

Avanco takes option on Vale's Pantera copper project

16TH JANUARY 2018

BY: MEGAN VAN WYNGAARDT
CREAMER MEDIA CONTRIBUTING EDITOR ONLINE

JOHANNESBURG (miningweekly.com) – ASX-listed Avanco has agreed terms for an option to acquire 100% of the Pantera copper project from Brazilian major Vale, with a payment of \$500 000 paid upon signing.

Located near Avanco's existing operations in the Carajás mineral province, in Brazil, the 9 700 ha Pantera licence has the potential to significantly add resources, reserves and a longer-term production profile for the company.

The option provides Avanco the right to acquire 100% of Pantera by either completing 14 000 m of drilling within two years and subsequently agreeing Joint Ore Reserves Committee- (Jorc-) compliant measured and indicated resources hosted within the whole of the historical mineralised zone, thereafter establishing the acquisition price calculated at \$0.04/lb of contained copper.

Avanco can then exercise the option by starting payment of the acquisition monies to Vale. Following the exercise of the option, beyond two years and up to five years, Avanco shall complete the drilling in the historical mineralised zone and any contained copper in addition to 400 000 t will incur a higher acquisition price based on an incremental cost of \$0.06/lb of copper.

The option can also either be exercised at any time, with or without drilling, by agreeing on a non-Jorc-compliant estimation of 400 000 t of contained copper within the zone valued at \$0.04/lb of copper.

In both cases, payment of the acquisition price is capped at \$3-million a year.

Management estimate the acquisition cost will likely range between \$20-million and \$35-million, determined largely by the strategy adopted.

Consequently, it is anticipated that the payment period will be spread over a seven- to twelve-year period.

On electing to exercise the option and making the first yearly payment, Vale will transfer the mineral rights to Avanco.

Any copper resources discovered by Avanco outside the historical mineralised zone will not attract an increase to the acquisition price.

Any future production from resources hosted outside of the historical mineralised zone, but within the boundaries of Pantera, will be subject to a net smelter return royalty to Vale of 1% on copper.

The agreement obliges Avanco to honour an underlying royalty previously assigned to the Brazilian Development Bank of 1.5% on gross revenue.

Source: <http://www.miningweekly.com/article/avanco-takes-option-on-vales-pantera-copper-project-2018-01-16>