



# Andover Ventures

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## Andover Ventures: Well-positioned For Near Term Production Following Pivotal Court Judgement

Andover Ventures has an impressive and high grade property portfolio. Its SUN project in Alaska is one of the largest undeveloped copper/zinc deposits in the world, while its 65 square kilometres of patented ground in the East Tintic Mining District of Utah, (held through its 60% ownership of historic mining company Chief Consolidated), includes 23 past producing deposits (some with spectacular grades), 2 former mines, plenty of infrastructure, and the potential to develop additional revenue streams from water, geothermal energy and secondary operations. Together the SUN and Utah projects contain over \$7bn of metal in the ground at current prices, according to historic non NI 43-101 compliant resource estimates. Yet Andover acquired its portfolio for less than \$20m.

Andover was able to acquire these projects so cheaply as it took a calculated risk. When it acquired Chief Consolidated in March 2009 part of the package included Chief's Consent Decree from January 2005 to pay \$60m from future earnings to the US Environmental Protection Agency (EPA) in relation to contaminated lands on the company's property. Since the acquisition Andover/Chief has been busy remediating the land and renegotiating new terms. On 6 May it received a court order modifying the original consent decree.

The original obligations – including the \$60M charge – have now been fully waived in return for Chief making annual payments of \$225,000 for 5 years (totalling \$1.125M), allowing the EPA access to its limestone quarry to obtain topsoil, limestone and road materials to the end of 2010, and allowing the local town of Eureka to store road base materials and top soil on its property for 25 years. Of course this represents a major milestone for Andover/Chief. The risk may have paid off and Andover/Chief will now be able to progress its portfolio without "a gorilla on its back", to quote CEO and Chairman Gordon Blankstein.

Andover has recently set up its first JV arrangement. Kennecott, a subsidiary of Rio Tinto, signed an earn-in agreement in February whereby it may earn a 51% interest in Chief's Big Hill Project in Utah by completing a prefeasibility study or by spending \$20M whichever occurs first. It can then earn a further 4% interest by sole funding all the costs until delivery of a feasibility study that is accepted by the Rio Tinto investment committee. Andover's hope is that this will be the first of several similar JVs with majors in which the JV partners will provide cash, resources, credibility and expertise to develop the potential of its projects at no risk/ cost to Andover.

So what then is their potential?

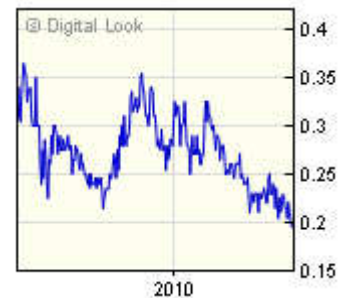
### Current Project Portfolio

When it listed on the Toronto Venture exchange in 2006 Andover's initial interests were in Alaska. It invested in several projects in the state including a \$3m investment for a 50% interest in the SUN project in the Ambler District of North Western Alaska followed by a \$10m payment for the remaining 50% in early 2007 (the property has a 1.5% NSR payable to the previous owners).

**Price:** \$C0.20

**Market Cap:** \$C12.48m

### 1 Year Share Price Graph



### Share Information

**Code:** AOX

**Listing:** TSX-V

52 week	High	Low
	\$C0.37	\$C0.20

**Sector:** General Mining

**Website:** <http://www.andoverventures.com/>

### Company Synopsis:

*Andover Ventures is a precious and base metal exploration and development company, headquartered in Vancouver, British Columbia, Canada, with world class properties located in the historic Tintic Mining District, Utah, USA and the Polymetallic rich Ambler Mining District, located in Alaska, USA.*

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SUN, which lies a little north of the Arctic circle, hosts VMS (volcanogenic massive sulphide) zinc/copper/lead/silver/gold mineralisation. It was originally discovered by the Sunshine Mining Company in the early 1970s and caused a staking rush to the region. The property was subsequently explored by Noranda, Anaconda and Teck Cominco. Anaconda completed a pre-feasibility study on the property in the early 1980s defining a historic, though non-NI 43-101 compliant, resource 3km along strike (shown below both in ounces per ton and converted to grammes per tonne).

	Size	Grade			
		Silver	Copper	Lead	Zinc
	Tons	Oz per ton	%	%	%
Open Pit	2.4M	2.39	1.93%	1.2%	4.51%
Underground	17.9M	2.37	1.91%	1.18%	4.46%
	Tonnes	g per tonne	%	%	%
Open Pit	2.2M	81.9	1.93%	1.2%	4.51%
Underground	16.2M	81.267	1.91%	1.18%	4.46%

*Historic Resources at Sun Deposit (Anaconda, 1980)*

The SUN project now consists of 7,276 hectares along 16 kilometres of the highly prospective Ambler belt. Andover has established a base at the project with an airstrip, 20-man camp, fuel depots and winter storage facilities. It has drilled 4,500 metres to date. So far 19 of the 20 holes have encountered mineralized zones ranging from 1.2 to 37 metres thick while nine of these holes encountered two or more mineralized zones. Andover has extended the main SUN deposit by 300 metres and discovered a new "Hot" zone which is up to 30 metres thick and remains open in both directions.

SUN lies close to two other major deposits: Nova Gold's Arctic deposit which is one of the world's largest undeveloped copper-zinc projects, and Teck Cominco's Smucker project. Their proximity and size - a combined \$7bn of rock has already been identified at the three Ambler deposits - is good news for Andover, partly as VMS deposits tend to be found in clusters and partly as it strengthens the case for the state to develop road access past the district to the port of Nome, some 200 miles away; at present no roads lead to Nome. A committee comprising representatives from the State of Alaska, native bands, the mining community, environmental groups and the Nana Corp (the Alaskan native owned corporation) has been formed to consider the transportation options for the region.

Andover's immediate priorities at the SUN project are to undertake a new resource calculation to incorporate all currently available data and to look for a JV partner. In the medium term it plans to complete a scoping study and NI 43-101 compliant reserve and resource report. The hope is that with the deposit currently open on strike in both directions the SUN deposit could eventually prove larger than the neighbouring Arctic project.

In Utah meanwhile, Andover negotiated with Genco to acquire a controlling interest in Chief Consolidated, finally closing the deal in March 2009. The initial agreement was for a 52% stake for \$5m though Andover has subsequently paid more to increase its share to about 60%. Chief was founded in the 1870's and became, (and still is), the third largest land owner in the state of Utah. Its properties include 65 square kilometres in the historic East Tintic Mining district of Utah, which is centred in Eureka, some 60 miles south of Salt Lake City. Historic production from the region has been substantial, totalling 2.3M ounces of gold, 250M oz of silver, 250M lbs of copper and 2.2 billion pounds of lead.

Chief's land is known to include 23 past producing deposits. For the moment several of these are of particular interest to Andover.

- Trixie (100% owned by Chief) is a relatively small but high grade epithermal gold / silver deposit which operated as a precious metals mine from 1969-1992 and again briefly in 2001/2 producing a total of 700,000 tons of ore at 0.21 ounces per ton of gold (equivalent to 7.2g per tonne) and 6.55 ounces per ton of silver (equal to 225g/t) at a cost of less than \$125/oz of gold. Production stopped in 2002 after the EPA judgement - it was likely that \$60M was felt to be an insurmountable sum.



But the beauty of Trixie is now that there is existing mine infrastructure (with underground developments, shafts and drifts), the mine is fully bonded and permitted, it is just a mile and a half from the Burgin Complex where the company has a ball mill and processing plant, and there is previously mined material, (believed to contain 4,500 oz of gold and 32,500 ounces of silver) sitting in stockpiles at surface which can be processed almost immediately. Trixie is therefore close to resuming long term production, perhaps even generating cash flow before the end of this year. Andover is now looking for a JV partner and may be well on track towards finding one.

- The Burgin Complex (75% owned by Chief and thus 45% by Andover) includes the previously operated Burgin mine and several deposits and exploration targets. Thanks to its previous operation as a mine from 1963-78 there is considerable infrastructure on site. Historical resource estimates for the deposits in the complex total 73.5 million ounces of contained silver, 3.3 billion pounds of lead and 3.3 billion pounds of zinc. Indeed the area was considered to be one of the richest deposits in the Americas.

Andover has been conducting further drilling programmes with a view to upgrading the historic resources to NI 43-101 standards and assessing the feasibility of returning the mine to production. While it will take longer than Trixie to resume production it is a much larger and richer area. Again Andover will be looking for JV possibilities while continuing to advance the project in order to attract partners.

- The Big Hill project is a copper/gold/molybdenum target. Andover's hope is that it is at the centre of a classic porphyry system; everything observed to date fits this geologic model. It is encircled, as is typical, by a number of lead/silver/zinc deposits and it has a lithocap, visible as a little hill (hence the project name of Big Hill!) in the centre, hopefully above the main deposit. Big Hill is believed to be geologically similar to the Bingham Canyon open pit mine which lies 43 miles to the North, which has operated continuously since 1906 and is the world's largest man-made excavation; it is now three-quarters of a mile deep, 2.75 miles across, still growing and visible from space! Cumulatively it has produced over 18M tonnes of copper.

In February of this year Kennecott Copper, Utah, the subsidiary of Rio Tinto, and operator of the Bingham Canyon Mine, signed an earn-in agreement to earn 51% of the project either on delivery of a Pre-Feasibility Study or after spending \$20M, whichever is sooner. To date Kennecott has been preparing for airborne geophysics, geochemical studies and other preparatory work before drilling. The company has previous experience in the immediate area as it operated the Trixie and Burgin mines, so this should help to speed the exploration program.

In addition to the geological potential of the Utah properties Andover is also pursuing the possibility of selling potable water to the state as it dewateres the mines. Water is a much needed commodity in Utah, particularly in areas where the state is developing. Andover is also in discussions with a geothermal operator.

## Analysis

There is plenty of good news in the Andover story. The company's portfolio comprises projects with spectacular grades and significant historic resources which are now being upgraded. The projects are in mining friendly jurisdictions, the in-ground potential is massive and there is also the opportunity to generate cash from other by-products such as water and geothermal energy.

Moreover the Management team is experienced, well networked in both Alaska and Utah and has considerable vested interest in the success of the company as it controls about a third of the shares. The team has scored some notable successes since taking control in 2007. These include results from the exploration programs, acquiring the interest in Chief Consolidated for \$5m, negotiating the JV with Kennecott and obtaining the modification to the Consent Decree.

The modification represents a particularly pivotal moment. It is a vindication of the initial investment in Chief and it changes the future outlook and viability of the company and its likely access to capital and JV partners. The strategy of pursuing joint venture arrangements for each of the projects potentially offers a lot of benefits. It will allow Andover to progress multiple



projects at the same time, providing cash, resources, expertise and credibility. It may also increase the possibility of a takeover exit strategy.

However as with any exploration company there are significant risks. As yet there is no production or cash flow. Cash in the treasury stands at around \$700,000. It will be necessary therefore to raise capital in the not too distant future (even though the strategy of working with JV partners significantly reduces the burn rate and requirements for capital). Andover is currently pursuing some strategic investments.

Of course the outlook for Andover will also depend on commodity prices. But as Blankstein pointed out, "Grade is king. Commodity prices affect the bottom line of high grade projects, but not, typically, their viability". The proposed Alaskan road development program could also be a risk for Andover. While it is currently the plan to bring road access funded by the State to the Ambler district it remains a risk until the roads are actually built.

For the moment with a share price of around 20 cents Andover's market capitalisation stands at just C\$13m. This is below the value of its assets and considerably below the target price of 82 cents in the research note published by Fundamental Research Corp on April 21st, written prior to the modification to the Consent Decree.

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