

Hartleys Research - Sharks & Minnows

Tuesday, 16 January 2018

AVB (Avanco Resources Ltd, +1.1% to 8.9cps, m.cap A\$233m, Copper: Producer / Developer): Paul Howard

- AVB has agreed the terms for an option to acquire the Pantera Copper Project from Vale.
- The project is located ~110km west of AVB's Pedra Branca Copper-Gold Project in the Carajás region of Brazil, and 20km from Vale's Onça Puma Nickel Mine.
- Pantera is in its infancy with no JORC resource and only 19 holes drilled to date by Vale; however, given the fact that the terms of the agreement hinge around the estimation of 400kt of contained Cu, and the "acquisition price" has been calculate at US\$0.04/lb (excluding inferred resources) where AVB expect to pay between US\$20M – US\$35M, an exploration target of 300-450kt Cu seems reasonable. This is meaningful to AVB when you consider its current global resource is 645kt Cu inclusive of inferred ore.
- Previous drilling results highlight high-grade copper at depth and include:
 - 26m @ 2.6% Cu from 81m (incl. 10m @ 3.8% Cu)
 - 15m @ 2.8% Cu from 113m (incl. 6m @ 5.3% Cu)
 - 59m @ 1.4% Cu from 173m (incl. 11m @ 3.6% Cu and 39m @ 2.1% Cu)
- The terms of the transaction include:
 - Payment of US\$500,000 upon signing the option (completed)
 - Completion of 14,000m of drilling within 2 years and the definition of a JORC (measured and indicated) resource within an agreed Historic Mineralised Zone as outlined by Vale's drilling. AVB will pay US\$0.04/lb of contain copper up to 400kt and US\$0.06/lb thereafter
 - NSR payable to Vale of 1% on copper and 1.5% payable to BNDES (Brazilian Development Bank)
 - Any copper defined outside the agreed Historic Mineralised Zone will attract no acquisition cost
- The historic drilling has defined mineralisation over 1.5km. AVB has identified the potential for mineralisation to extend to beyond 4km of strike and it is currently open at depth.
- AVB will commence an initial 5,000m drill program this quarter at Pantera.
- As at 30 September 2017, AVB had cash of US\$28.5. Given acquisition payments are capped at US\$3Mpa, we may see AVB fund through cashflow. However, it still needs to fund the development of Pedra Branca and CentroGold, which could total US\$250M.
- This is good deal for AVB. A project of this size may have been too small for Vale to develop but it is well suited to AVB. It may pave for the way for subsequent deals with Vale.
- We maintain our Speculative Buy recommendation.
- [Avanco Resources \(AVB\) - 21 November 2017](#)

Figure 2: Avanco's Carajás Portfolio, with Pantera in south-east corner

