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Coppermoly shares soar on Barrick Gold PNG deal

Shares in PNG copper explorer Coppermoly (ASX: COY) jumped more than 40 per cent on the back of news the company had signed an agreement with a wholly-owned subsidiary of Barrick Gold, one of the world's largest mining companies.

Barrick Exploration has teamed up with Coppermoly and its subsidiary Copper Quest PNG to fund up to \$20 million through a Farm-In and Joint Venture Agreement.

Barrick will subscribe for 6.31 million fully paid ordinary shares in Coppermoly Ltd at 9 cents per share – this represents five per cent of the share capital of the company.

The agreement will give Barrick a 72 per cent cut in Coppermoly's three tenements on New Britain Island, Papua New Guinea, including exploration licenses EL 1043 (Nakru), EL 1077 (Simuku) and EL 1445 (Taleumas).

The three tenements are known to be prospective for a Tier 1 size copper project on the island of New Britain in Papua New Guinea.

Following the announcement, shares in Coppermoly were up 4.5c, or 42.9 per cent, to 15c by 1.30pm EST.

As part of the deal, Barrick has committed to a minimum expenditure of \$3 million within the first three years.

If Barrick withdraws at any time after it has met the minimum expenditure but before it earns 72% equity in the Farm-in, it will not retain any interest in the exploration licences.

Barrick must sole fund minimum expenditure of \$20 million on exploration expenditure within 8 years of commencement date to earn 72% equity.

Coppermoly managing director Peter Swiridiuk said the deal with Barrick provided recognition that his company's New Britain copper projects had great potential.

"We believe our shareholders will view this arrangement as extremely favourable because not only does it inject significant funds into the company but also, should a major deposit be discovered and developed by Barrick, there will be little or no requirement to dilute shareholder equity in order to fund our 28 per cent share until a feasibility study is completed," Mr Swiridiuk said.

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“Barrick have indicated they intend to pursue exploration under the letter agreement.”

He said Coppermoly would be “cashed up” with \$2.8 million once the deal is signed off.

The LA is conditional on the completion of due diligence by Barrick by 5pm on November 8.