

18 September 2017

ASX: AVB ('AVANCO' OR 'THE COMPANY')

## Accelerated Acquisition CentroGold Project

Avanco is pleased to announce a revised transaction with Jaguar Mining Inc (Jaguar) for the accelerated 100% acquisition of the CentroGold Project for conditional instalment payments of \$2.0m on signing and \$2.0m within 60 days, and an additional \$5.0m in 10 payments of \$0.5m, following completion of permitting. The transaction realises the Project value sooner than contemplated under the original earn-in agreement. With ownership now secured, the Company is investigating scenarios to fast track the Project.

### Highlights

- Revised transaction for accelerated 100% ownership of CentroGold
- With access resolved, infill drilling targeting an upgrade of JORC resources to commence immediately
- After infill drilling, Scoping Study to be finalised by end of 2017
- Definitive Feasibility Study targeting completion first half 2018
- Permitting targeting completion second half 2018
- Management believes there is potential for up to 100,000oz Au pa operation commencing second half 2019
- Pursuing project funding through existing cash, cash flow and debt

Commenting on the transaction, Tony Polglase, Managing Director said: *"We are very excited about acquiring 100% of CentroGold, which we believe is one of the best undeveloped gold projects in Brazil. The Project fits well into our business model of developing low-risk-low-capex mines that capitalise on our Brazilian and Aussie "know how".*

*CentroGold hosts the higher grade and shallow Cipoeiro deposit which also benefits from good access to infrastructure. Since our involvement less than a year ago, we have established access, made significant progress with social programmes, the engagement of the local community and commitments to the regulatory bodies. We are now advancing project permitting which had previously hindered progress. This provides a clear pathway to development.*

*The opportunity to develop CentroGold sooner complements our wider copper-gold portfolio. Antas is now in its second year of commercial production and is generating healthy margins. The larger Pedra Branca Project is advancing well and, pending reviews to project capital and permitting, construction is scheduled for the second half of 2019. Therefore, it is apparent that CentroGold sits well between the two, providing an opportunity to add significant shareholder value in the near-term. To date, the market has attributed little value to CentroGold, however, with full ownership now secured and a clear development pathway emerging, we believe a rerating is inevitable."*

A teleconference call discussing the transaction will be held today at 12:00 EST / 10:00 WST:

Australia Toll Free	1800 908 299
Australia Toll	+61 2 9007 8048
International	+61 7 3145 4054
Conference ID	766810

Presentation slides to accompany the call may be downloaded in advance at [avancoresources.com](http://avancoresources.com)

All dollar amounts in this announcement are US Dollars unless otherwise stated

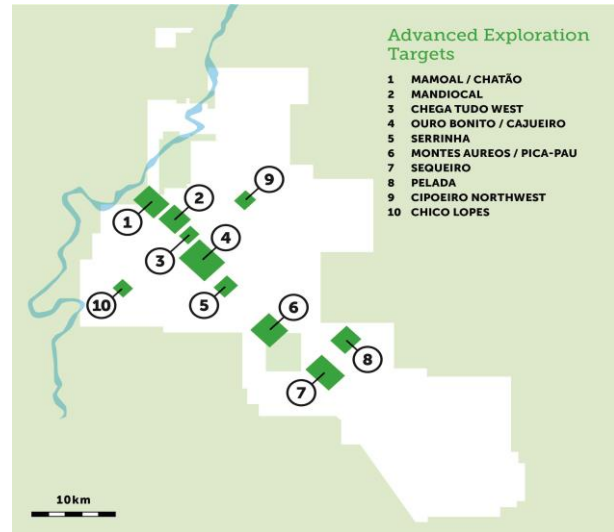
## CentroGold Development Potential

The CentroGold Project<sup>1</sup> lies midway between the cities of Belém and São Luis, in the state of Maranhão, neighbouring the state of Pará in north-eastern Brazil, where the Company's copper-gold assets are located. CentroGold is favourably located, close to existing infrastructure including sealed roads, power, water and skilled labour. The nearest town, Centro Novo is located 26km kilometre by road. It comprises a contiguous 140,000 hectares of tenements situated along a prospective and under-explored 75-kilometre greenstone trend.

Figure 1: CentroGold Map



Figure 2: CentroGold Exploration Targets



Previous work at CentroGold has focussed on the potential for a low-grade high-tonnage open pit operation. Since Avanco's involvement, the Project is being re-evaluated as a more modest sized higher-grade operation, requiring less capital development. This strategy is in line with Avanco's successful business model.

Of the two deposits discovered thus far, Cipoeiro and Chega Tudo, work has focussed on the former, with Avanco releasing an upgraded inferred and indicated JORC mineral resource for Cipoeiro of 20.2Mt at 2.0 g/t Au for 1.3Moz Au<sup>1</sup>. The Cipoeiro Deposit consists of two distinct zones (Blanket and Contact) hosted in and around a large tonalite intrusion.

Figure 3: CentroGold Cipoeiro Deposit Mineral Resources – April 2017<sup>2,3</sup>

	Category	Tonnes (m)	Au (g/t)	Gold (Oz)
Contact Zone	Indicated	2.1	2.5	168,000
	Inferred	5.9	2.2	424,000
	<b>Total</b>	<b>8.0</b>	<b>2.3</b>	<b>592,000</b>
Blanket Zone	Indicated	10.8	1.7	597,000
	Inferred	1.4	2.2	97,000
	<b>Total</b>	<b>12.2</b>	<b>1.8</b>	<b>694,000</b>
<b>CentroGold Total</b>		<b>20.2</b>	<b>2.0</b>	<b>1,286,000</b>

Avanco has commenced a Scoping Study (targeting completion by end of 2017, following the in-fill drilling), envisaging a traditional free-milling operation comprising open-pit mining and CIL processing plant.

To further accelerate progress, the project team has been expanded with key appointments including a project manager and a dedicated geology team. The first of three drill rigs has arrived on site and an infill drilling program has commenced. The program at Cipoeiro consists of 34 holes for 4,395 metres at the Contact Zone and 4 holes for 725 metres at the Blanket Zone. The purpose of the program is to upgrade existing JORC inferred resources, the majority of which are at the Contact

Zone, to the indicated category. Additionally, the Contact Zone appears to be higher grade than the Blanket Zone and may result in higher grade tonnes being mined earlier. This work will form the basis for both the Scoping Study and subsequent Feasibility Studies. Upon completion of the Scoping Study by the end of 2017, Pre-Feasibility and Definitive Feasibility Studies will commence, targeting completion in the first half of 2018. Debt financing options will be pursued in tandem with the studies.

Avanco believes that permitting will be resolved in time to facilitate the start of construction by the end second quarter of 2018. Avanco is working with the relative government bodies (DNPM and INCRA) to resolve previous oversights. Following a successful conclusion, the injunction on the environmental licence will be lifted, the mining leases granted, and the construction licence re-issued.

Management believe that based on the current known resources, CentroGold has the potential to produce 100,000oz Au pa for a minimum 10 years, with first production as early as the second half of 2019.

The larger CentroGold area is believed to host exceptional exploration potential. Interpretation of a vast database of historical information, including drilling and numerous studies suggests substantial potential associated with the proximal Chega Tudo deposit and eight other known targets (see Figure 2). Accordingly, management believe that CentroGold is well positioned to become a long life, quality gold operation for Avanco.

**Figure 4: Cipoeiro Drilling Overview**



**Figure 5: Drill Rigs on Site**



### **CentroGold Revised Transaction**

In October 2016 Avanco and Jaguar entered into a structured earn-in agreement for a minimum of \$8.45m to acquire CentroGold. Encouraged by the potential at CentroGold, Avanco has agreed a revised agreement to accelerate the CentroGold acquisition. The main commercial terms include:

- Avanco will pay \$4.0m for 100% control and ownership of CentroGold:
  - \$2.0m on signing; and
  - \$2.0m on the earlier of transfer of title, expected in the fourth quarter of Q4 2017, or 60 days.
- Once Avanco has resolved permitting, it will pay Jaguar an additional \$5.0m in 10 equal monthly instalments.
- A net smelter royalty is payable to Jaguar of up to:
  - 1% on the first 500,000 ounces of gold production
  - 2% on gold production between 500,000 and 1,500,000 ounces, and
  - 1% on gold production over 1,500,000 ounces
- Avanco to assume net smelter royalty payments to historical third parties amounting to 1.75%.

- Other significant terms include longer exploration and development timeframes for commitments, notably JORC ore reserves within 24 months and commissioning within 60 months.

### Avanco Portfolio

The Antas Mine is now in its second year of commercial production and is on track to meet annual guidance of between 13,500-14,000 tonnes of copper and 9,750-10,500 ounces of gold and is generating healthy margins, particularly in an improving copper and gold price environment.

Progress with the larger Pedra Branca Project continues to advance well. The Pre-Feasibility Study demonstrated robust economics for an underground mining operation. Completion of a Definitive Feasibility Study, incorporating enhancements since the Pre-Feasibility Study, is on track for completion in the second quarter of 2018. Progress at Pedra Branca is dependent on the granting of construction permits and mining licenses, with first production expected from mid-2020.

Consequently, with 100% ownership of CentroGold accelerated, the Company is now in a position to examine the opportunity to develop CentroGold in the interim, realising the Project's value sooner.

TONY POLGLASE  
MANAGING DIRECTOR

<sup>1</sup> Gold mineralisation within the CentroGold project is typical of mesothermal vein-style, or orogenic-style gold deposits

<sup>2</sup> See ASX Announcement CentroGold- Improved Mineral Resource Confidence Advances Scoping Study", 26 April 2017, for Competent Person's Consent, material assumptions, and technical parameters underpinning the CentroGold resources

<sup>3</sup> Grade Tonnage Reported above a Cut-off Grade of 1.0 g/t Gold

DNPM National Department of Mineral Production

INCRA National Institute of Colonisation and Agrarian Reform

### About Avanco

Avanco is a progressive Australian ASX-quoted regional mining company in the world class mineral province of Carajás in Brazil. Antas, the Company's first mine celebrated its first commercial production anniversary in July 2017. Antas demonstrates the Company's ability to create value at every stage, from exploration discovery through to commercial production. In the near-term Avanco has clear plans to expand through exploration and the development of new projects, notably CentroGold and Pedra Branca. Avanco's mission is to be a mid-tier mining company with exposure to complementary copper and gold. The company is financially strong and debt-free.

For further information please visit [www.avancoresources.com](http://www.avancoresources.com) or contact:

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