



# Avanco Resources Limited

Mar 9<sup>th</sup> 2016

## Avanco Resources Limited produces first copper concentrate at Antas

Avanco Resources Limited (ASX:AVB) is a beacon in the current resources sector, producing first copper concentrates from the Antas development in Brazil.

The speed with which steady crushing, grinding and flotation operations have been established is a milestone as it progresses toward completion of plant commissioning and onto steady state production.

Commissioning of the fully integrated plant is on schedule before the end of March while a watershed first shipment of copper concentrate is targeted for April.

After commissioning, the project is estimated to initially produce 12,000 tonnes per annum of copper and 7,000 tonnes per annum of gold for the next 7 years.

As impressive, the company has been successful in obtaining funding for Antas into production via equity, and remaining debt and covenant free.

Antas will produce desirable clean copper concentrates, and retain ownership to the rights for its production off-take with concentrate offtake contracts in the final stages of negotiation.

The share register reads like a who's who with institutional shareholders: Blackrock World Mining Trust, Appian Natural Resources Fund, Greenstone Resources and Glencore prominent accounting for 57.5%.

### Highlights

- The "running-in" of the Ball Mill under the supervision of Metso continues.
- Ramp-up to ~65tph (i.e. the hourly annualized rate equal to ~500,000tpa and the planned production throughput rate for 2016) is targeted before end of month.
- The 10 metre diameter slurry tank (receiving mill cyclone overflow) situated alongside the mill is functioning well. This tank eliminates surges from the grinding circuit facilitating steady feed conditions to flotation.
- In the flotation area, the Outokumpo Rougher cells and Scavenger cells and tailings pumps are now operational and performing well.
- The flotation Cleaner Circuit, including the Cleaner cells, the Cleaner Scavenger cells and associated pumps have been commissioned and are operating well.
- The flotation reagent dosing system is fully functional.
- Final copper concentrate generated by the "Re-Cleaner" flotation cells have returned assays ~28% copper, confirming that Antas ore responds well to flotation and the quality of concentrate production meets commercial specifications.
- Routine metallurgical sampling, reporting and controls have commenced

### Operational Readiness

**Price:** A\$0.078

**Market Cap:** A\$194.096M

### 1 Year Share Price Graph



### Share Information

**Code:** AVB

**Listing:** ASX

**Sector:** General Mining

**Website:** [www.avancoresources.com](http://www.avancoresources.com)

### Company Synopsis:

*Avanco Resources Limited (ASX:AVB) is a Brazilian focused exploration and development company.*

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Avanco's Brazilian management team was carefully selected toward a smooth transition into production.

Avanco's managing director Tony Polglase will reside on site throughout the commissioning period and will deploy contingency funds as required to mitigate any start-up issues.

## Antas Mine Economics

These are impressive with a high copper grade along with gold by-product credits providing for a financially robust project and Antas should become a low cost copper producer. C1 and cash costs in US Dollars are anticipated to fall within the 1st Quartile with expectations from current economic modelling\* as follows:

- Mine gate cost \$0.48/lb Cu
- C1 \$0.99/lb Cu
- C2\*\* \$1.36/lb Cu
- C3 \$1.57/lb Cu
- Cash Cost \$1.20/lb Cu
- EBITDA \$217m

\* Results are based on copper prices of US\$2/lb for 2016, US\$2.5/lb for 2017, US\$3.20 for 2018 onwards, gold US\$1,100/oz, FX USD:BRL 4.0 LOM, NIL discount rate

\*\*Includes capital allocated for development cutbacks in the open-pit

Current estimates are that Antas will generate EBITDA of approximately A\$30 million per annum at spot prices and A\$50 million per annum at consensus prices.

## Off take negotiations

Avanco is in the final stages of awarding concentrate offtake contracts. Three groups were shortlisted in late December for closing negotiations.

Avanco is currently working through draft contracts and final detailed terms with the short-listed groups. Avanco's offtake strategy is to award two contracts through to the end of 2018.

Avanco has committed the first 500 tonnes of concentrate production to a "spot" sale on competitive terms which will be exported as soon as first production is available for shipment.

## Analysis

Producing first copper concentrates from the Antas development is a significant milestone for Avanco. Funded to move into production while remaining debt and covenant free is also a feature of the debt progression of Antas toward a projected EBITDA of A\$30 million at spot prices.

The Antas mine was launched on a modest size but high grade reserve with a 7-year mine life. This achieved a low capex, fast start up. However, from the outset the development has underground potential and other resources close by, which will play a role in the future at the mine.

Seven years is only the start-up scenario; the mine is likely to continue far beyond this.

With strong financial metrics and EBITDA, Antas provides a strong starter project as precursor to the larger Pedra Branca development, which has potential to produce ~30ktpa copper and ~25kozpa gold for 12 years or more.

The ongoing exploration/development is diamond drilling at Pedra Branca at present, to further this strategy as a priority.

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