

# Appia Signs Letter Agreement to Acquire up to a 70% Interest in a Prospective Brazilian Rare Earths Ionic Clay Project

written by Raj Shah | March 7, 2023

March 7, 2023 ([Source](#)) – Appia Rare Earths & Uranium Corp. (CSE: API) (OTCQX: APAAF) (FSE: A0I0) (FSE: A0I0.F) (FSE: A0I0.MU) (FSE: A0I0.BE) (the “Company” or “Appia”) is pleased to announce that the Company has signed a Letter Agreement (the “Letter Agreement”) with 3S LTDA (“3S”) and Beko Invest Ltd. (“Beko”) to acquire up to a 70% interest in the PCH Project (the “Transaction”) located in the Tocantins Structural Province of the Brasília Fold Belt, Goiás State, Brazil (the “Target Property”).

The Cachoeirinha Project (PCH Project) is located within the Tocantins Structural Province in the Brasília Fold Belt, more specifically, the Arenópolis Magmatic Arc. The PCH Project is 17,551.07 ha. in size and located within the Goiás State of Brazil. It is classified as an alkaline intrusive rock occurrence with highly anomalous REE and niobium mineralization. This mineralization is related to alkaline lithologies of the Fazenda Buriti Plutonic Complex and the hydrothermal and surface alteration products of this complex by supergene enrichment in a tropical climate. The positive results of the recent geochemical exploration work carried out to date indicates the potential for REE and Niobium within lateritic ionic adsorption clays.

**Highlights:**

- Appia is very excited to have entered into the Letter Agreement to secure this high potential property in Brazil. Our target is Heavy REEs in ionic clays and if Appia is successful in identifying such a target, it would make Appia one of the few known critical REE companies in the world to have both light and heavy REE assets.
- A number of professional consultants with direct ionic clay expertise have been contacted to bring together a project team suited for this specialized project.
- Appia will take the next 90 days to complete its due diligence on the properties prior to finalizing this option agreement.

“Ionic adsorption clays are the main source of the critical rare earth permanent magnet metals, dysprosium and terbium,” stated Stephen Burega, President of Appia. “Today China controls essentially all of the production of these metals, originally due to the exploitation of its own domestic extensive fields of ionic adsorption clays and now through the control of the same types of formations in Myanmar. The production and use of dysprosium and terbium to modify rare earth permanent magnets so that they can withstand extreme temperature cycling without significant loss of magnetic strength is thus under Chinese control.”

He continued, “The best hope for non-Chinese manufacturers of rare earth permanent magnets for military and civilian use in high temperature (cycling) environments is the discovery and exploitation of ionic adsorption clays not under Chinese control. This has already occurred in Brazil, where an American owned private company is bringing an ionic clay deposit into production. Its plan is to produce some 2000 tpa of the core magnet metals, neodymium and praseodymium, and 200 tpa of dysprosium by the end of 2026.”

“The non-Chinese global OEM manufacturing industry is in great need of non-Chinese controlled sources of rare earth magnetic materials,” stated Tom Drivas, CEO and Director of Appia. “The most pressing need is for dysprosium and terbium. A new discovery of an ionic clay deposit in Brazil would be one of the most important events in non-Chinese rare earth sourcing in the last several years.”

Ionic clays produce the some of the cleanest heavy and light critical rare earths in the market, representing simple metallurgy, low or no radioactive exposure, and no crushing, milling, or tailings dam required for extraction.

### **Letter Agreement Terms and Conditions**

Appia has the option to earn a 60% interest in the Target Property by issuing an aggregate of 2.5 million common shares of Appia to Beko and spending US\$10 million on the Target Property over a period of five (5) years. If Appia earns its 60% interest, it will then be obligated, within 90 days of earning its 60% interest, to issue a further US\$1,250,000 of common shares of Appia to Beko to earn a further 10% interest. Upon earning a 70% interest, Appia will grant to Beko a 1% net smelter returns royalty (the “**1% NSR**”) in the Target Property. Appia will have a right of first refusal to acquire the 1% NSR. Thereafter, Appia and Beko will enter into a joint venture with respect to the further exploration and development of the Target Property (the “**Joint Venture**”) with Appia holding a 70% interest and Beko holding a 30% interest in the Joint Venture. Upon the formation of the Joint Venture, Beko will have 90 days within which to elect to either (a) participate in the Joint Venture and contribute its pro rata share of expenditures or be diluted; (b) sell all of its 30% interest in the Joint Venture, subject to a right of first refusal in favour of Appia; or (c) elect to have Appia fund its pro rata share of expenditures pursuant to

the Joint Venture subject to the right of Appia to be reimbursed for 150% of the expenditures made by Appia on behalf of Beko.

The Transaction is subject to satisfactory completion of a due diligence review of 3S, Beko and the Target Property by Appia. Appia will have 90 days to complete its due diligence review. The execution of the Letter Agreement will be followed by the good faith negotiation of formal documentation, including a definitive agreement (the "**Definitive Agreement**") between the parties, setting forth the detailed terms of the Transaction, including the terms set out in the Letter Agreement and such other terms and conditions as are customary for transactions of the nature and magnitude contemplated herein. All documentation shall be in form and content satisfactory to each party and their respective counsel. The final structure of the Transaction will be determined after each of Appia and 3S / Beko have had the opportunity to consider all legal, tax and securities elements of the Transaction in order to ensure the most efficient structure for each of the parties and their respective security holders. It is anticipated that on the closing of the Transaction, to occur on or before June 9, 2023 (the "**Closing**"), the Target Property will be transferred by 3S to and held by a newly incorporated Brazilian company ("**NewCo**") with Appia holding a 70% interest in NewCo and Beko holding a 30% interest in NewCo subject to Appia earning its 70% interest as provided herein. The Joint Venture will be governed by the terms of a unanimous shareholders agreement between Appia and Beko which will govern the relationship of the parties to the Joint Venture.

Appia will acquire incremental vested interests in the Target Property upon completion of specific expenditure requirements pursuant to the terms of the Letter Agreement.. Provided Appia issues at least 1 million common shares to Beko and spends at least US\$1 million on the Target Property (at which time it will

have earned a 10% legal and beneficial ownership interest in the Target Property), Appia can elect to cease funding the PCH Project and will have earned an interest in NewCo based upon the expenditures made to the date of the election (the “**Earned Interest**”) and the interest of Beko in NewCo will be adjusted to 100% minus the Earned Interest. The parties will then determine how they wish to proceed with their respective interests in NewCo.

The Transaction is subject to the fulfillment of certain conditions precedent as are customary for transactions of this nature including compliance with the rules of the Canadian Securities Exchange. If the Definitive Agreement has not been executed by the Closing Date, the terms of the Letter Agreement shall govern the rights of the parties.

The technical content in this news release was reviewed and approved by Dr. Irvine R. Annesley, P.Geo, Vice President of Exploration, and a Qualified Person as defined by National Instrument 43-101.

### **About Appia Rare Earths & Uranium Corp. (Appia)**

Appia is a publicly traded Canadian company in the rare earth element and uranium sectors. The Company is currently focusing on delineating high-grade critical rare earth elements and gallium on the Alces Lake property, as well as exploring for high-grade uranium in the prolific Athabasca Basin on its Loranger, North Wollaston, Eastside and Otherside properties. The Company holds the surface rights to exploration for 113,837.15 hectares (281,297.72 acres) in Saskatchewan. The Company also has a 100% interest in approximately 12,545 hectares (31,000 acres), with rare earth element and uranium deposits over five mineralized zones in the Elliot Lake Camp, Ontario.

Appia has 130.5 million common shares outstanding, 153.8 million

shares fully diluted.

*Cautionary Note Regarding Forward-Looking Statements: This News Release contains forward-looking statements which are typically preceded by, followed by or including the words “believes”, “expects”, “anticipates”, “estimates”, “intends”, “plans” or similar expressions. Forward-looking statements are not a guarantee of future performance as they involve risks, uncertainties and assumptions. We do not intend and do not assume any obligation to update these forward-looking statements and shareholders are cautioned not to put undue reliance on such statements.*

*Neither the Canadian Securities Exchange nor its Market Regulator (as that term is defined in the policies of the CSE) accepts responsibility for the adequacy or accuracy of this release.*

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