

# MARCH 2015 QUARTERLY ACTIVITIES REPORT

## HIGHLIGHTS

- **Proposed funding of ~AU\$80m capital raising, sufficient to fully finance the Antas Copper Mine into production**
- **Construction Capex including contingency and 3 months working capital forecast at ~\$78m (~US\$60m)**
- **A combined ~\$64m<sup>1</sup> financing structure comprises, a Placement followed by an Entitlements Issue to raise \$19.9m and \$43.6m 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<sup>2</sup>**
- **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 on the date of the announcement**
- **The financing is supported by firm commitments from existing institutional shareholders and a new cornerstone investor, Greenstone Resources, a specialist mining & metals fund<sup>3</sup>**
- **Construction mobilisation has commenced to maximise benefit from the dry season. The build programme is scheduled for seven to nine months. Management is aiming for commissioning before end of 2015 and ramp-up during Q1 2016**

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ASX Symbol: AVB

### Recent activities include:

- **Agreement executed securing surface rights over the Antas North Deposit, survey and fencing in progress**
- **A ~10km corridor for the mine access road and power line easement negotiated, interim bridges installed and is ready for construction traffic**
- **Detailed design engineering for the plant and infrastructures is complete**
- **Assembly of OK38 flotation cells underway**
- **Mobile crushing plant will arrive at the construction yard next week**
- **LOI (Letter of Intent) signed with METSO for LSTK (Lump Sum Turn Key) for the concentrate dewatering facility and associated filter auxiliaries**

- **Agreement signed with Intertek for supply and management of a certified independent assay laboratory situated in the district**
- **Infill drilling to upgrade the classification of JORC Reported Resources at Pedra Branca is close to completion. An update will be delivered pending receipt of results**
- **The Board anticipates the Company transitioning, unhedged and without debt into an emerging mid-tier copper company in the next twelve months**



## **STAGE 1 – FINANCING ~\$80 Million**

On completion, this financing affords Avanco the desirable position of being fully financed into production, unhedged and debt free. This strategy is 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 on the date of the announcement. The Placement will be issued under the Company's 15% placement capacity to a new private equity fund Greenstone Resources<sup>3</sup>, together with a fund managed by BlackRock and the Appian Natural Resources Fund<sup>4</sup>.

*The Placement will be completed within a week and the Entitlements Issue Prospectus lodged with the ASIC within 2 weeks.*

### **Entitlements Issue - \$43.6 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 \$43.6 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, Entitlements Issue, the Royalty Transaction documentation and BlackRock confirming that all conditions precedent to the Royalty Transaction have been satisfied, the \$15.6 million Royalty Transaction will be completed<sup>2</sup>.

**On completion of the above 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.**

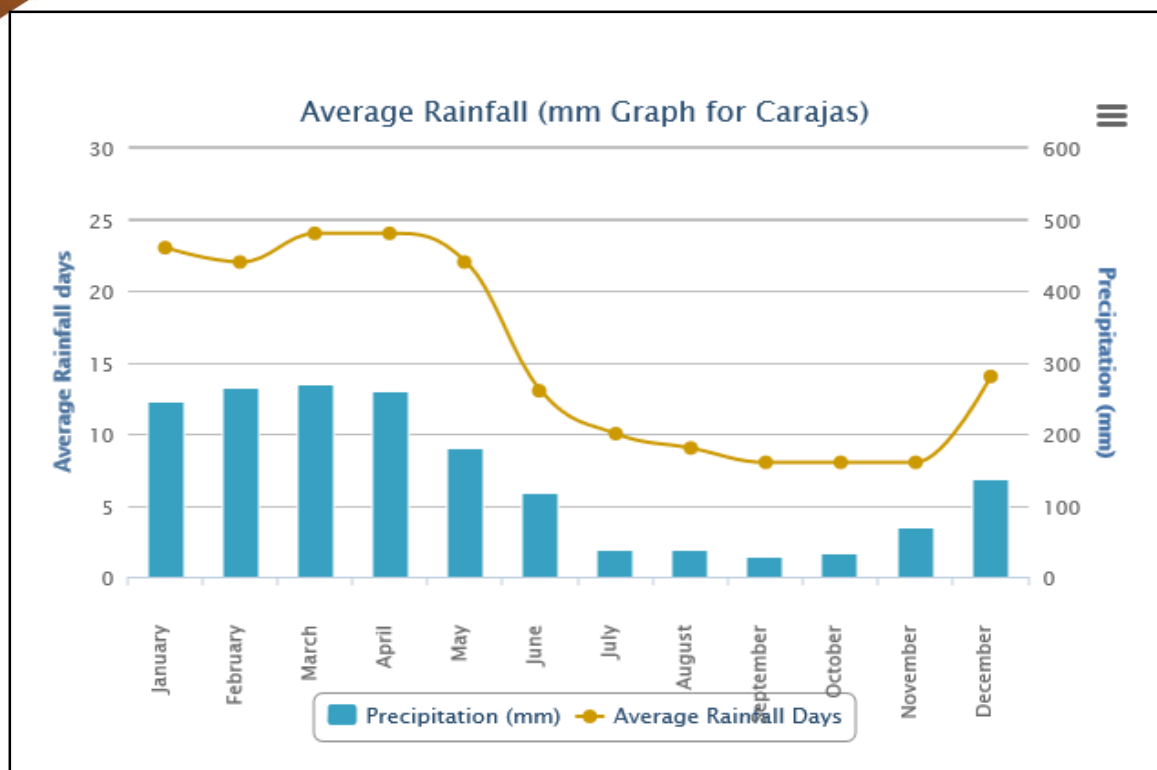
## **STAGE 1 – ANTAS COPPER MINE CONSTRUCTION**

With engineering completed, access agreements finalised and the 10km mine road upgraded ready for construction traffic, the Company has commenced construction activities<sup>3</sup>.

The significance of beginning construction as soon as possible is dictated by the approaching dry season<sup>4</sup>. See Rain Chart below.

It is most important to maximize site works within the dry period to facilitate establishment of the new mine<sup>5</sup>.

Construction is scheduled for a seven to nine month duration. Management aims to be commissioning before end of 2015 and achieve ramp-up to full production in Q1 2016.



**Carajas Regional Rain Chart**

The Construction and Working Capital Budget<sup>6</sup> is estimated at ~\$78m (~US\$60m) set against the proposed ~\$80m (~US\$61m) total financing package. See below.

<b>SOURCES &amp; USES OF NEW FUNDS</b>				
FX-US\$@3.0BRL & US\$@1.3AU\$)	Placement Au\$ Millions	Entitlements Issue Au\$ Millions	BlackRock Au\$ Millions	TOTAL Au\$ Millions
<b>Plant Construction</b>	<b>8.3</b>	<b>17.6</b>	<b>6.5</b>	<b>32.5</b>
<b>Mine Infrastructure</b>	<b>2.5</b>	<b>5.2</b>	<b>1.9</b>	<b>9.6</b>
<b>Open Pit Mine</b>	<b>1.7</b>	<b>3.5</b>	<b>1.3</b>	<b>6.5</b>
<b>Construction TMF</b>	<b>1.1</b>	<b>2.4</b>	<b>0.9</b>	<b>4.4</b>
<b>Engineering/Owners Costs</b>	<b>1.7</b>	<b>3.5</b>	<b>1.3</b>	<b>6.5</b>
<b>Contingency</b>	<b>2.3</b>	<b>4.9</b>	<b>1.8</b>	<b>9.1</b>
<b>Working Capital</b>	<b>2.3</b>	<b>4.3</b>	<b>1.8</b>	<b>9.1</b>
<b>STAGE 1 - IMPLEMENTATION</b> Approx. Cost of Financing	<b>19.9</b>	<b>42.1</b> 2.1	<b>15.6</b>	<b>77.7</b> 2.1
<b>TOTAL AU\$ Millions</b>	<b>19.9</b>	<b>43.6</b>	<b>15.6</b>	<b>79.7</b>

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

### **Plant Construction (Budget \$32.5m)**

With rain fall easing into to the dry season, the cut-and-fill earthworks contractor is currently mobilising.

Early site work priorities include installing temporary offices, drainage controls and establishing the flotation area ground levels ahead of concrete works which will follow.

The civils contractor will focus on the ball mill foundation and filter house floor, the later being on critical path for commencement of the Metso LSTK.

The crushing circuit is expected to be delivered into the construction mustering yard in the coming days. This will be among the first equipment's to be commissioned.

Pre-construction assembly of key plant equipment has commenced in Avanco's yard in Parauapebas, commencing with equipping of the flotation cells.



**Assembly of an OK 38 Trough Type Flotation Cell**



**Installation of the OK 38 Mechanisms into the Cells**

Avanco has signed an LOI with Metso for the Filter LSTK contract. This includes: design, procurement, installation (from concrete-up) for the provision of the filter, the building and filter auxiliaries through to commissioning and hand-over. This reduces the risks associated with installation of this more sophisticated unit process. All components of the main filter assembly have been delivered to Avanco's local mustering yard.





**Main body of the METSO filter in Avanco's yard**

Technical and commercial analysis of vendor packages is ongoing including re-validation of suppliers for: plate-work, structural steel; civil, mechanical and electrical equipment and construction services.

**Infrastructure (Budget \$9.6m)**

An agreement has been executed securing land covering the Antas mine footprint within the granted Mining License. Survey and fencing of the property is in progress.



Also, an agreement has been entered into securing a ~10km corridor (see above) for the Mine Access road and power line easement. This will connect the Antas Copper Mine to the main interstate asphalt highway and thereafter to the Carajas regional centre of Parauapebas ~30km away.

The route has been cleared to allow entry, together with the replacement/upgrade of existing bridges over creeks. The mine site is now accessible for construction traffic. Further improvement and widening has been planned.

An agreement has been signed with Intertek for the supply and management of an internationally accredited independent assay laboratory. This is seen as a good alternative to building an expensive on-site laboratory to support production needs. Intertek will supply and manage the assay facility which is located in Parauapebas. This laboratory will not only cater for grade-control and flotation plant metallurgical samples but also for exploration/resource drilling and copper concentrate analysis.

**Open Pit Mine (Budget \$6.5m)**

Tendering of the open-pit mining contract to Brazilian and international groups is well advanced with a shortlist of three expected to proceed to the next level. Submissions relate to all mining activities including:

- Internal mine road construction
- Clearing for the pit and waste dump
- Drilling and blasting of ore and waste
- Excavate and haul ore to the ROM pad
- Operation of loading ROM Pad to Crushing
- Excavate and haul waste to the waste dump

A target of July-August is set for mobilisation of the mining contractor. Management aims to be stockpiling low grade (for plant commissioning) before end of this year and ramp up to the full mining rate of high-grade ore by end Q1 2016.

**Tailings Management Facility (TMF) (Budget \$4.4m)**

Adjudication of the tailings dam construction contract is on-going. This was originally included within the scope of the open-pit mining contract but this philosophy is being revisited and a stand-alone construction contract now being considered.

**Engineering (Budget ~\$6.5m)**

ONIX Engenharia are in the final stages of engineering with all designs needed for the start of construction completed.

The engineering budget allows for an Avanco “owners team” who will oversee construction “hands-on”. The team will be reinforced by the integration of a specialist boutique construction management group. This group comprises: a very experienced Brazilian construction manager, QA/QC technicians, cost control and reporting personnel.

**Contingency (Budget ~\$9m)**

This allows for construction risk, delays, currency risk and local inflation.

**Working Capital (Budget ~\$9m)**

Investigations indicate that export of Antas copper concentrates can be scheduled frequently (every ~14 days) using containerised dispatch from the Port of Belem. Based on this scenario a ~ 3 months working capital allowance has been allocated.



## STAGE 2 – PEDRA BRANCA

Pedra Branca<sup>7</sup> is the Company's second and much bigger copper project located 50km southwest of Antas (Stage 1). This Stage 2 infill drill programme<sup>8</sup> consisting of ~4,000m of diamond drilling, aims to upgrade ~50% of the current Inferred JORC Reported Resources to the Indicated category. This will support the timely completion of a Scoping Study and, if greater than 50% of the Inferred category is upgraded to Indicated, this move directly to a Pre-feasibility Study. Avanco remains committed to reach a "decision to mine" in late 2015.

Observations to date are within or better than expectations, and a full update will be delivered following completion of key drill holes and receipt of assays. Two drill rigs are currently operational with drilling expected to finish in May. This will be followed by resource modelling and mine design.



**APBD-15-39**  
High grade Cu  
mineralisation



**APBD-15-41**  
High grade Cu  
mineralisation



**APBD-15-45**  
First Cu Massive Sulphide  
seen at Pedra Branca



**Drill Rig at Pedra Branca - APBD-15-40**

Following the execution of an agreement securing the surface rights over the Pedra Branca Project, the Company is now establishing its Stage 2 exploration facilities adjacent to the project, commencing with the erection of a new core yard.



**New Pedra Branca Core Storage Facility**

## REGIONAL EXPLORATION

Several potentially high value exploration licenses have been granted by the authorities. The Company believes these will add significant opportunity to Avanco's regional target inventory. Management continue to examine new opportunities as they arise with a number of projects considered interesting and worthy of closer evaluation.

## CORPORATE

Since the discovery of the Antas deposit in 2012, management have been working towards bringing the project into production, the current ~\$64m all equity capital raising is the final component required to realise this objective. Management believes this "all equity" raising is a very good outcome for the Company and is a sentiment shared by Avanco's institutional shareholders.

Firm support for the Placement and the Rights Issue is being offered by a new cornerstone investor who subsequently subscribed to the greater part of the Placement - Avanco welcomes Greenstone Resources to the registry.

The Placement is anticipated to be completed within a week and the Entitlements Issue Prospectus lodged with the ASIC within 2 weeks. **The Board encourages shareholders to take up their rights.**

Construction has commenced and is scheduled for seven to nine months duration. Management aim to be commissioning before end of 2015 and achieve ramp-up to full production in Q1 2016. A more detailed update on construction, planning and activities is being prepared for the market.

The Construction and Working Capital Budget<sup>6</sup> is estimated at ~\$78m (~US\$60m) set against the proposed ~\$80m (US\$61m) total financing package.

Cash at the end of the March Quarter was ~\$15.8m.

A number of new hires are being aligned in readiness for operations and will include a Brazilian CFO & Mining Manager.

Negotiations continue with respect to the Antas copper concentrate off-take and management expect to be in a position to award the sale of off-take during Q2. In the interim and cognisant of potential related party issues arising, the Company has obtained ASIC approval to defer the Annual General Meeting to June 2015.

Tony Polglase  
Managing Director



## ABOUT AVANCO

- Avanco (ASX-AVB) is an emerging mid-tier copper company situated in the mining friendly world class Carajas Mineral Province, Brazil
- The Carajas hosts the world's greatest concentration of large tonnage IOCG<sup>7</sup> copper gold deposits and Avanco either owns, or holds the rights to 100% of the second largest area of mineral tenure in the region (behind Vale SA)
- The Company is ultimately well positioned to potentially operate a number of high grade, low cost copper/gold mines in the region which will establish Avanco as a profitable long life producer throughout a period of expected increasing copper pricing
- The Antas Copper Mine (Stage 1) is Avanco's first mine development. It was granted a full Mining License in September 2014 and has JORC Reported Ore Reserves (Proved + Probable) of 2.649 million tonnes at 3.19% copper and 0.66gpt Gold for 84,518 tonnes of contained copper and 56,277 ounces of Gold at a 0.9% Cu cut-off
- Project funding is in place for Stage 1 construction, and is sufficient to see the Antas Copper Mine into production. All key licenses/land agreements are in place
- Pedra Branca, known as Stage 2 is located in the same district as Stage 1. This represents the Company's next project and is considerably larger. Infill drilling, aimed at improving Resources classification to facilitate "a decision to mine"
- The Company has well supported by major institutional shareholders: Glencore, Blackrock World Mining Trust, Appian Natural Resources Fund and Greenstone Resources
- Avanco is managed by highly experienced international and Brazilian mining professionals who are predominantly Portuguese speaking
- Whilst near term priorities are focussed on transition to copper producer status and resource growth, the Carajas offers significant opportunities to enhance shareholder value over time

CARAJAS - TOTAL JORC Reported Mineral Resources <sup>9,10,11,12</sup>							
DEPOSIT	Category	Million Tonnes	Cu (%)	Au (ppm)	Copper Metal (T)	Gold Metal (Oz)	
PEDRA BRANCA <sup>13</sup>	Inferred	46.82	1.20	0.33	560,000	500,000	
	Total	46.82	1.20	0.33	560,000	500,000	
ANTAS NORTH <sup>14</sup>	Measured	2.83	3.01	0.72	85,079	65,578	
	Indicated	1.65	2.20	0.42	36,365	22,058	
	Inferred	1.9	1.59	0.23	30,242	14,122	
	Total	6.38	2.38	0.50	152,000	102,000	
ANTAS SOUTH <sup>15</sup>	Measured	0.59	1.34	0.18	8,000	3,000	
	Indicated	7.5	0.7	0.2	53,000	49,000	
	Inferred	1.99	1.18	0.2	24,000	13,000	
	Total	10.08	0.83	0.2	85,000	65,000	
TOTAL		63.28	1.26	0.33	797,000	667,000	
ANTAS NORTH – JORC Reported Ore Reserves. August 2014 <sup>16</sup>							
Classification	Type	Economic Cut-Off Cu%	Tonnes (Mt)	Copper (%)	Gold (g/t)	Copper Metal (T)	Gold (Oz)
Proved	ROM Ore	0.90	1.385	3.62	0.74	50,137	33,046
Probable	ROM Ore	0.90	1.264	2.72	0.57	34,381	23,231
PROVEN + PROBABLE ROM ORE			2.649	3.19	0.66	84,518	56,277
Proved	Low Grade	0.65	0.342	0.74	0.30	2,531	3,308
Probable	Low Grade	0.65	0.635	0.72	0.23	4,572	4,709
TOTAL PROVEN + PROBABLE			3.63	2.53	0.55	91,621	64,294

### Competent Persons Statement

The information in this report that relates to Mineral Resources and Exploration Results is based on information compiled by Mr Simon Mottram who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Mottram is an Executive Director of Avanco Resources Limited, in which he is also a shareholder. Mr Mottram has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person (CP) as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Mottram consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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. See also Appian Capital Advisory website
5. Interpretation of regional precipitation data provided by Brazilian mining consultants
6. Excluding sunk costs associated with equipment purchases
7. The orebody is defined as an "Iron Oxide Copper Gold" (IOCG) deposit, typical of that found in the Carajas Province of Brazil, and well documented in respected geological texts
8. See ASX Announcement "Funding Progress Triggers Return to Pedra Branca", 27 January 2015, for details of the drilling programme, Competent Person's consent, material assumptions, and JORC Table 1 – Sections 1 and 2
9. See ASX Announcement "Stage 1 set to excel on new high grade Copper Resource", 7 May 2014, for Competent Person's Consent, material assumptions, and technical parameters underpinning the Antas North resource estimate
10. See ASX announcement "Stage II – Pedra Branca Resource Upgrade", 24 June 2013, for Competent Person's Consent, material assumptions, and technical parameters underpinning the Pedra Branca resource estimate
11. See ASX announcement "Major Resource Upgrade for Rio Verde", 8 February 2012, for Competent Person's Consent, material assumptions, and technical parameters underpinning the Antas South resource estimate
12. The Pedra Branca and Antas South JORC compliant resources were prepared and first disclosed under the JORC Code 2004. They have not been updated since to comply with the JORC Code 2012, on the basis that the information has not materially changed since it was last reported
13. Grade Tonnage Reported above a Cut-off Grade of 0.4% Cu for Primary Resources only
14. Grade Tonnage Reported above a Cut-off Grade of 0.9% Cu for Primary Resources only
15. Grade Tonnage Reported above a Cut-off Grade of 0.3% Cu for Oxide Resources
16. Measured and Indicated Resources are inclusive of Mineral Resources used to produce the Ore Reserves

## Appendix 1 – Interests in Mining Tenements Held

Project	Property Name	Tenure Title Holder	Interest %	AREA (ha)	DNPM No of Area	Status of Tenure
STAGE 1	RIO VERDE	AVB	100	7,290.69	PL 470	Mining Concession
	SERRA VERDE	AVB	100	2,391	850.622/07	#
	AGUA BOA	VDM	100	1,327	850.016/13	#
	AGUA BOA	ARM	100	8,907	850.823/05	***
	AGUA BOA	ARM	100	6,552	850.121/09	Granted to 2016
	AGUA BOA	VDM	100	8,957	850.826/12	***
STAGE 2	PEDRA BRANCA	VDM	100	3,195	850.318/00	Final Report Approved
	PEDRA BRANCA	VDM**	100	722	850.218/00	Granted to 2015
	PEDRA BRANCA	VDM**	100	9,997	850.015/08	Granted to 2016
	PEDRA BRANCA	VDM	100	8,881	850.570/03	Granted to 2016
	PEDRA BRANCA	AVB	100	4,106	850.202/13	Granted to 2016
	PEDRA BRANCA	VDM	100	9,391	850.707/09	Granted to 2017
	PEDRA BRANCA	VDM	100	9,879	850.526/04	Granted to 2017
	PEDRA BRANCA	VDM	100	1,040	850.278/05	Granted to 2017
	PEDRA BRANCA	EST	100	4,998	850.053/14	Granted to 2018
	PEDRA BRANCA	VDM**	100	240	850.217/00	***
	PEDRA BRANCA	VDM	100	9,988	850.226/09	^
	PEDRA BRANCA	EST	#	4,999	850.700/13	#
	PEDRA BRANCA	AVB	#	598	300.420/11	#
	PEDRA BRANCA	VDM**	#	4,980	850.146/95	#
	PEDRA BRANCA	VDM**	#	9,993	850.173/02	#
	PEDRA BRANCA	VDM**	#	9,755	850.181/01	#
	PEDRA BRANCA	VDM**	#	10,000	850.300/93	#
	PEDRA BRANCA	VDM**	#	9,859	851.067/07	#
	PEDRA BRANCA	AVB	#	5,000	851.674/11	#
	PEDRA BRANCA	VDM	#	7,770	850.780/12	#
	PEDRA BRANCA	EST	#	1,904	851.037/13	#
	PEDRA BRANCA	VDM	#	7,770	851.195/12	#
Touro Nickel Project	TRINDADE SOUTH	AVB	100	48	850.568/11	^
	TRINDADE SOUTH	AVB	100	49	850.567/11	Granted to 2015
	TRINDADE SOUTH	AVB	#	9,797	850.781/13	#
	TRINDADE SOUTH	AVB	#	9,797	850.569/11	#***
Regional Exploration	CARAJAS NORTH	VDM	#	4,347	850.015/13	#

AVB = AVB Mineracao    ARM = Avanco Resources Mineracao    VDM = Vale Dourado Mineracao    EST = Estela do Brazil Mineracao

\* Renewable on approval of the Final Exploration Report by the National Department of Mineral Production. Awaiting final decision.

\*\* Expected to be, or awaiting or in the process of being transferred into respective subsidiary

\*\*\* Subject to pending legal process

\*\*\*\* Option Agreement

^ Application for an extension of term, awaiting decision

# New application for exploration permit (size of tenement may be reduced/reshaped, if approved and before approval)



## Summary of Exploration and Evaluation Expenditure Incurred per Project

Project	Current Quarter Payments \$A'000
Stage 1	3,196
Stage 2	633
Regional Exploration	-
<b>Total</b>	<b>3,829</b>