

Falco Announces Execution of Operating License and Indemnity Agreement With Glencore Canada Corporation

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MONTREAL, Jan. 24, 2024 - [Falco Resources Ltd.](#) (TSX.V: FPC) ("Falco" or the "Corporation") is pleased to announce that it has entered into an operating license and indemnity agreement (the "OLIA") with Glencore Canada Corporation ("Glencore") pursuant to which Glencore granted to Falco, subject to the terms and conditions contained in the OLIA, a license to utilize a portion of its lands, which Falco will use to develop and operate Falco's wholly-owned Horne 5 project located in Rouyn-Noranda (Québec) (the "Horne 5 Project").

OLIA Framework

The OLIA was entered into further to the preliminary agreement in principle with Glencore (the "Agreement in Principle") announced on June 28, 2021. The OLIA establishes the framework to govern Falco's development and operation of its world-class Horne 5 Project, taking into account its overlap with and close proximity to Glencore's copper smelting operations at the Horne smelter in Rouyn-Noranda (the "Horne Smelter").

The key features of the OLIA include:

- The creation of a Technical Committee comprised of two representatives of each of Falco and Glencore, to determine ongoing operating parameters within which Falco can conduct operations of the Horne 5 Project so as not to interfere with the Horne Smelter, minimize and control risks to the Horne Smelter and where necessary adopt mitigation measures.
- The creation of a Strategic Committee comprised of two representatives of each of Falco and Glencore, to collaborate and exchange information in connection with the development and operation of the Horne 5 Project, its interaction with the Horne Smelter and community and regulatory matters, and to capitalize on the many synergies between the parties.
- The right of Glencore to appoint one nominee to Falco's board of directors.
- The adoption of principles pursuant to which Glencore and its Horne Smelter (i) retain priority over the operations of the Horne 5 Project as contemplated in the OLIA and (ii) must be afforded protection from incremental risks and losses occasioned by Falco's Horne 5 Project.
- Financial assurances, guarantees and indemnification to be provided by Falco to Glencore to cover incremental risks and losses to Glencore and its Horne Smelter arising from Falco's operations and certain other matters specified in the OLIA.
- The right of Glencore to require remediation, suspension or other risk-mitigation during the operations of Falco's Horne 5 Project to protect Glencore's Horne Smelter and related operations, subject to expert intervention and dispute resolution mechanisms set out in the OLIA.

Luc Lessard, President and Chief Executive Officer of Falco noted: *"The execution of the OLIA is a major milestone for Falco and the culmination of an extensive technical, strategic and legal collaboration between Falco and Glencore. The OLIA establishes the terms upon which Glencore authorizes Falco to develop and operate its Horne 5 Project. Combined with the life-of-mine copper/zinc concentrate offtake agreements previously executed with Glencore, the successful completion of the OLIA allows Falco to move forward with the next steps of the development of the Horne 5 Project, mainly the advancement of permitting with the government of Québec and financing for the development of the Project."*

Work Program

As previously disclosed, starting in November 2020, Glencore and Falco have conducted an intensive Work Program to address concerns and mitigate potential risks to Glencore's Horne Smelter. Key components of

the Work Program were established by Glencore after a due diligence review of the Horne 5 Project by the parties' technical teams, and included geotechnical advancement (drilling investigation, crown pillar stability, seismicity potential, backfill characterization, etc.), water management and synergies between the Horne 5 Project and the Horne Smelter.

Falco and Glencore have made material progress on the key components of the Work Program and will continue to collaborate to finalize outstanding matters for the Horne 5 Project and proceed with dewatering, construction and operation of the Horne 5 Project, subject to the conditions set out in the OLIA.

Financial Assurances and Insurance Policies

The ability of Falco to commence certain conditioned activities under the OLIA, including dewatering and mining activities of the Horne 5 Project, is subject to Falco providing Glencore at the relevant time, financial assurances in the form of letters of credit, performance guarantee or similar guarantees.

The OLIA provides that financial assurances must be posted by Falco in the amount of C\$40 million for the dewatering phase, increasing to C\$80 million during the mining phase and decreasing to between C\$10 million and C\$20 million during the closure and remediation phases, subject to certain conditions and inflation-related adjustments after a specified number of years. Glencore will have the right to draw upon such financial assurances in the event that it incurs losses subject to indemnification by Falco under the OLIA.

The OLIA also requires Falco to provide Glencore specified coverage under insurance policies to address certain risks to Glencore and its Horne Smelter arising from Falco's Horne 5 Project, before the commencement of dewatering and mining activities. Falco is confident based on its discussions with insurance brokers and underwriters that such coverage can be obtained on reasonable terms when required.

Other Conditions Precedent

The ability of Falco to commence dewatering and mining activities is also subject to other conditions precedents, including:

(i) Falco granting Glencore a hypothec over the Horne 5 Project and other assets as security for its obligations pursuant to the OLIA, ranking after the existing security for Falco's senior convertible debenture held by Glencore, senior convertible loan and silver stream held by [Osisko Gold Royalties Ltd.](#) and royalty held by Sandstorm Gold Royalties. Glencore also agreed to negotiate in good faith to subordinate this hypothec to security interests to be granted in future debt financings for the dewatering and construction of the Horne 5 Project;

(ii) Falco entering into a water agreement with Glencore governing the provision by Falco of replacement process water for the Horne Smelter prior to the dewatering of the Horne 5 Project;

(iii) Falco making available to Glencore certain synergies through further Synergy Agreements to be entered into with Glencore, based on key terms already contemplated in the OLIA; and

(iv) Falco obtaining all required permits and authorizations from governmental entities in connection with such conditioned activities and Glencore obtaining certain confirmations in connection with regulatory and permitting matters.

Additional Information

The summary of the OLIA contained herein is not an exhaustive summary of the OLIA. For additional information, investors should refer to the material change report and copy of the OLIA to be filed under Falco's profile at www.sedarplus.ca.

About Falco

Falco Resources Ltd. is one of the largest mineral claim holders in the Province of Québec, with extensive land holdings in the Abitibi Greenstone Belt. Falco owns more than 67,000 hectares of land in the Noranda Mining Camp, which represents 70% of the entire camp and includes 13 former gold and base metal mine sites. Falco's principal asset is the Horne 5 Project located under the former Horne mine that was operated by Noranda from 1927 to 1976 and produced 11.6 million ounces of gold and 2.5 billion pounds of copper. [Osisko Development Corp.](#) is Falco's largest shareholder owning a 17.3% interest in the Corporation.

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Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this press release.

Cautionary Statement on Forward-Looking Information

This news release contains forward-looking statements and forward-looking information (together, "forward looking statements") within the meaning of applicable Canadian securities laws. Statements, other than statements of historical facts, and including statements relating to the development, dewatering, operations and mining at the Horne 5 Project, the financing of the dewatering and construction of the Horne 5 Project, the conditions precedent to the ability to conduct dewatering or mining activities under the OLIA, the ability of Falco to provide the required financial assurances and insurance policies in favour of Glencore, the impact and risks to Glencore's Horne Smelter that may arise from the development and operation of Falco's Horne 5 Project, the permitting of the Horne 5 Project and the potential suspension or modification of the operations of Falco's Horne 5 Project to the extent required under the OLIA, may be forward-looking statements within the meaning of applicable securities legislation. Generally, forward-looking statements can be identified by the use of terminology such as "plans", "expects", "estimates", "intends", "anticipates", "believes" or variations of such words, or statements that certain actions, events or results "may", "could", "would", "might", "will be taken", "occur" or "be achieved", the negative of these terms and similar terminology although not all forward-looking statements contain these terms and phrases. Forward-looking statements involve risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, the risk that the conditions precedent to the ability to conduct dewatering or mining activities under the OLIA may not be satisfied, the risks that Falco may not obtain the required financial assurances to be provided to Glencore, or the financing required to develop or operate the Horne 5 Project, the risks that the required permits and authorizations required from governmental authorities to develop and operate the Horne 5 Project may not be obtained on the terms contemplated or at all, the risk that the OLIA may be terminated in accordance with its terms in the event of default or certain other triggers relating to delays in the commencement of dewatering or mining activities, the risk that, once commenced, certain operations of the Horne 5 Project may have to be suspended, altered or modified pursuant to the conditions of the OLIA, the risks that Glencore may require modifications to Falco's operations at the Horne 5 Project pursuant to the OLIA which would render the operations less profitable or not profitable (compared to expectations in the latest feasibility study for the Horne 5 Project), the risk that Falco may incur significant losses and other obligations under its indemnities in favour of Glencore contemplated in the OLIA, and the other risks and factors set out in Falco's annual and/or quarterly management discussion and analysis and in other of its public disclosure documents filed on SEDAR+ at www.sedarplus.ca, as well as all assumptions regarding the foregoing. Undue reliance should not be placed on these statements, which only apply as of the date of this news release, and no assurance can be given that such events will occur in the disclosed time frame or at all. Except where required by applicable law, Falco disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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