

Tyhee Gold Corp. Agrees to Acquire Majority Stake in Sutter Gold Mining Inc.-Sutter to Restructure Debt

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[Tyhee Gold Corp.](#) ("Tyhee" or the "Company") (TSX VENTURE:TDC) is pleased to report that the Company has entered into an agreement (the "Implementation Agreement") with RMB Australia Holdings Limited ("RMB") and [Sutter Gold Mining Inc.](#) (TSX VENTURE:SGM) (OTCQX:SGMNF) ("Sutter") whereby, subject to certain conditions, Tyhee will acquire: all of the issued and outstanding shares of Sutter currently held by RMB and/or its affiliates; all of the issued and outstanding shares of Sutter that are to be issued to RMB by Sutter upon the proposed conversion of US\$8 million of RMB's current debt exposure to Sutter; and approximately US\$17 million of RMB's additional debt exposure to Sutter (the "Transaction".) Upon completion of the Transaction, Tyhee will hold approximately 73% of Sutter's issued and outstanding shares, on a non-fully-diluted basis.

Sutter Gold

Sutter currently holds a number of precious metals properties in California, USA, including the permitted Lincoln underground mine near Sutter Creek, California, as well as a new, permitted processing facility, located near the entrance to the Lincoln Mine. In March 2014, the project was put on care and maintenance while certain production issues are being evaluated and the Company reduced costs due to capital constraints.

Sutter's assets cover 3.2 miles of what has been described as "the most productive portion" of California's famed, 120 mile long Mother Lode District. Sutter has established a National Instrument 43-101 compliant gold resource that reflects only a small area of the gold mineralization identified to date.

RMB

RMB Australia Holds Limited is a wholly-owned subsidiary of FirstRand Limited, a South African-based financial services group. RMB currently holds approximately US\$40 million in debt from Sutter as well as approximately 58.2 million (47%) of Sutter's approximately 123 million outstanding shares.

The Agreement

The Implementation Agreement, which will be filed under Tyhee's and Sutter's profiles on SEDAR, follows one year of extensive due diligence by Tyhee's management and technical team, including comprehensive discussions, site inspections and a review of Sutter's financial situation. Management believes that gold production can be achieved at the Lincoln Mine following a significant restructuring of Sutter's operations, mine plan and debt position, including an investment by Tyhee after completion of the Transaction of up to US\$17 million to complete development of the Lincoln Mine and mill, with further production expansions scheduled to be implemented over the subsequent several months.

Following completion of the Transaction, Tyhee's President and CEO, Brian Briggs, will continue in that capacity, leading Tyhee's highly experienced operating team.

Upon completion of this transaction, Tyhee's core assets will include majority ownership of Sutter, which holds 100% of the Lincoln mine and mill and the Keystone gold deposit, all in California, as well as a significant growth asset, the larger but longer term Yellowknife Gold Project in Canada's Northwest Territories.

The board of directors of both Sutter and Tyhee believe that the Transaction will benefit each of the

companies and their shareholders, and accordingly, the directors of both boards have approved the Transaction.

The Transaction

Tyhee proposes to acquire certain of RMB's current interests in Sutter pursuant to the Implementation Agreement as follows:

1. Tyhee will acquire all of the current stock position in Sutter held by RMB and/or its affiliates (58,216,820 common shares) at C\$0.02 per share, paid in cash on closing of the Transaction;
2. RMB will reduce its debt exposure to Sutter by US\$8 million, from no more than US\$40 million to no more than US\$32 million by converting the US\$8 million into 108,454,603 Sutter common shares at a deemed price of \$0.0788 per share. Tyhee will then acquire such shares at C\$0.02 per share, paid in cash on closing of the Transaction; and,
3. RMB will assign to Tyhee up to US\$17 million of RMB's debt exposure, with RMB continuing to retain a US\$15 million loan to Sutter, in consideration for the following:
 - I. 90 million Tyhee common shares issued from treasury;
 - II. US\$4 million in cash;
 - III. a covenant by Tyhee to consummate an additional financing to raise the remaining balance necessary to achieve commercial production at Sutter' s Lincoln-Comet mine, to a maximum of US\$ 17 million; and
 - IV. a covenant by Tyhee to cause Sutter to make interest payments, principal repayments, and mandatory prepayments on the retained US\$15 million loan from RMB to Sutter on a first ranking basis.

This transaction does not require a vote by the shareholders of either Tyhee or Sutter.

Closing of the Transaction is also subject to customary closing conditions, including receipt of the approval of the TSX-V and any other regulatory approvals. In addition, the closing of the Transaction is subject to the completion of certain debt restructurings by Sutter, noted below, and the completion of a minimum of US\$15 million financing by Tyhee, also discussed below.

The Implementation Agreement contains a non-solicitation covenant on the part of RMB and Sutter, subject to customary fiduciary out provisions. The Implementation Agreement also provides Tyhee with the right to match any potential third party proposal. Sutter is permitted to terminate the Implementation Agreement under certain conditions, including the payment of a \$1.5 million break fee to Tyhee. In addition, Tyhee has agreed to pay a \$750,000 fee to RMB, if RMB terminates the Transaction as a result of the concurrent financing not being completed on or before August 15, 2014, or a fee of \$1.5 million, if Tyhee does not complete the additional \$14 million funding within 60 days of completing the concurrent financing.

Concurrent Financing

In connection with the Transaction, Tyhee intends to complete, through a previously announced (see Tyhee release dated November 26, 2013) special purpose vehicle (the "SPV"), a concurrent financing of a minimum of US\$15 million. The SPV would provide a loan or loans to Tyhee or its wholly owned US subsidiary (the "**SPV Loan**"). The SPV would issue Convertible Debentures having the following terms:

1. Face value: US\$1,000 denominations.
2. Term: Five (5) years.

3. Interest Rate: Eight (8) percent per annum, payable annually in cash or in ounces of gold, at the election of the holder of the Convertible Debenture.
4. Security: Secured against the assets of Tyhee NWT Inc., Tyhee's wholly owned Northwest Territories subsidiary.
5. Conversion: Principal to be convertible to Tyhee common shares at \$0.30 per Tyhee common share.
6. Redemption: Principal amount to be redeemable by Tyhee after 24 months, subject to payment of premium.
7. In addition, if at any time after 24 months from the issuance of the Convertible Debentures gold trades at greater than US\$2,000 per ounce for a period of 30 consecutive business days or more, the holder would have the option, subject to additional conditions to be determined, to convert the principal amount outstanding on the SPV Loan to gold, at the rate of one ounce for each US\$2,000 outstanding (delivery terms and timing of repayment remain to be determined), or payment in cash of an amount equal to the principal owing.

Private Placement

Tyhee is also pleased to announce that it has proposed a separate Private Placement financing of 10,000,000 units at \$0.10 per unit, with each unit comprising one common share in the Company's stock and one half warrant, whereby one whole warrant would be exercisable for two years at \$0.15. These units are to be offered in blocks of 2.5 million units.

Terms of Loans to Sutter

1. US\$15 million loan from RMB to Sutter - RMB will retain a secured US\$15 million amortizing loan to Sutter. RMB and Sutter would amend and restate the terms of its existing US\$40 million debt facility to provide for the following terms:
 - I. US\$15 million principal amount;
 - II. interest at 12% per annum, capitalizing until July 31, 2015 and paid monthly commencing on August 31, 2015;
 - III. repayment in up to 48 consecutive monthly instalments of equal amounts, subject to certain conditions and adjustments, commencing on August 31, 2015; and,
 - IV. such loan would be senior secured debt to Sutter and any other Sutter debt would be fully subordinated on terms satisfactory to RMB.
2. Approximately US\$17 million note payable by Sutter to Tyhee - RMB will assign to Tyhee US\$17 of existing indebtedness owing under the promissory note dated December 31, 2013 issued by Sutter to RMB and Tyhee and Sutter will enter into a new promissory note having terms similar to the note issued to RMB.
3. Funds to Restart Production - Further advances ("**Tyhee Advances**") to Sutter by Tyhee or its related entities would be made up to US\$17 million on the same terms as the SPV Loan that would be provided to Tyhee, except that (i) interest on Tyhee Advances would accrue at 12% per annum; and (ii) security for the Tyhee Advances will be equal ranking to the Tyhee note described above.

Compelling Transaction

The proposed transaction would benefit both Tyhee and Sutter shareholders:

- For Sutter, improved financial standing, with significantly improved liquidity and access to capital to properly capitalize completion of development of the Lincoln mine and mill to achieve commercial production. For Tyhee, enabling the execution of its strategy of building its production profile through additional acquisitions with near-term production potential;
- For Tyhee and Sutter, being transformed into a developing precious metals production company with gold production planned from Lincoln;
- For Tyhee and Sutter, significantly enhanced development and exploration upside across a diverse portfolio of precious metals properties, including the Keystone deposit in California as well as the large undeveloped gold resources (Feasibility Study - August 2012) at the Yellowknife Gold Project, NWT,
- For Tyhee and Sutter, utilizing Tyhee's highly experienced underground mining team that will be key to successful operations at Lincoln; and,
- For Sutter, access to an expanded management team that includes complementary experience in exploration, development, operations, and financing.

Denis Taschuk, Tyhee's Chairman of the Board, said, "Given the many challenges facing the junior resource sector, we are particularly pleased with both the potential we see with this agreement and the support for our company's capabilities from both RMB and Sutter's Board. This has taken a great deal of work to get us to this point and we are confident that this represents a tremendous opportunity to generate significant value for all of the stakeholders involved."

Mark T. Brown, Sutter's Chairman of the Board, said, "Despite the issues we have had with an orderly development and the difficulties of raising funding given Sutter's financial position, we have always had confidence in the Lincoln project. Our number one priority over the last many months has been to secure the additional investment needed to achieve commercial production. We are supportive of RMB and Tyhee's transaction, which will provide both the funding and technical/operational expertise to make Lincoln a success, aligning all parties' interests. We look forward to working with Tyhee to meet our common objectives."

Tyhee CEO, Brian Briggs stated, "The blending of Tyhee's operational talent and the remaining management at Sutter will provide an excellent team capable of executing our comprehensive turn-around plan and to bringing the Lincoln Mine into production in the coming months. In addition to the near term potential of Sutter's assets, we see the opportunity to build the next, long term gold producer in one of the richest trends in America."

Corporate Strategy

Tyhee has been aggressively pursuing new opportunities to enable the Company to benefit from gold production in 2014. This revised corporate strategy is aimed at enhancing Tyhee's shareholder value by taking advantage of corporate project opportunities available in the current challenged resource investment environment to generate cash-flow, accelerate growth and provide a strong platform on which to build a new multi-project gold mining company. At the same time, the Company will continue to progress its YGP, an advanced stage wholly-owned gold project in the development and permitting stage.

In line with this strategy, Tyhee has announced plans to create a special purpose vehicle (the "**SPV**"), through which funds of up to US\$37.5 million are intended to be raised through an offering of secured, convertible debt (the "**SPV Financing**"). Closing on a minimum of US\$15.0 million in the SPV Financing is a condition to the closing of the Transaction, and the break fee noted above is payable if RMB terminates the transaction as a result of such financing not being completed by August 15, 2014. The SPV Financing is expected to fund the acquisition of the RMB interests and the proposed cash injection into the Lincoln Mine.

Up to 10 per cent of the funds raised through the SPV are to be used for general corporate purposes, including the ongoing development of Tyhee's Yellowknife Gold Project.

Yellowknife Gold Project

Tyhee's Yellowknife Gold Project, located near Yellowknife in Canada's Northwest Territories, is a wholly-owned, gold project in the development and permitting stage. A detailed, independent **National Instrument 43-101-compliant** Feasibility Study ("FS") entitled "NI 43-101 Technical Report, Yellowknife Gold Project Feasibility Study, Northwest Territories, Canada," was completed in October 1, 2012. This FS provided the Company with the economic and technical framework supporting an operation that would produce approximately 100,000 ounces ("oz.") of gold per year during the first eight full years of production. The study used a base-case gold price of US\$1,400/oz. and a projected 4,000 tonnes-per-day processing plant comprised of a conventional recovery circuit (gravity-flotation-CIL). Most of the reserves (approximately 75%) are contained in the Ormsby open pit with the remainder from Nicholas Lake, Ormsby Underground, Bruce Pit and a small amount of reserves from Clan Lake also.

According to the study's authors - SRK Consulting, Knight Piésold and Lyntek Inc. out of their Denver, Colorado offices - the YGP is estimated to return a pre-tax net present value ("NPV") at a 5% discount rate of approximately \$216 million (post tax: \$115 million) and an internal rate of return ("IRR") of 20% (post tax: 15%) based on initial estimated capital cost of \$193 million (including a 10% contingency and, as noted, at a \$1400/oz gold price.)

About Sutter

Sutter has two projects: the Lincoln Project located in Amador County, on the California Mother Lode Gold Belt, and the Santa Theresa Project located in the Northern Baja region of Mexico. Currently, the Company is completing the mill construction and underground development of the Lincoln Mine Project, beginning with the shallow portion of the Lincoln-Comet ore zone. The Lincoln-Comet and Keystone zones have a NI 43-101 compliant Indicated Resource estimate (completed in February 2008). Sutter currently controls approximately 3.6 miles of the Mother Lode of Amador County, with 90% of the property still unexplored.

In Mexico, Sutter holds the rights to the geologically similar, high-grade El Alamo district of northern Baja.

Forward-Looking Statements

This news release contains "forward-looking information" under Canadian securities law. Any information that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words such as "expect", "anticipate", "believe", "plans", "estimate", "scheduling", "projected" or variations thereof or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking information. Forward-looking information relates to, among other things: the price of silver and gold; the accuracy of mineral resource and mineral reserve estimates; the ability of the Company to finance its operations and capital expenditures; future financial and operating performance including estimates of the Company's revenues and capital expenditures and estimated production.

Forward looking statements made in this news release include all statements related to: the Company's intention to establish a special purpose vehicle; the Company's ability to implement the Company's corporate strategy; the anticipated closing of the Transaction; the anticipated restructuring of the Lincoln Mine operations, the plan to start and expand production from the Lincoln Mine; the planned cash injection into Sutter; potential for additional acquisitions by the Company; becoming the next generation of multi project gold mining company; the heightened recognition of the Company resulting from the Transaction; the potential benefits of the Transaction to shareholders of the Company and Sutter, including improved financial standing, liquidity, access to capital and near-term production potential; and the continued progress of the Company's Yellowknife Gold Project.

Factors that could cause future events to differ from those anticipated in forward looking statements include: inability to identify merger or acquisition opportunities, or once identified, negotiate a transaction on terms acceptable to Tyhee; inability to meet the conditions provided for in the Implementation Agreement, including obtaining sufficient funding for the acquisition and the proposed cash injection; delays in obtaining approvals for acquisition or merger activity, including approval of the TSX Venture Exchange and securities regulatory authorities; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; fluctuations in foreign exchange rates and interest rates; inability to achieve operational

efficiencies on any acquired property sufficient to overcome the costs of acquisition or merger; discrepancies between actual and estimated reserves and resources or between actual and estimated metallurgical recoveries; costs of production; capital expenditure requirements; the costs and timing of any acquisition or merger, including but not restricted to construction, expansion or enhancement of new or existing operations; the success of exploration and permitting activities; parts, equipment, labor or power shortages or other increases in costs; mining accidents, labour disputes or other adverse events; changes in applicable laws or regulations; that there are no material variations in the current tax and regulatory environment or the tax positions taken by the Company; that the regulatory and political environment within any country where any such targeted entity or project may be located will support the development of environmentally safe mining projects, and any other factors that may cause Tyhee's actual results, performance or achievements to be materially different from those expressed or implied by such information. In addition to the above, the factors described or referred to under the headings "Financial Risks and Uncertainties" and "Operational Risks and Uncertainties" in Tyhee's Management Discussion and Analysis for the six months ended February 28, 2014, which is available on the SEDAR website at ww.sedar.com, should be reviewed in conjunction with the information found in this news release.

Although Tyhee has attempted to identify important factors that could cause actual results, performance or achievements to differ materially from those contained in forward-looking information, there can be other factors that cause results, performance or achievements not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate or that management's expectations or estimates of future developments, circumstances or results will materialize. As a result of these risks and uncertainties, any proposed transaction could be modified, restricted or not completed, and the results or events predicted in these forward looking statements may differ materially from actual results or events. Accordingly, readers should not place undue reliance on forward-looking information.

The forward-looking information in this news release is made as of the date of this news release, and Tyhee disclaims any intention or obligation to update or revise such information, except as required by applicable law. This news release does not constitute an offer to buy any securities or a solicitation of any vote or approval or a solicitation of an offer to sell any securities.

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