

Avanco chases mid-tier dream



A PFS on Pedra Branca East found a 1.2 mtpa standalone operation could be developed for \$US158 million. Inset: Tony Polglase

Brazil-focused Avanco Resources Ltd's desire to become a mid-tier copper producer could be realised within three years.

A recent PFS on the company's Pedra Branca East project indicated production of 24,000 tpa copper and 16,000 ozpa gold was viable from a 1.2 mtpa standalone underground operation.

Avanco is already producing 14,000 tpa copper from its operating Antas mine, about 50km north-east of Pedra Branca, in the Carajas region of northern Brazil.

The company is also confident Pedra Branca West will add a further 10,000 tpa to the overall production profile, although economics for that project have yet to be confirmed.

Such a lift in output will effectively place Avanco alongside the likes of fellow ASX-listed copper producers Sandfire Resources NL and Oz Minerals Ltd in an exclusive mid-tier club.

Avanco managing director Tony Polglase expects his company will attract plenty of market attention as the Pedra Branca projects are developed.

"If I look at what we have now and what Pedra Branca can bring in, I think we've got a reasonable chance of getting [into that mid-tier category]," Polglase told **Paydirt**.

"I don't think the Australian market recognises that at the moment, but one hopes an improvement in the copper price is just around the corner and if it does [improve] I think there will be a bit of desperation on the ASX to find good copper stories.

"Obviously, the institutions like their home-grown stories, but after that it's very limited—So I guess when the time comes people are going to have to be a little bit braver and

they're going to have to Step Off Australia into something else.

I know Brazil does have some apparent issues but on the other hand where we are, Carajas, is the most fertile region in Brazil for copper and we've got the benefit of first-mover status in that region, which you can liken to the Pilbara, and we're already the second largest producer there."

Key highlights from the PFS include a NPV of \$US200 million with a 34% IRR, net cash flow of \$US368 million over the life-of-mine, a pre-production capex of \$US158 million and C1 costs of \$US1.30/lb (assuming a conservative copper price range of \$US2.65-2.95/lb).

Existing infrastructure such as access roads, including a by-pass road around Vila Feitosa, office facilities and ROM pad are expected to help keep capital costs to a minimum.

Upon releasing the PFS to the market in late May, Avanco immediately began work on the Pedra Branca East DFS, which is forecast to be completed within the next 12 months.

First production from Pedra Branca East is tipped for 2020, although the company acknowledges that is a conservative estimate.

"We've always been conservative with what we tell the market, but some people have suggested to us that timeframe appears to be very conservative and I would agree with that," Polglase said.

"Having seen the PFS slip a number of times, I think we've agreed among ourselves to be more conservative in informing the market. We've always tried to deliver on our promises — and generally we have — but we have felt disappointed that the PFS has slipped, although I have explained the reasons for it."

One of those reasons was related to the decision last year to increase production at Antas from 12,000 tpa to 14,000 tpa on the back of early success at the mine, which was commissioned in the first half of 2016.

Antas churned out 14,964t copper and 10,562oz gold during the first nine months of commercial production. Polglase said the significance of previously financing and building a mine in Brazil cannot be understated.

"We're obviously thinking about finance at the moment, we're making good progress looking at debt," Polglase said.

"We'll be talking to the western banks and we'll also be revisiting our Brazilian banks in Sao Paulo. Since we've published the PFS, we've had interest from some South American groups because the size of Pedra Branca obviously puts us in that 50,000 tpa potential mid-tier category.

"And obviously with cash flow from Antas accumulating cash at bank, that [financing] process should be easier for us than it would be for a junior trying to finance its first project."

Avanco has committed to pumping \$US10.6 million into its projects this year, with roughly \$US2 million set aside to raise the tailings dam at Antas, \$US3 million for regional exploration around the operating mine and \$US5 million to finalise the DFS on Pedra Branca East.

At the time of print, the company was completing EM work over Antas following the purchase of two geophysical units in early May.

— Michael Washbourne