

Avanco Resources (AVB \$0.105) Buy

Analyst	Date	Price Target
Andrew Clayton	26/10/2017	\$0.18/sh

Sep Q'ly Report

Key Points

Positive results across AVB's projects in the September Quarter. Antas Mine exceeded guidance in copper and gold production, recording its best performance this year. A strong copper price has generated record free cash flows.

Pedra Branca commenced its resource extension and reserve definition drilling program. DFS is also progressing well, confirming that the Pedra Branca East orebody remains open along strike.

Centro Gold Project continues to take steps towards the accelerated acquisition agreement, enabling AVB to realise value sooner.

Production and sales results are as followed:

- Cu in concentrate produced increased by 3% on June Qtly. Sales increased by 9.5%.
- Au in concentrate produced increased by 6.1% on June Qtly. Sales increased by 7.7%.

Record cash flows from operations were \$7.15m, a 25% increase compared to the previous quarter. AVB have strengthened cash balances as a result, with \$28.5m at quarter end. C1 cash costs increased by 7.5% and AISCC reduced by 5.3%.

Investment Case

Avanco is a debt free, Brazilian Cu-Au miner with significant growth. The Sep Q'17 continues AVB's record of delivering on guidance at Antas. Costs should trend lower as strip ratio is scheduled to reduce. Avanco is cum value adding events over the next Q, with resource/reserve upgrades and study updates on all projects, Antas (Cu) mine, CentroGold (Au) and Pedra Branca (Cu). Avanco has proven reliability through the development and operating performance of Antas. Cashflow supports AVB's near term acquisition, exploration and study objectives. The clean balance sheet, management performance, dearth of quality alternatives and buoyant Cu-Au prices should see it attract the funding required in the medium term to develop the projects. AVB's reputation in Brazil positions it well for new M&A opportunities. Our valuation remains \$0.18/sh.

Avanco Resources (AVB)

Share Price	0.105	A\$/sh	Enterprise Value	229	A\$/m
Price Target	0.18	A\$/sh	Debt	0	A\$/m
Valuation	0.18	A\$/sh	Cash	29	A\$/m
Shares on issue	2649	m(dil)	Largest Shareholder	Appian	18%
Market Capitalisation	259	A\$m			

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