

SolGold PLC Announces Royalty Funding Package for Alpala Project

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SolGold Agrees a Royalty Financing Package of US\$100m with Upscale to US\$150m from Franco-Nevada for the Alpala Project

BISHOPSGATE, May 11, 2020 - The Board of Directors of SolGold (LSE & TSX: SOLG) is pleased to announce that SolGold has entered into a US\$100 million Net Smelter Returns Financing ("NSR Financing") Agreement with [Franco-Nevada Corp.](#) ("Franco-Nevada"), with an option to upsize the financing to US\$150 million at the Company's election, with reference to the Company's flagship Alpala copper-gold project and the remainder of the Cascabel license in northern Ecuador.

Concurrently with the entering into of the NSR Financing Agreement, SolGold and Franco-Nevada have also entered into a US\$15 million secured Bridge Loan Agreement ("BLA") of immediately available funds as an initial advance (the "Advance") prior to closing the NSR Financing Agreement. The full amount of the Advance will be disbursed by Franco-Nevada to SolGold today.

The Advance provides SolGold with short term funding at an interest rate of 12% per annum for a four-month period, with an option to extend the maturity for another four months. The Advance is in any event repayable with interest upon closing of the NSR Financing.

Franco-Nevada and SolGold have each received all required corporate approvals for entering into the transactions.

Highlights of the NSR Financing Agreement:

- SolGold and Franco-Nevada have entered into a binding NSR Financing Agreement for up to US\$150 million.
- For the first US\$100 million, Franco-Nevada will receive a perpetual 1% NSR interest from SolGold calculated with reference to Net Smelter Returns from the Cascabel licence area.
- The NSR Financing Agreement can be upsized at SolGold's election by US\$50 million to a 1.5% NSR interest within eight months from the date of the Agreement.
- For clarity, neither Exploraciones Novomining S.A. ("ENSA") nor the minority shareholder in ENSA will be liable for the royalty.

· Key features of the NSR Financing Agreement include:

- A 50% buy-back option exercisable at SolGold's election for six years from closing at a price delivering Franco-Nevada a 12% internal rate of return;
- A NPV neutral option in favour of Franco-Nevada to convert the NSR interest into a gold-only NSR interest, available for six years from two years after operation start;
- Franco-Nevada is entitled to receive certain minimum royalty payments of US\$10 million from 2028;
- The inclusion of a NSR interest top-up mechanism in the event that actual mine production (measured on a copper equivalent basis) is less than 85% of planned production, as stated in SolGold's most recent publicly filed technical report.

· Conditions precedent to the NSR Financing are expected to be satisfied soon after COVID-19 related travel restrictions are lifted.

· Franco-Nevada has indicated its interest, subject to further studies, to participate in the financing of SolGold's share of the mine development at Alpala via a gold stream. SolGold expects that, due to the gold-rich nature of the Alpala porphyry, the project can support up to US\$1 billion of precious metals stream financing.

Commenting on the funding, Nicholas Mather, SolGold's Chief Executive Officer said: "SolGold is immensely excited to further progress Alpala in the run up to final feasibility and a development decision, and for Franco-Nevada's endorsement of the Alpala Project. The US\$100 million of funding generated, plus the option to upscale the royalty by US\$50 million for an additional 0.5% NSR at SolGold's option, will see the rapid advancement of the Alpala Project".

Paul Brink, President and CEO of Franco-Nevada commented: "Alpala is an exceptional orebody and one of the most attractive block cave development projects globally. We would welcome the opportunity to provide a gold stream financing as part of the construction financing of the project".

Executive General Manager of Corporate Finance, Mr Ingo Hofmaier commented: "SolGold received and considered a broad range of funding options and the decision to proceed with Franco-Nevada is based on various factors, including the size of investment, the permanent nature of this financing, Franco-Nevada's experience and understanding of Latin America and the competitive cost of capital. In SolGold's opinion, a 1-1.5% NSR will not constrain the debt capacity of the project; on the contrary, we believe this financing increases the confidence in SolGold's ability to fund the development, further affirming the overall quality of the Alpala deposit."

"With BHP, Newcrest and now Franco-Nevada having exposure to the project, there should be no doubt as to the quality of Alpala or Ecuador as a sovereign mining destination for project development capital. Franco-Nevada is the largest royalty and streaming company by market capitalisation, has a history of investing into world-class assets and has invested US\$3.1 billion in Latin America since 2015, with SolGold being Franco-Nevada's first financing in Ecuador".

Proceeds of the NSR Financing will be used by SolGold to fund the costs to complete the Feasibility Study and any surplus will be used for SolGold's share of the development of Alpala pursuant to agreements with the minority shareholder of ENSA, Cornerstone Capital Resources Inc. ("Cornerstone").

Cornerstone's share to completion of the Feasibility Study of Alpala is debt funded by SolGold and post Feasibility Study, Cornerstone must contribute to all expenses and capital costs. If Cornerstone's equity stake in ENSA is diluted below 10%, its equity stake will be converted to a 0.5% NSR which SolGold can then acquire for US\$3.5 million at any time. SolGold's debt funding to Cornerstone accrues interest at LIBOR plus 2% per annum and is to be repaid from 90% of Cornerstone's distributions of earnings or dividends from ENSA or the Cascabel concession. Currently Cornerstone's indebtedness to SolGold is US\$30.5 million. The latest budget indicates that this liability is expected to reach US\$52.0 million in the period to completion of the Feasibility Study.

Under the NSR Financing Agreement, following closing, Franco-Nevada will have the right to appoint an observer to the Alpala Project Advisory Committee. Although this committee will not have formal decision-making power, it can nonetheless advise SolGold's Board of Directors on strategic, financial and technical matters regarding the project.

SolGold places utmost importance on its social and environmental initiatives and is delighted that Franco-Nevada has agreed to contribute US\$150,000 for three years towards environmental and social initiatives in Ecuador in the direct zone of influence of the Alpala Project via joint projects.

With regard to certain conditions to closing of the NSR Financing:

- Franco-Nevada commenced due diligence on SolGold and Alpala in late 2019. Franco-Nevada's studies of the project have been completed satisfactorily, except for a site visit. Temporary COVID-19 travel restrictions have delayed completion of Franco-Nevada's on-site due diligence, which is a key condition precedent to closing the NSR Financing.

- The site visit is expected to take place as soon as travel restrictions are lifted. Both parties will adhere to appropriate health and safety measures in order to mitigate potential risks of COVID-19 infection to the personnel of Franco-Nevada, SolGold employees as well as the communities in and around the Alpala project area.

- As a backup measure, both parties are also investigating alternatives to a conventional site visit.
- In the event that the conditions precedent are not fulfilled or waived by a long stop date, the NSR Financing Agreement will terminate.

SolGold's field operations are currently on care and maintenance due to COVID-19 social isolation rules and respect for communities in the area in an effort to reduce the potential transmission of the virus. The Ecuadorian mining authorities have requested the Company's plans for re-activation of operations, pending the full agreement from local county authorities. SolGold continues to actively monitor all its employees as health and safety are top priorities for the Company. SolGold will continue supporting its employees and local communities where possible in their efforts to curtail the spread of the virus.

By order of the Board,

Karl Schlobohm

Company Secretary

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Scientific and technical information in this report relating to the Alpala project and Cascabel concession is based on data reviewed by Mr Jason Ward ((CP) B.Sc. Geol.), the Chief Geologist of the Company. Mr Ward is a Fellow of the Australasian Institute of Mining and Metallurgy, holds the designation FAusIMM (CP), and has in excess of 20 years' experience in mineral exploration and is a Qualified Person for the purposes of the relevant LSE and TSX Rules. Mr Ward approves the information in the form and context in which it appears.

Market Abuse Regulation (MAR) Disclosure

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of the Regulation (EU) No 596/2014 until the release of this announcement.

ABOUT SOLGOLD

SolGold is a leading resources company focussed on the discovery, definition and development of world-class copper and gold deposits. In 2018, SolGold's management team was recognised by the "Mines and Money" Forum as an example of excellence in the industry and continues to strive to deliver objectives efficiently and in the interests of shareholders. SolGold is the largest concession holder by land mass, and most active explorer in Ecuador and is aggressively exploring the length and breadth of this highly prospective and gold-rich section of the Andean Copper Belt.

The Company operates with transparency and in accordance with international best practices. SolGold is committed to delivering value to its shareholders, while simultaneously providing economic and social benefits to impacted communities, fostering a healthy and safe workplace and minimizing the environmental impact.

Dedicated stakeholders

SolGold employs a staff of 737 employees of whom 98% are Ecuadorian. This is expected to grow as the operations expand at Alpala, and in Ecuador generally. SolGold focusses its operations to be safe, reliable and environmentally responsible and maintains close relationships with its local communities. SolGold has engaged an increasingly skilled, refined and experienced team of geoscientists using state of the art geophysical and geochemical modelling applied to an extensive database to enable the delivery of ore grade intersections from nearly every drill hole at Alpala. SolGold has 86 geologists, of whom 30% are female, on the ground in Ecuador exploring for economic copper and gold deposits.

About Cascabel and Alpala

The Alpala deposit is the main target in the Cascabel concession, located on the northern section of the heavily endowed Andean Copper Belt, the entirety of which is renowned as the base for nearly half of the world's copper production. The project area hosts mineralisation of Eocene age, the same age as numerous Tier 1 deposits along the Andean Copper Belt in Chile and Peru to the south. The project base is located at Rocafuerte within the Cascabel concession in northern Ecuador, an approximately three-hour drive on sealed highway north of the capital Quito, close to water, power supply and Pacific ports.

Having fulfilled its earn-in requirements, SolGold is a registered shareholder with an unencumbered legal and beneficial 85% interest in ENSA (Exploraciones Novomining S.A.) which holds 100% of the Cascabel

concession covering approximately 50km². The minority equity owner in ENSA is required to repay 15% of costs since SolGold's earn in was completed, from 90% of its share of the distribution of earnings or dividends from ENSA or the Cascabel concession. It is also required to contribute to development or be diluted, and if its interest falls below 10%, it shall convert to a 0.5% NSR royalty which SolGold may acquire for US\$3.5m.

Advancing Alpala towards development

The resource at the Alpala deposit boasts a high-grade core which is targeted to facilitate early cashflows and an accelerated payback of initial capital. SolGold is currently assessing financing options available to the Company for the development of the Alpala mine following completion of the Definitive Feasibility Study.

Mineral Resource Estimate #3:

- Mineral Resource of 2,663 Mt @ 0.53% CuEq for 9.9 Mt Cu, 21.7 Moz Au and 92.2 Moz Ag in the Measured plus Indicated categories.

- Mineral Resource of 544 Mt @ 0.31% CuEq for 1.3 Mt Cu, 1.9 Moz Au and 10.6 Moz Ag in the Inferred category

SolGold's Regional Exploration Drive

SolGold is using its successful and cost-efficient blueprint established at Alpala, and Cascabel generally, to explore for additional world class copper and gold projects across Ecuador. SolGold is the largest and most active concessionaire in Ecuador.

The Company wholly-owns four other subsidiaries active throughout the country that are now focussed on thirteen high priority gold and copper resource targets, several of which the Company believes have the potential, subject to resource definition and feasibility, to be developed in close succession or even on a more accelerated basis compared to Alpala.

SolGold is listed on the London Stock Exchange and Toronto Stock Exchange (LSE/TSX: SOLG). The Company has on issue a total of 1,923,321,033 fully-paid ordinary shares and 185,162,000 unlisted options exercisable at various prices ranging from 25p to 60p and expiring between July 2020 and November 2024.

Quality Assurance / Quality Control on Sample Collection, Security and Assaying

SolGold operates according to its rigorous Quality Assurance and Quality Control (QA/QC) protocol, which is consistent with industry best practices.

Primary sample collection involves secure transport from SolGold's concessions in Ecuador, to the ALS certified sample preparation facility in Quito, Ecuador. Samples are then air freighted from Quito to the ALS certified laboratory in Lima, Peru where the assaying of drill core, channel samples, rock chips and soil samples is undertaken. SolGold utilises ALS certified laboratories in Canada and Australia for the analysis of metallurgical samples.

Samples are prepared and analysed using 100g 4-Acid digest ICP with MS finish for 48 elements on a 0.25g aliquot (ME-MS61). Laboratory performance is routinely monitored using umpire assays, check batches and inter-laboratory comparisons between ALS certified laboratory in Lima and the ACME certified laboratory in Cuenca, Ecuador.

In order to monitor the ongoing quality of its analytical database, SolGold's QA/QC protocol encompasses standard sampling methodologies, including the insertion of certified powder blanks, coarse chip blanks, standards, pulp duplicates and field duplicates. The blanks and standards are Certified Reference Materials

supplied by Ore Research and Exploration, Australia.

SolGold's QA/QC protocol also monitors the ongoing quality of its analytical database. The Company's protocol involves Independent data validation of the digital analytical database including search for sample overlaps, duplicate or absent samples as well as anomalous assay and survey results. These are routinely performed ahead of Mineral Resource Estimates and Feasibility Studies. No material QA/QC issues have been identified with respect to sample collection, security and assaying.

Reviews of the sample preparation, chain of custody, data security procedures and assaying methods used by SolGold confirm that they are consistent with industry best practices and all results stated in this announcement have passed SolGold's QA/QC protocol.

See www.solgold.com.au for more information. Follow us on twitter @SolGold_plc

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News releases, presentations and public commentary made by [SolGold plc](#) (the "Company") and its Officers may contain certain statements and expressions of belief, expectation or opinion which are forward looking statements, and which relate, inter alia, to interpretations of exploration results to date and the Company's proposed strategy, plans and objectives or to the expectations or intentions of the Company's Directors. Such forward-looking and interpretative statements involve known and unknown risks, uncertainties and other important factors beyond the control of the Company that could cause the actual performance or achievements of the Company to be materially different from such interpretations and forward-looking statements.

Accordingly, the reader should not rely on any interpretations or forward-looking statements; and save as required by the exchange rules of the TSX and LSE or by applicable laws, the Company does not accept any obligation to disseminate any updates or revisions to such interpretations or forward-looking statements. The Company may reinterpret results to date as the status of its assets and projects changes with time expenditure, metals prices and other affecting circumstances.

This release may contain "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, statements regarding the Company's plans for developing its properties, successful completion of the NSR Financing, future gold stream financing, resource estimates, the lifting of travel-related COVID-19 restrictions, results of exploration activities, development of the Alpala project, future funding participation by Cornerstone, future budgets to complete a feasibility study and re-activation of operations. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to: timing of the lifting of COVID-19 related restrictions, satisfactory completion of site visit due diligence by Franco-Nevada, the ability to complete future financings on terms acceptable to SolGold, transaction risks; general business, economic, competitive, political and social uncertainties; future prices of mineral prices; accidents, labour disputes and shortages and other risks of the mining industry. Although the Company 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 statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

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