Argonaut Resources, Antofagasta extend Lumwana West agreement

Argonaut Resources (ASX:ARE) will continue working with Chilean copper major Antofagasta plc (LON: ANTO) with the extension of the Phase One option agreement for the Lumwana West Project in Zambia.

Antofagasta, a £5.4 billion (A$11.5 billion) market cap and one of the world's biggest copper producers, is spending US$3.9 million (A$5.3 million) to earn a 25% interest in the project.

This first phase of the agreement has now been extended to 28th October 2015.

The two companies have already tested nine regional copper targets as well as further testing the Nyungu deposit by drilling 8,129 metres of diamond drill core.

All drill core has been cut and submitted for analysis with assay results pending.

In addition, 1,028 soil samples were collected at Lumwana West during the June 2015 Quarter.

Recent Activity

In the June 2015 Quarter, Argonaut Resources and Antofagasta completed four drill holes totalling 970 metres at the Kabikupa prospect.

A further seven holes will be drilled under this program, which was designed to extend the strike extent from 800 metres to 1,800 metres.

The Kabikupa surface geochemistry anomaly is the highest order copper-in-soil anomaly defined at Lumwana West to date.

Drilling was also carried out to test the Sharamba, Kamafamba, Luamvunda and Mufuka regional targets that were defined by 2014 soil sampling and 2015 structural geology.

Seven regional holes were drilled for a total of 1,036 metres.

Altogether, a total of 36 diamond holes have been drilled at Lumwana West as at the end of July 2015.

The 2014/15 program is the first exploration phase under the option agreement between Argonaut and Antofagasta.

Antofagasta can earn a 25% interest at its completion by funding US$3.9 million.
Antofagasta Option Agreement

Antofagasta can earn a 70% project interest by spending US$18.9 million on exploration plus the amount required to complete a feasibility study to international standards.

Phase II involves expenditure of US$15 million within four years of the completion of Phase I at a minimum expenditure rate of US$2.5 million per year. Antofagasta can earn an effective 51% interest in the project by completing Phase II.

Phase III involves the completion of a feasibility study to international standards. Antofagasta may conduct additional work necessary to commence the feasibility study, such as a preliminary feasibility study, prior to electing to commence the definitive study.

Antofagasta will have up to two years to complete additional work and four years to complete the feasibility study.

Phase IV is the period following the delivery of the feasibility study, but prior to a development decision. Argonaut may elect not to contribute during this period provided it reimburses Antofagasta from future dividends.

Phase V is the period after a development decision when, if Argonaut decides not to fund its pro-rata share of the project, Antofagasta may elect to either carry Argonaut into production, with Argonaut’s development costs being funded by 60% of future dividends, or buy-out Argonaut’s interest for its pro-rata share of the net present value.

Analysis

With the extension of the first phase of the option agreement, Antofagasta remains very much involved in exploration of the Lumwana West copper project.

Results from drilling in the June 2015 Quarter are also pending.

This provides a substantial pipeline of news flow ahead for investors.

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