Magellan Minerals Ltd. Announces $8 Million Financing With Sandstorm Gold

11.05.2012 | Marketwired

VANCOUVER, BRITISH COLUMBIA -- (Marketwire) -- 05/11/12 -- Magellan Minerals Ltd. (TSX VENTURE: MNM)(OTCQX: MAGNF) ("Magellan") is pleased to announce an agreement whereby Magellan will grant Sandstorm Gold Ltd. ("Sandstorm") a 2.5% net smelter returns royalty ("NSR") on the Coringa gold project ("Coringa") and a 1.0% NSR on the Cuiu Cuiu gold project ("Cuiu Cuiu") both of which are located in Para state, Brazil. As consideration, Sandstorm will provide an upfront cash payment of US$7.5 million and will subscribe for one million shares of Magellan at a price of $0.50 per share. The share subscription is subject to approval from the TSX Venture Exchange.

As part of the agreement, Magellan has provided Sandstorm with a right of first refusal on any future royalty or gold stream financing for both the Coringa and Cuiu Cuiu projects.

This transaction follows the termination of the recently announced royalty financing with Global Royalty Corporation (see press release dated 30th March 2012) regarding the Cuiu Cuiu project.

As part of the transaction, Magellan acquired the existing 2.5% royalty on the Coringa project from the royalty holder on April 30, 2012 for total consideration of US$2.7 million.

"We are extremely pleased to have concluded this arrangement with Sandstorm Gold, a company with a strong management team and existing assets in Brazil. The agreement results in minimal shareholder dilution and allows us to advance Coringa through a revised scoping study and feasibility, as well as continuing to expand the resource base at Cuiu Cuiu," said Magellan President & CEO Alan Carter.

About Coringa and Cuiu Cuiu

The Coringa gold project is located in Para State, 20 kilometres east of the BR-163 highway. Coringa is a narrow, high grade vein system extending over an eighteen kilometre strike with significant exploration upside. Magellan released a positive preliminary economic assessment on Coringa in May 2010, which is in the process of being updated, and will commence a feasibility study in the third quarter of 2012.

Cuiu Cuiu is located 180 kilometres southwest of Itaituba in northern Brazil. Exploration work has identified a series of major gold soil anomalies and Magellan anticipates conducting a drilling program during the second half of 2012 with plans to release a revised resource estimate in Q1 2013.

Coringa - Total Resources (1)

	Tonnage (Mt)	Au Grade (g/t)	Contained Au (oz)
Measured	1.15	6.8	252,000
Indicated	2.20	4.8	309,000
Inferred	5.50	3.0	534,000

Cuiu Cuiu - Total Resources (1)

	Tonnage (Mt)	Au Grade (g/t)	Contained Au (oz)
Indicated	3.40	1.0	100,000
Inferred	31	1.2	1,200,000

(1) Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Dennis Moore, B.Sc., M. Eng., is the Qualified Person under NI 43-101 responsible for reviewing and approving the technical information contained in this news release.

Magellan Minerals (TSX VENTURE: MNM) (OTCQX: MAGNF) is a TSX Venture Exchange listed exploration and development company with two advanced gold properties in the Tapajos Province of northern Brazil. The Cuiu Cuiu project contains 100,000oz of gold in the Indicated category (3.4Mt @ 1.0g/t gold) and 1,200,000oz of gold in the Inferred category (31Mt @ 1.2g/t gold). The Coringa project contains Measured and Indicated resources of 561,000oz of gold (3.35Mt @ 5.5g/t gold) and Inferred resources of 534,000oz of gold (5.5Mt @ 3.0g/t gold).

This news release may contain forward-looking statements including but not limited to comments regarding the timing and content of upcoming work programs, geological interpretations, receipt of property titles, potential mineral recovery processes, etc. Forward-looking statements address future events and conditions and therefore, involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated in such statements.

News Release #2012-12

The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.

Contacts:

Magellan Minerals Ltd.
Alan Carter
President and CEO
604.676.5663
info@magellanminerals.com

Magellan Minerals Ltd.
Jennifer Duthie
Corporate Communications Manager
778.370.0519
Jennifer@magellanminerals.com
www.magellanminerals.com

Sandstorm Gold Ltd.
Denver Harris
Investor Relations
604.628.1178
dharris@sandstormltd.com
www.sandstormgold.com