

East Africa Metals Inc. Concludes Tanzanian Government Mediation

22.10.2020 | [CNW](#)

Forms New Partnership for the Development of the Magambazi Mine and Gold Stream Transaction with Tanzanian Development Company, PMM

VANCOUVER, Oct. 22, 2020 - [East Africa Metals Inc.](#) (TSXV: EAM) (Frankfurt: EA1) ("East Africa", "EAM" or the "Company") is pleased to announce that subject to the approval of the Fair Competition Commission (FCC) of Tanzania, the Company is expected to sign a binding Share Purchase Agreement and Gold Purchase Agreement with an arm's length Tanzanian private company, PMM Mining Company Limited ("PMM" or the "Developer"), to develop the Magambazi Mine in Tanzania.

Highlights:

- Government mandated mediation to resolve the current legal issues in Tanzania has cleared the way for EAM to form a partnership with PMM for the development of commercial mining operations at Magambazi;
- PMM will pay East Africa US\$2 million in cash for a 100% interest in Canaco Tanzania Limited ("CTL"), East Africa's wholly owned subsidiary;
- PMM will provide East Africa with the right to purchase 30% of gold produced from operations on the Mining Assets and Exploration Assets (collectively the "Assets") for production cost plus 15%; and,
- East Africa will not be required to contribute to capital or exploration expenditures with respect to the construction and development of any of the Assets.

The Magambazi Transaction:

The consideration for the transaction includes:

1. PMM will pay to EAM the sum of US\$2,000,000, being consideration for the the acquisition of 100% ownership stake in CTL. EAM's Tanzanian subsidiary company, which owns the Magambazi and Handeni Mining Licenses (the "Mining Assets" or "Magambazi Mine") and all other properties owned by East Africa in Tanzania (the "Exploration Assets").
2. During the lifetime of the mine respecting the Mining Assets, PMM will sell 30% of the Gold produced to EAM at the price of production cost plus 15% of production cost, pursuant to a Gold Purchase Agreement. Gold production costs means actual mining costs and milling costs as well as costs associated with third party smelting, refining, transportation and royalties, minus byproduct credits.
3. PMM undertakes to produce at least 10,000 ounces in the first year of commissioning of operations, 20,000 ounces in the second year, 30,000 ounces in the third year and at least 40,000 ounces per year thereafter.
4. In the event PMM does not meet the minimum production in a year, it will compensate EAM as follows: In the first year minimum production is not met PMM will pay US\$200,000; US\$400,000 in the second year; US\$600,000 in the third year; and, US\$700,000 per year for any other years' where the minimum production in any subsequent years is not acheived.
5. If at any time the Seller wishes to Transfer to any third party (the "Buyer"), or following an offer by a Buyer for the Seller to Transfer to such Buyer, any of the Properties and/or the Projects, East Africa will have the right of first offer to re-acquire the properties.

The Agreement is subject to a requirement for certain conditions to be met or waived prior to closing, including, but not limited to: (i) the completion of satisfactory due diligence by East Africa on the Developer; (ii) the finalization of the structure of the transaction, including tax considerations; (iii) the entering into definitive and gold purchase agreements; and, (iv) the receipt of the US\$2,000,000 cash payment, and (v) all requisite government, ministerial and regulatory approvals, including acceptance by the TSX Venture Exchange.

Andrew Lee Smith, President & CEO of East Africa, commented: "We are very grateful to the government of

Tanzania for their leadership in resolving the legal issues which have prevented the development of the Magambazi Mine. EAM's Board and management are pleased to be partnering with PMM for the development of commercial mining operations at Magambazi. The successful conclusion of the mediation process and the new partnership between EAM and PMM will unlock the benefit to EAM's shareholders and all stakeholders."

The Magambazi Mine:

The Magambazi Mine is located in the emerging Handeni gold district in eastern Tanzania, 180 kilometres northwest of Dar es Salaam and 140 kilometres southwest of the port city of Tanga. The Magambazi property consists of two mining licenses (which cover 9.9 square kilometres) and two prospecting licenses, for an aggregate total of approximately 93 square kilometres. An initial mineral resource estimate for Magambazi was announced on May 15, 2012. Using a cut-off grade of 0.5 grams per tonne gold, Magambazi is estimated to contain an indicated mineral resource of 15.2 million tonnes grading 1.48 grams per tonne gold and containing 721,300 ounces, as well as an inferred mineral resource estimate of 6.7 million tonnes grading 1.36 grams per tonne gold and containing 292,400 ounces.

The pit shells and cut-off grade of 0.50 grams per tonne gold used to calculate the maiden resource at Magambazi applied a 2012 gold price forecast of US\$1,250 per ounce.

Qualified Person

Technical information included in this news release was approved by Andrew Lee Smith, P.Geo., the Company's President and CEO, is a Qualified Person as defined by National Instrument 43-101.

About East Africa Metals

The Company's principal assets include both the 70% owned Harvest polymetallic VMS exploration Project and the 100% owned Magambazi Mine in the Tanga region of Tanzania. In addition, the Company owns 30% Net Profits Interest in the Adyabo and Da Tambuk mines in the Tigray region of Ethiopia. The Mato Bula and Da Tambuk mines are four-kilometres apart and will be developed simultaneously. The development of the mining operations is scheduled to begin during the fourth quarter of 2020.

East Africa retains exploration rights on areas of the properties outside the Mato Bula, Da Tambuk and Terakimti mining licenses in all Ethiopian projects and anticipates the commencement of exploration drilling to test priority targets during the last quarter of calendar 2020.

EAM has invested USD\$66.8M in African exploration since 2005 and identified a total of 2.8 million ounces of gold representing an average discovery cost per ounce of US\$24.

The Global Mineral Resources – EAM Projects:

EAM Project Resources (Au + Au ^{eqv} Metal ounces)		
Project	Category	Au + Au ^{eqv} ounces
Adyabo Project	Indicated	446,000
	Inferred	551,000
Harvest Project	Indicated	469,000
	Inferred	426,000
Handeni Project	Indicated	721,000
	Inferred	292,000
*See East Africa Metals Project Resource Table attached for additional detail		

More information on the Company can be viewed at the Company's website: www.eastafricametals.com.

On behalf of the Board of Directors:
Andrew Lee Smith, P.Geo., CEO

Cautionary Statement Regarding Forward-Looking Information

This news release contains "forward-looking information" within the meaning of applicable Canadian securities legislation, including information with respect to the terms of the letter agreement, the timing and amounts of payments, the expected completion dates for due diligence and approvals, the structure of the proposed transaction and the listing of the Developer's common shares on the London Stock Exchange's AIM. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "anticipate", "believe", "plan", "expect", "intend", "estimate", "forecast", "project", "budget", "schedule", "may", "will", "could", "might", "should" or variations of such words or similar words or expressions. Forward-looking information is based on reasonable assumptions that have been made by East Africa as at the date of such information and is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of East Africa to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: the negotiation of a definitive agreement reflecting the anticipated structure and timing outlined herein; delays with respect to required payments and regulatory approvals; results of the due diligence review; early exploration; the ability of East Africa to identify any other corporate opportunities for the Company; mineral exploration and development; metal and mineral prices; availability of capital; accuracy of East Africa's projections and estimates, including the initial mineral resource for the Adyabo, Harvest and Magambazi Projects; interest and exchange rates; competition; stock price fluctuations; availability of drilling equipment and access; actual results of current exploration activities; government regulation; political or economic developments; foreign taxation risks; environmental risks; insurance risks; capital expenditures; operating or technical difficulties in connection with development activities; personnel relations; the speculative nature of strategic metal exploration and development including the risks of diminishing quantities of grades of reserves; contests over title to properties; and changes in project parameters as plans continue to be refined, as well as those risk factors set out in East Africa's management's discussion and analysis for the three months ended March 31, 2015, East Africa's listing application dated July 8, 2013 and Tigray Resources Inc. Management Information Circular dated March 28, 2014. Forward-looking statements are based on assumptions management believes to be reasonable, including but not limited to the terms of the definitive agreement reflecting the anticipated structure and timing outlined herein; completion of satisfactory due diligence; receipt of all required payments and regulatory approval; the price of gold, silver, copper and zinc; the demand for gold, silver, copper and zinc; the ability to carry on exploration and development activities; the timely receipt of any required approvals; the ability to obtain qualified personnel, equipment and services in a timely and cost-efficient manner; the ability to operate in a safe, efficient and effective manner; and the regulatory framework regarding environmental matters, and such other assumptions and factors as set out herein. Although East Africa has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. The Company does not update or revise forward looking information even if new information becomes available unless legislation requires the Company do so. Accordingly, readers should not place undue reliance on forward-looking information contained herein, except in accordance with applicable securities laws.

Neither 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 release.

SOURCE [East Africa Metals Inc.](#)

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