

# Adriatic Metals to Acquire Tethyan Resource, Creating a Leading Polymetallic Explorer and Developer in the Balkans

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Vancouver, May 11, 2020 - [Tethyan Resource Corp.](#) (TSXV: TETH) ("Tethyan") is pleased to announce the execution of a binding letter agreement (the "Acquisition Agreement") pursuant to which [Adriatic Metals PLC](#) (ASX: ADT) (LON: ADT1) ("Adriatic") will acquire 100% of the issued share capital of Tethyan, by way of a Plan of Arrangement under the Business Corporations Act (British Columbia) (the "Transaction"), and has provided funding to complete the first closing of the previously announced EFPP d.o.o acquisition. Tethyan and Adriatic are at arm's length to each other.

## HIGHLIGHTS

- Exchange ratio of 0.166 Adriatic shares for each Tethyan share represents a premium of 47% to Tethyan's 20-day Volume Weighted Average Price
- In conjunction with the Transaction, Adriatic and Tethyan have entered into a convertible loan agreement (the "Convertible Loan Agreement"), whereby Adriatic has agreed to advance to Tethyan a secured convertible loan in the amount of up to \$1.3 million in three tranches; Adriatic has advanced the first \$1.0 million under the Convertible Loan Agreement
- Loan enables Tethyan to close the transaction for the acquisition of EFPP d.o.o., the holder of parts of the Kizevak and Sastavci deposits, to commence confirmation drilling at Kizevak, and to meet the expenses and costs of Tethyan in completing the Transaction
- Addition of Tethyan's Serbian brownfield development projects, Kizevak and Sastavci, and its large prospective landholding on the Tethyan mineral belt positions the enlarged Adriatic as the leading Balkan base and precious metals developer
- Adriatic plans to rapidly advance the past-producing Kizevak and Sastavci polymetallic mines in the Raska district of southwestern Serbia towards a maiden JORC compliant resource by end-Q4 2020
- Tethyan shareholders gain exposure to Adriatic's existing exploration and development portfolio including the exceptional Vares Project and prospective regional exploration potential in Bosnia & Herzegovina
- Tethyan Board of Directors unanimously supports the Transaction and irrevocable undertakings to vote in favour of the Transaction received from approximately 55% of Tethyan shareholders
- Transaction expected to close by end-August once all conditions have been met

Fabian Baker, Tethyan's President and CEO, commented:

"We are excited that our assets will soon be part of the Adriatic story. Adriatic Metals has built an excellent reputation in the Balkans based on their development capability and positive engagement with local stakeholders. We are confident that the combined assets and team will go forward to bring high quality assets to production in a timely and sustainable manner, ensuring lasting benefits for both our shareholders and the communities in which we operate."

Paul Cronin, Adriatic's Managing Director and CEO commented:

"Tethyan Resource Corp. have been successful in consolidating the Raska district in Serbia, and with the recent addition of the Kizevak and Sastavci licenses, the acquisition presents a unique opportunity for Adriatic to add assets to our portfolio that have the potential, over time, to match the quality of our exceptional Vares Project in Bosnia."

"In a short time, Adriatic has built a significant presence in the region, by developing our assets with a very competent team at the helm. Applying our team and strong balance sheet to Tethyan's assets positions us well to proceed through the project development cycle."

"These are past producing mines, and the historical data we have reviewed provides ample confidence that we are adding significant value to our portfolio. I look forward to working with Fabian and his team over the coming months to close the transaction and demonstrate the potential of these assets."

## TRANSACTION RATIONALE

The Transaction will give Tethyan shareholders the ability to participate in the enlarged Adriatic as the leading Balkan polymetallic explorer and developer with four key projects (Rupice, Veovaca, Kizevak & Sastavci) covering a total land package in excess of 301km<sup>2</sup> across Bosnia and Serbia (Figure 1). The Transaction allows Tethyan shareholders to retain upside to the Kizevak and Sastavci Projects whilst increasing the pace of development as Adriatic brings its strong balance sheet (cash of A\$23.8 million and no debt as at 31 March 2020) and its experienced project development team to rapidly progress the projects.

Figure 1: Map of the Balkan area showing Adriatic and Tethyan asset locations  
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## **ADRIATIC'S VARES PROJECT**

Adriatic holds a 100% interest in the Vares Project in Bosnia & Herzegovina, which comprises the historic open pit mine at Veovaca, and brownfield exploration at Rupice situated 12 kilometers to the northwest of Veovaca.

Rupice exhibits exceptionally high grades of base and precious metals. The deposit is a near-surface, moderately dipping sedimentary-style base metal deposit with very high grades of gold, silver, zinc, lead, barite and copper. Adriatic have drilled more than 12,000m to date returning numerous high grade drill intersections, such as drill hole BR-36-18 which returned 72 metres at 2.5g/t Au, 211 g/t Ag, 2.5% Cu, 10.7% Pb, 18.3% Zn and 25% BaSO<sub>4</sub>.

In November 2019 Adriatic announced the results of a JORC-compliant Scoping Study, following the release of a Maiden Resource Estimate earlier in the year. Adriatic is now rapidly developing the project, intending to complete a JORC compliant Pre-Feasibility Study during 2020.

Additionally, Adriatic has attracted a world class team to both expedite its exploration efforts at the high-grade Rupice deposit and to rapidly advance the project into the development phase utilising its first mover advantage and strategic position in Bosnia.

## **TETHYAN'S KIZEVAK AND SASTAVCI PROJECTS**

The Transaction enables Tethyan to proceed to close the acquisition of EFPP d.o.o. (refer to Tethyan News release dated April 1, 2020), the holder of parts of the Kizevak and Sastavci deposits, and commence drilling at Kizevak.

Kizevak is a past-producing mine reported to host considerable historic silver, zinc and lead mineral resources. Drilling by Tethyan in 2018, 1 kilometre along strike from the historic open pit mine, intersected high-grade mineralisation including 12 metres at 22.03% Zn, 10.49 % Pb, 167g/t Ag and 0.18g/t Au (refer to Tethyan's news release dated 4<sup>th</sup> September 2018). Historic records show that the entire corridor between the old Kizevak open pit and Tethyan's recent drilling is mineralised (Figure 2).

At Kizevak, there have been at least 116 holes drilled, totalling 14,951.1m (Figures 2 & 3). There are also an additional 7,820m of underground exploration workings. The mine was operated as an open pit by the Serbian State between 1984 and 2000, ceasing operations due to conflict in the region. The project benefits from numerous infrastructure advantages including water, power, road and rail access all within five kilometres, and a local workforce with a long history of mining. Additionally, the land comprising the wider project area is designated for mining purposes under the Serbian State spatial plan, providing many permitting benefits and efficiencies.

Figure 2: Plan map of Kizevak with significant historical drilling and underground channel sampling intercepts, and Tethyan 2018 drillhole intercepts. True widths are not known. The qualified person has not verified the historical sampling and assay data disclosed in this release, including sampling data and assay results. These data come from historical reports made between 1970 and 1984 by the Serbian Geoinstitut.  
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Figure 3: Cross-section in the central part of Kizevak showing historical drill and underground channel sample results and steeply dipping mineralised lenses within andesitic volcanics. Historical significant intercepts are >2% Pb+Zn. True widths are not known. The qualified person has not verified the historical sampling and assay data disclosed in this release. These data come from historical reports made between 1970 and 1984 by the Serbian Geoinstitut.  
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Sastavci was also mined historically by open pit on a smaller scale than at Kizevak and represents a priority

drilling target. The Sastavci historic open pit is located 3.5km north-northwest of the Kizevak open pit. Outcropping, steeply dipping, massive sulphide veins up to 5 metres wide are visible in the pit walls. Tethyan collected 65 rock-chip samples across the Sastavci area, which returned Zn values of +30% (limit of assay detection), 7.1% Pb, 94.3g/t Ag and 0.47g/t Au in the old Sastavci open pit (refer to Tethyan's news release dated April 1st 2020).

## **BENEFITS TO SHAREHOLDERS**

Benefits for Tethyan shareholders:

- Ability to fund the initial \$625,000 payment to EFPP in order to close the first stage of the EFPP Acquisition, of which \$100,000 has already been advanced;
- Adriatic's strong balance sheet will allow significant work to commence immediately in order rapidly progress the Kizevak and Sastavci Projects;
- Exposure to Adriatic's existing portfolio including the world class Vares Project and highly prospective regional exploration potential.

Benefits for Adriatic shareholders:

- Addition of two high quality brownfields projects to the portfolio in established mining jurisdiction Serbia, establishing Adriatic as the leading Balkan polymetallic explorer and developer;
- Creates long term project development pipeline with Kizevak and Sastavci to follow Adriatic's world class Vares project, plus attractive portfolio of regional exploration targets;
- Tethyan has a well-established team in-country to assist with permitting and project development and strong links with the local communities in which it operates.

Benefits for both sets of shareholders:

- Consolidates two premier polymetallic mining districts under one capable and well-financed company;
- Synergies between operations in Bosnia and Serbia strengthen exploration, development and permitting ability; and
- Potential for operational synergies once in production, particularly in downstream processes such as blending of concentrates.

## **TRANSACTION SUMMARY**

Adriatic and Tethyan are pleased to announce the execution of an Acquisition Agreement pursuant to which Adriatic will acquire 100% of the issued and to be issued share capital of Tethyan, by way of a Plan of Arrangement under the Business Corporations Act (British Columbia).

Pursuant to the Plan of Arrangement, each Tethyan shareholder will receive 0.166 Adriatic shares for each Tethyan share held (the "Plan Consideration"), resulting in Tethyan shareholders owning approximately 6.9% of the enlarged Adriatic.

The Plan Consideration represents an implied price of C\$0.184 per Tethyan share based on the 20-day VWAP of Adriatic at 8 May 2020, representing an implied equity value of C\$14.7 million (US\$10.6 million).

The Plan Consideration represents a premium of:

- 29% to the Tethyan closing price of C\$0.15 per share on 8 May 2020;
- 41% to the 5-day volume weighted average price of C\$0.138 per share on 8 May 2020; and
- 47% to the 20-day volume weighted average price of C\$0.131 per share on 8 May 2020;

The Transaction is subject to several conditions as set out in the Acquisition Agreement, including but not limited to:

- The Transaction being approved by a special resolution of Tethyan shareholders, being 66 2/3% of votes cast;

- Approval of the Plan of Arrangement by the British Columbia Supreme Court;
- The First Closing of the EFPP Acquisition having been completed;
- Customary regulatory approvals including those of the ASX and TSX-V as required; and
- Certain other closing conditions customary in transactions of this nature.

The Acquisition Agreement contains certain customary non-solicitation and right to match provisions, with a break fee of C\$700,000 and costs and expenses of Adriatic up to C\$150,000 payable by Tethyan to Adriatic under certain circumstances, and C\$350,000 payable by Adriatic to Tethyan under limited circumstances. On closing of the transaction, Tethyan will apply to delist its shares and cease to be a reporting issuer in all jurisdictions in Canada.

## **TERMS OF THE CONVERTIBLE LOAN**

Adriatic and Tethyan have entered into a Secured Convertible Loan Agreement whereby Adriatic has agreed to advance to Tethyan a secured convertible loan in the amount of up to C\$1.3 million in three tranches, in order to allow Tethyan to make the required payment of C\$625,000 (of which C\$100,000 has already been advanced) under the EFPP Agreement to complete the First Closing, commence confirmation drilling on Kizevak, and to fund the expenses of Tethyan through to completion of the Transaction. The key terms of the Convertible Loan Agreement include the following:

- Interest rate of 10% per annum, compounding monthly;
- Repayment due on the earliest of 12 months, the termination of the Transaction and the completion of the Transaction;
- Conversion at the option of Adriatic at any time following the termination of the Acquisition Agreement into common shares of Tethyan at a price of C\$0.15 per share;
- Security in the form of Debenture over its Serbian Assets, Share Pledges and Guarantees; and
- Other such terms as are customary for a convertible loan of this nature.

Adriatic has advanced the first C\$1.0 million under the Convertible Loan Agreement, which the TSXV has conditionally accepted. The Convertible Loan is subject to TSXV final acceptance. The shares, if any are issued in connection with the Convertible Loan, will be subject to a four month and one day hold period commencing May 10, 2020

## **SENIOR MANAGEMENT APPOINTMENT**

Fabian Baker, the President and Chief Executive Officer of Tethyan, will join Adriatic as Corporate Development Manager following closing.

## **TETHYAN BOARD RECOMMENDATION AND SHAREHOLDER SUPPORT**

The Board of Directors of Tethyan has unanimously approved and resolved to recommend that its shareholders vote in favour of the Transaction.

The directors and senior officers, and other shareholders of Tethyan, representing approximately 54.3% of the issued share capital of Tethyan, have entered into voting support agreements committing to vote their Tethyan shares in favour of, and to otherwise support, the Transaction. Additionally, Lock Up Agreements have been entered into by shareholders of Tethyan covering 38.3% of issued capital agreeing not to, directly or indirectly sell, transfer or otherwise dispose of any Adriatic or Tethyan shares until the earlier of: (a) six months after the Effective Time; and (b) any date after the Effective Time where the volume weighted average price of the Adriatic shares on the Australian Stock Exchange for the preceding 30 calendar day period is \$2.00 (Australian dollars) or more.

## **INDICATIVE TIMETABLE**

Activity	Date
Arrangement Agreement	1 June 2020
Dispatch of circular to shareholders of Tethyan	9 July 2020
Tethyan Shareholder Meeting	8 August 2020
Court Approval of Plan of Arrangement	10 August 2020

Effective Date

Late August 2020

## **ADVISORS AND COUNSEL**

Tethyan has appointed Morton Law LLP and Edwin Coe LLP as Legal Advisors.

Adriatic has appointed Tamesis Partners LLP as Transaction Advisor, Locke Lord (UK) LLP and Sangra Moller LLP as Legal Advisors and BDO Canada LLP as Tax Advisor.

## **ABOUT TETHYAN RESOURCE CORP.**

Tethyan Resource Corp. is a precious and base metals mineral exploration company incorporated in British Columbia, Canada, and listed on the TSX Venture Exchange. Tethyan is focused on the Tethyan Metallogenic Belt in Eastern Europe, mainly Serbia, where it is acquiring and exploring a portfolio of quality precious and base metals projects with known mineralization and compelling drill targets. Tethyan emphasizes responsible engagement with local communities and stakeholders, and is committed to the proactive implementation of Good International Industry Practice (GIIP) and sustainable health, safety and environmental management. More information can be found on Tethyan's website: [www.tethyan-resources.com](http://www.tethyan-resources.com).

## **ABOUT ADRIATIC METALS PLC**

Adriatic is a dual listed (ASX and LSE) precious and base metals explorer and developer via its 100% interest in the world class Vares Project (the "Project") in Bosnia & Herzegovina. The Project comprises a historic open cut mine at Veovaca and brownfield exploration at Rupice, an advanced proximal deposit which exhibits exceptionally high grades of base and precious metals.

Adriatic has attracted a world class team to both expedite its exploration efforts to expand the current JORC resource at the high-grade Rupice deposit and to rapidly advance the Project into the development phase utilising its first mover advantage and strategic position in Bosnia.

More information can be found on Adriatic's website: [www.adriaticmetals.com/](http://www.adriaticmetals.com/)

## **CONTACT INFORMATION**

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## **Sampling Methodology, Quality Assurance and Quality Control**

*The drill core and rock chip sampling program and sampling protocols were supervised by Tethyan's Exploration Manager, Mr Andrew Tunningley MAusIMM(CP), who is a Qualified Person as defined by National Instrument 43-101.*

*Tethyan's drill core samples were collected from half cut PQ and HQ diameter core, where the core was sawn along a pre-defined cutting line. Sample intervals were selected by the geologists based on geological criteria including presence of alteration and mineralisation, style of mineralisation and lithological contacts. Minimum sample lengths of 0.5 metres and maximum sample lengths of 2 metres were employed. Each sample weighed between 2 and 13 kg depending on the length of the sample and diameter of drill core. Sampling was only conducted on visually mineralised intervals, including 10 metres either side of the visually mineralised interval. Data verification was conducted by the Qualified Person including checking of detailed geological logs against core observations, core photographs and analytical results. In addition, digital data was verified using industry standard software to validate the drill database prior to entering data into the master database. No check assays have been conducted to date. The chip samples were taken using a rock hammer. Typical sample weights were 2 kg per sample. Samples were collected in cotton bags and given a unique reference number.*

*Quality Assurance is provided through provision of standard operating procedures for the collection and submission of samples as well as data handling and management. Quality Control is monitored through the insertion of one certified reference material sample and one blank sample per batch of 20 samples. One duplicate sample is also inserted per batch. All samples are securely transported from the project site to the ALS Global sample preparation laboratory in Bor, Serbia by ALS couriers. Sample pulps are then sent to ALS Rosia Montana, Romania by air freight for gold analysis by 30 gram fire assay with AA finish (code FA-AA23). Multi-element analyses are conducted by ALS Loughrea, Ireland using a highly oxidising digestion with ICP-MS finish (code ME-ICPORE). ALS's laboratories are ISO 2005 accredited, employ a Laboratory Information Management System for sample tracking, quality control and reporting, and are independent of Tethyan.*

*Historical drill and underground channel sample data has not been verified by the Qualified Person and should not be relied upon as historical drill core does not exist and the underground exploration workings are inaccessible. Historical drilling was core drilling of inclined holes.*

## **QUALIFIED PERSON**

*The technical information in this news release has been reviewed and approved by Tethyan's Exploration Manager, Andrew Tunningley, MAusIMM(CP), who is a Qualified Person as defined by National Instrument 43-101.*

## **TSX VENTURE EXCHANGE DISCLAIMER**

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

## **FORWARD-LOOKING STATEMENTS**

*Certain information contained herein constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the exploration program. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "expected", "intends", "will be", "look forward", "looks" or variations of such words and phrases or statements that certain actions, events or results "will" occur. Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and they are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Tethyan to be materially different from those expressed or implied by such forward-looking statements or forward-looking information, including: the completion of the First Closing and the Second Closing, receipt of all necessary regulatory approvals; future exploration programs; capital expenditures and other costs; and additional capital requirements. Although management of Tethyan has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements or 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*

*statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information. Tethyan will not update any forward-looking statements or forward-looking information that are incorporated by reference herein, except as required by applicable securities laws.*

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