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# ANTAS (STAGE 1) FULLY FINANCED INTO PRODUCTION WITH ~AU$80m CAPITAL RAISING

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**ASX Symbol**: AVB


The Company is pleased to advise that, cognisant of the need to commence construction without further delay, the Board has elected to pursue equity financing. **Proposed funding is sufficient to fully finance the Antas Copper Mine into production.**

This (Stage 1) development in the World Class Carajas Mineral Province Brazil, underscores Avanco's transition to copper producer status within 12 months.

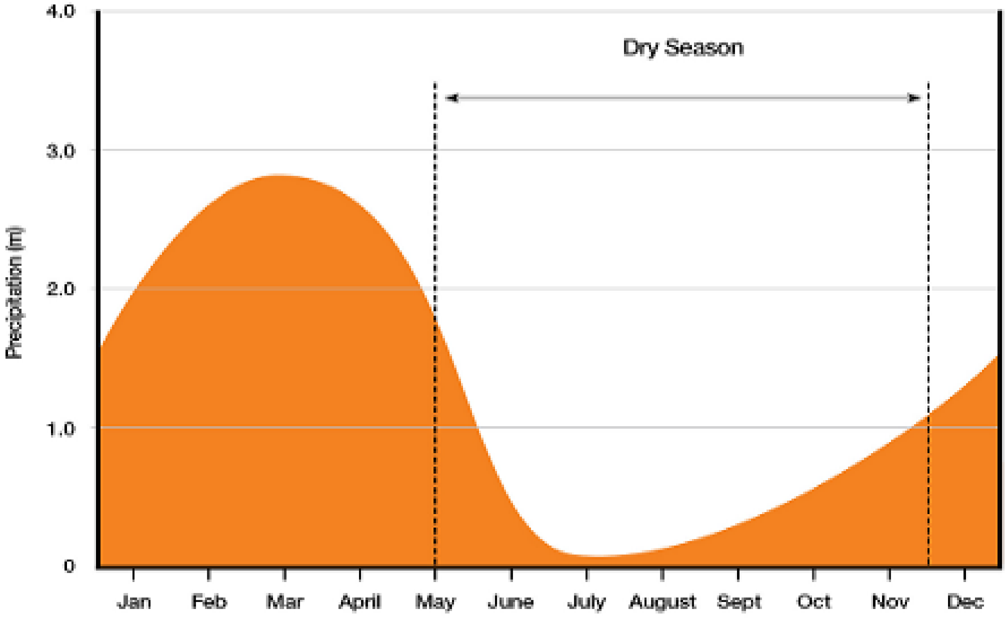
## HIGHLIGHTS *(all AU$'s unless indicated otherwise)*

- **A combined ~$64m[1] financing structure comprising of, a Placement followed by an Entitlements Issue to raise $19.9m and $44.2m respectively**
- **The balance of $15.6m required to finance Antas into production will be available pursuant to a royalty transaction entered into with a fund managed by BlackRock[2]**
- **On completion this financing affords Avanco a very desirable position of being fully financed into production, debt free and unhedged**
- **Having completed the engineering, executed access agreements and upgraded the 10km mine road, the Company is now *"construction ready[3]"***
- **The capital raising will be at $0.08 per share, representing a 8.41% premium to the 30 day VWAP (volume weighted average share price) of $0.074**
- **The financing is supported by firm commitments from existing institutional shareholders and a new cornerstone investor, Greenstone Resources LP, a specialist mining & metals fund[3]**
- **Construction will commence immediately maximising the benefit of the approaching dry season**
- **Open pit mining and flotation beneficiation is forecast to produce ~12,000tpa of copper and ~7,000oz pa of gold credits in concentrates**
- **Avanco is an emerging mid-tier copper producer targeting commissioning before end 2015 and full production during the subsequent quarter**

## IMPLEMENTATION OF STAGE 1- ANTAS COPPER PROJECT

With engineering completed, access agreements finalised and the 10km mine road upgraded, the Company is now ready to begin construction[4].

The significance of commencing construction as soon as possible is dictated by the approaching dry season[5], see Rain Chart below. It is most important to maximise site works within the dry period to facilitate establishment of the new mine[5].




**Carajas Regional Rain Chart[6] – Dry Season Starts Now**

Construction is scheduled for a seven to nine month duration. Management aim to be commissioning before end of 2015 and achieve ramp-up to full production in Q1 2016. The Construction and Working Capital Budget[7] is estimated at ~$78m (~US$60m) set against the proposed ~$80m (US$61m) total financing package. See below.

| **STAGE 1 - ANTAS COPPER MINE BUDGET**<br>(FX-US$@3.0BRL & US$@1.3AU$) | | |
|---|---|---|
| **Plant Construction Costs** | **25.0** | **32.5** |
| **Mine Infrastructures** | **7.4** | **9.6** |
| **Open Pit Pre-production Mining** | **5.0** | **6.5** |
| **Construction - TMF** | **3.4** | **4.4** |
| **Engineering + Owners Costs** | **5.0** | **6.5** |
| **Construction - Contingency** | **7.0** | **9.1** |
| **3 months Working Capital** | **7.0** | **9.1** |
| **TOTAL - STAGE 1 IMPLEMENTATION** | **59.8** | **77.7** |

The budget set out above is a “best estimate” and may be subject to change as the project advances.

**FINANCING ~$80 Million**
On completion, this financing affords Avanco the enviable position of being fully financed into production, unhedged and debt free, a strategy supported by firm commitments from new and existing institutional shareholders.

**Placement - $19.9 Million**
The financing structure comprises of a Placement of approximately $19.9 million through the issue of 249,251,378 Ordinary Shares at $0.08 per share. This represents a premium of 8.41% to the 30 day VWAP of $0.074 and a 3.6% discount to the last closing price of $0.083. The Placement will be issued under the Company's 15% placement capacity to a new private equity fund Greenstone Resources[3], a fund managed by BlackRock and the Appian Natural Resources Fund[8].

**Entitlements Issue - $44.2 Million**
In addition to the Placement, the Company has engaged Bell Potter Securities Limited to act as Lead Manager to a non-renounceable Entitlements Issue to existing eligible shareholders on a 2 for 7 basis at $0.08 to raise approximately $44.2 million (before costs). The parties participating in the Placement will also be eligible to participate in the Entitlements Issue.

**BlackRock – $15.6 Million**
On successfully completing the Placement and Entitlements Issue and on finalising the Royalty Transaction documentation to BlackRock's satisfaction and BlackRock confirming that all conditions precedent to the Royalty Transaction have been satisfied, the $15.6 million Royalty Transaction will complete[2].

**On completion of the above three transactions, Avanco believes it will be fully funded for construction, commissioning and ramp-up of copper production from the Company's 100% owned high-grade Antas Copper Project.**

**SOURCES & USES OF NEW FUNDS**

| FX-US$@3.0BRL & US$@1.3AU$) | Placement Au$ Millions | Entitlements Issue Au$ Millions | BlackRock Au$ Millions | TOTAL Au$ Millions |
|---|---|---|---|---|
| **Plant Construction** | **8.3** | **17.6** | **6.5** | **32.5** |
| **Mine Infrastructure** | **2.5** | **5.2** | **1.9** | **9.6** |
| **Open Pit Mine** | **1.7** | **3.5** | **1.3** | **6.5** |
| **Construction TMF** | **1.1** | **2.4** | **0.9** | **4.4** |
| **Engineering/Owners Costs** | **1.7** | **3.5** | **1.3** | **6.5** |
| **Contingency** | **2.3** | **4.9** | **1.8** | **9.1** |
| **Working Capital** | **2.3** | **4.9** | **1.8** | **9.1** |
| **STAGE 1 - IMPLEMENTATION** | **19.9** | **42.1** | **15.6** | **77.7** |
| Approx. Cost of Financing | | 2.1 | | 2.1 |
| **TOTAL AU$ Millions** | **19.9** | **44.2** | **15.6** | **79.7** |

*The table above is a "best estimate" and may be subject to change as the project advances*

## FINANCING TIMETABLE

The Placement will be completed within two weeks and the Entitlements Issue Prospectus lodged with the ASIC within 3 weeks.

## CORPORATE

Since the discovery of the Antas deposit in 2012, management have been working towards bringing the project into production as quickly as possible, this capital raising is the final component required to realise this objective.

The decision to pursue an equity financing structure arose from concerns that the bank syndication process (referred to in previous announcements) may not have closed within management's (end Quarter 1) timetable. Therefore, and as the end of the quarter progressed, it became necessary to examine alternative funding structures[9].

With the dry season approaching, a preferred funding option was one that provided fast, viable and assured finance, thus mitigating holding costs and exposure to construction inefficiencies arising from further delay[5].

This equity financing achieves the above requirements and Management believe this is an exceptional outcome for the Company, a sentiment shared by Avanco's institutional shareholders. Consequently, new and existing institutional shareholders rallied to provide firm support for the Placement and the Entitlements Issue. The new cornerstone investor subscribed to the greater part of the Placement underpinning the raising - Avanco welcomes Greenstone Resources to the registry[3].

The Board anticipates the Company transitioning, unhedged and without debt into an emerging mid-tier copper company within the next twelve months underpinning the Company's shift to producer status.

With the AVB share price closing at $0.083 on the 17 April, the Board encourages shareholders to take up their entitlements.

Tony Polglase
Managing Director
Avanco

1. Excluding the Royalty Transaction
2. See ASX announcement "US$12,000,000 Agreement reached with BlackRock World Mining Trust plc", 8 October 2013 and ASX announcement "July 2014 Quarterly Activities Report', 31 July 2014. Note - the $15.6m or US$12m is before costs. The July 2014 royalty transaction entered into by the Company and BlackRock World Mining Trust plc ("Royalty Transaction is subject to completion of the relevant transaction documentation to BlackRock's satisfaction
3. See also Greenstone Resources website
4. Contracts for the TMF and Open Pit Mining have yet to be awarded
5. A late start will push construction and commissioning into the year-end seasonal festivities and approaching wet season. Both of the aforementioned will increase risk and incur greater cost
6. Interpretation of regional precipitation data provided by Brazilian mining consultants
7. Excluding sunk costs associated with equipment purchases etc
8. See also Appian Capital Advisory website
9. Management's opinion is that, whilst the Brazilian banks remain supportive and tried hard to close the syndication, this was against a backdrop of an increasingly tough micro-economic climate and significant exposure to existing construction and mining debt. This appeared to be weighing heavy on the potential syndicating groups such that closure within Avanco's (dry season) time frame was considered by the Company as uncertain