors, including a fairness opinion received from Sinchao's financial advisor, the details of which will be provided to Sinchao's shareholders in the management information circular. Each company's board of directors unanimously approved the terms of the Transaction and recommend that their respective shareholders vote in favour of it.

Full details of the Transaction will be included in the management information circular that Sinchao will prepare and file with the regulatory authorities and mail to its shareholders in connection with the special meeting of the Sinchao shareholders to be held to consider the Transaction in accordance with applicable law. All shareholders are urged to read the information circulars once they become available as they contain additional important information about the Transaction.

## **ABOUT SINCHAO METALS CORP.**

[Sinchao Metals Corp.](#) is a Canadian-based mineral exploration company, publicly traded since 2006, and listed on the TSX Venture Exchange under the symbol SMZ. The Company owns a gold-silver-copper-zinc-lead exploration project in the Yanacocha-Hualgayoc mining district in the department of Cajamarca, Northern Peru. The Company is a subsidiary of Andean American Gold Corp., which owns approximately 64.95% of its outstanding shares.

## **ABOUT SOUTHERN LEGACY MINERALS INC.**

[Southern Legacy Minerals Inc.](#) is a private Idaho-based mineral exploration company with exploration projects in Chile, Colombia and Peru. Southern Legacy is led by a seasoned management team with extensive mineral exploration and development experience in South America. The principal mineral projects of Southern Legacy include interests in mining concessions contiguous to the Sinchao Project in Peru and the Puchuldiza gold deposit in northern Chile.

For further information about Sinchao Metals Corp. please visit the Company's website at [www.sinchaometalscorp.com](http://www.sinchaometalscorp.com) or view the Company's documents on SEDAR at [www.sedar.com](http://www.sedar.com).

## **CAUTIONARY STATEMENTS:**

*Completion of the Transaction is subject to a number of conditions, including Exchange acceptance and 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 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 Sinchao should be considered highly speculative.*

## **FORWARD-LOOKING STATEMENTS**

*Certain of the information contained in this news release constitutes 'forward-looking statements' within the meaning of securities laws. Such forward-looking statements, including but not limited to those with respect to the completion of the Transaction, the prices of metals and minerals, purchase payments, royalty payments, estimated future production and estimated costs of future production involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any forecast results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the actual prices of metals and minerals, the actual results of current exploration, development and mining activities, changes in project parameters as plans continue to be evaluated, as well as those factors disclosed in the documents of the Company filed from time to time with the British Columbia Securities Commission.*

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

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