

# Arizona Sonoran and Nuton LLC Announce Option to Joint Venture on Cactus Project in Arizona

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US\$33 million in non-dilutive financing to ASCU

Global Mining and Innovation Industry partner validates scalability of Cactus Project and Nuton's confidence in enhancing project economics

[Arizona Sonoran Copper Company Inc.](#) (TSX:ASCU | OTCQX:ASCUF) ("ASCU" or the "Company") is pleased to announce today that it has entered into an option to joint venture agreement with Nuton LLC ("Nuton"), a wholly-owned subsidiary of Rio Tinto, to establish a strategic alliance for deployment of the Nuton technologies at its Cactus Mine and the Parks/Salyer Project (collectively, the "Cactus Project"), in Arizona, USA. All dollar figures herein are in United States dollars unless otherwise indicated.

Management will host an interactive webinar on Friday, December 15 at 9 am ET. Please register with <https://www.bigmarker.com/vid-conferences/ASCU-TownHallForum> to join.

## Transaction Highlights

### Creating a Straightforward Mechanism for Significant Project Funding

- Endorses the Cactus Project through up to US\$33 million in non-dilutive financing
- Creates a straightforward mechanism for significant project funding, designed to minimize ASCU's future share of equity contributions to capital costs
- Commitment from Nuton to support the creation of a funding strategy for ASCU, which may include the provision of a completion guarantee for the Cactus Project or a performance guarantee related to the Nuton technologies
- Potential to improve per share returns to ASCU shareholders

### Reduction of Execution Risks

- Establishes a framework for a joint-venture partnership with industry-leading technical and innovation leader to deliver value-enhancing project economics
- Potential to significantly increase attributable copper production per share
- Defines near-term project advancement strategy with the goal of delivering an Integrated Nuton Case PFS (defined below) by December 31, 2024
- Preserves long-term optionality for ASCU and outlines a clear path towards environmentally- friendly copper production in the USA, with a focus on Nuton's positive impact pillars: water, energy, land, materials, and society

George Ogilvie, President and CEO of ASCU commented, "We are delighted to announce this strategic joint venture transaction with Nuton. We welcome the expertise and financial support as we expand testing of Nuton's heap leaching technologies, while concurrently advancing ASCU's projects. Nuton's column test results have demonstrated continued improvements in extraction rates from both the primary and enriched mineral resources, resulting in potentially more efficient operations. We look forward to advancing into Phase 2 testing, which includes an expanded understanding of the Nuton technologies' economic benefits within a fully-integrated pre-feasibility study, anticipated by the end of 2024."

Mr. Ogilvie continued, "The proposed heap leach and SXEW flowsheet utilizing Nuton is intended to build

upon the strength of our standalone base case, utilizing the same infrastructure proving economies of scale. Nuton has indicated the potential to significantly increase copper cathode output from our current 45-50 ktpa target which could materially enhance project economics. Furthermore, we see this as a significant de-risking event for ASCU shareholders with up to US\$33 million in non-dilutive near-term financing and the addition of a strong project partner for future financing and development."

Adam Burley, CEO of Nuton LLC commented, "We are pleased to be advancing our strategic partnership with ASCU. Successful deployment of Nuton Technologies at Cactus and Park/Salyer has the potential to materially enhance the economic and environmental performance of the projects."

#### Transaction Details

ASCU has entered into an Option to Joint Venture Agreement (the "Option Agreement") with Nuton and two of ASCU's wholly-owned subsidiaries, Arizona Sonoran Copper Company (USA) Inc. ("ASUSA") and Cactus 110 LLC ("Cactus"), pursuant to which ASUSA has granted Nuton the exclusive right and option (the "Option") to acquire between a 35.0% to 40.0% interest in the Company's Cactus Project on the terms and conditions contained in the Option Agreement.

The Option Agreement provides for total funding of up to US\$33 million in cash, comprised of the following:

- US\$10 million payable by Nuton to ASUSA at signing of the Option Agreement;
- Up to US\$11 million available to be drawn by ASUSA in the form of a pre-payment towards the Option Exercise Price (defined below) to be used for certain land payments (the "Option Exercise Price Pre-Payment Amount"); and
- Up to US\$12 million payable to ASCU for funding costs associated with continued Nuton test work required to produce the Integrated Nuton Case PFS (defined below).

The parties have outlined a work program for the Nuton Case (as defined below) to commence in Q1 2024, targeting delivery of the Integrated Nuton Case PFS, by December 31, 2024. ASCU will continue to act as operator of the Cactus Project. ASCU and Nuton will form a Steering Committee, comprised of two members selected by ASCU and two members selected by Nuton, to determine, among other things, the detailed execution scope of the Integrated Nuton Case PFS. Nuton will have the right to nominate one individual to ASCU's Technical & Sustainability Committee and will maintain its observer rights provided under the Investor Rights Agreement dated May 13, 2022, and as amended on February 9, 2023, between Nuton and ASCU.

Should the following criteria be satisfied (the "Trigger Events"), Nuton shall have the option to acquire between 37.5% to 40.0% of the Cactus Project by payment of the Option Exercise Price (defined below):

1. the prefeasibility study prepared for the Cactus Project (the "Integrated Nuton Case PFS") indicates that the net present value (the "NPV") of the Cactus Project after applying the Nuton technologies (the "Nuton Case") is at least 1.39 times the NPV of the Cactus Project without applying the Nuton technologies (the "Standalone Case");
2. ASCU's equity contribution to project capital costs under the Nuton Case shall remain equal to or less than its equity contribution to project capital costs under the Standalone Case (assuming 50% of the Standalone Case capital costs are financed with debt); and
3. Nuton shall have made all payments required under the Option Agreement.

Should the Mainspring Property, which is currently the subject of exploration efforts, become material to ASCU and be incorporated in a prefeasibility study in addition to the Cactus Project (the "Standalone Case with Mainspring") the Trigger Event (i) above shall be as amended and Nuton shall have the option to acquire between 35.0% to 40.0% of the Cactus Project (including the Mainspring Property) by payment of the Option Exercise Price in the event that the Nuton Case PFS with the Mainspring Property is at least 1.20 times the NPV of the Standalone Case with Mainspring.

Upon notice by ASCU to Nuton that the Trigger Events have been met, the parties will determine the exercise price (the "Option Exercise Price") pursuant to mechanics outlined in the Option Agreement and based on the product of (x) Nuton's ownership percentage in the Joint Venture Corporation (the "Initial Nuton Ownership Percentage"), (y) the NPV of the Standalone Case (as referenced in the Integrated Nuton Case

PFS) and (z) a multiple of 0.65.

Following such determination, if Nuton elects to exercise its option, Nuton will pay to ASUSA the Option Exercise Price net of any Option Exercise Price Pre-Payment Amount plus accrued interest at an annual rate equal to the Secured Overnight Financing Rate plus 4.25% ("Interest") within 30 days of a notice to exercise.

The Initial Nuton Ownership Percentage in the case without the Mainspring Property being incorporated in a prefeasibility study will be equal to either:

1. 37.5% if the NPV of the Nuton Case is 1.39 to 1.49 times the NPV of the Standalone Case; or
2. 40.0% if the NPV of the Nuton Case is at least 1.50 times the NPV of the Standalone Case (each as referenced in the Integrated Nuton Case PFS).

The Initial Nuton Ownership Percentage in the case with the Mainspring Property being incorporated in a prefeasibility study will be equal to:

1. 35.0% if the NPV of the Nuton Case with Mainspring is 1.20 to 1.29 times the NPV of the Standalone Case with Mainspring;
2. 37.5% if the NPV of the Nuton Case with Mainspring is 1.30 to 1.39 times the NPV of the Standalone Case with Mainspring; or
3. 40.0% if the NPV of the Nuton Case with Mainspring is at least 1.40 times the NPV of the Standalone Case with Mainspring (each as referenced in the Integrated Nuton Case PFS with Mainspring).

ASCU shall hold the remaining equity interest in the Joint Venture Corporation and continue to act as operator of the Cactus Project.

Nuton will have the right to terminate the Option Agreement and be repaid amounts paid by Nuton under the Option Agreement if there is a change of control transaction in respect of ASCU during the term of the Option Agreement.

In the event that Nuton exercises the Option, the parties will either form a Delaware limited liability company or deem Cactus to be the joint venture company for the Cactus Project (the "Joint Venture Corporation").

In the event the Triggers Events are not satisfied, ASCU terminates the Option Agreement as a result of Nuton delaying its approval of the Integrated Nuton Case PFS or Nuton elects not to exercise the Option, then Nuton may elect to either be repaid the Option Exercise Pre-Payment Amount, if any, advanced to ASUSA plus Interest within 9 months or have ASUSA deliver to Nuton an unsecured exchangeable debenture (the "Exchangeable Debenture") equal to the Option Exercise Price Pre-Payment Amount, if any, advanced to ASUSA plus Interest (the "Principal Amount"). If issued, the Exchangeable Debenture shall bear Interest and will mature at the earlier of (i) two years from issuance, and (ii) the date that is nine (9) months from the date on which Nuton delivers a demand notice to ASUSA, which shall be no later than nine (9) months prior to the date in (i). Nuton will have the right to settle all or a portion of the outstanding Principal Amount and Interest accrued thereon in common shares of ASCU (the "Common Shares") at a price per Common Share equal to the volume weighted average trading price of the Common Shares on the principal stock exchange on which such Common Shares are listed for the five (5) consecutive trading days preceding the date on which Nuton delivers a notice of exchange, after giving effect to the prevailing Canadian dollar / U.S. dollar exchange rate, provided that Nuton and its affiliates may not own or control more than 19.9% of the then issued and outstanding Common Shares following such exchange. The Exchangeable Debenture will also contain certain pre-payment rights and resale notice rights in favour of ASCU as well as other customary terms and conditions for an agreement of this nature. The Toronto Stock Exchange has conditionally approved for listing the Common Shares issuable upon exchange of the Exchangeable Debenture, subject to the satisfaction of certain customary listing conditions.

A copy of the Option Agreement will be available under ASCU's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). The summary of the Option Agreement outlined above is qualified in its entirety by the full text of the Option Agreement, and reference should be made to the Option Agreement for its full terms and conditions.

Qualified Persons Statement

Technical aspects related to the metallurgical program of this news release have been reviewed and verified by James L. Sorensen - FAusIMM Reg. No. 221286 with Samuel Engineering, who is a qualified person as defined by National Instrument 43-101- Standards of Disclosure for Mineral Projects. The indicative metallurgical information presented describes preliminary results from testing that is currently in progress and subject to confirmation. Final metallurgical performance estimates will require decommissioning of the columns and analysis of the column residues.

#### Advisors

Scotiabank acted as financial advisor, and Bennett Jones LLP and Davis Graham & Stubbs LLP acted as legal advisors, to ASCU. Rothschild acted as financial advisor, and Torys LLP and Dorsey & Whitney LLP acted as legal advisors, to Nuton.

About Arizona Sonoran Copper Company ([www.arizonasonoran.com](http://www.arizonasonoran.com) | [www.cactusmine.com](http://www.cactusmine.com))

ASCU's objective is to become a mid-tier copper producer with low operating costs and to develop the Cactus and Parks/Salyer Projects that could generate robust returns for investors and provide a long term sustainable and responsible operation for the community and all stakeholders. The Company's principal asset is a 100% interest in the Cactus Project (former ASARCO, Sacaton mine) which is situated on private land in an infrastructure-rich area of Arizona. Contiguous to the Cactus Project is the Company's 100%-owned Parks/Salyer deposit that could allow for a phased expansion of the Cactus Mine once it becomes a producing asset. The Company is led by an executive management team and Board which have a long-standing track record of successful project delivery in North America complemented by global capital markets expertise.

#### About Nuton

Nuton is an innovative venture that aims to help grow Rio Tinto's copper business. At the core of Nuton is a portfolio of proprietary copper leach related technologies and capability - a product of almost 30 years of research and development. Nuton offers the potential to economically unlock copper from primary sulfide resources worldwide through leaching, achieving market-leading recovery rates, contributing to an increase in copper production from copper bearing waste and tailings, and achieving higher copper recoveries on oxide and transitional material. One of the key differentiators of Nuton is the potential to produce the world's lowest carbon footprint copper while having at least one Positive Impact at each of our deployment sites, across our five pillars: water, energy, land, materials and society.

#### Nuton&TRADE; Technologies

The Nuton&TRADE; technologies are proprietary Rio Tinto-developed copper heap leach related processing and modelling technologies, capability and intellectual property.

#### Forward-Looking Statements

This press release contains "forward-looking statements" and/or "forward-looking information" (collectively, "forward-looking statements") within the meaning of applicable securities legislation. All statements, other than statements of historical fact, are forward-looking statements. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expect", "is expected", "in order to", "is focused on" (a future event), "estimates", "intends", "anticipates", "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", or the negative connotation thereof. In particular, statements regarding ASCU's future operations, future exploration and development activities or other development plans constitute forward-looking statements. By their nature, statements referring to mineral reserves or mineral resources constitute forward-looking statements. Forward-looking statements in this press release include, but are not limited to statements with respect to timing of completion of a fully-integrated pre-feasibility study, potential project economic enhancements, potential improvements to per share returns to ASCU shareholders, potential increases to attributable copper production per share, and timing of commencement of the work program for the Nuton Case.

These forward-looking statements are based on ASCU's current beliefs as well as assumptions made by and

information currently available to it and involve inherent risks and uncertainties, both general and specific.

Risks exist that forward-looking statements will not be achieved due to a number of factors including, but not limited to, developments in world commodity markets, changes in commodity prices (particularly prices of copper), risks relating to fluctuations in the Canadian dollar and other currencies relative to the U.S. dollar, changes in exploration, development or mining plans due to exploration results and changing budget priorities of ASCU or its joint venture partners, the effects of competition in the markets in which ASCU operates, the impact of the Nuton&TRADE; technologies on ASCU operations and cost relating to same, the timing and ability for ASCU to prepare and complete the Integrated Nuton Case PFS and the costs relating to same, the impact of changes in the laws and regulations regulating mining exploration, development, closure, judicial or regulatory judgments and legal proceedings, operational and infrastructure risks and the additional risks described in ASCU's most recently filed Annual Information Form, annual and interim MD&A, copies of which are available on SEDAR+ ([www.sedarplus.ca](http://www.sedarplus.ca)) under ASCU's issuer profile. ASCU's anticipation of and success in managing the foregoing risks could cause actual results to differ materially from what is anticipated in such forward-looking statements.

Although management considers the assumptions contained in forward-looking statements to be reasonable based on information currently available to it, those assumptions may prove to be incorrect. When making decisions with respect to ASCU, investors and others should not place undue reliance on these statements and should carefully consider the foregoing factors and other uncertainties and potential events. Unless required by applicable securities law, ASCU does not undertake to update any forward-looking statement that is made herein.

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