

Avanco Resources Ltd

(AVB \$0.10) Buy

EUROZ

Analyst	Date	Price Target
Greg Chessell	29 th September 2017	\$0.19/sh

Site Visit 19th - 22nd September 2017

Investment case

Avanco is a debt free, Brazilian Cu-Au miner with significant growth. Our recent site visit confirms our positive view on the Antas Cu mine and Pedra Branca Cu project. Our view on CentroGold project is enhanced as it potentially delivers an expedient, low risk and higher returning growth path, while also diversifying commodity focus, subject to permitting. Avanco is cum several value adding events over the next Q, with resource/reserve upgrades and study updates on all projects. Avanco has a reliable record through the successful development and operating performance of Antas. Cashflow supports AVB's near term acquisition, exploration and study objectives. The clean balance sheet, management performance, dearth of quality alternatives and buoyant Cu-Au prices should see it attract the development funding required in the medium term. AVB's reputation in Brazil positions it well for new M&A opportunities. We have upgraded our valuation to \$0.19/sh.

Key takeaways

- Antas mine remains on target to meet annual guidance of 13.5-14.0kt Cu at cash cost (c1) US\$1.35-US\$1.50/lb.
- Antas cashflow is funding exploration, two feasibility studies, permitting and other early stage development work on CentroGold and Pedra Branca projects.
- Antas deposit ore reserve extension drilling is likely to deliver an additional 1-2 years of project life via an expanded open pit. A formal update is expected in October.
- CentroGold is now AVB's key development project. CentroGold will be a low risk conventional open pit & CIL project capable of producing 100kozpa - 150kozpa. Scoping study expected in 2017, permitting, DFS and FID expected mid 2018.
- Pedra Branca project permitting is on critical path and cannot be fast tracked. FID expected mid 2019, say 12 months after CentroGold.
- Exploration prospectivity beyond current mineral resources is good on each project: Antas, CentroGold and Pedra Branca. Drilling is on going.
- Avanco is clearly managed as a Brazilian company with virtually all key people resident. This respect for its hosts maximises AVB's social licence to operate and enhances new project opportunities.



Source: Avanco Resources Ltd

Avanco Resources Ltd	Year End 31 Dec	
Share Price	0.10	A\$/sh
Price Target	0.19	A\$/sh
Valuation	0.19	A\$/sh

Shares on issue	2457	m, diluted *
Market Capitalisation	246	A\$m
Enterprise Value	216	A\$m
Debt	0	A\$m
Cash	29	A\$m
Largest Shareholder	Appian 18%	

Production F/Cast	2017f	2018f	2019f
Cu Prod'n (kt)	14.1	14.1	14.2
Au Prod'n (koz)	0.0	0.0	28.9

Assumptions	2017f	2018f	2019f
Copper (US\$/lb)	2.76	3.00	3.13
Gold (US\$/oz)	1259	1313	1350
FX Rate (A\$/US\$)	0.77	0.78	0.78

Key Financials	2017f	2018f	2019f
Revenue (US\$m)	85	100	132
EBITDA (US\$m)	28	38	53
NPAT (US\$m)	10	19	27
Cashflow (US\$m)	10	55	-61

CFPS (USc)	0	8	6
P/CFPS (x)	0	0	0

EPS (USc)	0	0	1
EPS growth (%)	0	-5	1
PER (x)	0	20	10

EV:EBITDA (x)	0	5	3
EV:EBIT (x)	0	11	4

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

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



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Market Statistics Year End 31 Dec

Share Price	\$0.10	A\$/sh	Directors
Issued Capital			V Tidy 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	L Ferraz NE Dir
Total Dil. FPOrd	2,457	m	P Chapman NE Dir
Market Cap'n (dil)	\$246	m	
Enterprise Value	\$216	m	Shareholders
Cash	\$29	m	Appian 18.0%
Debt	\$-	m	Greenstone 16.7%
			BlackRock 12.9%
			Glencore 8.3%

Asset Valuation	A\$m	A\$/sh
Antas Nth	253	0.10
Pedra Branca	125	0.05
Centro Gold	115	0.05
Other Expl'n	1	0.00
Corporate	(48)	(0.02)
Working Capital	(1)	(0.00)
Unpaid Capital	-	-
Debt	-	-
Cash	29	0.01
Total	470	0.19

F/Cast Production (US\$m) JH 17a 2017f 2018f 2019f 2020f

Antas Nth (100% AVB)					
Cu Prod'n	kt	7.1	14.1	14.1	14.1
Au Prod'n	koz	5.7	10.7	9.6	9.6
C1 Cash Costs	US\$/lb	1.49	1.44	1.28	1.24

Pedra Branca (100% AVB)					
Cu Prod'n	kt	-	-	-	0.0
Au Prod'n	koz	-	-	-	0.0
C1 Cash Costs	US\$/lb	-	-	-	2.7

Centro Gold (100% AVB)					
Au Prod'n	koz	-	-	-	29
Total Cash Costs	US\$/oz	-	-	-	807

Group Prod'n - Cu	kt	7.1	14.1	14.1	14.2	15.4
Group Prod'n - Au	koz	6	11	10	39	126

Assumptions						
Copper	US\$/lb	2.61	2.76	3.00	3.13	3.25
Gold	US\$/oz	1,238	1,259	1,313	1,350	1,350
FX Rate	A\$/US\$	0.75	0.77	0.78	0.78	0.78

Ratio Analysis (US\$m) JH 17a 2017f 2018f 2019f 2020f

Cashflow (US\$m)	9	25	33	47	104
Cashflow per Share (c/sh)	0	1.0	1.4	1.9	4.2
Cashflow Ratio (x)	0	8	6	4	2

Earnings (US\$m)	1	10	19	27	69
Earnings per Share (c/sh)	0	0	1	1	3
EPS Growth (%)	0%	-461%	102%	40%	153%
Earnings Ratio (x)	0	20	10	7	3

Enterprise Value (A\$m)	132	203	133	211	221
EV : EBITDA (x)	0	5	2.8	3.1	1.5
EV : EBIT (x)	0	11	4.4	5.0	2.1

Net Debt : Net Debt+Equity (%)	0%	0%	0%	0%	0%
EBIT Margin (%)	0%	17%	24%	25%	31%
Return on Equity (%)	0%	10%	11%	13%	25%
Return on Assets (%)	0%	11%	11%	14%	27%

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) JH 17a 2017f 2018f 2019f 2020f

Sales Revenue	39	85	94	138	267
Interest Revenue	0	0	0	0	0
Other Revenue	0	0	0	0	0
Total Revenue	39	85	94	138	267
Opex	25	52	49	72	141
O/H	2	4	6	8	8
Provisions	-2	-2	0	0	0
Other	1	1	0	0	0
EBITDA	11	28	39	58	118
D&A	7	14	14	20	35
EBIT	4	14	25	38	83
Finance costs	2	2	0	0	0
PBT	3	14	25	38	83
Tax	2	4	4	7	14
NPAT	1	10	21	31	68

Cash Flow (US\$m) JH 17a 2017f 2018f 2019f 2020f

Net Profit	1	10	21	31	68
Working Capital	1	1	0	0	0
+ Dep/Amort	7	14	14	20	35
+ Tax Expense	2	4	4	7	14
- Tax Paid	2	4	4	7	14
= Operating Cashflow	9	25	35	51	103
-Capex + Development	1	6	38	108	112
-Exploration	3	7	0	0	0
-Assets Purchased	0	0	0	0	0
+Asset Sales	0	0	0	0	0
+Other	0	0	0	0	0
= Investing Cashflow	-4	-13	-38	-108	-112

+ Equity Issues (Rts,plc,opts)	0	0	60	0	0
+Loan Drawdown	0	0	0	0	0
+Other	-2	-2	0	0	0
-Loan Repayment	0	0	0	0	0
-Dividends	0	0	0	0	0
-Interest Payments	0	0	0	0	0
= Financing Cashflow	-2	-2	60	0	0

Period Surplus	3	10	57	-57	-9
FX Adjustments	0	0	0	0	0

CASH	26	33	89	32	24
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Balance Sheet (US\$m) JH 17a 2017f 2018f 2019f 2020f

Assets					
Cash	26	33	89	32	24
Current Receivables	6	6	6	6	6
Other Current Assets	10	10	10	10	10
Total Current Assets	42	48	105	48	39
PP&E, MineProp, EE&D	54	56	80	168	245
Other	28	28	28	28	28
Total NC Assets	83	85	109	197	274
Total Assets	125	133	214	245	313

Liabilities					
Borrowings	0	0	0	0	0
Trade Payables	10	10	10	10	10
Provisions	7	7	7	7	7
Other Liabilities	18	18	18	18	18
Total Liabilities	35	35	35	35	35

Net Assets	90	98	179	210	278
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Reserves and Resources

		tonnes mt	grade % Cu	metal contained g/t Au	kt Cu	koz Au
Mineral Resources						
Antas Nth	M+I+I	6.4	2.4	0.5	152	102
Antas Sth	M+I+I	10.1	0.8	0.2	85	65
Pedra Branca	M+I+I	17.7	2.4	0.7	427	357
CentroGold (Gurupi) I+I		20.2	-	2.0	-	1,286

Ore Reserves						
Antas Nth	P+P	3.0	2.64	0.6	80	57

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Avanco has an active pipeline of project milestones to deliver on over the next 12 months. These are the key events to deliver fundamental value, as we see them:

Avanco Resources - Expected Project Development Milestones									
	Sep'17	Dec'17	Mar'18	Jun'18	Sep'18	Dec'18	Mar'19	Jun'19	Sep'19
Antas	Production	Production	Production	Production	Production	Production	Production	Production	Production
	Drilling	Ore Reserve							
		MinePlan							
CentroGold	Acq'n	Mineral Res'c	Mineral Res'c	Mineral Res'c	Construction	Construction	Construction	Construction	Production
		Drilling	Permit - Env Lic	Permitting					
		Scoping Study	PFS	DFS					
				Financing					
Pedra Branca	Drilling	Drilling	Decline Dev't	Decline Dev't	Optimis'n	Permitting	Financing	Construction	Construction
		Mineral Res'c	PB West Scop'g	DFS	Bulk Sample				
		PFS Update							

Our overall valuation has increased to \$0.19/sh.

This reflects an increase in the value ascribed to CentroGold, partially offset by a moderating of value on Pedra Branca and expected higher corporate costs.

The Pedra Branca valuation has been reduced to more appropriately reflect its licencing and feasibility study status.

We envisage all projects will grow value over the next 12 months as they become de-risked.

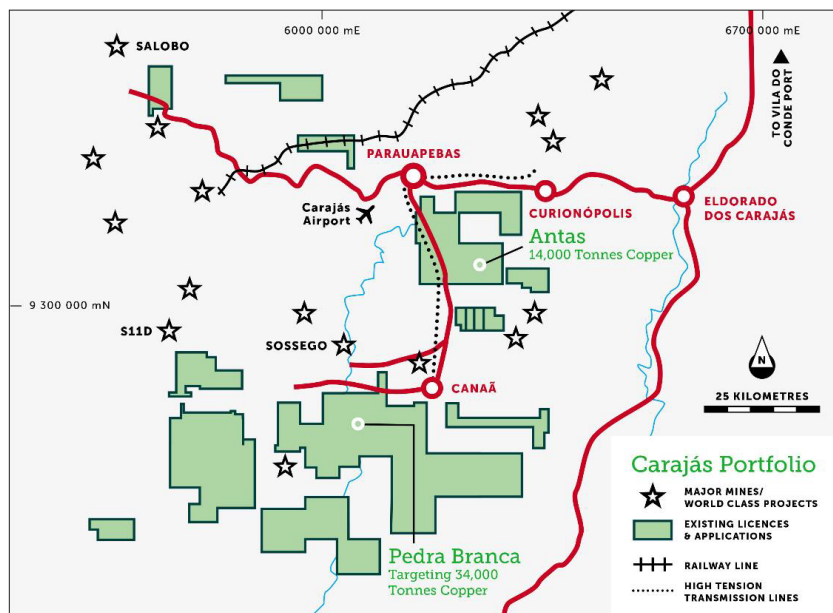
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Antas (100% AVB)



Source: Avanco Resources Ltd

Antas is a simple, profitable copper mine run efficiently. It's scale is constrained by mineable resources. It has to date exceeded production and cost forecasts on which the original investment case was based:

- Throughput 20% above design at 100tph;
- Cu production 17% above design at 14ktpa;
- Cu recovery 2% above design at 97%;
- Cash costs C1 US\$1.25/lb to date, ahead of the LoM average forecast of US\$0.93/lb, when adjusted for stripping ratio to date v's LoM, and local currency strength.

Management is confident of achieving 2017 annual guidance.

		2017 guidance	June H'17 actual
Cu Prod'n	kt	13.5-14.0	7.1
Au Prod'n	koz	9.8-10.5	5.7
Cash Costs (C1)	"	1.35-1.50	1.49
Cash Costs (AISC)	"	1.65-1.80	1.92

Antas is cash generative at ~US\$31mpa, basis Cu price US\$2.90/lb, an operating cashflow run-rate that we forecast for the Dec H'17.

Antas Growth

The key value driver is resource/reserve growth to justify expansion or extend life.

Extension of life seems probable, however an expansion does not seem within the realms of present mineral resources. Nevertheless Avanco has flagged that an expansion to double plant capacity could be achieved for under US\$20m capex.

The ore reserve extension drilling program which commenced in Q2'17 has been completed.

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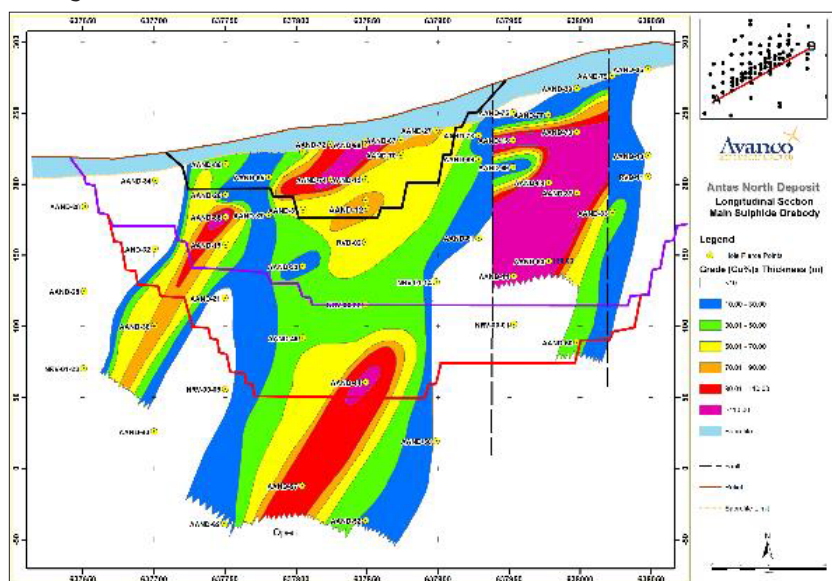
An update to the ore reserve and mine plan is expected by end October, being the 1st since the DFS over 2 years ago. It will incorporate:

- Results of the new drilling;
- Existing resources already identified outside of pit shell, some 1.9mt grading 2.1% Cu;
- Actual operating cost data, which is slightly improved on the 2014 DFS estimates last used;
- Gold grade interpolation update to correct a 20%-40% under-estimation. Gold is subject to the 25% Blackrock royalty.

Overall we expect the ore reserve and mine plan update will approximately replace that depleted through mining since commencement. A target of say +1.0mt, equating to a future Cu production life of 6-7 years. Any additional ore reserves will be accessed via a stage 4 cutback.

The Antas orebody is likely continuous at depth. The next stage of resource extension will most likely be accessed via underground mining. Drilling, studies and planning are expected to commence late 2017.

In our view an underground mine is probable, however ore mining rate will be lower than open pit due to limited tonnes per vertical metre. Consequently copper production rate in the long run will also be subject to availability of low grade stocks sourced from open pit mining to blend with high grade ore from underground.



Antas long section showing current pit profile.

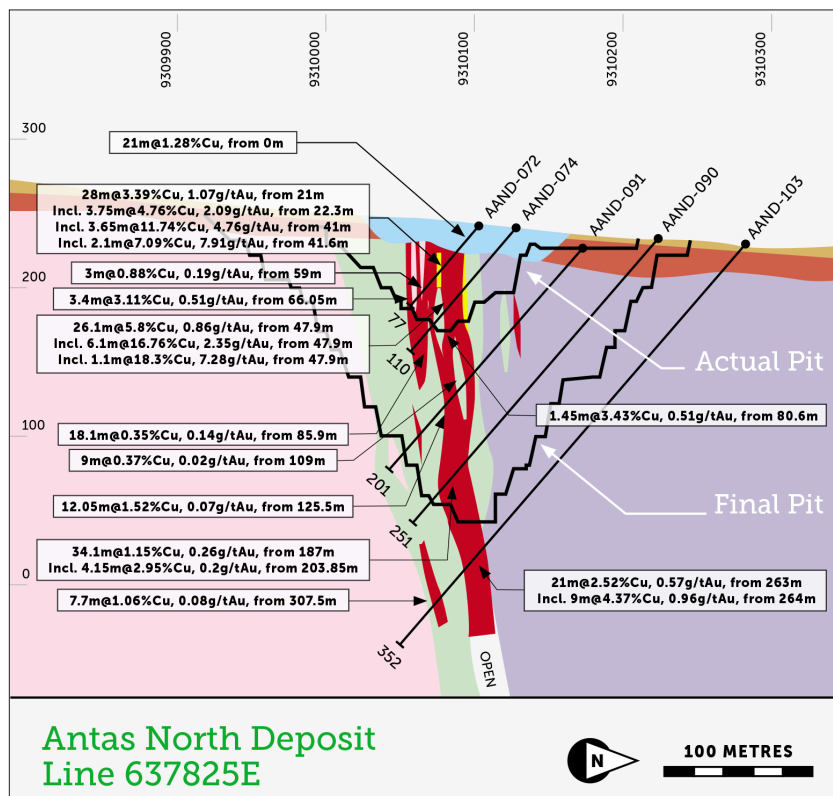
Source: Avanco Resources Ltd

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Antas cross-section showing current pit profile.

Source: Avanco Resources Ltd

Antas' satellite resource exploration prospects are good, although currently at an early stage.

Soil geochemistry and EM geophysics (surface and downhole) are the key exploration tools to refine drilling targets.

Surface EM is progressively working through existing geochemical targets. Downhole EM is due to commence in the next week, delayed due to equipment availability. The significant back log of drill holes will be surveyed during the remainder of 2017.

The good reliability of EM means all targets can be drill tested quickly, with conclusions on the priority targets expected within 6 months. A DDH rig is currently rotating through the prospects of:

- Azevedo - 400m from Antas pit, 6 holes completed, results reported 1 hole (8.6m @ 1.3% Cu), 3 more holes planned;
- Lazineho - historic hole 17m @ 0.88% Cu from 12m, 2 new holes drilled so far, none reported;
- Clovis - historic hole 14m @ 1.7% Cu from 77m, no immediate drilling planned, awaiting access.
- Paulinho - historic hole 126m @ 0.21% Cu, no immediate drilling planned, awaiting access.
- Antas Sth - sulphide mineralisation identified below oxide Cu resource (10mt grading 0.8% Cu), not well defined as yet. Possibly accessed from eventual Antas u/g mine. No immediate drilling planned.

The drilling program is evolving as results are received.

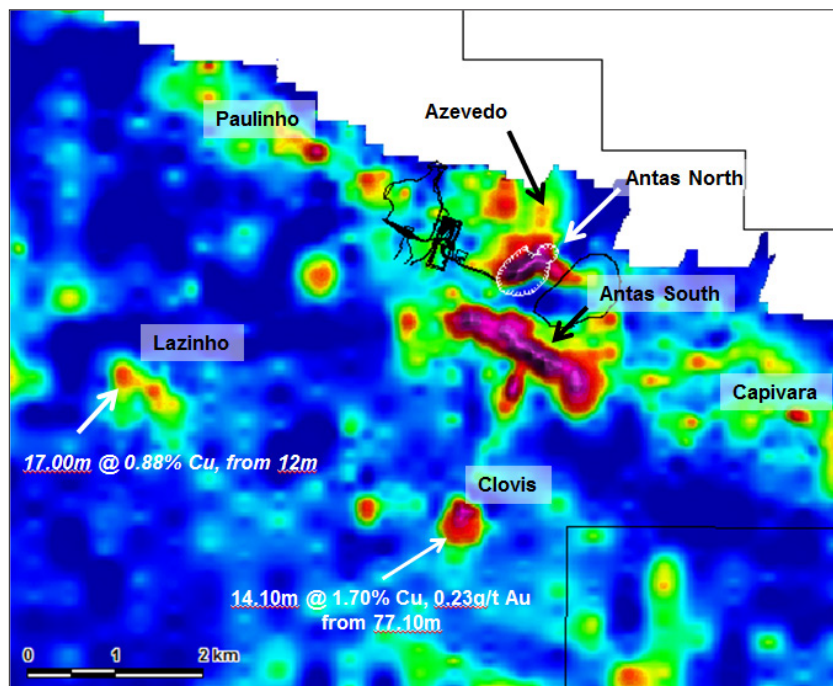
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Antas near-mine exploration targets and geochemical anomalies.

Source: Avanco Resources Ltd

Antas Operations

Antas comprises a single open pit and a simple sulphide flotation plant.

Open pit is mined in 3 stages:

- Stage 1 - complete;
- Stage 2 - 60% complete;
- Stage 3 - 20% complete;
- A single flat bench will be achieved by end 2017;

Mine life is currently 4 years, enabling processing life of 5 years. Overall strip ratio is 6.4:1, with average slope angle of 55° and final planned pit depth of ~250m.



Antas open pit.

Source: Euroz Ltd



Antas high grade RoM ore stocks.

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Mining has ostensibly performed to the original plan, with success attributable to:

- A good relationship with Australian mining contractor MACA;
- Fresh rock from near surface, therefore rainfall effect is small, unlike the clay conditions experienced by Beadell Resources (ASX:BDR) at Tucano.
- Pit wall conditions excellent;
- Simple planar and steeply dipping orebody geometry.
- Positive reconciliation between ore reserve and actual ore mined. Additional ore tonnes at lower grade have been produced peripheral to the main ore zone, resulting in lower strip ratio in 2017 than planned (2017 plan 11.0, 2017 actual to date 9.5).

The key challenge has been blast hole drilling productivity. Drilling fell behind schedule in early 2017 utilizing 2 rigs, after the expansion from 12ktpa Cu to 14ktpa Cu absorbed any spare capacity. This hasn't materially affected copper production in 2017 as large ROM ore stocks insulated the effect. Subsequently an additional 2 rigs on sub-contract are temporarily employed to "catch-up". MACA will have 1 additional rig permanently to maintain satisfactory productivity once steady state achieved in the next 2 months.

Antas is a 3 shift 24hr/day, 7 day/wk operation. AVB's workforce comprises a total workforce of ~150 local Brazilian nationals with just 2 expatriates. Mining contractor MACA also employs a workforce of ~150 Brazilian nationals and 3 expatriates.

Antas is well located near infrastructure, ~25km from Parauapebas, a city of ~200,000 people. Parauapebas primarily services Vale's Carajas operations, iron ore mines N4, N5 and S11D and Salobo and Sossego copper mines.

Antas mine has access to bitumen road, grid power, Carajas airport and other typical mining services available at Parauapebas.



Antas flotation circuit.

Source: Avanco Resources Ltd



Antas concentrate product stocks.

Antas process plant is a low tech, conventional crush, grind, sulphide flotation circuit. Processing capacity is 650ktpa with high metallurgical recovery (Cu 97%, Au 85%) from a relative coarse grind (p80 of 106 micron). The host rock is hard (BWI 21) however the ore is less hard at BWI 16. Consequently the ore is preferentially separated during grinding, resulting in a short residence time and high production of barren mill scats.

A slurry storage tank with capacity for 8 hours of float feed insulates against power outage affecting flotation circuit.

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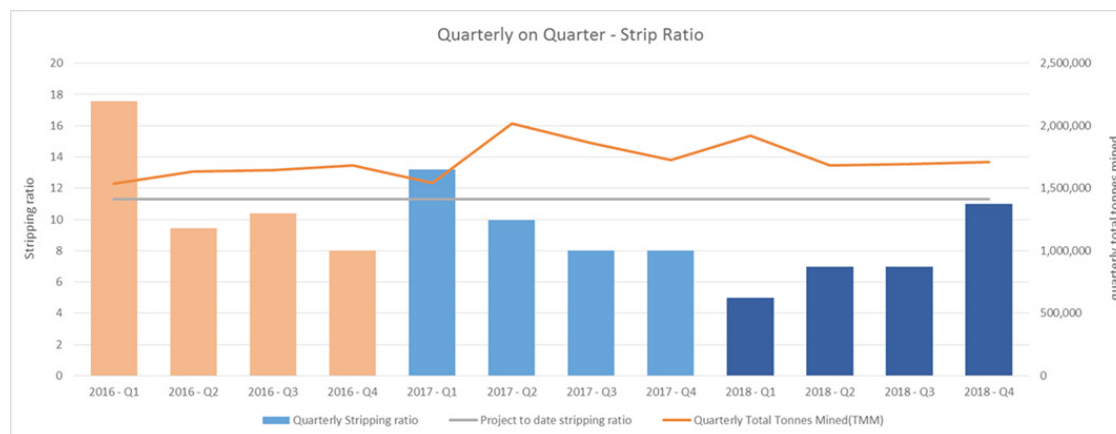
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Antas produces ~52ktpa of clean high grade chalcopryite concentrate (containing 14ktpa Cu) grading +27% Cu. It is trucked & shipped in 27t containers (5-6 per day) via port of Vila do Conde. Shipments are typically in 40-60 container lots.

Avanco expenses mining costs based on the tonnes mined in given period, rather than based on an average LoM strip ratio. Consequently mining costs are volatile.

Under the current schedule the strip ratio for the next year will be ~35% lower than the strip ratio to date (say 7:1 v's 11:1). In our view this should translate into cost reduction by US\$0.25 - US\$0.35/lb over the next 12 months.



Source: Avanco Resource Ltd

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CentroGold (100% AVB)

CentroGold is emerging Avanco's near term headline development project.

CentroGold is appealing because:

- Development timeline is potentially quicker than Pedra Branca;
- Open pit mining is AVB's skillset;
- Expected capital expenditure is less than Pedra Branca (US\$90m v's US\$158m);
- Our base case cashflow forecasts are similar for both projects, however our intuition is that CentroGold offers greater volume upside;
- Gold projects are typically more readily financeable than copper.

We see CentroGold as a very exciting opportunity provided the permitting is secured in a timely manner.

Management remains confident of securing all permitting in June H'18, enabling immediate FID for mine construction. Avanco has a good record in permitting with Antas development. Our site visit witnessed no impediment to permitting, however it is not entirely within AVB's control.



Source: Avanco Resources Ltd

Background

CentroGold Project is a block of contiguous tenements covering 1,320km² or 75km of strike along a narrow greenstone belt, south of the Gurupi River, in the state of Maranhão, northern Brazil. It is located 26km from Centro Novo, a town of ~25,000 people, itself 25km from the highway connecting the port cities of São Luís (Maranhão) and Belém (Para).

Gold production in the area had originally occurred in the 17th century. A significant Garimpiero gold rush occurred in the 1980's on the Chega Tudo trend.

Rio Tinto and a local company commenced JV exploration in 1985, and eventually TVX Gold acquired the property in 1994. TVX subsequently farmed-out to Sante Fe Pacific Gold in 1995.

The Cipoeira deposit was discovered by the TVX – SFPG JV in 1996.

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Newmont acquired SFPG in 1997 and continued exploration, until TVX eventually acquired Newmont's interest in 2003. Kinross then acquired TVX and Echo Bay in 2003.

Kinross completed a scoping study in 2004 and continued exploration until 2009.

Jaguar Minerals acquired Gurupi Gold Project from Kinross in 2009 for US\$42.5m. Exploration, study and development work carried on until 2013, when the court injunction was placed on the Environmental Licence and any further project development.

Both Kinross and Jaguar pursued a high tonnage (6mtpa) and consequently lower grade strategy. The project has remained largely idle since the court injunction.

Financial Model

We have created a preliminary financial model based on the following parameters:

- Open pit mine producing 2.0mtpa of fresh ore grading 2.0g/t flat over a life of 10 years.
- LoM strip ratio of 4.0:1, and average mining costs of A\$4.0/t moved (US\$3.20/t).
- Capex pre-production US\$90m, and a further US\$80m LoM including closure costs.
- Standard CIL processing, with operating cost of US\$15/t.
- Other costs, including logistics, G&A etc total US\$12/t.
- Royalties totalling 4.75%, comprising: Federal (CFEM) 2%, Jaguar 1%, Newmont 1%, RIO 0.75%.
- Total operating costs amount to -US\$800/oz.
- Resulting NPV = US\$159m (disc 10%, after tax), IRR 44% (ungeared after tax).

Remarkably this is a similar NPV result to Pedra Branca, but yielding a greater IRR due to the lower capex. Our intuition is that CentroGold can achieve even greater returns in reality if management adopts a strategy of higher throughput and high grade scheduling.

We have increased our valuation on CentroGold to A\$115m (was A\$17m) following the site visit. This includes a risk factor on the NPV, subject to progress on permitting, feasibility studies and financing.



CentroGold plant area.

Source: Euroz Ltd



CentroGold drilling, Cipoeira Blanket zone.

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Site Visit Observations

Our CentroGold site visit observations are:

- Existing JORC mineral resource of 1.3moz grading 2.0g/t JORC at Cipoeira. Potential to reach 2.0moz by end 2017 with inclusion of a JORC resource on Chega Tudo, 8km from Cipoeira.
- Inventory of 2.5-3.0moz is possible by the time of commencement of mining, based on our observation of drilling results available on other targets, and assuming further exploration drilling undertaken.
- AVB flags potential to produce 100kozpa Au for 10 years. We believe this is conservative, and could be 40% - 80% above this.
- Scoping study due for completion by end 2017, DFS mid 2018.
- Shallow resources (0 - 150m deep), with low strip ratio of ~4.0:1.
- Simple orebody geometry with good grade results in low resource risk.
- Metallurgical risks low. Previous metallurgical testwork indicates ore at Cipoeiro & Chega Tudo is free milling and non-refractory, with leach recoveries reported between 89% - 97%.
- Infrastructure availability good, nearby to bitumen, grid power, labour, water.
- An enormous amount of historical technical work has been completed by previous owners, including 800 DD holes for 130,000m drilling, metallurgical test work, feasibility studies.
- Jaguar Mining (vendor) acquired CentroGold (aka Gurupi Gold Project) from Kinross for ~US\$42.5m and subsequently spent a further ~US\$40m.
- The historical work has not yet led to a development because of either:
 1. Mis-match between project scale and corporate strategy (Kinross);
 2. Over-ambitious plan relative to technical realities and flawed permitting strategy (Jaguar).
- Landform is mostly flat, with minor hills, grass land. Sandy soils should drain well, annual rainfall ~2,100mm, slightly more than the ~1,800mm at Antas.



Cipoeira artisanal mining surface.

Source: Avanco Resources Ltd



Cipoeira village.

Source: Avanco Resources Ltd

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- Competing land use is small scale artisanal mining syndicates (x2), amongst cattle grazing land, and a small village. In total some 80 parties occupy the land, most illegally.
- The landowner, in all but a few cases, is National Institute of Colonisation and Agrarian Reform (INCRA), a government agency responsible for agricultural resettlement.
- An Environmental Licence and Installation Licence had been granted to Jaguar in 2012. A court injunction in 2013 prevented any further work when it was recognised that Jaguar had not negotiated with the title holder, INCRA, but instead had negotiated with the occupants.
- Avanco has completed an Environmental Study and a Land, Buildings and Improvements Valuation. INCRA is near to completion of its own study of the settlement. Both will be submitted to the relevant court, seeking to over-turn the injunction on the Environmental Licence in 2017. Avanco then expects to have the Mining Licence granted and Installation Licence re-issued promptly, enabling commencement of mine construction by mid 2018.
- Avanco recognises it must negotiate compensation with both the title holder INCRA, and the land occupants (both legal and illegal) to achieve a pragmatic path forward. Avanco has already provided a library to the local community of Centro Novo.
- The artisanal miners exploit small volumes of oxidised ore by hydraulic mining, and gravity recovery in a sluicing jig. It is estimated that artisanal gold recovery is just 30%-40% due to its fine nature, resulting in marginal economics. Over 90% of the resource is not suited to the artisanal miners, being the portion in fresh un-oxidised rock.



Cipoeira artisanal mining surface and sluicing set-up.

Source: Avanco Resources Ltd

Resources & Exploration

CentroGold Mineral Resource Estimate					
Deposit	Category		tonnes mt	grade g/t	Au cont koz
Cipoeira (Blanket)	Ind	Apr'17	10.8	1.7	597
	JORC		1.4	2.2	97
	Total		12.2	1.8	694
Cipoeira (Contact)	Ind	Apr'17	2.1	2.5	168
	JORC		5.9	2.2	424
	Total		8.0	2.3	592
	Total		20.2	2.0	1286
Chega Tudo	Ind	Jan'11	20.7	1.0	633
	"Foreign Est"		11.9	1.0	377
	Total		32.6	1.0	1010

The two main deposits Cipoeira and Chega Tudo are held under Mining Lease Application.

Cipoeira is the only deposit currently with JORC compliant resources, estimated by Avanco in late 2016 and early 2017. The Contact and Blanket Zones host 20mt grading 2.0g/t for 1.29moz (JORC Indicated and Inferred, using a 1.0g/t lower cutoff).

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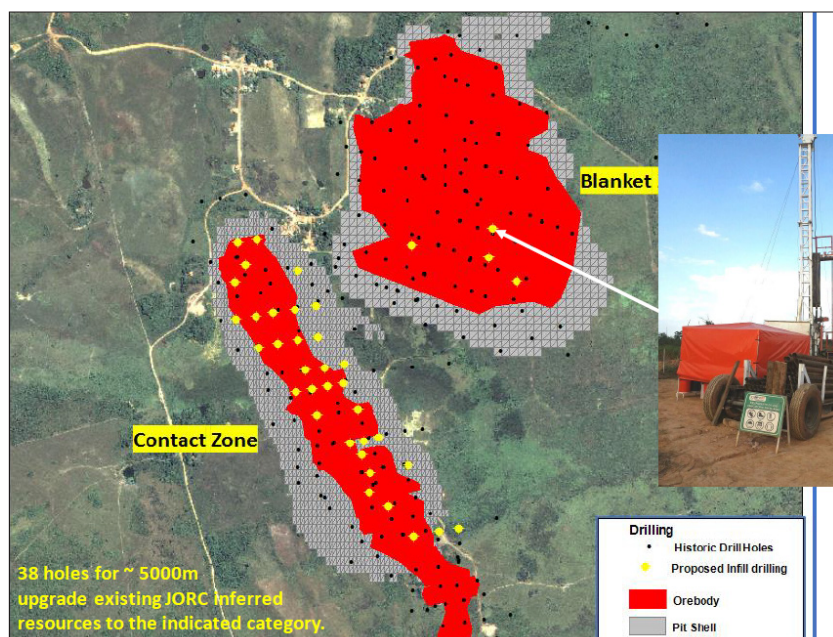
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Resource estimates by Jaguar, to NI43-101 standard, utilising a ~0.3g/t lower cutoff, encompassed both Cipoeira and Chega Tudo deposits. These estimates totalled 89mt grading 1.1g/t containing 3.1moz. Chega Tudo represented ~30% of the total. Avanco is currently upgrading Chega Tudo to JORC compliant, using a higher cutoff grade. We estimate it may amount to 0.5-0.7moz grading 1.3-1.5g/t Au.

Cipoeira hosts two deposits in a sheared Tonalite, a sub-horizontal Blanket Zone and a broad steep dipping Contact zone, which is higher grade at 2.3g/t, but slightly deeper.

Drilling has recently commenced to upgrade Inferred resources, mainly on the Contact Zone, to Indicated status. A total of 5,000m DD in 38 holes is being drilled.



Cipoeira pit and orebody plan view, with proposed drilling.

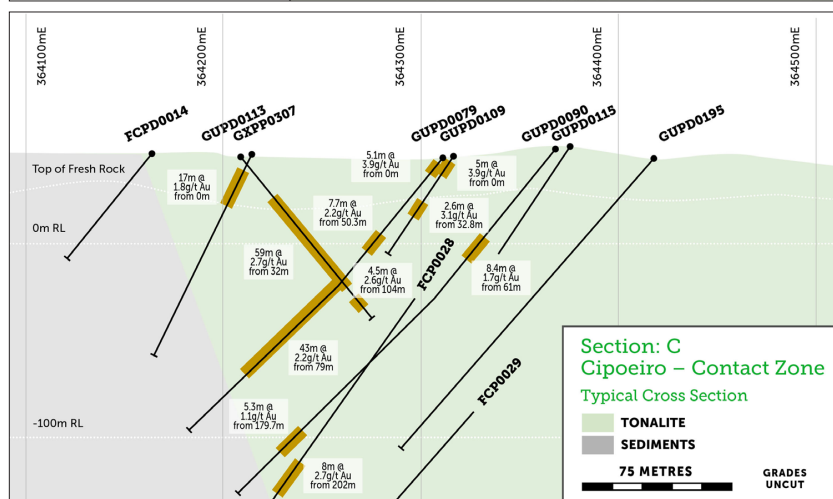
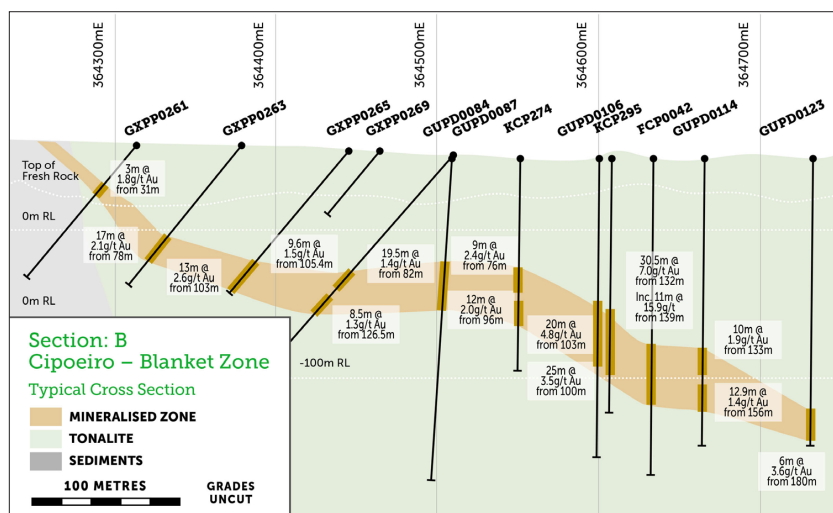
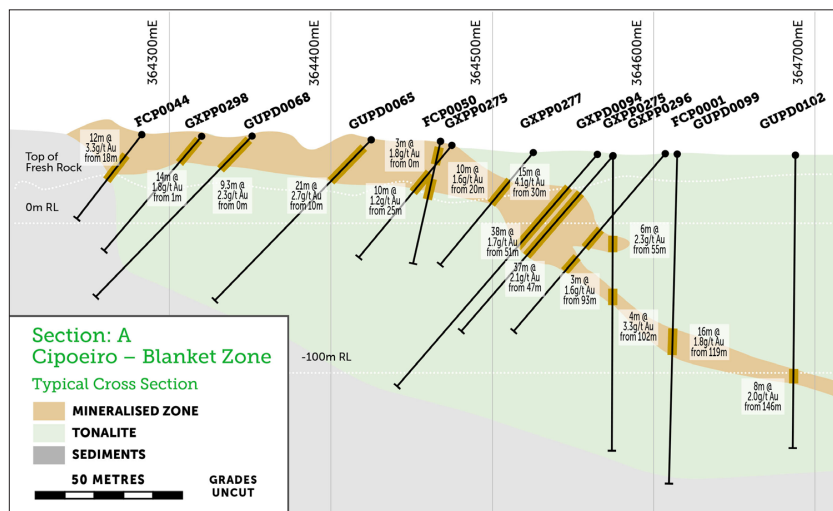
Source: Avanco Resources Ltd

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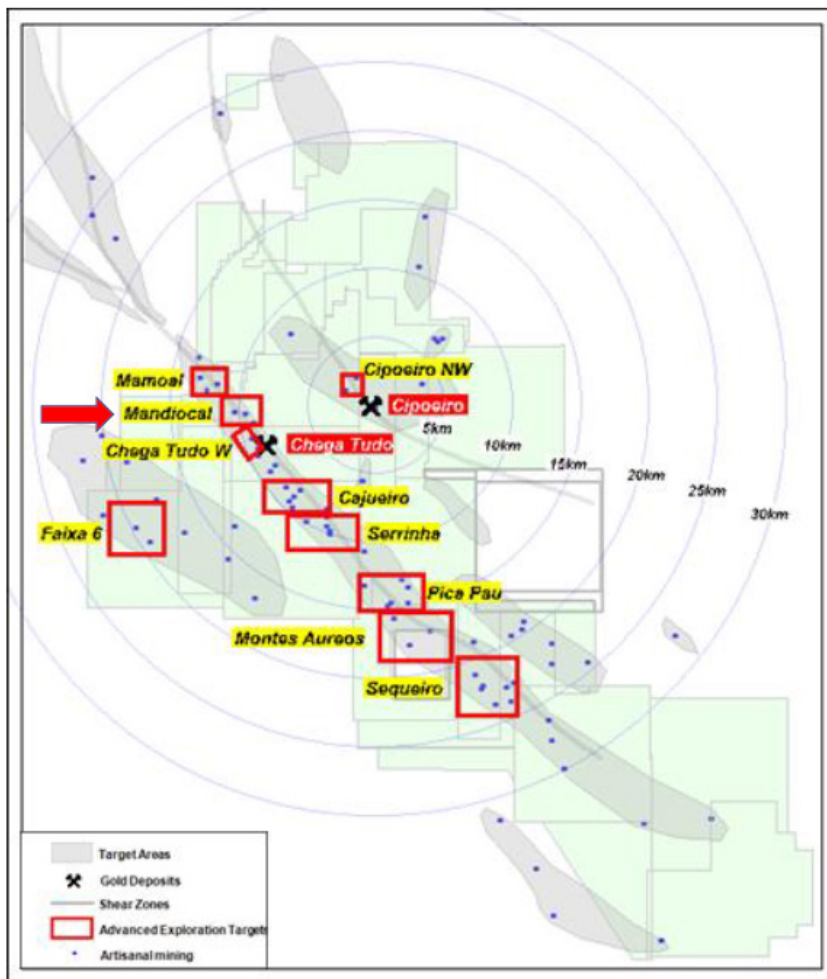
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There are 10 additional priority target areas, all located on geochemical anomalies, with extensive artisanal workings and varying amounts of drilling.



CentroGold lease area with exploration target areas located.

Source: Avanco Resources Ltd

The two most promising exploration prospects are:

- Mandiocai: 2km NW of Chega Tudo, two parallel close spaced mineralised shear zones (2.5km & 1.5km long x 300m wide), -50 holes already drilled, significant artisanal mining, visible gold in outcrop. Potential for up to ~0.3moz.
- Sequeiro: 30km SE of Chega Tudo. Geochemical anomaly over 1km of strike, significant artisanal mining. Drilling of 9 holes for 800m already, with high grades (incl 11m @ 5.7g/t Au).

There is some 100 artisanal mining sites throughout the lease area, mostly unexplored (blue dots on map above). Potential for modest additional satellite mineable deposits is good.

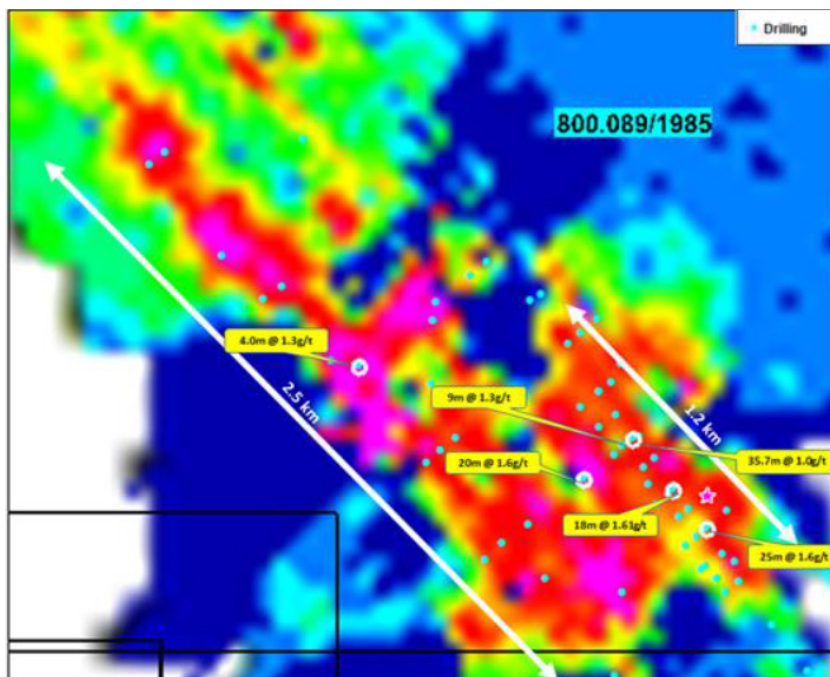
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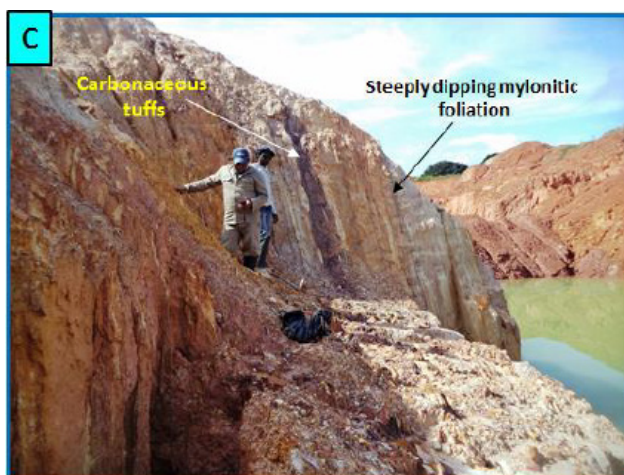
(AVB \$0.10) Buy

EUROZ



Mandiocal prospect geochemistry and historical drilling.

Source: Avanco Resources Ltd



Mandiocal prospect artisanal mining surface.

Source: Avanco Resources Ltd



Mandiocal prospect outcrop with visible gold identified.

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(AVB \$0.10) Buy

Acquisition

Avanco agreed to accelerate the acquisition of CentroGold in Sep'17.

Consideration is US\$9m in instalments:

- US\$2m upon signing;
- US\$2m in 60days or (Transfer of Title);
- US\$5m in 10 monthly instalments upon permitting;
- NSR of 1.0% on 1st 0.5moz produced, 2.0% on next 1.0moz, 1.0% thereafter;
- Avanco will also assume pre-existing 3rd party royalties totalling 1.75%, plus CFEM (Federal) 2%.

The revised terms are similar headline consideration, however the new deal is more front-ended cash to Jaguar, while Jaguar forgoes the variable component to ore reserve upside above 0.5moz, and its right to buy back in. Ostensibly it delivers certainty to Avanco, allowing it to benefit fully from future growth in value.

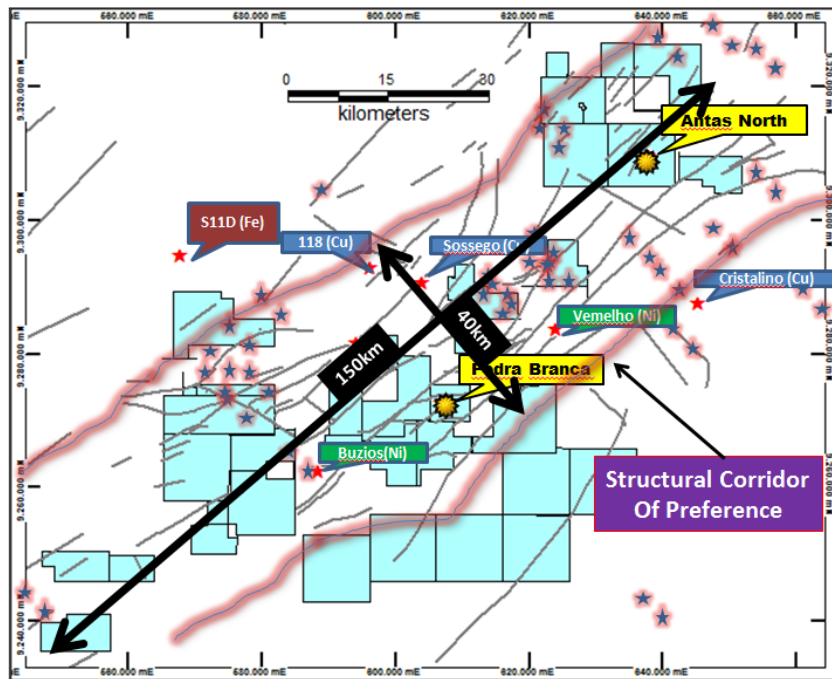
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(AVB \$0.10) Buy

Pedra Branca (100% AVB)



Pedra Branca lease area and structural corridor.

Source: Avanco Resources Ltd

A prefeasibility study was completed on the Pedra Branca East orebody in May 2017.

The Pedra Branca West orebody is more complex and lower grade and is not yet considered for development.

The PB East PFS determined that a US\$158m development to produce 24ktpa Cu from a 1.2mtpa underground mine, at a Cash Cost (C1) of US\$1.30/lb over a life of 10 years will generate an NPV of US\$200m and IRR of 34%.

An updated PFS is expected in late November 2017. This will incorporate an optimised mining method, mine development schedule, capital and operating expenditure estimates. Improvements will come from more selective stope design and pillar placement.

We have moderated our valuation on Pedra Branca to A\$125m (was A\$167m) to more appropriately reflect current licencing and feasibility status.

Completion of the DFS remains on track for May'18.

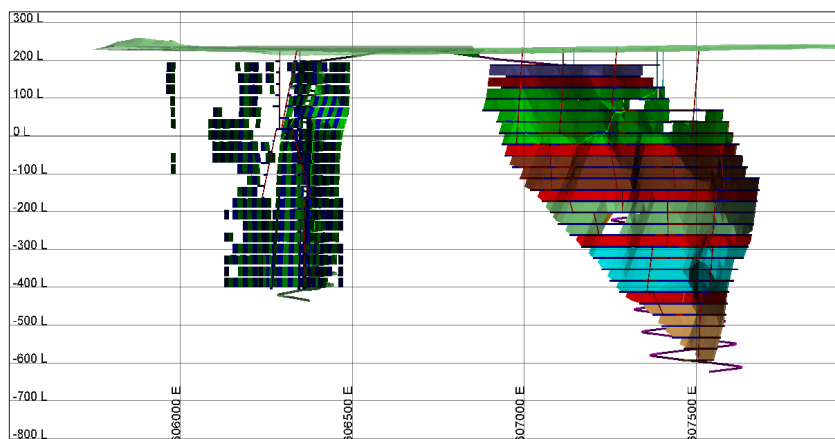
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Pedra Branca orebodies in 3D with PB East mine design.

Source: Avanco Resources Ltd

Environmental licence application was submitted in June 2017, following completion of the PFS. Grant of the environmental licence is a precursor to issue of a full mining licence. Approval is expected in Dec H'18 and is on the critical path.

FID for plant construction is expected in mid 2019, leading to 1st production in 2020.

Grant of a trial mining licence is expected in 2017. This would enable commencement of decline mining to enable access to the orebody for extraction of a bulk sample and geotechnical assessment of ground conditions.

Development work at Pedra Branca already completed in late 2016 includes a box-cut and portal, establishment of workshop, offices and core yard, for expenditure of US\$2m.



PB East land form.

Source: Euroz Ltd

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Pedra Branca is located on flat open cattle grazing land. Avanco owns the surface rights at PB and leases the property to the vendor under management. However this arrangement is due to expire soon.

AVB's development activity so far demonstrates AVB's possession of the property, removing any risk of squatter settlement.



Source: Euroz Ltd

Exploration drilling is underway (5,000m DDH core) to upgrade Inferred resources to Indicated in the deeper sections of the orebody, and to test down-plunge extensions further east. The target is to demonstrate a 10 year life in ore reserve. Drilling is expected to finish by end October.

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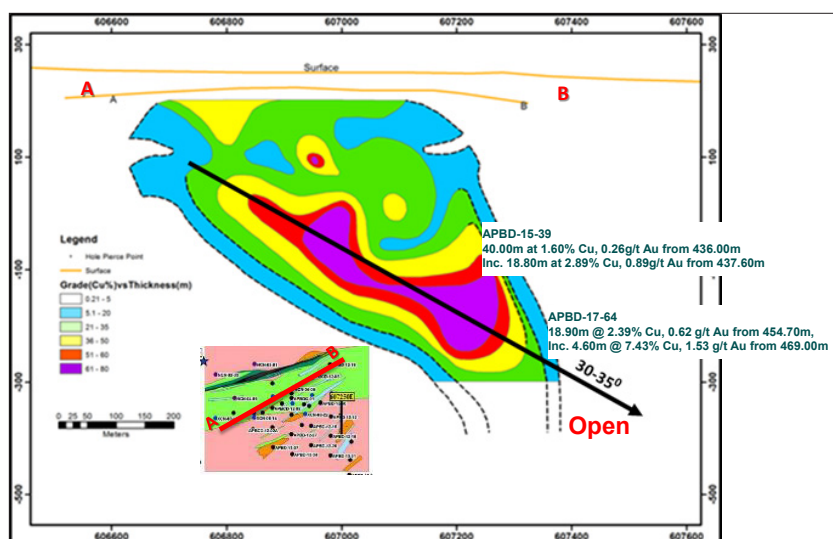


PB East drill core. Competent granite host and sharp contact.

Source: Euroz Ltd

A 2nd rig is also drilling for metallurgical and geotechnical samples.

The 1st exploration hole, APBD-17-64 intersected 19m @ 2.4% Cu and 0.6g/t Au, located 70m further east from previous drilling. The results suggest a more shallow plunge orientation which could lead to higher tonnes per vertical metre.



PB East long section showing new shallow plunging orientation.

Source: Avanco Resources Ltd

Results will feed into an updated mineral resource estimate and ultimately the DFS. The current PB East mineral resource is 10.5mt grading 2.8% Cu and 0.7g/t Au, with ~75% contained in JORC Measured and Indicated categories.

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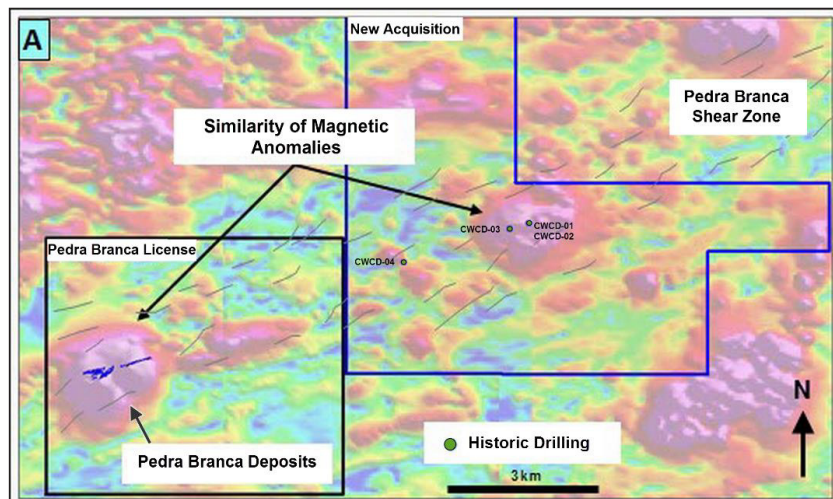
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Exploration drilling will move to PB West and Canaa West following completion of the PB East program, in say early November.

PB West drilling will test a new EM anomaly, and limited infill of existing drilling in order to permit commencement of a scoping study.

Canaa West is contiguous with Pedra Branca tenements, proximal to the PB East orebody. It was acquired from Codelco in Nov'16. It hosts VTEM anomalies structurally similar to Pedra Branca, some a 9km along strike to the SW. Limited drilling by Codelco intersected Cu mineralization in 2 of 3 holes. Detailed Ground EM will be conducted prior to drilling in 2017.



Pedra Branca area showing location of Canaa West prospect to PB deposits, on magnetics with historical drilling.

Source: Avanco Resources Ltd

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