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Viscaria economics improve for Avalon

Lauren Barrett

Tuesday, 9 July 2013

AVALON Minerals' value doubled during trade after investors reacted to a revised scoping study for its Viscaria project in Sweden, which boosted its net present value to \$US373 million (\$A408.7 million).

Avalon last traded at A1.1c last Friday but jumped to an intraday high of 2.2c today after releasing the results of a scoping study that underpinned a significantly more attractive development at Viscaria.

The study, completed by Xstract Mining Consultants, assessed an open pit mining scenario using the upgraded resource defined at Viscaria with the addition of the Discovery Zone resource.

Assuming a \$US3 per pound copper price and a \$150 per tonne iron ore pellet price, the study revealed a potential pre-tax NPV for Viscaria of \$373 million, greatly exceeding the target \$300 million NPV placed following the scoping study last October.

Even when a long-term copper price of \$2.75/lb is applied, the open pit mining scenario has an NPV of \$323 million.

Considering a \$3.25/lb copper price would see the project's NPV reach \$423 million.

The increased NPV is underpinned by the D Zone resource nearly doubling recently to 13.6 million tonnes at 1% copper for a contained 136,000t copper above a 0.4% cut-off grade and 25.6Mt grading 26.4% iron for 5.7Mt of estimated recoverable iron, as well as the Discovery Zone resource and revised mining cost assumptions.

"The significantly increased mineral resources considered by the scoping study has allowed for the optimum mining rate to be expanded to 3.5 million tonnes per annum, the mine life to be extended to 10.3 years and C1 cash costs to be reduced to \$0.49 per pound copper," Avalon managing director Jeremy Read said.

"The Viscaria project is one of a select few copper projects which are economically robust across the copper price cycle but which only requires moderate amounts of capital expenditure to put into production."

Preproduction capital costs for Viscaria are estimated at \$180 million, with life of mine expenditure expected to total \$231 million while an internal rate of return of 56.6% was estimated.

The project's estimated 10-year mine life is underpinned by a resource scenario of 33.7Mt grading 0.61% copper and 22% iron, which will see the operation produce between 15,000t to 22,000t of copper and 625,000t to 1.25Mt of magnetite concentrate.

Under the previous open pit mining scenario for Viscaria announced in March, the project's NPV stood at \$97 million with an optimum mining rate of 2.1Mtpa, giving the operation a seven-year mine life.

Shares in Avalon were trading up 45.4% to A1.6c in mid-afternoon trade.

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View over the Viscaria project from Kiruna town

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