



An Interview with Avanti Mining

Avanti Mining is a Vancouver, British Columbia-based junior mining firm focused on acquiring, exploring, and developing mineral resource projects with a primary focus on the molybdenum market. Avanti's molybdenum strategy is threefold: first, to acquire advanced Molybdenum prospects and move them towards development; to purchase by-product Molybdenum production streams from copper producers; and, lastly, to become a consolidator in the junior molybdenum market.

In October, 2008, Avanti announced the acquisition of an undivided 100% direct interest in the Kitsault Molybdenum mine in Northern British Columbia, a past producer, with the intent to develop this mine. Avanti's mine plan calls for a total of 190 million tons of

resource grading 0.096% Mo to be mined over a 15-year mine life, producing 363 million pounds of molybdenum. Initial capital costs are estimated at \$424 million; total operating costs are estimated to be \$5.97/lb of Mo.

The company's management and board of directors is the key to its future success. The team is comprised of an all-star cast of mining industry big names and veterans of successful industry ventures, including Robert Cross of Northern Orion fame; David Cohen of Gold Wheaton; Robert Blair, former Chief Geologist for Coeur d'Alene Mines; and Ryan Bennett of Resource Capital Funds.

Avanti's President and CEO, Craig Nelsen, Sr. Vice President Cheryl Martin and CFO Amjad "AJ" Ali recently took time out to provide us with some insight into the company's plans for 2009 and beyond.

Q: Please give us some background on Avanti.

Nelsen: We started out in August 2007 with an IPO on the CNQ, a junior exchange headquartered out of Toronto. We graduated to a listing in the TSX Venture exchange under the symbol AVT. We have about 100 million shares outstanding and another 40 million of potential dilution. The majority of that is 10 cent warrants that come due in August 2009 as issued with the IPO. We have about \$5 million Canadian on hand to get us through pre-feasibility study at our Kitsault mine.

Q: I'm told that you're taking advantage of the molybdenum market downturn to develop the Kitsault mine. Can you provide us with an update?

Nelsen: We think Kitsault is perfectly timed to take catch up with the development of our existing molybdenum assets. We believe everything's timed to coincide with a fairly strong recovery in the moly markets in 2011-2012, which we expect. If everything went well from this time forward we'd expect to reach production at that time. There's been a race amongst three or four molybdenum development assets, most of which have been stalled because of a lack of financing. But the downturn

allows us to catch up with these other projects, technically. We've got a project that will require only about half the capital cost of our competition, so we're in good shape. Debt markets are very efficient and the one that gets financed will be the one with highest grade and lowest capital cost, which works in our favor.

Q: Any new activity on the Hit and Miss copper-gold project (Aspen Grove, B.C.)?

Nelsen: That was the project that we used to obtain our listing on the CNQ. We did the required work and kept it up to date. We're trying to find a buyer for that asset right now. Our focus was to use it as just a listing platform since our main concern is with the Kitsault mine. We spent 9-12 months to become a by-product producer of multiple metal streams. There aren't a lot of sellers presently. We had access to significant capital in 2007-08 and could have financed half a billion dollar deal with a molybdenum by-product producer but now that the moly price has turned and the time is perfect to execute, the financing isn't there.

Q: What kind of experience does your geological team bring to the table?

Nelsen: I'm a geologist myself with 35 years experience and I've been the main contributor to feasibility studies on 8-10 assets in my career. I've also looked at hundreds more from an acquisition perspective. Most of my experience has been in gold and it's easy to see that looking at my resume. I did hire a guy named Bob Blair with 40 years experience, who started career with the Climax Mine in Colorado. He has 20 years experience with molybdenum alone.

AJ: Craig coaxed him out of retirement! He's definitely a valuable asset with a wealth of geological experience.

Nelsen: Yes, he's a real expert on the moly side. We've also got contractors with 30 years experience on the drill side. We're currently validating this old historic resource and hope to have it updated in March.

Q: Do you have any plans for acquisition or joint ventures in the near future?

A: We've been pretty active in that space. We've been looking at production and development acquisition stories with other companies that are distressed. What we bring to the table is greater depth of management and board and strategic advisers that have better access to capital markets. So these have been pretty interesting discussions but I'd say that's 50 percent of our activity right with the other 50 percent looking for financing, aside from the technical work which is ongoing.

Q: How many total employees are working for Avanti at present?

Nelsen: With the field season terminated we're down to six employees at present. A contractor working on a major metallurgical project. When you need employees you go find them.

AJ: I'd like to add that our management and advisory board is the key factor that separates us from other companies, both moly and junior. If you spend a few minutes looking at the biographical section on our company web site you'll see this.

Nelsen: We have Bruce Davis, a well known geostatistician in the U.S. with experience in copper/molybdenum deposits. He's done evaluation studies for Rio Tinto, Anglo American, Barrick, Newmont, The World Bank and Rothschilds. He does all our resource reserve work and transfers it to SRK

Consulting, who does auditing and publishing of reports.

AJ: Using consultants keeps the overhead down and we can use the rest of the consulting base as needed.

Q: Where do you see the price of molybdenum in the coming months? Are you optimistic of a moly price recovery?

Nelsen: It's directly tied to steel demand. Between 75 and 80 percent of molybdenum is consumed in the steel business in one form or another, from various alloys to moly itself and up to highest quality stainless steel. Lately there's been a buyer's revolt. Nothing is being built and steel prices are flat and everyone's into de-stocking of existing inventories. We're not looking at much price appreciation [of molybdenum] until the third quarter of this year as the stimulus programs being put into place world-wide, including China, kick in. When these [economic stimulus initiatives] kick in I think we'll see a bit of a whiplash in the moly market because most moly is being consumed out of stocks. Curtailing of new projects and cutbacks of existing production – it takes a while to wind that stuff back up. With moly not being an exchange traded metal, there's not a lot of transparency but it's encouraging that the price has bottomed out at about U.S.\$10. on average and on very small volumes. It took the big drop for this to happen – a number of traders got off side and had to put it through the processing stream. These traders knew the molybdenum price was getting soft and they had to get out of their positions at any price in November-December. That has all cleared through the trading system now and we're in a period of de-stocking with the steel producers as their demand is down and their consuming stocks in their yards right now.

AJ: The view of the CPM Group on molybdenum is that there will be shortfall in moly in a couple of years time. We're looking at a supply/demand model developed by research firm in New York called Dahlman Rose, which shows a deficit of eight million pounds in 2012. A lot of these models assume that companies will be producing but many may not start up as planned.

Q: Have you managed to attract the attention of any institutions yet?

Nelsen: We have a few institutions that bought in the IPO and in the secondary financing we did in November 2007. Our institutional shareholder base is less than 5%. Our strategic objective is to create an institutional quality molybdenum stock with a high share of high quality asset and hopefully continue pursuing this by-product stream purchase strategy. I call it the Moly-Wheaton strategy but one of our directors is the director of Silver Wheaton and he doesn't like us piggybacking on the name [laughs].

AJ: With respect to the 5 percent of the institutions in our IPO stage, we also have a private equity guy that owns 13 percent, with Resource Capital Fund (RCF) so that really brings the total to 18 percent institutional ownership.

Q: Your stock is currently listed on the TSX Venture exchange under the symbol AVT. Does Avanti have any other listings and is it listed in the U.S.?

Martin: We trade here on the pink sheets under symbol AVMNF. We haven't listed on OTC yet but we're chatting about it. We're talking about getting blue sky registration done. Whether we go the full step with listing or not is open for question but at least with registration brokers can talk to their clients about us.

AJ: The cost of compliance for a small company like ours doesn't justify a U.S. listing yet but we might at a major stage in our life get the listing, especially once the activities we're working on bear fruit in a way that would justify.

Martin: The majority of the stock other than 18% institutional ownership is held by people that don't trade it. They have friends and family that bought the stock and we're focusing on the retail ownership side first and foremost. The institutions can't buy in until we get some retail liquidity going. Now that we're on the TXV Venture exchange, we're hoping on getting the story out and building the brand. Then we'll move on to the institutions.

Nelsen: A person who buys Avanti has to believe in the [global] economic recovery. They have to have a view on steel and the development on the Third World economies and that that's where the recovery is going to come from. They have to believe that this global economic development we've lived through in the past few years will continue in the future. If that's the case then Avanti is a company on course with a valuable asset of less than 2 cents per pound in the ground. We're looking at \$425 million versus \$900 million for your average moly producer to be put back into production. Or a billion dollars for Spinifex Ridge asset in Australia. Ours is higher grade than all those other projects. Only Climax Molybdenum surpasses it. With Climax being a subsidiary of Freeport Copper & Gold, it's interesting to note that within Freeport there's a very funny world and there's someone there who's skeptical about putting it back into production. It's not just all cost and production. If there ever was a bear within the Freeport internal camp about putting Climax back into production it was this guy. I think there is some question as to whether Climax will be developed based on the view of this individual. I've heard this story more than once from many people within the industry. By curtailing this asset, short term, internally, it may actually be stalled for quite a long time.

Q: I understand you made a presentation at the BMO Global Metals and Mining Conference.

Martin: Yes, we spoke at BMO and the presentation is available on the Investors section of our web site. It wraps up why the Kitsault project is so unique. The bottom line is that we can fast track this and move it quickly and we hope to be in production by 2012.

[Note: Avanti's latest presentation, Kitsault: A Moly Asset Timed to Economic Recovery, is available for viewing online at: <http://www.avantimining.com/i/pdf/Pres-Spring09.pdf>.]

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