

Avanco Resources Ltd

(AVB \$0.115) Buy - Initiation of Coverage

EUROZ

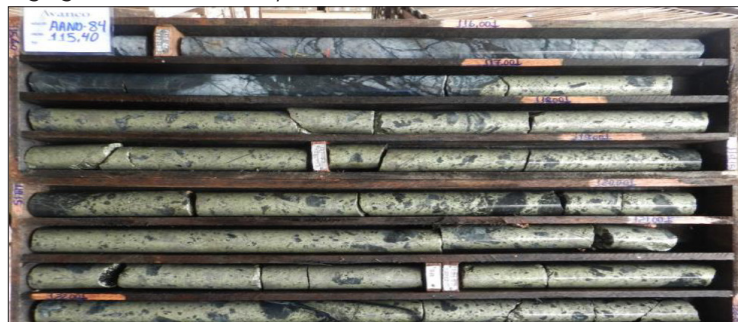
Analyst	Date	Price Target
Greg Chessell	20 th February 2017	\$0.17/sh

Emerging High Growth Copper Producer in Carajas, Brazil

Key points

- Avanco is an emerging high growth Carajas, Brazil focussed copper-gold miner.
- Copper production will grow 3x – 4x over the next 4-5 years.
- Antas Nth mine produced at 14ktpa copper, 15% above design in the 1st full Q.
- Generated US\$17m operating cashflow in 6 months since commercial production in July'16.
- Avanco is debt free.
- Cashflow will be directed to strengthening the balance sheet, project development studies and exploration.
- Pedra Branca Pre-Feasibility Study is imminent, and will be a compelling investment.
- Rising copper price enhances the appeal of AVB investing in Pedra Branca.
- Antas success shows strong board and management capability.
- Antas success enhances AVB's reputation in Brazil. This has already, and may again leverage it into new acquisition opportunities.
- Carajas hosts world class Cu-Au deposits and ground has been dominated by majors until recently.
- Avanco's exploration activity has slowed whilst developing Antas Nth, but now set to lift as cashflow grows.
- High impact exciting targets exist at depth at Antas, and Canaa West (near Pedra Branca).
- Copper price outlook is strong over the medium to long term.
- AVB represents value relative to peer group, and in absolute terms.
- We value Avanco at \$0.17/sh.

High grade massive Cu sulphide drill core Antas Nth



Source: Avanco Resources Ltd

High grade massive sulphide ore in Antas Stage 1 Pit



Source: Avanco Resources Ltd

Avanco Resources Ltd	Year End 31 December	
Share Price	0.115	A\$/sh
Price Target	0.17	A\$/sh
Valuation	0.17	A\$/sh

Shares on issue	2649	m, diluted *
Market Capitalisation	285	A\$m
Enterprise Value	257	A\$m
Debt	0	A\$m
Cash	28	A\$m
Largest Shareholder	Appian	18%

Production F/Cast	2016f	2017f	2018f
Cu Prod'n (Kt)	11.2	14.0	16.3
Au Prod'n (Koz)	7.8	8.8	10.2
C1 Cash Costs (US\$/lb)	1.29	1.31	1.31

Assumptions	2016f	2017f	2018f
Copper (US\$/lb)	2.21	2.65	2.85
Gold (US\$/oz)	1249	1263	1350
FX Rate (A\$/US\$)	0.73	0.76	0.76

Key Financials	2016f	2017f	2018f
Revenue (US\$m)	52	38	45
EBITDA (US\$m)	16	31	43
NPAT (US\$m)	1	14	24
Cashflow (US\$m)	-8	11	-74

CFPS (USc)	17	8	6
P/CFPS (x)	0.4	0.1	0.1

EPS (USc)	0	1	1
EPS growth (%)	na	1161%	72%
PER (x)	120	17	10

EV:EBITDA (x)	6.2	5.9	6.0
EV:EBIT (x)	16.4	10.8	8.8

DPS (Ac)	0.0	0.0	0.0
Dividend Yield (%)	0%	0%	0%

ND:Net Debt+Equity (%)	0%	0%	24%
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Share Price Chart



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Market Statistics Year End 31 December

Share Price	\$0.115	A\$/sh	Directors	
Issued Capital			C Jones	Chair
Fully Paid Ord	2,457	m	A Polgase	MD/CEO
Opt	-	m	S Mottram	Ex Dir
Opt, Dec'19, \$0.10/sh	42	m	L Azevedo	Ex Dir
Opt, Jun'18, \$0.10/sh	150	m	V Tidy	NE Dir
Total Dil. FPOrd	2,649	m	L Ferraz	NE Dir

Market Cap'n (dil)	\$285	m	Shareholders	
Enterprise Value	\$257	m	Appian	18%
Cash	\$28	m	Greenstone	17%
Debt	\$-	m	BlackRock	14%
			Glencore	8%
			Directors	1%

Asset Valuation	A\$m	A\$/sh
Antas Nth	242	0.09
Pedra Branca	153	0.06
Centro Gold	17	0.01
Other Expl'n	1	0.00
Corporate	(19)	(0.01)
Working Capital	5	0.00
Unpaid Capital	19	0.01
Debt	-	-
Cash	28	0.01
Total	447	0.17

F/Cast Production (US\$m) 2016a 2017f 2018f 2019f 2020f

Antas Nth (100% AVB)						
Cu Prod'n	kt	11.2	14.0	16.3	14.4	14.4
Au Prod'n	koz	7.8	8.8	10.2	9.0	9.0
C1 Cash Costs	US\$/lb	1.29	1.31	1.31	1.21	0.97

Pedra Branca (100% AVB)						
Cu Prod'n	kt	-	-	-	24.3	24.3
Au Prod'n	koz	-	-	-	19.8	18.2
C1 Cash Costs	US\$/lb	-	-	-	1.04	1.16

Group Prod'n (100% AVB)						
Cu Prod'n	kt	11.2	14.0	16.3	38.7	38.7
Au Prod'n	koz	7.8	8.8	10.2	28.8	27.3
C1 Cash Costs	US\$/lb	1.29	1.31	1.31	1.10	1.09

Assumptions						
Copper	US\$/lb	2.21	2.65	2.85	3.00	3.00
Gold	US\$/oz	1,249	1,263	1,350	1,350	1,350
FX Rate	A\$/US\$	0.73	0.76	0.76	0.77	0.78

Ratio Analysis (US\$m) 2016a 2017f 2018f 2019f 2020f

Cashflow (US\$m)	7	28	38	113	114
Cashflow per Share (c/sh)	0	1.1	1.4	4.3	4.3
Cashflow Ratio (x)	17	8	6	2	2

Earnings (US\$m)	1	14	24	99	100
Earnings per Share (c/sh)	0	1	1	4	4
EPS Growth (%)	na	1161%	72%	310%	1%
Earnings Ratio (x)	120	17	10	2	2

Enterprise Value (A\$m)	137	241	339	239	109
EV : EBITDA (x)	6	6	6.0	1.4	0.6
EV : EBIT (x)	16	11	8.8	1.5	0.7

Net Debt : Net Debt+Equity (%)	0%	0%	24%	0%	0%
EBIT Margin (%)	12%	20%	28%	46%	47%
Return on Equity (%)	1%	13%	19%	43%	30%
Return on Assets (%)	5%	12%	18%	45%	33%

Dividend (c/sh)	0	0	0	0	0
Dividend payout ratio (%)	0%	0%	0%	0%	0%
Dividend Yield (%)	0%	0%	0%	0%	0%
Dividend Franking (%)	0%	0%	0%	0%	0%

Profit and Loss (US\$m) 2016a 2017f 2018f 2019f 2020f

Sales Revenue	52	38	45	83	51
Interest Revenue	1	0	0	0	0
Other Revenue	0	0	0	0	0
Total Revenue	52	38	45	83	51
Opex	33	49	57	126	122
O/H	3	3	3	3	3
Provisions	2	0	0	0	0
Other	1	0	0	0	0
EBITDA	16	31	43	134	135
D&A	10	14	14	14	14
EBIT	6	17	29	120	121
Finance costs	1	0	0	0	0
PBT	3	17	29	120	121
Tax	2	3	5	21	21
NPAT	1	14	24	99	100

Cash Flow (US\$m) 2016a 2017f 2018f 2019f 2020f

Net Profit	2	14	24	99	100
Working Capital	-1	0	0	0	0
+ Dep/Amort	5	14	14	14	14
+ Tax Expense	0	3	5	21	21
- Tax Paid	0	3	5	21	21
= Operating Cashflow	7	28	38	113	114
-Capex + Development	4	17	112	37	12
-Exploration	2	0	0	0	0
-Assets Purchased	17	0	0	0	0
+Asset Sales	0	0	0	0	0
+Other	0	0	0	0	0
= Investing Cashflow	-18	-17	-112	-37	-12
+ Equity Issues (Rts,plc,opts)	0	0	0	0	0
+Loan Drawdown	0	0	0	0	0
+Other	4	0	0	0	0
-Loan Repayment	2	0	0	0	0
-Dividends	0	0	0	0	0
-Interest Payments	0	0	0	0	0
= Financing Cashflow	2	0	0	0	0
Period Surplus	-8	11	-74	76	102
FX Adjustments	-1	0	0	0	0
CASH	22	33	-41	35	138

Balance Sheet (US\$m) 2016a 2017f 2018f 2019f 2020f

Assets					
Cash	22	33	-41	35	138
Current Receivables	6	6	6	6	6
Other Current Assets	4	4	4	4	4
Total Current Assets	33	44	-30	46	148
PP&E, MineProp, EE&D	94	97	195	218	216
Other	0	0	0	0	0
Total NC Assets	94	97	195	218	216
Total Assets	127	141	165	264	364
Liabilities					
Borrowings	0	0	0	0	0
Trade Payables	10	10	10	10	10
Provisions	9	9	9	9	9
Other Liabilities	15	15	15	15	15
Total Liabilities	35	35	35	35	35
Net Assets	92	106	130	229	329

Reserves and Resources

	tonnes mt	grade % Cu	g/t Au	metal contained kt Cu	koz Au
Mineral Resources					
Antas Nth	6.4	2.4	0.5	152	102
Antas Sth	10.1	0.8	0.2	85	65
Pedra Branca	17.7	2.4	0.7	427	357
Centro Gold (Gurupi)	52.8	-	1.4	-	2,326
Ore Reserves					
Antas Nth	3.6	2.53	0.6	92	64

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Investment case

Avanco's model is to grow through modest scale investment in copper-gold projects with attractive grades driving low operating costs.

Its focus is on the Carajas region of Para State, Brazil where its large tenement position, reputation and capability can leverage it into opportunities not suited to larger incumbents. Avanco has already secured deals with Xstrata/Glencore, Codelco and Jaguar Mining (TSX). Avanco is understood to have also developed a strong relationship with other Brazilian mining companies over the last five years.

Avanco has built credibility through the successful execution of the 12ktpa Antas Nth mine in 2016. Fortuitously this has coincided with a firming Cu price. Antas is now in steady state slightly above its planned production level at 14ktpa Cu generating EBITDA of US\$25-US\$30m in 2017 (Euroz f'cast).

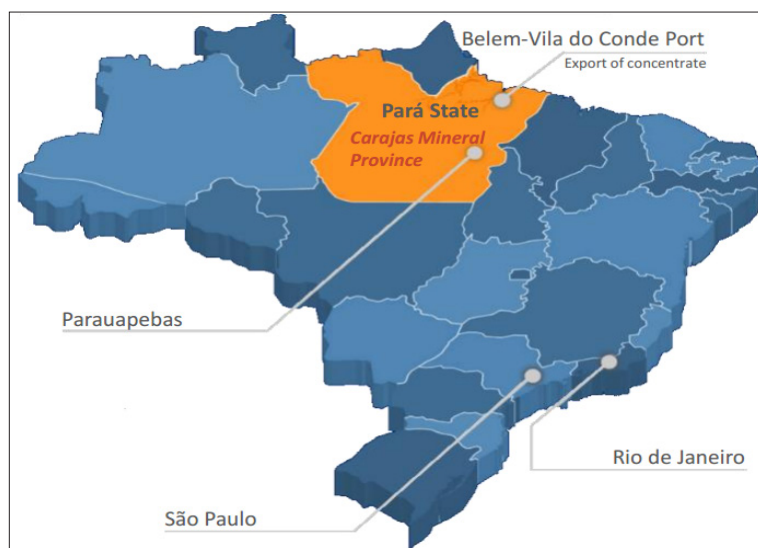
Avanco can now plan for its next leg of growth, being development of the larger scale Pedra Branca copper project. A prefeasibility study into development of a 24ktpa Cu operation on the PB East orebody, with investment of US\$150m (estimate per scoping study), is due to be completed imminently.

Ultimately Pedra Branca could be developed into a 35ktpa Cu operation with development of the PB West orebody. This will lift Avanco group production to 50ktpa Cu, over the next 4-5 years.

Avanco now has the cashflow to invest in exploration which has largely been ignored during the last few years while financing the development of Antas was the sole priority.

We believe there is material value leverage potential in exploration given the focussed and unerexplored land holding around existing infrastructure built by Avanco. Avanco exploration has an excellent track record in resource discovery at relatively low cost.

Expanding the mineable resources at Antas is an obvious area of value-add which could underwrite both higher production and longer life.



Source: Avanco Resources Ltd

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ASX Listed Cu Producer Comparison						
		AVB	OZL	SFR	FND	TGS
		Antas/PB	Prom't Hill	DeGrussa	Wetar	Kipoi
Location		Brazil	SA	WA	Indo.	DRC
Ownership		100%	100%	100%	73%	95%
Share Price	A\$/sh	0.115	9.80	6.75	0.18	0.05
Shares	m	2649	299	159	774	1962
Mkt Cap	A\$m	285	2927	1073	139	98
Net Cash	A\$m	28	-324	49	-83	-181
EV	A\$m	257	3251	1024	222	280
Cu Prod'n Gross						
Cu Prod'n Target 2019	ktpa	39	370	75	38	34
Cu Prod'n F'cast 2017	ktpa	14	117	68	38	24
Cu Prod'n Attrib						
Cu Prod'n Target 2019	ktpa	39	370	75	28	33
Cu Prod'n F'cast 2017	ktpa	14	117	68	28	23
EV per Attrib Cu Prod'n Unit						
EV/t Cu target 2019	A\$m/kt	6.7	8.8	13.7	10.8	9.1
EV/t Cu f'cast 2017	A\$m/kt	18.4	27.8	15.1	10.8	12.8
Resource						
Resource	mt	34	281	11	9	71
Resource Grade	% Cu	1.9%	1.4%	6.1%	2.5%	1.3%
Cu contained	kt	664	3794	647	225	924
EV/t Cu in Min Rsc	A\$/t	388	857	1584	721	287

Source: Euroz Ltd

Avanco represents good value amongst its peer group of significant sized Cu producers on the ASX and indeed globally, in terms of:

- Cu contained in mineral resources (attributable share);
- Cu production targeted in the medium term (attributable share).

Avanco has the steepest growth profile over the medium term of all in the peer group including Oz Minerals, Sandfire Resources, Finders Resources and Tiger Resources. Oz Minerals' Carapateena is included in this analysis despite its growth (+200ktpa Cu after capex A\$980m) being longer dated.

Furthermore Avanco retains a solid balance sheet capable of advancing Pedra Branca to the point of a final investment decision, probably later in 2017.

We value Avanco at A\$447m or \$0.17/sh.

Avanco Resources Valuation		
	A\$m	A\$/sh
Antas Nth	242	0.09
Pedra Branca	153	0.06
Centro Gold	17	0.01
Other Expl'n	1	0.00
Corporate	(19)	(0.01)
Working Capital	5	0.00
Unpaid Capital	19	0.01
Debt	-	-
Cash	28	0.01
Total	447	0.17

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Most of this value is ascribed to the cash generating Antas Nth mine which currently has a life of 7 years. Antas generated an operating surplus of US\$10m in the Dec Q'16, up from US\$7m in Sep Q'16.

Avanco management has carefully retained a strong cash balance during the ramp-up in 2016, and is now poised to use the cashflow to grow value. The following table shows Avanco's cashflow throughout 2016.

Cashflow Summary	Mar Q'16	Jun Q'16	Sep Q'16	Dec Q'16	2016
	US\$m	US\$m	US\$m	US\$m	US\$m
Cash Opening	32	20	21	19	32
Sales Receipts (NSR)	0	14	17	21	52
Opex Costs (incl royalty)	-1	-11	-16	-14	-42
Operating Cashflow	-1	3	1	7	10
Capex	-14	-1	-1	-2	-19
Exploration	-1	-1	-1	-1	-3
Interest/FX	0	-1	0	0	0
Surplus/Deficit	-15	1	-2	4	-12
Finance Proceeds	4	0	0	0	4
Cash Closing	20	21	19	23	23

Source: Avanco Resources Ltd

The larger scale Pedra Branca Project represents significant potential future value as the project evolves with completion of PFS, DFS, Regulatory Approval, Financing and Production milestones.

The value in the CentroGold project can be unlocked initially through gaining regulatory approval. Thereafter a revised DFS will enable a decision on whether this asset should be developed in-house, in a separate corporate structure, sold, or a combination thereof.

Avanco's focus in Brazil presents it as a higher risk proposition relative to investment in Australia. However this has been significantly mitigated with a strong board and management presence in Brazil. Strengthening local currency is a risk we also highlight, as this can drive operating costs higher. Weather, permitting and funding are other areas which are potential areas of risk. Mitigating risk is that the Carajas is well serviced for infrastructure, labour and services, more so than many copper producing regions globally e.g. Zambia, DRC, Indonesia.

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Background

Avanco Resources is an emerging copper and gold mining company with a geographical focus in the Carajas Mineral Province of Para State, Brazil.

Avanco is currently producing Copper at the rate of 12-15ktpa from its Antas Nth mine which was developed on time and under budget in 2015/16.

Avanco aims to be a producer of 50ktpa Copper within 4-5 years.

Avanco listed on the ASX in December 2007, exploring for Copper on the Rio Verde and Serra Verde exploration tenements near Parauapebas.

Discovery of high grade oxide copper near surface (9m @ 50.5% Cu from 18m in hole ARVD-080) on the Antas South prospect (Rio Verde) led to the company successfully raising \$20m at \$0.10/sh in November 2010, after briefly trading above \$0.15/sh in October.

Discovery of an associated large scale primary system at Antas South has not yet been achieved, and the oxide system has lacked continuity to be considered for development.

However, primary copper mineralisation at Antas North was discovered in October 2011 with an intersection of 28m @ 6.0% Cu from 53m depth in Hole AAND-014.

Subsequent successful drilling and development of Antas North during a time of waning investor interest in small resources companies has seen Avanco shares consistently trade within a \$0.05/sh to \$0.10/sh range.

Funding for development of Antas Nth mine occurred in:

- May'14 via A\$23m placement at \$0.075/sh. Appian Natural Resources Fund and Blackrock Group becoming and/or growing substantial shareholdings;
- April'15 via combined A\$20m placement and A\$44m entitlements issue, both at \$0.08/sh. Greenstone Resources LP emerged as a new substantial shareholder.
- April'15 via sale of a royalty to Blackrock raising A\$15.6m.

Avanco's capital structure comprising 2,456.9m fully paid shares has remained in-tact since April 2015.

Avanco acquired the nearby undeveloped Pedra Branca Cu Project from Xstrata in February 2012 in return for a 15% shareholding in Avanco. Glencore's acquisition of Xstrata, and subsequent equity raisings in Avanco, has resulted in Glencore now owning an 8.3% stake.

Avanco is managed by highly experienced international and Brazilian mining professionals, most of whom are Portuguese speaking and reside in Brazil. Managing Director Tony Polglase fluent in Portuguese himself, elected to relocate to Brazil in late 2015 in order to oversee the transition from construction to production.

Avanco's experience in the Carajas, including the successful execution of Antas Nth, and its management presence there, stands it in good stead to grow further through development, exploration and acquisition locally and elsewhere in Brazil.

Avanco's corporate strategy has remained consistent for a number of years and is now bearing fruit. This is attributable to the board comprising a stable group of experienced mining professionals being accountable for, and successfully executing the strategy. These include Chairman Colin Jones, MD Tony Polglase, Exploration Director Simon Motteram.

Avanco's major shareholders now include:

- Appian - 18%
- Greenstone - 17%
- BlackRock - 14%
- Glencore - 8%
- Directors - 1%

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Carajas Mineral Province

Avanco's 100% owned Antas Mine and Pedra Branca Project lie within the Carajas Mineral Province of Para State, Brazil.

The Carajas region is a major mineral producing region, dominated by Vale SA with production of 140mtpa of high grade iron ore and 260ktpa of copper. The region hosts in excess of 20mt of contained Cu in IOCG-style deposits, typically grading ~1% Cu & 0.3g/t Au.

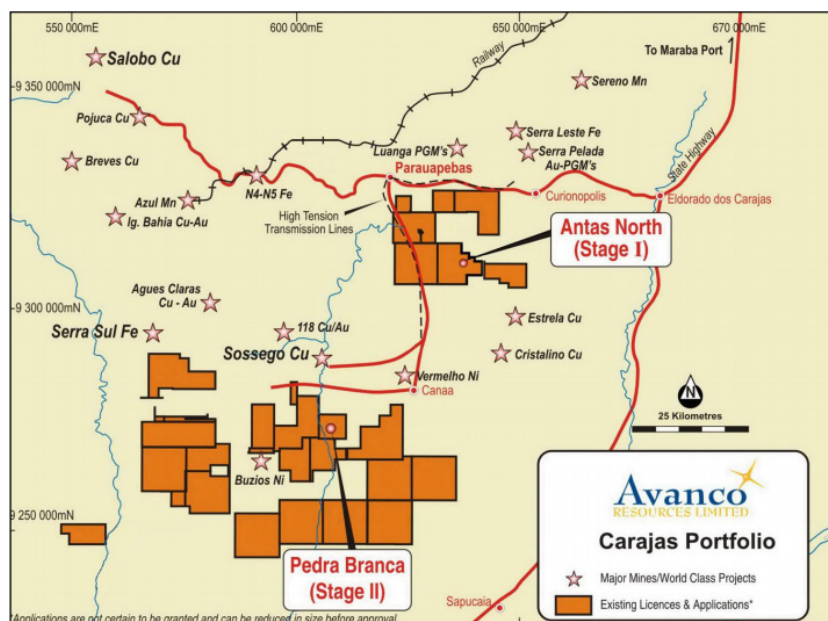
Deposit	Tonnage	Grades
Salobo	994 Mt	0.94% Cu, 0.52 g/t Au
Sossego	355 Mt	1.1% Cu, 0.28 g/t Au
Cristalino	+300 Mt	1% Cu, 0.3 g/t Au
Furnas	+250 Mt	1% Cu
Estrela	240 Mt	1% Cu
Paulo Afonso	+200 Mt	1% Cu
Igarape Bahia/Alemao	Au (Gossan) 219 Mt	3.12 MOz Au - Mined Out 1.4% Cu, 0.86 g/t Au
118	170 Mt	1% Cu, 0.3 g/t Au
Boa Esperança	100 Mt	1% Cu
Breves	50 Mt	1.22% Cu, 0.75 g/t Au
Total	+2.83 Bt	

Source: Avanco Resources Ltd

Avanco holds tenements covering 1,800km² in the Carajas, the 2nd largest tenement position after Vale SA.

Proximal to Avanco's Antas Nth operations is:

- Serra Sul S11D (Vale SA) - a \$20b iron ore development, target production 90mtpa, 50km SW of Antas;
- Sossego (Vale SA) copper mine, producing ~100,000tpa Cu, 30km SW of Antas;
- Parauapebas, city located 25km NW of Antas.



Source: Avanco Resources Ltd

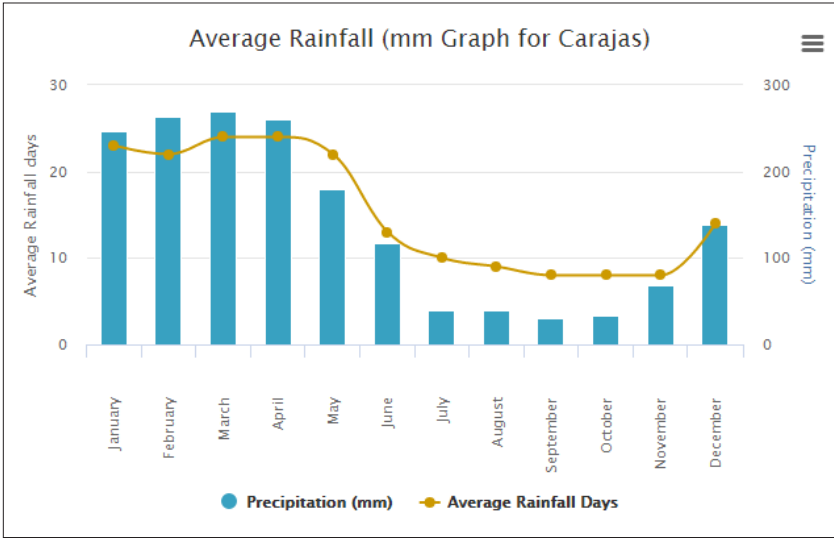
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The Carajas region is tropical, with annual rainfall typically ~1,600mm. A distinct dry season occurs from June to September, and wet season October to May.



Source: www.worldweatheronline.com

Parauapebas is a well-developed city with a population of 154,000. The city services the significant agricultural and mining needs of the region. It hosts fabrication and engineering facilities, as well as regional offices of the large mining equipment suppliers and service providers.

Antas Nth is 35km from the Carajás airport which offers direct flights to/from Belo Horizonte, Belem and Brasília (via Maraba).

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Antas Cu-Au Project (AVB 100%)

The Antas North Mining Licence (PL470/2014) was granted in September 2014 over an area of 7,200ha, in perpetuity until ore reserves are depleted, and covering production of 12,000tpa Cu.

The mine site is some 25km SE of Parauapebas (38km by road) and ~11km E of the sealed road connecting Parauapebas with the town of Canaa.

The Antas North deposit lies on undulating ground to the north of the Itaboca Ck running from the top and along the western flank of a significant hill. The mine has ample water availability and electricity reticulated from the Parauapebas-Canaa transmission connection.



Source: Avanco Resources Ltd

Antas Nth Development

The Antas Nth deposit is a steeply dipping IOCG breccia pipe style of mineralisation.

Following discovery in late 2011 and subsequent drilling, the Antas Nth Mineral Resources were updated in April 2014 as the basis for mine development planning.

The table below shows primary sulphide resource at a 0.9% Cu cutoff. It excludes a small volume of lower grade oxide material which is sub-economic.

ANTAS NORTH – SULPHIDE JORC Reported Mineral Resource. April 2014							
Classification	Type	Economic Cut-Off Cu%	Tonnes (Mt)	Copper (%)	Gold (g/t)	Copper Metal (T)	Gold (Oz)
Measured	PRIMARY	0.90	2.48	3.26	0.71	80,724	56,751
Indicated	PRIMARY	0.90	1.62	2.22	0.42	36,002	21,884
MEASURED + INDICATED			4.10	2.85	0.60	117,000	79,000
Inferred	PRIMARY	0.90	1.90	1.59	0.23	30,184	14,085
TOTAL			6.00	2.45	0.48	147,000	93,000

Source: Avanco Resources Ltd

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A Bankable Feasibility Study was not ultimately released by Avanco due to financing eventually being sourced via equity. However certain operating and economic parameters of a feasibility study were released as part of the Ore Reserves estimate in September 2014.

The estimate shows a high conversion of 72% of contained Cu in the Mineral Resource fell into the Ore Reserve using like cutoff grade of 0.9% Cu. Inclusion of economic lower grade material (0.65% Cu cutoff) results in an additional 7kt Cu being mined. Further, a substantial portion of the Inferred Mineral Resource, which does not qualify as Ore Reserve, comprising 1.9mt grading 1.6% Cu lies within the proposed mine.

ANTAS NORTH – JORC Reported Ore Reserves. August 2014							
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	50137	33046
Probable	ROM Ore	0.90	1.264	2.72	0.57	34381	23231
PROVEN + PROBABLE ROM ORE			2.649	3.19	0.66	84518	56277
Proved	Low Grade	0.65	0.342	0.74	0.30	2531	3308
Probable	Low Grade	0.65	0.635	0.72	0.23	4572	4709
TOTAL PROVEN + PROBABLE			3.63	2.53	0.55	91621	64294

Source: Avanco Resources Ltd

The Ore Reserves assumed an open pit mine phased in 4 stages to final depth of ~200m, scheduled as per the table below. A mining contract has subsequently been awarded to Australian mining contractor MACA, utilising a truck & excavator operation.

Fresh rock, and sulphide ore occurs from 15m below surface. Consequently mining operations are not materially hampered during the wet season.

Ore processing using conventional crush-grind-flotation technology suited to IOCG orebodies with Cu predominantly in chalcopyrite mineral. This is also consistent with the nearby Sossego mine owned by Vale SA.

Concentrate product is trucked 750km to Belem Port for export. The concentrate quality is high grade (25% Cu) and relatively clean of deleterious elements that may cause penalty.

YEAR	PLANT PROCESSING			OPEN PIT MINING		
	kt	% Cu	g/t Au	Waste Total kt	Mining Total kt	Strip Ratio Avg.
Pre-Strip				2433	2499	
1	400	3.09	0.62	4443	5101	
2	400	3.57	0.78	4505	5101	
3	400	2.90	0.63	4618	5300	
4	400	2.88	0.73	4567	5000	
5	400	3.02	0.52	4643	5000	
6	400	2.57	0.63	1925	2251	
7	400	2.04	0.47	243	441	
8	400	2.19	0.40	150	446	
9	400	0.94	0.26	42	97	
10	67	0.73	0.23	0	0	
Total	3,667	2.54	0.55	27,569	31,236	7.5

Source: Avanco Resources Ltd

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Key technical and economic input parameters of the Antas Nth mine development were:

- Total material mined = 31mt;
- Waste to Ore ratio = 7.5:1;
- Mine Life = 9 years;
- Ore processing = 400ktpa;
- Metallurgical Recovery = 94% Cu & 90% Au;
- Production = 12ktpa Cu contained in 48ktpa concentrate;
- Mining and Rehab costs = US\$2.60/t moved;
- Processing and G&A costs = US\$33/t processed;
- Concentrate transport = US\$150/t conc;
- NSR royalty = 5.7% Cu & 27.7% Au;
- TC/RC = US\$80/t & US\$0.08/lb respectively;
- Capex = US\$60m;
- Metal prices assumed Cu=US\$3.00/lb & Au=1,200/oz.

Avanco proceeded with development of Antas Nth in April 2015 after securing A\$64m of equity funding (described earlier) and A\$15.6m in royalty funding from Blackrock.

The 100% equity route was eventually chosen to expedite the construction coincident with the dry season.

The originally intended financing method using project debt led by Banco Votorantim and partially syndicated, failed to close within Avanco's preferred timeframe, leading to the alternative financing strategy.

Construction of Antas Nth was expected to take 9 months, with completion in Q1'16, and within a US\$60m (A\$78m) budget. The project was achieved essentially on time and budget, with 1st production achieved in March Q'16.

A royalty financing with Blackrock was conditionally agreed in October 2013, whereby US\$12m would be provided in return for NSR payments on Copper of 2.0%, Gold of 25% and 2% on all other metals. It covers production from Antas Nth and Pedra Branca deposits. Any new discoveries from within Avanco's then Carajas tenement portfolio would carry a flat 2.0% NSR. The transaction became unconditional in July 2015.

Additional NSR royalties comprising 3.7% on Copper and 2.7% on Gold are payable to the state and 3rd party vendors. Avanco's effective corporate tax rate is -16%, and repatriation of dividends is subject to a 32% withholding tax.

Expected life of mine (LoM) economics for the Antas development, as reported in October 2016, were:

- Mine gate cost: US\$0.48/lb Cu
- C1 Cost: US\$0.93/lb Cu
- C3 Cost: US\$1.46/lb Cu
- AISC: US\$1.61/lb Cu
- EBITDA: US\$330m

The estimates were based on assumed Copper price of US\$2.00/lb in 2016, US\$2.50/lb in 2017, US\$3.20/lb thereafter. Other assumptions were Gold US\$1,100/oz and FX USD:BRL of 4.0:1.

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Antas Nth Production

The performance of Antas Nth since commissioning has been impressive, with targeted output rate of 12ktpa Cu achieved in the 1st full quarter of operations, June Q'16. Commercial production was declared as at 1 July 2016.

Avanco is currently seeking approval to increase production capacity, potentially to 18ktpa Cu. This is expected within the coming months.

Metal production has exceeded plan with 4.0kt Cu and 2.8koz Au produced in the December Q'16. The strong performance is attributable to positive orebody reconciliation especially wrt grade, improved crushing capacity and process optimisation.

Operating costs are credible, US\$1.22/lb (C1) and US\$1.53/lb (AISC). Operating costs are slightly higher than originally expected due to the stronger BRL:USD exchange rate. The BRL:USD exchange rate strengthened from 4.1:1 to 3.1 during 2016 (average 3.48:1), and currently is at 3.1:1.

Avanco has guided that March Q'17 production will be in the range 3.0 - 3.5kt Cu. This is lower than Dec Q'16 due to ongoing testing of the Antas Nth plant. Full 2017 annual guidance will be updated in March Q'17.

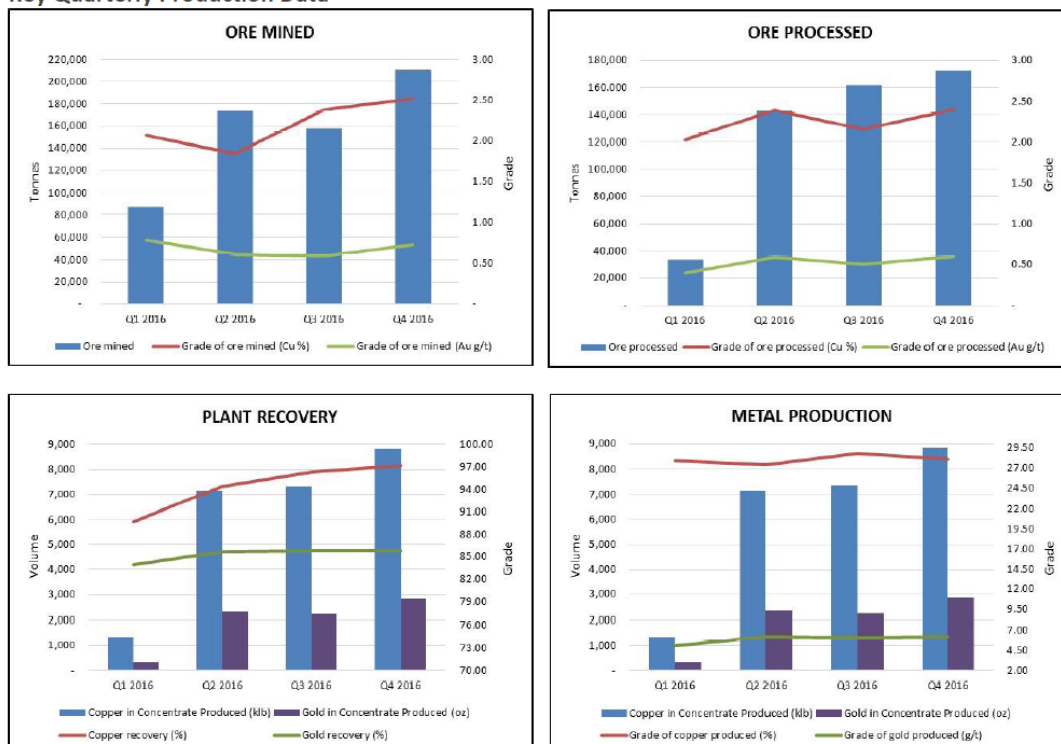
We forecast production of 14,000t Cu in concentrate, at a cash cost (C1) of US\$1.35/lb, and cash cost (AISC) of US\$1.65/lb in 2017.

Antas Nth is capable of generating EBITDA of US\$35-US\$40m pa at a Cu price of US\$2.75/lb.

Sensitivity to Cu price is -US\$12mpa per US\$0.50/lb change in the Cu price. Sensitivity to the BRL:USD is -US\$3m pa per 10% change.

Avanco has hedged 70% of the 1st 5,700t Cu shipped from early Dec'16 at a price of US\$2.61/lb.

Key Quarterly Production Data



Source: Avanco Resources Ltd

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Antas Nth Mine Quarterly Production Performance						
	Units	Mar Q'16	Jun Q'16	Sep Q'16	Dec Q'16	2016
Mining						
Material Mined	kt	1,538	1,633	1,645	1,680	6,497
Ore Mined	kt	88	173	158	210	629
W:O ratio		17	8	9	7	9
Cu Grade	%	2.1	1.8	2.4	2.5	2.2
Au Grade	g/t	-1	0.7	0.6	0.7	0.7
Processing						
Ore Processed	kt	34	143	161	172	511
Cu Grade	%	2.03	2.4	2.2	2.4	2.3
Au Grade	g/t	0.4	0.6	0.5	0.6	0.6
Cu Recovery	%	90	94	96	97	96
Au Recovery	%	84	86	86	86	86
Production						
Concentrate	kt	2.2	11.8	11.6	14.2	39.8
Cu Prod'n	kt	0.6	3.2	3.3	4.0	11.2
Au Prod'n	koz	0.4	2.3	2.2	2.8	7.8
Cu conc grade	%	28	27	29	28	28
Au conc grade	g/t	5.1	6.2	6.0	6.2	6.1
Cu Payable	mlb	0.6	6.9	7.1	8.5	23.8
Cash Costs						
Mining	US\$/lb	-	0.76	0.85	0.79	0.75
Processing	"	-	0.32	0.40	0.39	0.35
Administration	"	-	0.08	0.09	0.08	0.08
Subtotal	"	-	1.16	1.34	1.26	1.18
Freight	"	-	0.21	0.23	0.22	0.21
Gold Credits	"	-	-0.36	-0.43	-0.38	-0.37
Smelter Charges	"	-	0.19	0.21	0.22	0.20
Subtotal	"	-	0.04	0.01	0.06	0.04
Cash Operating	"	-	1.20	1.35	1.32	1.22
Movement Stocks	"	-	-0.17	-0.10	-0.10	-0.12
Cash Costs (C1)	"	-	1.03	1.25	1.22	1.10
Cash Costs (AISC)	"	-	-	1.57	1.53	1.42
Currency						
Currency	USD/BRL	-	3.5	3.3	3.3	3.4
Sales						
Cu in Conc Sold	mlb	-	6.4	7.2	8.3	21.9
Au in Conc Sold	koz	-	2.0	2.3	2.6	6.8
Prov Sales (excl costs)	US\$m	-	16	19	23	58

Source: Avanco Resources Ltd

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Antas Exploration

Avanco's exploration strategy, in the context of a capital constrained environment for over 5 years, has been to do only enough drilling to demonstrate a viable mining development, and thereafter use internally generated funds to explore further. Consequently Avanco's exploration prospects, including Antas Nth, are relatively under-drilled.

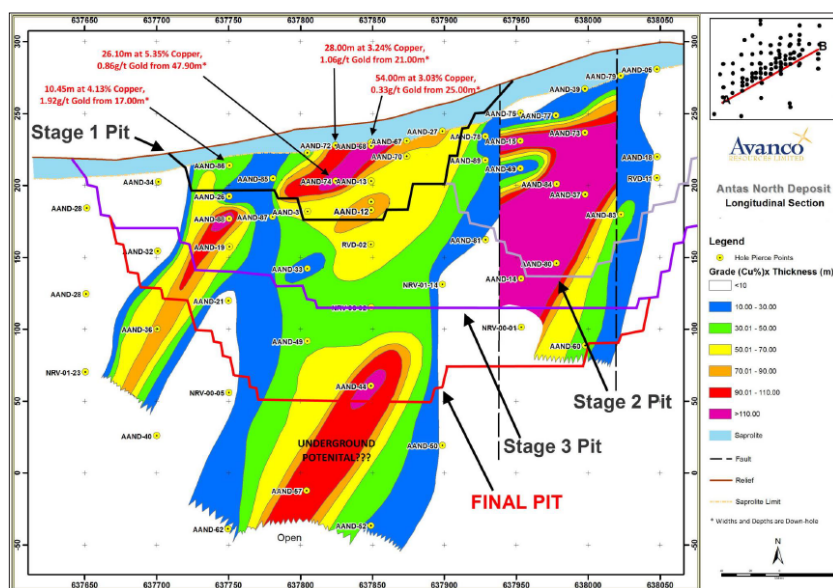
The Antas Nth orebody remains open at depth, with only 5 drill holes intersecting the prospective horizon below 200m depth. There is scope for the Antas Nth orebody to be exploited via underground mining should the mineralised shoots prove continuous at depth.

Hole AAND057 achieved 2 intersections:

- 20m at 1.8% Cu & 0.4g/t Au; and
- 36m at 1.9% Cu & 0.4g/t Au at a vertical depth of ~260m.

This appears to be a down-plunge extension of AAND044 (79m at 1.4% Cu and 0.2g/t Au) which lies within the open pit profile.

Down-plunge extensions of other mineralised shoots at Antas Nth also remain under-tested at depth. Eg Hole AAND036 located at ~150m depth, under the western extent of the open pit, recorded a very high grade 10.4m at 8.1% Cu & 9.5g/t Au.



Source: Avanco Resources Ltd

Soil geochemical anomalies within 2km north of the Antas Nth mine area were identified in 3 locations in the Dec Q'16. Anomalies A, B & C are 350m long, 300m long and 200m long respectively, and have maximum values of ~600ppm Cu, 400ppm Cu & 300ppm Cu respectively.

The Antas Sth prospect was the focus for Avanco prior to discovery of Antas Nth. A significant drilling effort succeeded in discovering near surface copper oxide mineralisation that proved too small and lacked continuity, despite some spectacular results.

A sulphide copper intersection achieved at Antas Sth, at 170m depth, possibly down-plunge of the oxide mineralisation, was achieved in late 2011. However this coincided with discovery of shallow sulphide mineralisation at Antas Nth, which then attracted the exploration attention. Nevertheless the Antas Sth sulphide result of 31m at 1.4% Cu in hole ARVD146 requires further follow-up drilling.

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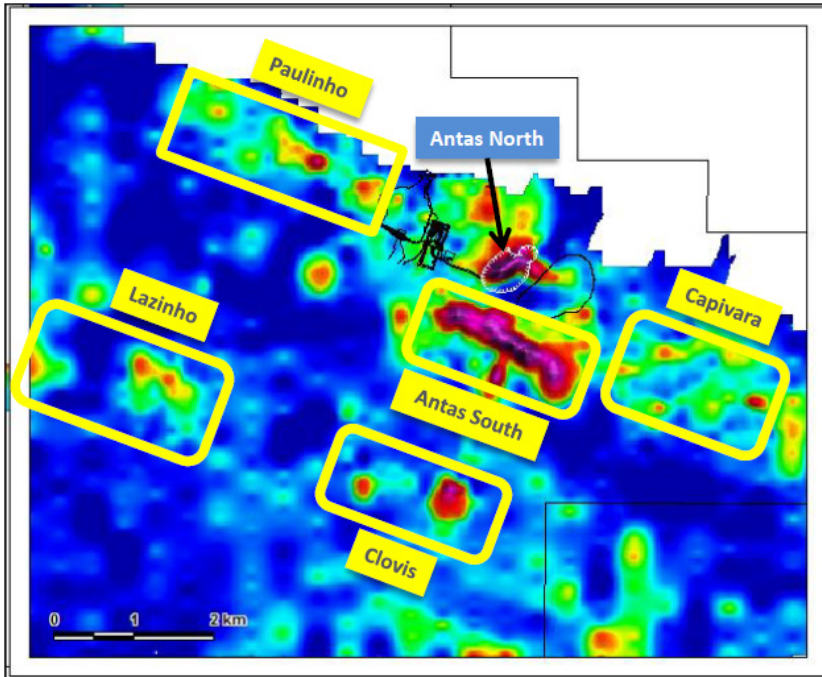
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Soil geochemistry and airborne geophysics (mag & EM) have identified several prospects surrounding the Antas Nth mine. These have attracted limited drilling to date with highlights:

- Paulinho: 126m at 0.21% Cu;
- Lazinho: 26m at 0.71% Cu;
- Clovis: 17m at 2.2% Cu.

A major ground based EM geophysics survey will be conducted over all anomalies in 2017 and used to refine the targets for further drilling.



Source: Avanco Resources Ltd

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Pedra Branca Cu-Au Project (AVB 100%)

Overview

Pedra Branca is Avanco's major growth project.

Pedra Branca hosts 427kt Cu and 357koz Au in JORC Measured, Indicated and Inferred Mineral Resources.

Avanco believes Pedra Branca can ultimately produce up to 35ktpa Cu, in a staged development.

A scoping study into initial development of Pedra Branca East (PBE) was announced in Sep'16 and Avanco immediately embarked on a Pre-Feasibility Study which is now nearing completion.

The scoping study contemplated a US\$150m development producing 24ktpa Cu from 1.2mtpa of ore mined and processed at a cash cost (C1) of US\$1.14/lb.

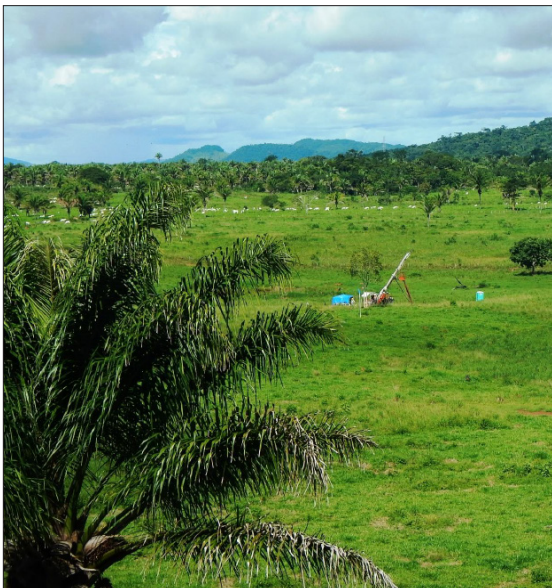
Avanco commenced mining development in Sep'16 on a small subset of the orebody, the Hanging Wall High Grade Zone (HW-HGZ), with a view to trial mining and haulage to Antas for processing. Avanco's objective is to minimise lead time into production for a larger scale mine at PBE.

The HW-HGZ is estimated to contain 129kt Cu and 106koz Au in JORC Measured & Indicated Resource. It is envisaged that up to 200ktpa of ore could be hauled to Antas Nth from mid 2017 onwards. This would augment Antas production by ~5kt Cu pa.

Currently the box-cut and underground portal at PBE has been established in preparation for start of decline mining. Other infrastructure has also been established, including access and communications. Activity has been suspended temporarily due to the wet season and pending conclusion of the PFS.

The PFS is expected to outline several development scenarios, including the case for continuing the decline development ahead of the Definitive Feasibility Study. The PFS is expected to be announced during the March Q'17.

The Pedra Branca West orebody is not considered in the PFS as yet. However future development is considered probable, and in conjunction with production at PBE and Antas, could result in group production of 50ktpa Cu.



Source: Avanco Resources Ltd

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Background

Pedra Branca is located 20km WSW of the town of Canaã dos Carajás, and 72km SW by road from Avanco's Antas mine. Access to PB is via a sealed road between Parauapebas and Canaã, then on Vale's Serra Sul S11D access road to Vila Feitosa, then 7km on public gravel road to the deposit area.

The site is located east of the Parauapebas River on flat cattle grazing land, and has good water and power availability.

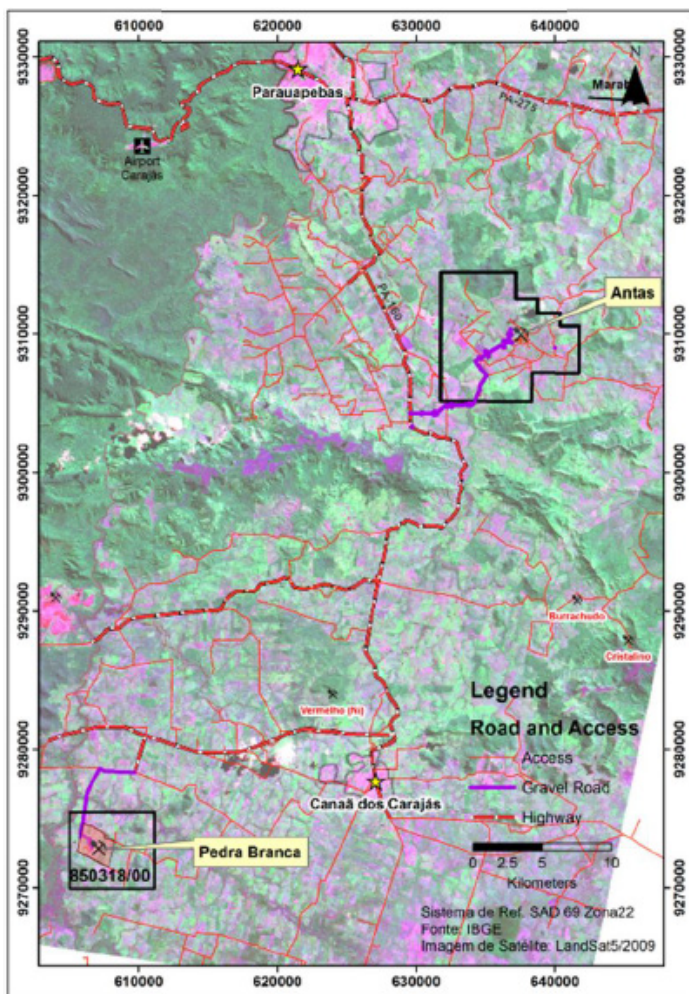


Figure 1. Regional Location and Access for Pedra Branca Project

Source: Avanco Resources Ltd

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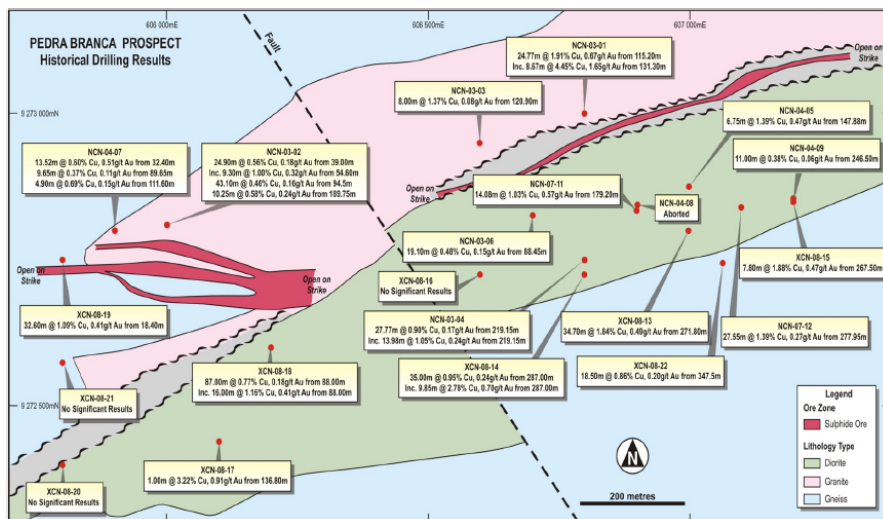
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Pedra Branca was discovered by Noranda in 2003 with drilling of 9 diamond core holes. The merger of Noranda and Falconbridge in 2005, and then acquisition of Falconbridge by Xstrata in 2006, brought Pedra Branca under the control of Xstrata.

A further 12 holes were completed in 2007-2008 to test mineralisation at depth and along strike. Overall mineralisation was intersected in 17 of 21 holes drilled, covering a strike length of 1.5km. The following map shows PB drilling at time of acquisition.



Source: Avanco Resources Ltd

Avanco reached agreement with Xstrata Copper to acquire a 100% interest in Pedra Branca in February 2012, in return for a 15% stake in Avanco, thereby Xstrata becoming Avanco's largest shareholder. Xstrata had the right to maintain this holding but has subsequently elected to dilute. With Xstrata's holding below 10% it has also extinguished its right to an Avanco board seat.

Avanco has assumed a pre-existing 1% NSR over PB, and must pay Xstrata US\$10m total, in 12 monthly instalments during the 1st year of production.

Glencore, a commodities trader, is no doubt interested securing offtake rights to Pedra Branca.

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Mineral Resources

The Pedra Branca project comprises 28 exploration licences covering 1,720km², located 15km south of the Sossego Cu-Au mine owned by Vale (SA).

The Pedra Branca deposit is an IOCG breccia deposit typical of the Carajas region. At the time of acquisition PB hosted a deposit of 14.8mt grading 1.3% Cu and 0.5g/t Au JORC Inferred.

Pedra Branca comprises two deposits, East & West, separated by a NW-SE striking fault. The East deposit hosted >60% of the estimated Cu, at a higher grade and in a more coherent structure than the PB West deposit.

Under Avanco's ownership the Pedra Branca mineral resource, estimated by consultants CSA Global, has grown in contained Copper by 120%.

Pedra Branca, Mineral Resource						
		Tonnes mt	Grade Cu (%)	Grade Au g/t	Cu metal Cu t	Au metal Au oz
PB East	Meas	2.0	2.7	0.7	53,000	43,000
	Ind	5.7	2.8	0.7	161,000	123,000
	Inf	2.8	2.7	0.6	75,000	55,000
	Total	10.5	2.8	0.7	289,000	221,000
PB West	Ind	4.5	2.0	0.6	91,000	87,000
	Inf	2.7	1.7	0.6	47,000	49,000
	Total	7.2	1.9	0.6	138,000	136,000
Pedra Branca	Total	17.7	2.4	0.7	427,000	357,000
Lower cutoff 0.9% Cu						

Source: Avanco Resources Ltd

PBE HW-HGZ subset, Mineral Resource						
		Tonnes mt	Grade Cu (%)	Grade Au g/t	Cu metal Cu t	Au metal Au oz
PBE HW-HGZ	Meas	1.3	2.9	0.7	38,000	30,000
	Ind	3.2	2.8	0.7	91,000	76,000
	M + I	4.5	2.8	0.7	129,000	106,000
	Inf	1.6	2.4	0.5	37,000	27,000
	Total	6.1	2.7	0.7	166,000	133,000
Lower cutoff 0.9% Cu						

Source: Avanco Resources Ltd

Pedra Branca East is a single continuous orebody, average 15m wide, relatively high grade at 2.8% Cu and 0.7% Au, striking E-W over 600m, steeply south dipping and bounded by a shear zone. It has a thicker high grade plunging core. The orebody dip shallows at depth (>400m).

High grade breccia zones are interspersed with lower grade disseminated mineralisation. The Hanging Wall High Grade Zone (HW-HGZ) is a continuous structure with an identifiable "knife edge" contact, with average width of 7m.

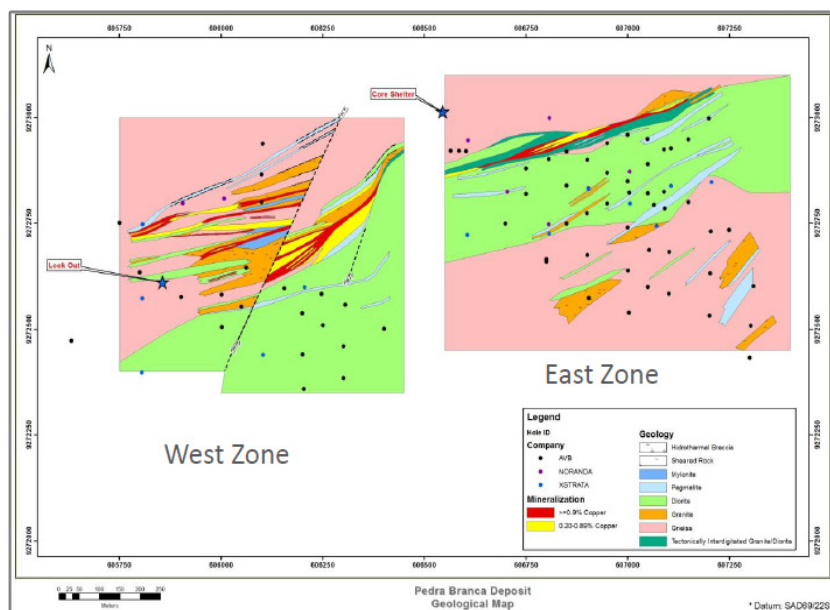
Pedra Branca West is more complex, being lower grade at 1.9% Cu & 0.6g/t Au, comprising multiple lenses splayed off the shear zone, and intersected by later stage dykes.

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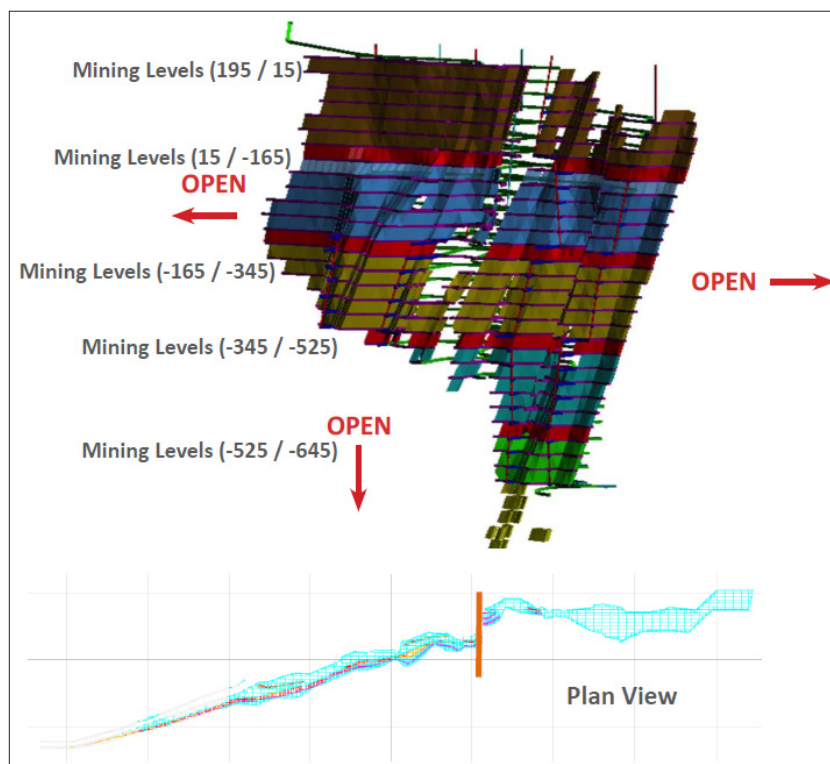
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Scoping Study

A scoping study into development of Pedra Branca East was completed in September 2016, demonstrated viability of an underground mine.

The study was managed by Avanco and received input from consultants and was peer reviewed. Some operating and capital cost data has been informed by Avanco's experience nearby at Antas.

Avanco has made application for a trial mining licence and a full mining licence. The project site lies within a single farm which has been purchased by Avanco.

The following parameters were used in the scoping study.

Pedra Branca Scoping Study Assumptions	
September 2016	
Development Period	18 mths
Mining Ramp-up	18 mths
Mine life	11 yrs
Milled LoM	10.8mt
Cu prod'n pa	24ktpa
Au prod'n pa	17kozpa
Milled pa	1.2mtpa
Cu grade feed	2.06%
Au grade feed	0.49g/t
Cu recovery	94%
Au recovery	86%
Costs	
Mining	US\$32/t
Processing	US\$15/t
G&A	US\$3/t
Conc. Transport	US\$132/t
TC	US\$75/t
RC	US\$0.085/lb
Royalty - Cu	5%
Royalty - Au	27%
Cash Costs C1	US\$1.14/lb
CAPEX	US\$150m
Assumptions	
Cu 2017	US\$2.40/lb
Cu 2018	US\$2.55/lb
Cu 2019	US\$2.70/lb
Cu 2020+	US\$3.00/lb
Au LT	US\$1,300/oz
FX BRL:USD	4.0:1.0

Source: Avanco Resources Ltd

The proposed mining method is sub-level open stoping with delayed cemented paste filling. Ore haulage to surface in 50t trucks loaded by LHD's or front end loaders via a 5.5m x 5.5m decline.

A production schedule is shown below. If this plan were to be initiated ore mined in 2017 & 2018 would be trucked to Antas for processing there. Meanwhile construction of a stand alone Pedra Branca process plant would be ongoing. This strategy may now be under review given the recent lift in Cu price.

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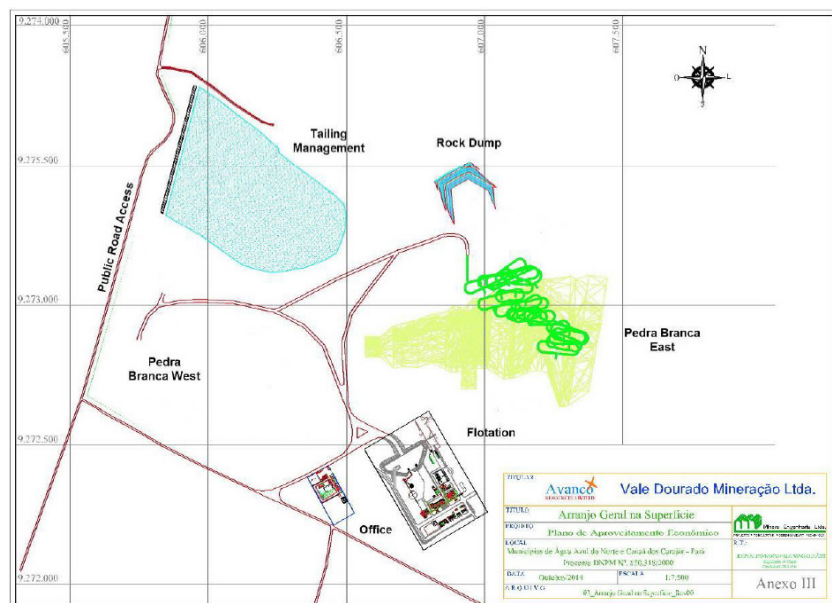
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Year	mined kt	grade %	grade g/t	Inf %
2016	0	0.0	0.0	0%
2017	110	2.2	0.6	1%
2018	243	2.6	0.7	3%
2019	856	2.3	0.7	9%
2020	1281	2.2	0.6	12%
2021	1242	2.2	0.5	7%
2022	1264	2.3	0.5	18%
2023	1221	2.1	0.5	18%
2024	1201	1.9	0.4	18%
2025	1256	2.0	0.5	38%
2026	1102	1.8	0.4	65%
2027	1033	1.9	0.4	60%

Source: Avanco Resources Ltd



Source: Avanco Resources Ltd

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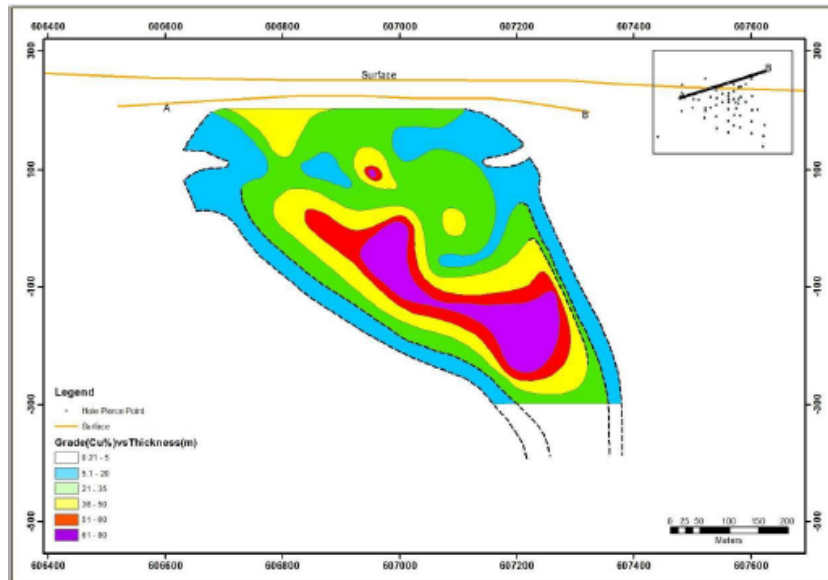
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Pedra Branca Exploration

Exploration activity at Pedra Branca has been modest recently whilst the project has been the subject of the scoping study.

The JORC Mineral Resource was updated in May 2016 incorporating all drilling to that stage. Interpretation of the drilling results, see long section below, indicates a shallow easterly plunge to the high core of the deposit which remains open at depth below 500m vertical.



Source: Avanco Resources Ltd

Regional prospects within the Pedra Branca group of tenements, within the prospective structural corridor, include:

- Nova Esperanca: IOCG target 9km strike, previous drill result 17m @ 1.0% Cu from 150m;
- Sao Jorge: IOCG target, previous drill result 17m @ 1.2% Cu from 158m;
- Uniao: IOCG target, 0.4m @ 3.2% Cu from 117m;

Surface exploration has recently been limited to mapping and soil sampling of certain prospects. Ground based EM geophysics is planned for 2017.

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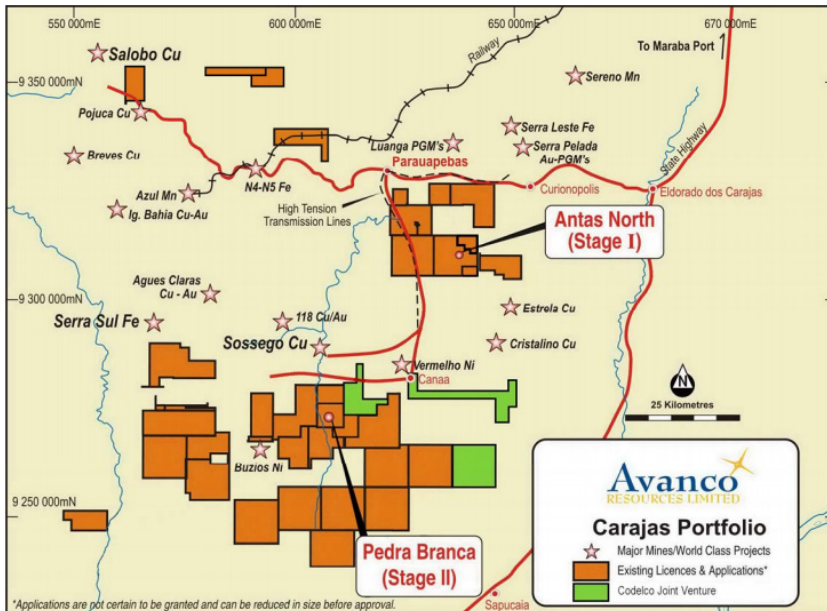
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Avanco Resources Ltd

(AVB \$0.115) Buy - Initiation of Coverage

Canaa West Acquisition

Canaa West is an exciting property prospective for IOCG deposits like Pedra Branca. Avanco acquired the Canaã West Project from Codelco in November 2016. The project comprises 50km² contiguous with Pedra Branca tenements.



Source: Avanco Resources Ltd

Key Terms of the Agreement:

- US\$20k upfront;
- US\$0.1m within 1 year;
- US\$0.25m subject to AVB announcing a JORC Ore Reserve;
- US\$1.0m subject to receipt of a mining licence;
- 1% NSR royalty, which can be purchased for US\$1.0m;
- Codelco retains a “back-in” right for 60% of the project should a JORC Ore Reserve containing >1.5mt Cu be announced.

Previous work has identified a significant copper in soil anomaly coincident with a large magnetic target. The anomaly lies within a preferred structural corridor.

The main anomaly is 8km NE from Pedra Branca, along strike of the host shear zone. The 1.5km x 0.9km soil anomaly (+100ppm Cu) is larger than at Pedra Branca while the coincident magnetic anomaly is similar.

Drilling of 3 holes in the main anomaly by Codelco achieved:

- CWCD-02: 3.9m at 1.1% Cu and 0.2g/t Au from 61m depth;
- CWCD-03: 20.3m at 0.4% Cu from 51m depth;

A separate soil/magnetic anomaly located in between PB and the main anomaly received a single drill hole:

- CWCD-04: 4.4m at 1.4% Cu from 65m.

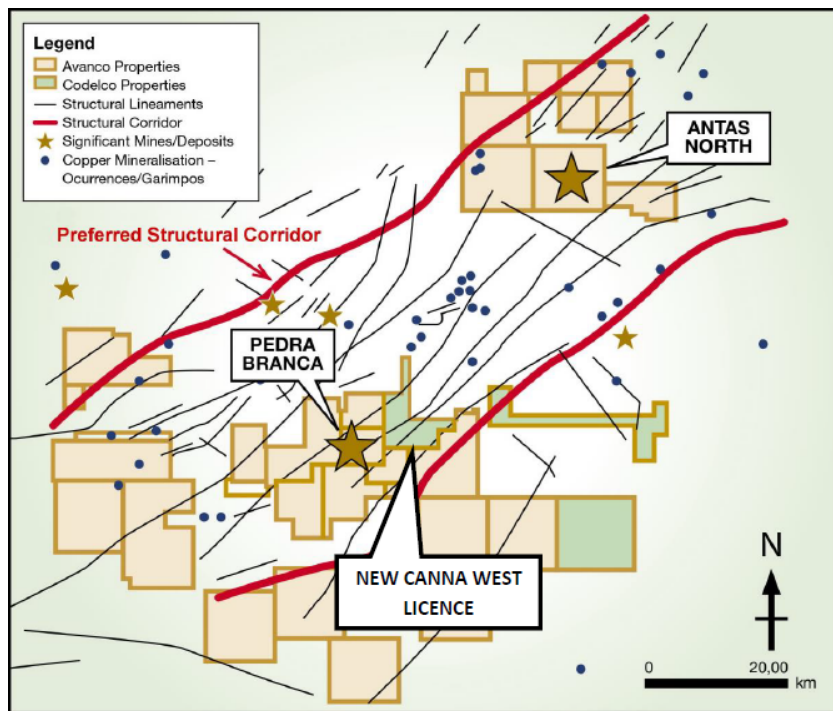
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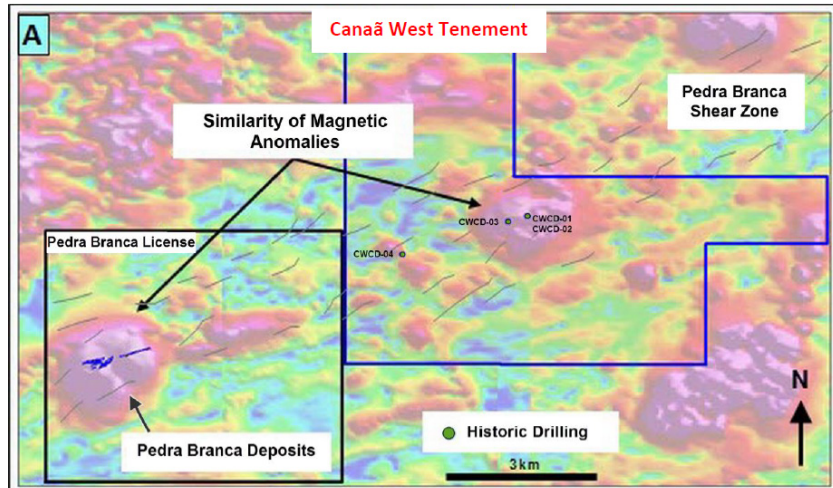
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Exploration will initially use ground EM geophysics over the anomalies to refine drilling targets.



Source: Avanco Resources Ltd



Source: Avanco Resources Ltd

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Centro Gold (AVB Right to Acquire 100%)

Avanco acquired rights to the Gurupi Gold Project from Jaguar Mining (TSX listed) in October 2016.

Gurupi renamed Centro Gold by Avanco is an advanced gold project located 600km NE of Avanco's Carajas projects, in Maranhao state. It lies adjacent to the highway connecting the ports of Belem (Para) and Sao Luis (Maranhao).

Jaguar acquired 100% of Gurupi from Kinross in 2009, and subsequently defined a mineral resource (NI43-101) comprising 88mt grading 1.14g/t containing 3.1moz Au in 2 deposits, Cipoeira and Chega Tudo 8km apart. It completed a Feasibility Study into a large scale development in 2011, but failed to receive the necessary permits.

Avanco will acquire Gurupi subject to receiving the necessary permits to allow development. Avanco is considering a more modest scale development than Jaguar.

Under the transaction:

- AVB will acquire 20% within 12 months for US\$1.7m cash plus US\$0.5m in cash or shares, subject to AVB being able to "perfect" title via expenditure of US\$0.3m;
- AVB will earn a further 31% by completion of a JORC ore reserve containing >500koz;
- AVB will earn a further 29% by financing and commencing construction of an operation capable of producing >50kozpa;
- Jaguar has a once only right to claw back 31% (control) should AVB not be able to secure finance;
- AVB can acquire the remaining 20% by paying US\$6.3m cash or US\$12.50/oz of Au contained in the ore reserve estimate.
- Jaguar retains a 1% NSR on the 1st 0.5moz produced, 2% NSR on the next 1.0moz, and 1% NSR on production exceeding 1.5moz.
- Avanco will assume the pre-existing royalties totalling 2.75% (Franco-Nevada 1.0%, Rio Tinto 0.75%, Fed Gov't 1.0%).

We view the acquisition as a low cost opportunity for Avanco to diversify its asset and commodity risk, while exploiting its skills in Brazil. Avanco will maintain flexibility on appropriate long term corporate structure for CentroGold until a significant funding/investment decision is required.

Avanco believes its track record in Brazil, skills, relationships and understanding of the historical strategy of Jaguar stand it in good stead to achieve the necessary permitting for CentroGold, by approximately mid 2017. This event should crystallise value.

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Source: Avanco Resources Ltd

Avanco has upgraded the mineral resource estimate on the Cipoeira deposit of CentroGold project since making the acquisition. Mineralisation at Cipoeira is hosted 2 separate zones: A near surface horizontal Blanket Zone; and a higher grade dipping Contact Zone. A revision to the existing estimate at Chega Tudo is in progress.

The revised mineral resource estimates using a higher cutoff grade of 1.0g/t Au (previously 0.3g/t Au) show the Cipoeira deposit contains 1.3moz Au at a grade of 2.0g/t. When combined with the older estimate on the Chega Tudo deposit the total project inventory is 2.3moz Au. Infill drilling will be required to upgrade the confidence in the estimates, which is subject to regulatory approval.

CentroGold Project				Tonnes mt	Grade g/t	Au cont koz	cutoff g/t
Cipoera (Blanket)	JORC	Inf	Dec'16	12.2	1.8	694	1.0
Cipoera (Contact)	JORC	Inf	Jan'17	8.0	2.3	592	1.0
Chega Tudo	non-JORC	Ind&Inf	Jan'11	32.6	1.0	1,040	0.3
Total				52.8	1.4	2,326	

A scoping study on developing a low capex, medium grade, modest scale, open pit mine at capable of being up-scaled in due course at Cipoeira is underway. The study is expected to be completed during the March Q'17. We expect Avanco will be targeting production capacity of <100kozpa with capex of US\$50m - US\$100m.

Cipoeira and Chega Tudo deposits are at an advanced regulatory licencing stage with DNPM title on Mining Lease Applications. Both MLA's are pending issue of an Environmental Licence.

An Environmental Licence had been issued previously but was subsequently suspended by another authority due to an oversight in legal provisions of surface rights. Avanco believes it can resolve the irregularity based on its experience with similar issues in the Carajas. It has reported pleasing progress, although with no certainty, since announcing the acquisition.

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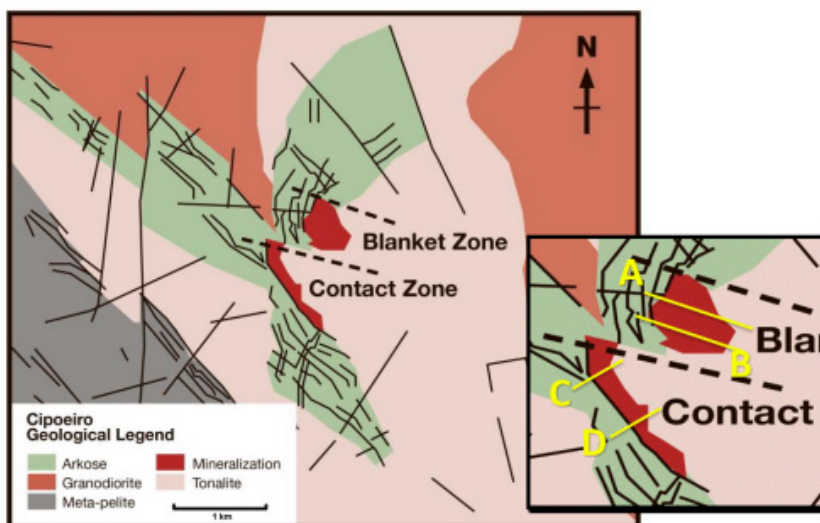
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The CentroGold Project comprises 30 licences of which 58% are granted. The total area covers 1,370km² over a strike length of 75km. The nearest town is Cento Novo at 40km, population 15,000 people, which is connected to grid power. Climate is equatorial with annual rainfall of 2,000mm.

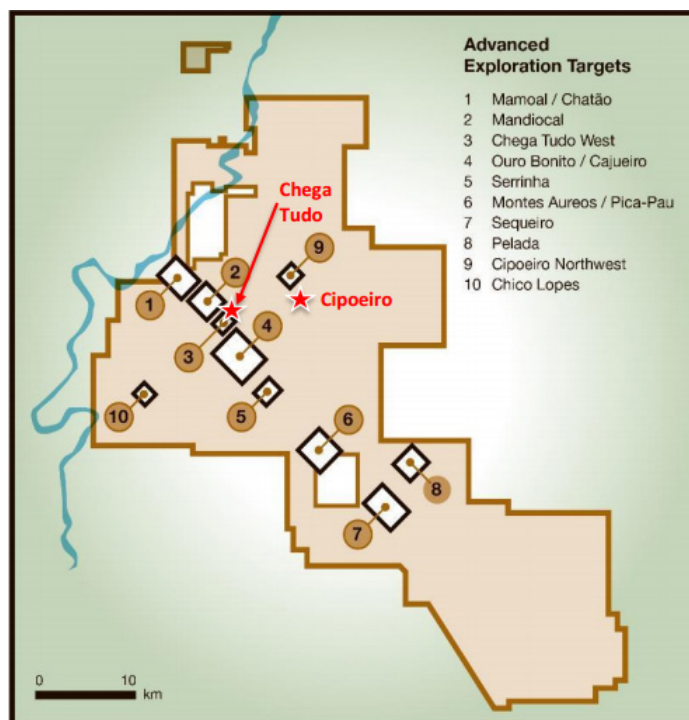
The 2011 Feasibility Study completed by Jaguar contemplated an investment of US\$278m to build a 5mtpa project producing 150kozpa at a total cash cost of US\$680/oz (head grade 1.1g/t Au, metallurgical recovery 86%). This generated an IRR of 29%, payback of 3.5 years, using a gold price of US\$1,066/oz.

Small scale artisanal mining treating surface mineralisation via gravity processes is ongoing but is not expected to inhibit development.

Several advanced exploration targets exist based on pre-existing soil sampling and drilling anomalies remain to be tested.



Source: Avanco Resources Ltd



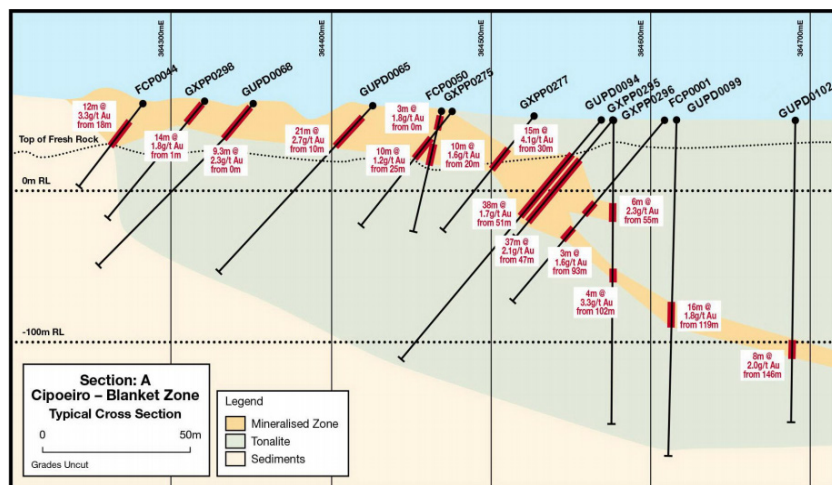
Source: Avanco Resources Ltd

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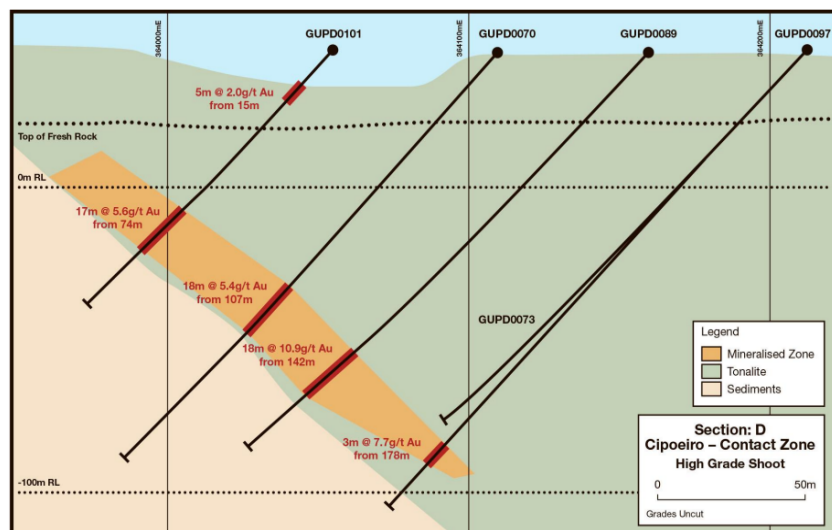
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Directors

Colin Jones (Non-Executive Chairman)

Following Coal Mine certification with British Coal in South Wales Mr Jones completed a mining degree at Cardiff University in the UK.

After several years of mining contract management with Thyssens, Mr Jones joined Rio Tinto, becoming the General Manager of the South Crofty Tin Mine in Cornwall. In 1986 he became the Project Manager for the development of Rio Tinto's world class Copper Mine in Portugal where, following project completion, he became the Director of Production.

Mr Jones consulting expertise includes 10 years with Rio Tinto Technical Services where, as Principal Consultant, he consulted globally. Mr Jones was responsible for the underground development of the Fortaleza Nickel Mine in Brazil and was a core consultant for the underground development at the Palabora mine in South Africa.

An authority on underground mine development and the application of the block caving mining method, Mr Jones has consulted internationally as an independent. Clients have included the multi-billion dollar Resolution (Arizona), Oyu Tolgoi (Mongolia) and Freeport (Indonesia) copper mine projects, Argyle Diamonds in Western Australia and a number of Brazilian mining companies, including Vale and Yamana Gold.

Mr Jones is an independent consultant, has an MBA, speaks Portuguese and maintains a residence in Brazil

Anthony Polglase (Managing Director)

With nearly 40 years multi-disciplined mining experience across 10 different countries, Mr Polglase is qualified in mechanical and electrical engineering with an honours degree in Metallurgy from the Camborne School of Mines, UK.

Mr Polglase has acquired detailed knowledge relating the development and operation of gold, copper, lead, zinc and tin projects and has either been responsible for or closely involved with the commissioning of more than seven mining projects. Previous employers include Iberian Resources, Ivernia Corp, Rio Tinto, TVX and Ashanti Goldfields.

Project management including critical evaluation, implementation and commissioning are Mr Polglase's strengths. Mr Polglase has a demonstrated ability of successfully bringing projects on line in the most challenging of environments including former Soviet Union countries.

Mr Polglase is also fluent in Portuguese.

Simon Mottram (Executive Director)

Mr Mottram is a geologist with over 20 years' experience predominantly in iron oxide copper gold, nickel sulphide and precious metals. Having held senior management positions with a number of successful mining companies both in Australia and overseas Mr Mottram has extensive knowledge in base and precious metal evaluations, and has seen a number of discoveries advanced through to commercial mine development, and has been central to several significant exploration successes.

His exploration experience aligns extremely well with Avanco's projects and Mr Mottram is an expert in the application of modern exploration techniques, large-scale drill programmes and feasibility studies. Mr Mottram is a graduate of Melbourne RMIT University, a Fellow of the AusIMM, speaks Portuguese, and assumes responsibility for all of the company's exploration activities.

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Luis Azevedo (Executive Director)

Mr Azevedo is an outstanding resource industry professional with over 35 years of international experience. Mr Azevedo qualified as a geologist at the University of Rio de Janeiro in 1985, and subsequent to working as a geologist he completed a law degree at the University of Candido Mendes in 1992 and obtained his Masters of Law from Pontifical Catholic University Rio de Janeiro in 1994.

Mr Azevedo has held senior positions with major resource companies including Western Mining Corporation, Barrick Gold and Harsco. In 2004 he founded the very successful legal firm FFA Legal based in Rio de Janeiro, which provides specialist legal and technical support to resource companies operating in Brazil.

Vern Tidy (Non-Executive Director)

Mr Tidy was an audit partner with Ernst & Young where he was the leader of the Perth office's mining and metals industry group, responsible for all service lines to that industry.

In his role at Ernst & Young he serviced mining clients varying from the largest multinationals with large scale operations through to junior explorers. It included experience with projects in Australia, South America, SE Asia and various African countries. It also included experience with ASX, LSE, AIM and TSX listed companies.

Since leaving Ernst & Young Mr Tidy has consulted to the mining industry and has been involved in industry transactions plus project identification and financing. Mr Tidy brings compelling skills encompassing corporate governance and critical review of financial compliance. Mr Tidy is a Fellow of the Institute of Chartered Accountants in Australia, Associate of the Australian Institute of Company Directors and holds a Bachelor of Business - West Australian Institute of Technology (now Curtin University).

Luiz Ferraz (Non-Executive Director)

Mr Ferraz brings unparalleled Brazilian industry and corporate expertise to the Company which will bolster Avanco's standing within the business and financial sectors of Brazil. As the former CFO and subsequently CEO of Paranapanema's Copper Smelter, Mr Ferraz successfully advanced the smelter into a financially strong business, increasing cathode production from 190,000tpa to 280,000tpa, and doubling copper pipe and sheet production to 36,000tpa and 55,000tpa respectively.

Mr Ferraz is well known to Brazilian mining majors, international copper producers and commodity traders having negotiated many copper contracts on behalf of Paranapanema. Mr Ferraz was also previously Operations Manager for Banco Bandeirantes, responsible for credit analysis and financial transactions associated with the National Bank of Economic Development, Social Integration Programme and Financing of Machinery and Equipment.

Having participated in numerous major transactions amounting to hundreds of millions of Reals, Mr Ferraz has a proven track record of successfully debt financing Brazilian companies. Mr Ferraz's mining experience includes the acquisition of Mineração Santa Elina's shares (now Yamana Gold) from Echo Bay and the sale of the Patinga Tin Mine to Peruvian mining group Minsor. Mr Ferraz is currently a partner of Brasil Agro, a Sao Paulo based specialist agribusiness investment fund and sits on the board of a number of industrial companies.

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Director Shareholdings

Director Shareholdings	Shares	Options
C Jones	1,415,155	10,000,000
A Polgase	8,148,615	45,000,000
S Mottram	1,744,681	35,000,000
L Azevedo	7,445,615	45,000,000
V Tidy	675,000	5,000,000
L Ferraz	nil	nil

Top 20 Shareholders

		as at 14 th February 2017	
Shareholder		Shares (m)	(%)
1	Citicorp Nominees Pty Limited	476.09	19.38
2	Greenstone Avb Holdings Cooperatief UA	409.94	16.69
3	HSBC Custody Nominees (Australia) Limited	317.67	12.93
4	Glencore Holdings Pty Limited	203.10	8.27
5	BNP Paribas Noms Pty Limited	33.42	1.36
6	J P Morgan Nominees Australia Limited	27.95	1.14
7	ABN Amro Clearing Sydney Nominees Pty Ltd	11.91	0.48
8	Keppoch Pty Ltd	10.15	0.41
9	Ms Byambaa Zolzaya	9.98	0.41
10	Adziel Pty Ltd	9.93	0.40
11	Vadora Holdings Pty Ltd	9.85	0.40
12	Mr Andrew John Goledzinowski	9.00	0.37
13	Mr Jessie Xuan Nguyen	8.72	0.35
14	Mr Bradley Barry Krause	8.21	0.33
15	Mr Michael Riley & Ms Alison Meeking	8.14	0.33
16	S&B Narula Pty Ltd Narula Family S/F 3 A/C	7.60	0.31
17	Grizzley Holdings Pty Limited	6.67	0.27
18	Mr Christopher Robert Towan	6.53	0.27
19	Kalcem Pty Ltd	6.35	0.26
20	ALMI Super Pty Ltd	6.30	0.26
Total		1587.51	64.61

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