

**HOW AVANTI MINING IS TURNING A FORGOTTEN PIECE OF LAND INTO A GOLDEN OPPORTUNITY**

# Kitsault – A forgotten gem

by Ryan Tessier

AVANTI MINING MAY BE a new player in the mining industry, but its seasoned board of directors are aiming to have a big impact in the world of molybdenum production. **Avanti Mining Inc.** [AVT-TSXV] is banking on the re-opening of its Kitsault Mine on Alice Arm, north coastal British Columbia, which has shown encouraging results in a recently released pre-feasibility study. The mine, which was abandoned in the early 1980s due to high costs of production, is now showing good potential, and if Avanti President/CEO Craig Nelsen has his way, will be one of the largest moly mines in the world.

“In our pre-feasibility study we found that during our first five years we can produce 29 million lbs. of moly,” says Nelsen. “That puts us at 5% of worldwide production. On top of that, we’ll be producing moly of a higher grade than our closest competitors.” To put this in perspective, it’s estimated that **Thompson Creek Metals Co. Inc.** [TCM-TSX], with two mines in operation in BC,

will produce close to the same, if not slightly lower amounts of moly.

An advantage favouring Avanti is that the Kitsault Mine was a former producer with infrastructure, road access, utilities and surveying already completed. “We realized the majority of our expenditures on this project were going to be on studies. Because of the pre-existing moly reserves and facilities – compared to other properties – we’ve saved \$20 to \$30 million,” says Nelsen. And that savings has turned into an operating cost of about \$4.43 per pound, over a dollar less than most other moly producers.

Avanti’s business strategy is threefold: first, to acquire advanced molybdenum prospects and move them towards development; second, to purchase by-product molybdenum production streams from copper producers; and third, to become a consolidator in the junior molybdenum market.

The company’s pre-feasibility study states that there are 215 million tonnes of proven and probable reserves grading at 0.085% moly. Over a 15-year period, Avanti expects to produce an average of 24 million lbs. per year. The first five years are expected to have the highest rate of production, with an estimate of 29 million lbs. at 0.10% Mo. Nelsen believes with an initial capital cost of US \$641 million, projected net cash flow could reach \$1.56 billion for the Kitsault Project. If everything goes as planned, Nelsen says they could start construction as early as the fourth quarter of 2010.

The mine couldn’t be coming at a better time. Over the last year, the molybdenum price has hovered between US \$10 and US \$20/lb., showing a recovery from the last few years. J.P Morgan Securities boosted their forecast on the metal and, along with analysts’ average forecasts, moly prices should peak in 2011 to 2012 in the US \$18-\$22/lb. range, with long-term averages



Craig Nelsen, President/CEO

ranging from US \$13-\$15/lb. That’s why the company is trying to fast-track development and get into construction and production as quickly as possible.

“With robust markets predicted over the next few years, we felt it was important to be at the front of the line. We were at the table with the local Nisga’a First Nations groups six months before we even completed the land purchase,” said Nelsen.

That’s not the only steps Avanti has taken to get ahead of the pack. During their pre-feasibility studies, moly was shipped to Korea for smelting, but Avanti is looking into the option of building their own roaster in the nearby town of Prince Rupert, where they will have access to power, rail lines and tidewater.

Resource Capital Funds, the firm that provided Avanti with an initial \$20 million bridge loan, recently decided to convert part of the loan into shares. On November 5, Avanti shareholders approved the conversion of 75% of that loan into shares, giving RCF a 53% stake in the company. Nelsen believes this reinvestment speaks volumes about the potential for his company, “RCF has shown their confidence in taking equity in Avanti...they knew it was an advantageous time to throw their support behind us and the future of molybdenum.” ■

## KITSALT FACTS

- Total of 215.3 million tonnes of proven/probable reserves grading 0.085% Mo
- 15-year mine life, producing 368 million lbs. of molybdenum
- The first five years of production averages 0.10% Mo
- Cash operating costs are estimated at \$4.43/lb of accountable moly
- Annual metal production for mine life averages 24.5 million lbs. of moly with the first five years averaging 29.2 million lbs/year
- Re-opening of the mine will create over 330 jobs plus 250 construction jobs over three years