

MEGA Graphite Terminates Definitive Agreement on Uley Graphite Property Acquisition and Maintains Its Operations Agreement

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TORONTO, 11/12/12 - [MEGA Graphite Inc.](#) (MEGA), a global graphite company which owns Canadian based natural crystalline flake properties, announced today it has agreed to terminate the Uley Graphite Property acquisition with [Strategic Energy Resources](#) (SER) of Australia. The definitive agreement, which was signed in July, 2011, contemplated an IPO on the Toronto Stock Exchange, a CDN \$70 million minimum valuation for the Uley Graphite Property (Uley), issuing 33% or more of the issued capital of MEGA to SER shareholders to reflect the proposed value of Uley as well as 1.5% royalty on future sales revenues and a cash payment of \$1 million.

In June, 2011, MEGA hired Macquarie Capital Canada (Macquarie) to act as banker and financial advisor for the Uley Acquisition and to assist in capital raising and taking MEGA public on the Toronto Stock Exchange by way of an Initial Public Offering (IPO). As global markets weakened and valuations softened in late 2011, Macquarie advised MEGA and SER to amend the definitive agreement to allow for flexibility in funding and valuation requirements. Macquarie's rationale behind this advisement was that the IPO market in Canada was not a viable option due to an unreliable equities market and that MEGA's peer group were trading at less than a third of the proposed valuation for the MEGA/SER transaction.

SER has maintained its valuation position of minimum \$70 million on the Uley asset throughout its negotiations with MEGA and its bankers and without a current feasibility study or final metallurgical testwork to support the purification of the graphite, the \$70 million value placed on the Uley graphite property by SER's directors made it impossible to secure the necessary funding to meet the requirements in the agreement. Numerous funding proposals were made by MEGA in collaboration with interested mining funds in Canada, Europe and the United States over the last 12 months and even with ownership adjustments to SER's favour and amendments in the agreement to include a larger cash component to be paid directly to SER upon closing, all of these offers were rejected.

MEGA maintains an Operations Agreement at Uley that will stay in effect with the termination of the acquisition. This operations agreement, which became effective October 31, 2011 outlines the following:

- The Operations Agreement recognizes that MEGA has spent significant capital and resources at the Uley Property over the last 12 months. These capital expenditures include plant refurbishment and work conducted at site to prepare the asset and milling facility for production.
- MEGA has the right to sell graphite to its customers; the right to receive all proceeds from the sale of graphite and a lien over all extracted graphite that is ready for production.
- Upon termination of the Uley acquisition, MEGA has the right to remain at site and to continue work and sell graphite to offset its capital costs and work fees for a period of up to 12 months from the date of termination.
- There are a corresponding number of liens over the new plant materials and equipment financed by MEGA which will be relinquished as the expenditures are recouped.

MEGA intends to exercise all of its rights and privileges under this agreement and will forward a list of all expenditures at Uley to SER management for consideration and approval.

While maintaining its Operations Agreement at Uley in Australia, MEGA plans to spend considerable resources on the exploration and development of its graphite and lithium properties in North America. MEGA has just updated its NI 43-101 Technical Assessment Reports on all of its properties and will be conducting extensive programs over the next 12 months.

About MEGA Graphite

[MEGA Graphite Inc.](http://www.MEGAGraphite.com) (www.MEGAGraphite.com) continues to work towards mining, processing and purifying of natural flake graphite from its 100% owned North American based projects. The Company's primary target markets include high purity graphite applications in lithium-ion batteries, graphene-based applications in products such as flat panel displays, and expandable graphite used in fire retardants, high performance gaskets, conductive fillers, and electromagnetic pulse and radiation shielding.

MEGA Graphite has developed proprietary technologies with on-site milling systems running in the highest-grade zones to achieve graphite grades that can be refined efficiently and economically. The benefits of using these systems include an environmentally friendly process which can separate the milling operations from the actual mine site.

MEGA Graphite has a global database of customers who require purified natural flake graphite, which can significantly enhance the performance of their technologies. MEGA can size, shape and coat its graphite through licensed processes to purity levels that give these customers the ability to build systems that will hold up to economic and environmental concerns.

With a mandate to own and develop raw minerals that makeup the chemistry of new technologies, MEGA also owns the Big Mack rare earth petalite property, located in the Kenora mining district, Ontario. The Separation Lake Greenstone Belt (SLGB) is host to the most important rare-element pegmatites in Ontario and may contain the greatest number of complex-type, petalite-subtype pegmatite occurrences in Canada. These pegmatites are host to many rare elements and metals such as lithium, tantalum, niobium, tin, rubidium and cesium.

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