

**Avanco Resources (ASX: AVB)**

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Suite 3, 257 York Street  
Subiaco, WA 6008

PO Box 1726  
West Perth, WA 6872

Tel: +61 8 9324 1865  
Fax: +61 8 9200 1850

**Contacts:**

**Nicholas Bias**  
**Head of Corporate Affairs**  
nbias@avancoresources.com  
Tel: +44 (0)7771 450 679

**For the latest news:**

[www.avancoresources.com](http://www.avancoresources.com)

**Directors:**

Colin Jones  
Tony Polglase  
Simon Mottram  
Luis Azevedo  
Vern Tidy  
Luiz Ferraz

**Management:**

Scott Funston  
Wayne Phillips  
Otávio Monteiro  
Nicholas Bias

## AVANCO ADVANCES EXPLORATION AND PROJECTS WITH \$10.6 MILLION BUDGET

Avanco Resources (ASX: AVB) (“Avanco” or the “Company”) is pleased to announce Board approval for a US\$10.6 million budget to advance exploration and project development, fully funded from cash flows.

The budget will fund a programme for a renewed focus on exploration, notably:

- \$1.0 million for drilling at Antas to increase JORC Mineral Resources and Reserves to potentially increase in production and extend mine life.
- \$3.6 million for sustaining capital and improvements at Antas.
- \$4.4 million for a Definitive Feasibility Study (DFS), further exploration and development to support the full-scale development of the Pedra Branca East Project.
- \$0.9 million to advance the Centro Gold Project.
- \$0.7 million for regional exploration and investigation of new acquisition opportunities in the Carajás.

The budget is based on approximately fifty-percent of the total full year free cash flow from the operating Antas Mine. Expenditure at Antas will target the definition of additional ore to expand production, feed spare plant capacity and extend the life of the operation.

At Pedra Branca, the Company’s second, and larger asset, management will refocus on the development of Pedra Branca East from a smaller start-up project utilising that spare capacity at Antas, to the full-scale development of a standalone operation, aiming for 24,000 tonnes per annum of copper, that should eventually be complemented by further tonnes from Pedra Branca West.

The balance will be used to advance CentroGold and exploration activities across the Company’s large exploration portfolio.

Executive Director of Exploration Simon Mottram commented:

*“Over the last decade Avanco has accumulated an exciting portfolio of projects and tenements in the Carajás, a premier mineral province for the exploration and development of high-grade copper mines.*

*Today, we find ourselves in a unique position; we hold the second largest copper tenement land package in the Carajás, our first mine is in production, generating free cash flows, with no debt, which leads us to believe that we uniquely positioned to deliver growth into an improving copper market.*

*As a result, management has renewed confidence in its aspirations to become a 50,000 tonne a year copper producer, with further optionality upside.”*

## EXPLORATION PROGRAM OVERVIEW

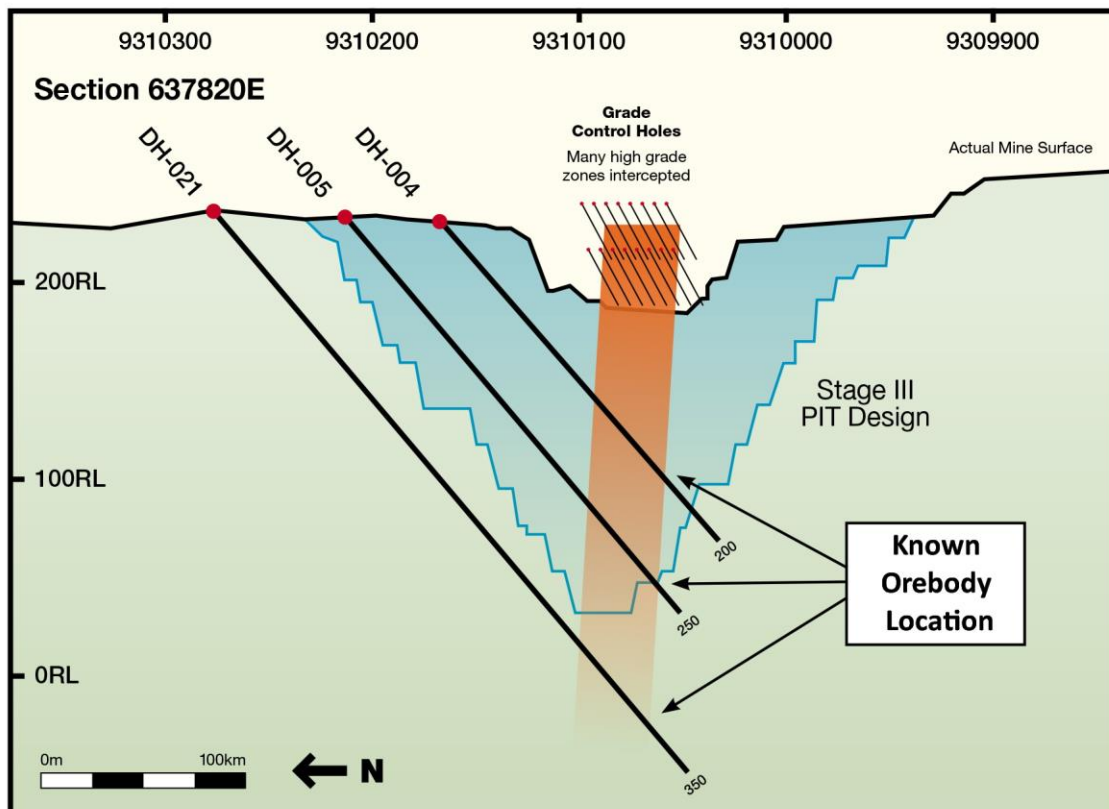
### Antas

Highlights include:

- Initial 5,000 metres of diamond drilling
- Drilling to commence end of March 2017 and run through to July 2017
- Delivery of additional JORC Mineral Resources and Reserves
- An increased life of mine schedule

Drilling at Antas will focus on extensional and infill drilling on new sections between the existing sections aimed at increasing JORC Resources and upgrading the confidence of existing JORC Probable Mineral Reserves to Proven Mineral Reserves. The objective is to provide options to increase production and extend mine life.

**Figure 1: Antas infill cross-section, illustrating planned infill and depth extensional drilling**



The current reserves and the cut-off grade were calculated in 2014 using cost estimates which are now known to be higher than actual operating costs today. Management believes that under the current lower cost environment the potential to reduce the economic cut-off grade; and the planned drill programme, all combine to present opportunities to increase reserves.

The drill programme will commence in late March 2017 and expand with the addition of a second drill rig in April 2017. The programme is expected to take four to five months. Subsequently, the JORC Resources and Reserves, pit design, and life-of-mine schedule will be updated, providing a new production profile for Antas during the third or fourth quarter 2017.

**Figure 2: Grade Control Drilling at Antas**



**Figure 3: Massive Sulphide Chalcopyrite (primary copper mineral)**



### **Pedra Branca**

It is the intention to bring forward exploration work to support the full-scale development of the Pedra Branca East Project, instead of the smaller interim development stage option outlined previously by the Scoping Study<sup>1</sup>.

#### **Highlights include:**

- Revised Pre-Feasibility Study (PFS) for Pedra Branca East, targeting release late April 2017
- Definitive Feasibility Study (DFS) for completion within 12 months thereafter
- 5,000 metres drilling programme
- Studies to examine the inclusion of Pedra Branca West
- Regulatory and environmental works to permit the full-scale mine

Against a backdrop of a weaker copper market and internal capital constraints as the Company brought the Antas Mine in to production, the most economical way to commence the development at Pedra Branca East was through trial mining of the hanging-wall high grade zone. The ore extracted from this small scale development was to be trucked to Antas where the spare plant capacity could be utilised, thereby reducing CapEx and OpEx.

**Figure 4: Pedra Branca Site Aerial Overview**



Today, with improvements in the copper market, fewer capital constraints, and the opportunity to utilise the Antas plant capacity with feed from the Antas mine and generate higher margins, the strategy for Pedra Branca East has advanced, with the current Scoping Study being upgraded to a PFS for full-scale development.

The Board has approved approximately \$4.4 million to finalise the PFS targeting 24,000 tonnes of copper per annum and advance the DFS, including infill drilling, with a target completion of works within 12 months and delivery during the first quarter 2018. This holds a similar timeline to the original intention yet for a larger development.

The budget for Pedra Branca includes a minimum 5,000 metres of infill drilling, appointment of a DFS Study Manager, and regulatory and environmental works to permit the full-scale mine. Exploration will cover the recently acquired Canaã West Project<sup>ii</sup>.

Later studies will examine inclusion of Pedra Branca West, with opportunity to further expand production and life-of-mine targeting an additional 10,000 tonnes of copper per annum.

### **Centro Gold**

CentroGold<sup>iii</sup> is an advanced stage exploration project in neighbouring Maranhão State. A Scoping Study re-assessing the project's scale and economics via a range of development opportunities is underway, examining two contiguous higher grade zones within the project. Scoping Study results are expected to be available in late April 2017.

In total approximately US\$0.9 million has been allocated to CentroGold to facilitate resolution of legacy licensing issues, updating of JORC Resources and production of the Scoping Study. Further expenditure will be proposed as progress is made.

### **Regional Exploration and Opportunities**

The Carajás Province hosts the largest concentration of large tonnage Iron-Oxide-Copper-Gold deposits (IOCG<sup>iv</sup>) globally. Avanco has been operating in the region for a decade and over that time has accumulated the second largest tenement package, exceeding over 1,800 square kilometres.

The company has developed a strong track record of delivery, and credible local relationships with its peer companies, customers and suppliers. Within the budget, allowance has also been made to explore the Avanco tenements and advance other local opportunities.

Following the purchase in late 2016 of the Terrestrial Electromagnetic (TEM) geophysical survey equipment and an extensive training programme provided by consultants, the Company's in-house TEM team is aggressively advancing all known targets in the portfolio, starting in and around the Antas mine environs. The TEM team will operate full-time through 2017. The budget includes an allowance for a second TEM equipment, and additional discretionary funds may be made available for drill testing of high conviction targets if they are generated. Further news will follow in due course on the development of this programme, and the Company's regional exploration effort.

**TONY POLGLASE**  
**MANAGING DIRECTOR**

For further information, please contact:

**Nicholas Bias**  
**Head of Corporate Affairs**  
nbias@avancoresources.com



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All dollar amounts in this announcement refer to United States Dollar unless otherwise stated.

<sup>i</sup> See ASX Announcement “Pedra Branca East Scoping Study Clears Pathway to Decline Development”, 12 September 2016, for Competent Person’s Consent, material assumptions, and technical parameters underpinning the Pedra Branca East Scoping Study.

<sup>ii</sup> See ASX announcement “Acquisition of Highly Prospective Copper Tenement Along Strike From Pedra Branca”, 15 November 2016.

<sup>iii</sup> See ASX Announcement “Avanco to Acquire Advanced Gold Project”, 7 October 2016, for details on the CentroGold project acquisition/earn-in.

<sup>iv</sup> The Pedra Branca and Antas deposits are defined as Iron Oxide Copper Gold (IOCG) deposits, typical of that found in the Carajás Province of Brazil, and well documented in respected geological texts