

# PROJECT FINANCE UPDATE

The Company is pleased to announce execution of a binding agreement with Black Rock World Mining Trust PLC (BlackRock) for a US\$12M non-dilutive production Royalty investment. This transaction represents the first, firm and secured funding parcel required to support the development of the ~12,000tpa Antas North (Stage 1) Copper Mine.

## HIGHLIGHTS

- Avanco is an emerging mid-tier Company with focus on Carajas copper in Brazil
- The Stage I Copper Project investment is estimated at US\$70M (US\$50M Pre-production + US\$10M contingency +US\$10M working capital)<sup>1</sup>
- In June 2013 Avanco agreed terms with Banco Votorantim for US\$58M of senior debt on an ~80/20 debt to equity ratio<sup>2</sup>
- A \$12M investment was subsequently offered by BlackRock in exchange for a production royalty with key commercial terms confirmed in March 2014<sup>3</sup>
- The Credit committee of Brazilian Banco Votorantim have approved a (non-binding) term sheet for US\$30m of debt<sup>4</sup>
- Lead banker Votorantim is well advanced in syndicating the remaining US\$28M
- **US\$12M non-dilutive binding Royalty transaction now signed with BlackRock**

## ROYALTY OVERVIEW

Due diligence has been completed, financing and tax structures agreed for the BlackRock Royalty Agreement providing US\$12M in return for Net Smelter Return royalty payments comprising 2% on copper, 25% on gold and 2% on all other metals that will be produced from Antas North (Stage 1) and Pedra Branca (Stage 2) licensed areas. Other discoveries within Avanco's current licence portfolio additional to those previously mentioned carry a flat 2% NSR production royalty.

Drawdown of funds is conditional amongst other things, on publication of JORC Compliant Reported Reserves and receipt of the Mining License for Stage 1. The BlackRock investment to be paid pro-rata with disbursements from the senior debt.

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**ASX Symbol:** AVB

To evaluate the impact of the Royalty Agreement the Company engaged a mining finance expert to examine the impact on projected Stage 1 revenues. The board is satisfied that the commercial terms of the transaction are sound and make economic sense.

With the BlackRock \$12M Royalty Agreement secured, it allows management to focus on progressing the US\$58M debt component<sup>2</sup>. Of the US\$58M, Banco Votorantim have already committed to \$30M, and as lead banker they are formally engaged to syndicate the remaining \$28M<sup>4</sup>.

Banco Votorantim have completed road shows in Sao Paulo offering participation in the Stage 1 project to a number of interested banks. Votorantim anticipate a successful outcome from syndication.

Tony Polglase  
Managing Director

1. See ASX Announcement “Stage 1 Assessment Supports Fast Track Development”, 4 March 2013
2. See ASX Announcement “Key Terms Agreed on US\$58m Debt Facility”, 13 June 2013
3. See ASX Announcements “US\$12m Agreement Reached with BlackRock World Mining Trust”, 8 October 2013 and “March 2014 Quarterly Activities Report”, 30 April 2014. The October agreement was non-binding, Avanco subsequently signed a binding term sheet for the same commercial terms.
4. See ASX Announcement “March 2014 Quarterly Activities Report”, 30 April 2014