

Rhys Resources Ltd. Enters Binding Letter Agreement to Acquire the Advanced Stage TNM Cobalt Project in Indonesia

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VANCOUVER, July 5 2017 - [Rhys Resources Ltd.](#) ("Rhys" or the "Company") announces the signing of a binding letter agreement ("Letter Agreement") dated June 28, 2017 for the acquisition of Cobalt Power Asia ("CPA"), which will provide Rhys with 100% ownership of the 5000 hectare, advanced stage TNM Cobalt Project, located in Depapre District, Jayapura Regency, Papua Province, Republic of Indonesia (the "Transaction").

The TNM cobalt property hosts a historical estimate of 37.973 million tonnes grading 1.25% nickel and 0.11% cobalt at a 0.8% nickel cut-off grade, contained in five coastal deposits fringing Tanahmerah Bay; Tanahmerah, Tablasufa, Amaybu, Kirpon and Doyo. The historical estimate was reported by PT. Pacific Nikkel in 1982 ("Pacific Nikkel report"), based on work carried out by PT. Pacific Nikkel in the period 1969 to 1979, as referenced by Thirnbeck in 2001.

The Pacific Nikkel report notes that drilling was the principal method of testing the extent, depth and grade of the laterite profile in the target areas and that such drilling averaged 7 meters in depth. The Pacific Nikkel report also notes that drilling was reported not to have intersected the full laterite profile, or to have reached bedrock and frequently bottomed in horizons with elevated cobalt and nickel concentrations.

The following outstanding cobalt intercepts are from within the mineralized zones: (operator, PT. Pacific Nikkel, 1970; true width of intervals are unknown)

- 8m @ 0.18% cobalt; from surface to 8m depth (Hand Auger hole #35);
- 13m @ 0.15% cobalt; from 2m to 15m depth (Hand Auger hole #6); and
- 10m @ 0.19% cobalt; from 4m to 14m depth (Hand Auger hole #21)

The Company is treating the cobalt and nickel tonnage and grade estimates above as historical estimates. The historical estimates do not use categories that conform to current CIM Definition Standards on Mineral Resources and Mineral Reserves as outlined in National Instrument 43-101, Standards of Disclosure for Mineral Projects ("NI 43-101") and have not been redefined to conform to current CIM Definition Standards. They were prepared in the 1970s prior to the adoption and implementation of NI 43-101.

A qualified person has not done sufficient work to classify the historical estimates as current mineral resources and the Company is not treating the historical estimates as current mineral resources. More work, including, but not limited to, drilling, will be required to conform the estimates to current CIM Definition Standards. Investors are cautioned that the historical estimates do not mean or imply that economic deposits exist on the Property. The Company has not undertaken any independent investigation of the historical estimates or other information contained in this press release nor has it independently analyzed the results of the previous exploration work in order to verify the accuracy of the information. The Company believes that the historical estimates and other information contained in this press release are relevant to continuing exploration on the Property.

Management of the Company is relying on the historical estimates contained in the Pacific Nikkel report because the authors were experts and used industry standard procedures at the time. The historical estimates are relevant to the Company's future exploration programs because they identify significant mineralization that will be the target of this exploration program.

No subsequent resource estimations have been attempted. Efforts to obtain any additional information regarding relevant historical work is ongoing, although there are no assurances that this original data will be found.

The TNM Cobalt Project is comprised of a Mining Business Permit - Production Operation license covering exactly five thousand hectares (50km²).

Sealed roads enable year-round access to the project area and connect it with the large town of Sentani

located about 15 km to the east and with Jayapura, the capital city of Papua Province, located about 40 km to the east.

The TNM Cobalt Project is located directly on the Pacific coast of Papua. Detailed bathymetric studies have identified three locations along the coast which appear to be favourable for the construction of a deep water port site within the license area.

The TNM Cobalt Project covers the western segment of a thick ultramafic unit that is exposed along the southern and western slopes of the Cyclops Mountain Range in an area measuring roughly 40 km east-west and 5 km north-south, from Tanahmerah Bay in the west to Jayapura's adjacent Yos Sudarso Bay (Humboldt Bay) in the east.

These ultramafic rocks have been extensively lateritized, resulting in the formation of elevated values of cobalt residing in shallow, near surface zones of the profile. A total of nine (9) prospective laterite zones underlain by ultramafic rocks have been identified and mapped on the property. Of these, only five (5) have been historically, and to a limited extent, drill tested.

A total of eight hundred and fifty-six (856) holes drilled with manual augers, tripod-supported gas-powered augers and truck mounted drills, as well as twenty six (26) test pits, have been completed on the five of the nine cobalt prospects; the Tanahmerah, Tablasufa, Amaybu, Kirpon and Doyo zones.

Cobalt market - China driving demand - TNM Cobalt Project well located

- China is the world's leader in cobalt consumption. New government policies are redirecting subsidies towards higher energy density and cobalt-rich EV batteries, expected to further increase China's demand for cobalt
- New 5-Year Plan to push for up to 15% of China's power to come from non-fossil fuels and targets 5 million New Electric Vehicles on the road by 2020
- Nearly 75% of China's consumption being used by the battery industry; China has more than 150 EV battery manufacturers ramping up new capacity due to the supply shortage experienced in 2015
- China is now pushing for an aggressive California-style Zero Emission Vehicle (ZEV) program: 8% EV by 2018, 12% by 2020
- 12x expected increase in the number of electric cars to be sold in China, from current 1% EV adoption rate in China today

Major terms of the Transaction

Under the provisions of the Transaction, Rhys will acquire all of the issued and outstanding securities of CPA (the "CPA Securities") and CPA will become a wholly owned subsidiary of Rhys.

CPA is the sole shareholder of Cobalt Power (Asia) Ltd., ("CPA HK") a Hong Kong company, which has entered into a conditional sale and purchase of shares agreement (the "Share Purchase Agreement") with PT. Tablasufa Nickel Mining ("TNM") to acquire all of the issued and outstanding securities of TNM. TNM is a private Indonesia company holding an IUP Operation Production Mining Permit for the TNM Cobalt Project.

The Transaction is an arm's length transaction.

The Transaction would involve the following elements:

- a. CPA and Rhys entering into merger or acquisition transaction under British Columbia corporate law whereby Rhys will acquire all of the issued and outstanding securities of CPA in consideration of the issuance of an aggregate of 11,000,000 post-Consolidation (as defined below) of Rhys, which is intended to result in the issuance of one common share of Rhys for each CPA share held.
- b. Prior to the date of closing of the Transaction (the "Closing Date"), Rhys will consolidate its currently existing common shares on a four old for one new basis (the "Consolidation");
- c. Concurrently with the completion of the Transaction, Rhys will complete a private placement generating aggregate gross proceeds of not less than \$2,000,000 (the "Financing"). Further details concerning the Financing will be announced once determined;

d. In connection with the Transaction, Rhys will seek to delist its common shares from the TSX Venture Exchange ("TSXV") and list the common shares on the Canadian Securities Exchange ("CSE") such that on the Closing Date, the common shares of Rhys would be listed on the CSE.

Loan from Rhys to CPA

Rhys shall advance to CPA, the sum of \$25,000 as a non-refundable deposit (the "Deposit"), which Deposit shall be used by CPA for the sole purpose of making required payments under the Share Purchase Agreement.

Upon receipt of the approval of the TSXV, Rhys shall advance a further amount (the "Secured Advance"), which together with the Deposit will represent in aggregate US\$50,000. The Secured Advance shall be used by CPA for the sole purpose of making required payments under the Share Purchase Agreement. The Secured Advance will be backed by a promissory note and shall bear interest at 12% per annum.

Pursuant to the Letter Agreement, Rhys will have until August 31, 2017 to negotiate the terms of a definitive agreement in order to complete the Transaction, but anticipates that the definitive agreement will be completed earlier than the deadline specified in the Letter Agreement. The Transaction is expected to close in August 2017, subject to the receipt of required approvals.

The closing of the Transaction is subject to a number of conditions, including: (i) the execution by the parties of a definitive agreement in respect of the Transaction, (ii) the approval of Rhys shareholders; (iii) completion of the Consolidation and the Financing; (iv) receipt of all applicable regulatory approvals for the transaction including the approval of the CSE for the listing of the Rhys common shares and of the TSXV for the delisting of the Rhys common shares; (v) delivery of a title opinion for the TNM Project acceptable to Rhys; and (vi) no material adverse change shall have occurred in CPA.

A finder's fee is payable in connection with the Transaction.

Trading Halt

Trading in the Rhys common shares has been halted and is expected to remain halted pending completion of the Transaction. There can be no assurance that trading in the common shares of Rhys will resume prior to the completion of the Transaction. Further details concerning the Transaction, CPA (including additional financial information and technical information respecting the TNM Project) and other matters will be announced if and when a definitive agreement is reached.

Name Change

Following the completion of the Transaction, Rhys expects to change its name to 'Pacific Rim Cobalt Corp.' or such other name as the parties may determine. A new trading symbol would also be assigned.

Qualified Person and Mineral Resources

The scientific and technical information in this news release has been reviewed and approved by Glenn S. Griesbach, P. Geo., a Qualified Person under the terms of National Instrument 43-101. Mr. Griesbach has verified the technical data disclosed in this news release. Mr. Griesbach is independent of Rhys for purposes of NI 43-101.

[Rhys Resources Ltd.](#)

Steve Vanry - CFO & Director
(604) 671-9522
steve@vanrycap.com

Sean Bromley - Investor Contact
(778) 985-8934
sean@theparmargroup.com

Neither the TSX Venture Exchange nor the Investment Industry Regulatory Organization of Canada accepts

responsibility for the adequacy or accuracy of this release.

FORWARD-LOOKING STATEMENTS

Statements in this news release that are forward-looking statements are subject to various risks and uncertainties concerning the specific factors disclosed here and elsewhere in both Rhys' periodic filings with Canadian securities regulators. When used in this news release, words such as "will", "plan", "estimate", "expect", "intend", "potential", "should," and similar expressions, are forward-looking statements. Information provided in this document is necessarily summarized and may not contain all available material information.

Forward-looking statements include, without limitation, statements regarding the completion of the Transaction and Financing, the expected benefits of the Transaction, the timing for the completion of the Transaction and Financing, as well as the definitive agreements associated therewith, and other statements that are not facts. Forward-looking statements are based on a number of assumptions and estimates that, while considered reasonable by management based on the business and markets in which Rhys operates, are inherently subject to significant operational, economic and competitive uncertainties and contingencies, including, among others, that: they may not have access to financing on acceptable terms or at all in order to complete the Transaction; Rhys may not receive all necessary regulatory approvals for the Transaction; the Financing may not be sufficient to develop the project;; the conditions to Transaction may not be satisfied or the definitive agreement for the Transaction may not be entered into; and other risks inherent with transactions of this type and the exploration industry generally.

Such forward-looking statements should therefore be construed in light of such factors.

Although Rhys has attempted to identify important factors that could cause actual results, performance or achievements to differ materially from those contained in the forward-looking statements, 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.

Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this news release are made as of the date of this news release, and Rhys disclaims any intention or obligation to update or revise such information, except as required by applicable law, and Rhys does not assume any liability for disclosure relating to any other company herein.

This news release also contains references to estimates of Mineral Resources. The estimation of Mineral Resources is inherently uncertain and involves subjective judgments about many relevant factors. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The accuracy of any such estimates is a function of the quantity and quality of available data, and of the assumptions made and judgments used in engineering and geological interpretation, which may prove to be unreliable and depend, to a certain extent, upon the analysis of drilling results and statistical inferences that may ultimately prove to be inaccurate. Mineral Resource estimates may have to be re-estimated based on, among other things: (i) fluctuations in metal or mineral prices; (ii) results of drilling; (iii) results of studies; and (iv) the possible failure to receive required permits, approvals and licences.

Completion of the Transaction is subject to a number of conditions, including stock 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 Listing Statement 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 Rhys should be considered highly speculative. The TSX Venture Exchange has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this press release.

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

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