

Weekly performance | AVB | Sharks & Minnows

Monday, 25 September 2017

Gold -0.29% to 1,293/oz (A\$1,626)
Copper -0.38% to 2.91/lb (A\$3.66)
Nickel -5.38% to 4.69/lb (A\$5.90)
Cobalt +0.00% to 26.92/lb (A\$33.84)
Zinc -1.29% to 1.40/lb (A\$1.76)
Aluminium -0.45% to 0.97/lb (A\$1.22)
Lead -1.23% to 1.13/lb (A\$1.42)
Iron Ore 62% -3.83% to 63.6/t (A\$79.91)
58% discount decr. to -18.1% (vs -19.4%)
Tin +0.75% to 20,745/t (A\$26,080)
Uranium -2.47% to 19.75/lb (A\$24.83)
WTI +0.22% to 50.7/bbl (A\$63.7)
Brent +0.18% to 56.9/bbl (A\$71.5)
Wheat -0.66% to 450/bsh (A\$565)

XME (US S&P Miners ETF) -1.03% to 31.62
PICK (Global Miner ex Gold ETF) -0.13% to 30.01
GDJ (Gold Miner ETF) +1.12% to 23.47
GDXJ (Junior Gold ETF) +1.60% to 34.29
IXC (Global Oil/Energy ETF) +0.45% to 33.54
FRAK (Unconv. Energy ETF) +0.48% to 14.54
IOIL (Junior Oils & Gas ETF) flat 10.25
KOL (Coal Miner & Dist. ETF) -0.68% to 14.60
URA (Uranium Miner & Supp. ETF) +0.22% to 13.73
LIT (Lithium ETF) -2.27% to 37.09
CAT (Caterpillar Inc) -0.29% to 124.43
SLB (Schlumberger Ltd) +1.04% to 68.80
TDW (Tidewater Inc) -0.36% to 27.52
GLEN (Glencore Plc) +0.17% to 347.15
ALB (Albemarle) -0.44% to 134.29

US\$/A\$ 0.795
DXY +0.17% to 92.3
USDCNY 6.590
US 10 Yr Bond flat 2.25%
German 10 Yr Bond -1bp to 0.44%
Australian 10yr bond -1bp to 2.78%
Australian 90day Bills flat 1.72%
US 10-2yr curve steady 0bp to 82bp
Aus 10-3yr curve steepen 0bp to 64bp
SP500 +0.06% to 2,502
Nasdaq +0.07% to 6426.9

Weekly prices:

Rutile (Conc. 95%TiO2) 1,100/t (A\$1,383)
Ilmenite (Conc. 50%TiO2) 195/t (A\$244)
Zircon (Zr(Hf)O2 66%) 1,150/t (A\$1,446)
Lithium (LC, 99.5%) 24k/t (A\$30k)
Lithium (LiOH, 96%) 22k/t (A\$28k)
Graphite Med flake 1,000/t (A\$1,257)
NCM 523 17k/t (A\$21k), margin vs LME 3.2kt
Manganese Ore 46% cfr 8.8/dmtu (A\$11)
Nickel Sulfate 3,718/t (implied Ni ~US\$6.9/lb)

AVB (Avanco Resources Ltd, +2.5% to 10.25cps, m.cap A\$246m, Copper: Producer / Developer): Paul Howard

- We visited AVB's three assets in Brazil last week.
- This CY, the Cu-Au junior expects to produce ~14kt Cu and ~10koz Au from the Antas mine in the Carajás region, which has been operational for the past 18 months.
- Antas boasts an impressively tidy and well laid out 700ktpa plant. Open pit operations appear to be running well with Australian contractor MACA undertaking the mining works, guided by a close knit and dynamic AVB management team, consisting of both expat and Brazilian professionals.
- The company released a PFS for the nearby Pedra Branca East deposit and is currently crunching the numbers to optimize, refine and deliver an updated study by year end.
- Pedra Branca East is larger than Antas and could yield 24kt Cu and 16koz Au per annum. It can be enhanced by the adjacent Pedra Branca West deposit, which is smaller and structurally more complex.
- The challenge for AVB at Pedra Branca is that the deposit will be mined as an underground operation, an area not currently in AVB or MACA's (who one would expect to get the contract given its excellent relationship with AVB) remit.
- While the Pedra Branca East boxcut has already been established to show the Company's intent and to ward off local illegal farming of the land, mining will not commence until early 2019 at best as licensing requires a long lead time in Brazil.
- Early last week, AVB announced that it had acquired 100% of the CentroGold project in the northern State of Maranhão.
- It will pay US\$9M to TSX listed Jaguar Mining (JAG) who, like previous owners such as Kinross, were weighing up the economics of a large tonnage, low grade operation. AVB is seeking to extract the higher grade portions in a smaller scale open pit operation.
- JAG seemingly took a heavy handed approach to solving the project's delicate social issues. However, AVB is actively engaging with the 80 households located within the project area, and will seek to relocate and offer employment opportunities even though all but 3 houses are illegally situated. It also has to deal with numerous Garimpeiros (artisanal miners), but will offer

alternative locations for them to exploit the saprolite. Given the tough work conditions, one can expect many Garimpos to seek more stable employment with AVB, which will also be tabled.

- CentroGold has a 1.3Moz resource over the Blanket and Contact zones of the Cipoeiro deposit. We see opportunity for a multimillion ounce operation with the inclusion of the likes of the Chega Tudo, Mandiocal and Sequeiro prospects on the adjacent shear zone.
- One of three drill rigs is already turning on site. At least two of these rigs will undertake infill and met drilling to augment a Scoping Study due out by the end of the year. We would like to see the third rig assess opportunities at the sparsely drilled prospects on the parallel shear zone to Cipoeiro, where we believe the greatest opportunities lie at CentroGold.
- AVB's strengths are its technical abilities and Brazilian knowhow, two key elements for future success at the projects we visited.
- We maintain our Speculative Buy recommendation.
- [Avanco Resources \(AVB\) - 27 July 2017](#)

- The Antas Pit



- The boxcut at Pedra Branca East

