While Lundin is expecting Reservoir decision on Timok exit of Freeport and sale of rights to Lundin the stock analysts are analyzing the scenarios for the development of biggest European copper discovery in last few decades. All players involved, the Freeport and Lundin are gaining as well as the Reservoir who will remain in the project as dominant player. Surprises are possible and Reservoir may raise the necessary equity to block Lundin entrance.

Reservoir Minerals has, together with Freeport-McMoran made one of the copper discoveries of the decade according to many in the industry.

The entire region surrounding the Timok project always has been known as extremely prospective for copper (thanks to the adjacent century-old Bor copper mine, still having lots of reserves), but the discovery was special as it was made blind, under 400m of rock.

Lundin will acquire Freeport's 55% interest and rights in the epithermal deposit at Cukaru Peki, plus 28% of Freeport's interest in the underlying porphyry, for US$262.5 million. The deal is subject to Reservoir's 60-day first right of refusal (from March 3rd.)

Reservoir is currently 45% owner of Cukaru Peki copper-gold deposit in Serbia, part of the larger Timok project. Freeport was earning into the project, up to 75%, with Reservoir carried until after a bankable feasibility study is published. The high-grade Cukaru Peki, a high sulphidation-epithermal deposit on top of a larger porphyry with similarities to the historic Bor mine 3.3 miles to the north, has returned some extremely high intersections (including over 10% copper and 5.9 g/t gold). Already drilling has outlined an estimated 1 billion tonne deposit.

The deal would be a positive for all parties. Lundin is acquiring its interest in one of the world's top undeveloped deposits at a very good price. It is a good deal for Freeport because, in addition to the cash which they obviously need, Freeport retains a significant interest in the porphyry, which is what it is really interested in anyway. Under the agreement, it would set the budget for exploration and development of that part of the deposit, though Lundin would be the operator. Thus Freeport's future spending is under its control. In addition, Freeport could buy back its interest in the porphyry from Lundin, for twice what Lundin had spent on exploration.

It's a good deal for Reservoir, since it brings in a partner who is more likely to be more aggressive on the exploration and development. It is likely to be interested in pursuing the epithermal expeditiously, and is already heralding it as the company's "top priority" project worldwide, surpassing its existing development projects.

Reservoir has the right to match the Lundin deal, including both the payment and the terms, within 60 days. Reservoir might do this, raising the necessary funds by debt, a royalty on

the gold portion of the epithermal, or equity (or a combination). Several companies have approached Reservoir about a deal. Debt is the most likely option for the bulk of the funds; there is aversion to raising too much equity and thereby diluting shareholders, but equally reluctance to encumbering the deposit with a royalty.
Under the terms of the deal, Reservoir would have to raise only US$135 million by closing, with another $20 million first-year commitment to spend on the porphyry and perhaps an equal amount (though at their discretion) on the upper epithermal. The next payment, of $45 million, would not come until a production decision had been made.
This would give Reservoir 100% of the epithermal, and 60.4% of the porphyry (with the porphyry interest declining when Freeport earns in). The important point is that Reservoir would initially have a majority interest in the deposit that would put them in more control of the deposit and their destiny. It would then have time to raise more capital or find a partner on its terms.
source: Serbia-energy.eu