



# CentroGold Project Acquisition

OVERVIEW OCTOBER 2016

# CENTROGOLD ACQUISITION RATIONALE

## OVER 3 MILLION CONTAINED GOLD OUNCES



- ▶ Advanced stage gold project covering approximately 1,370km<sup>2</sup> with vast database of previous exploration and development work including more than 800 drill holes for ~130,000 metres
- ▶ Established indicated and inferred resource base (“Foreign Estimate” prepared under CIM Code and Canadian NI 43-101 reporting standards) totalling 88.5Mt at 1.14g/t gold for 3.14 million contained ounces previously reported for two shallow gold deposits\*
- ▶ Additional upside with several drill-ready exploration targets identified
- ▶ Unique opportunity for Avanco to gain access to a high profile project by capitalising on its permitting and technical strengths
- ▶ Earn-in agreement provides for a low entry cost followed by staged expenditure
- ▶ Acquisition will not materially impact on the Company’s cash reserves or current development plans for Pedra Branca
- ▶ Broadens the Avanco’s exposure to gold and once in production, provides for a more balanced revenue distribution between copper and gold

\*Refer slide 19 for Foreign Resource Estimate

# PROJECT LOCATION

- ▶ Located in Maranhão state, on the border of Pará State
- ▶ Accessible from Belem (Pará capital) or São Luis (Maranhão capital) and within 600km of Avanco's Carajas projects
- ▶ Favourably located proximal to existing infrastructure, including power, water and skilled labour
- ▶ CentroGold is one of several large gold projects in the region including Tucano, Aurizona, Volta Grande and Tocantinzinho



# GEOLOGICAL SETTING

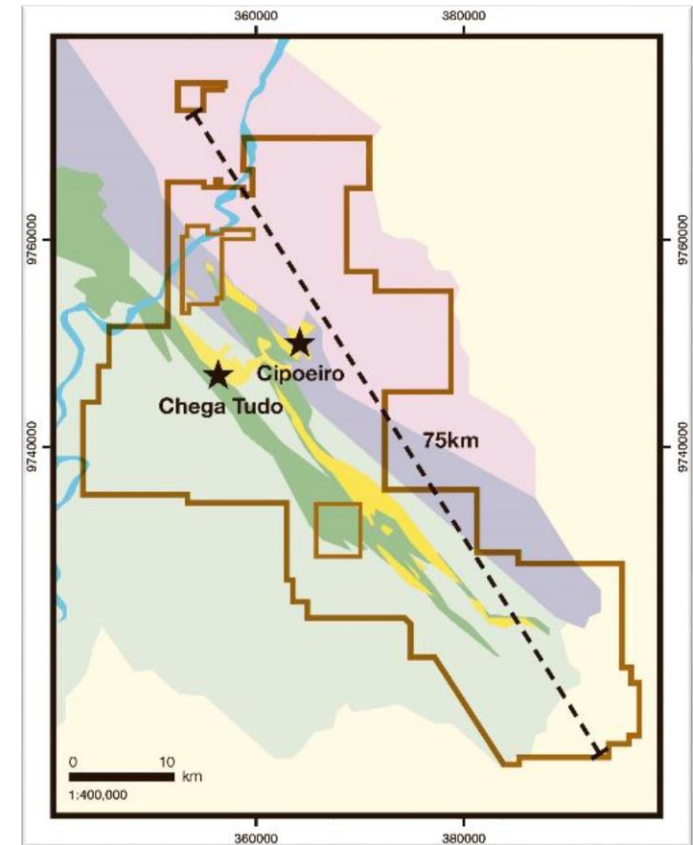
EXTENSION OF WORLD CLASS WEST AFRICAN GOLD PROVINCE



# CENTROGOLD KEY ATTRIBUTES

LEVERAGING OFF THE ANTAS MODEL

- ▶ 1,370km<sup>2</sup> tenement package, 58% granted
- ▶ Encompasses Gurupi greenstone belt along NW–SE trending Tentugal shear zone
- ▶ Foreign Estimate (CIM Code, reported under NI43-101):
  - 88.5Mt at 1.14g/t gold for 3.14Moz in two shallow deposits (Cipoeiro ~2Moz, Chega Tudo ~1Moz)\*
- ▶ Cipoeiro deposit consists of two distinct zones (Blanket and Contact) hosted in and around a large tonalite intrusion
- ▶ Chega Tudo is hosted within the 120km long Tentugal shear zone
- ▶ Gold mineralisation is associated with pyrite concentration and quartz–sericite alteration



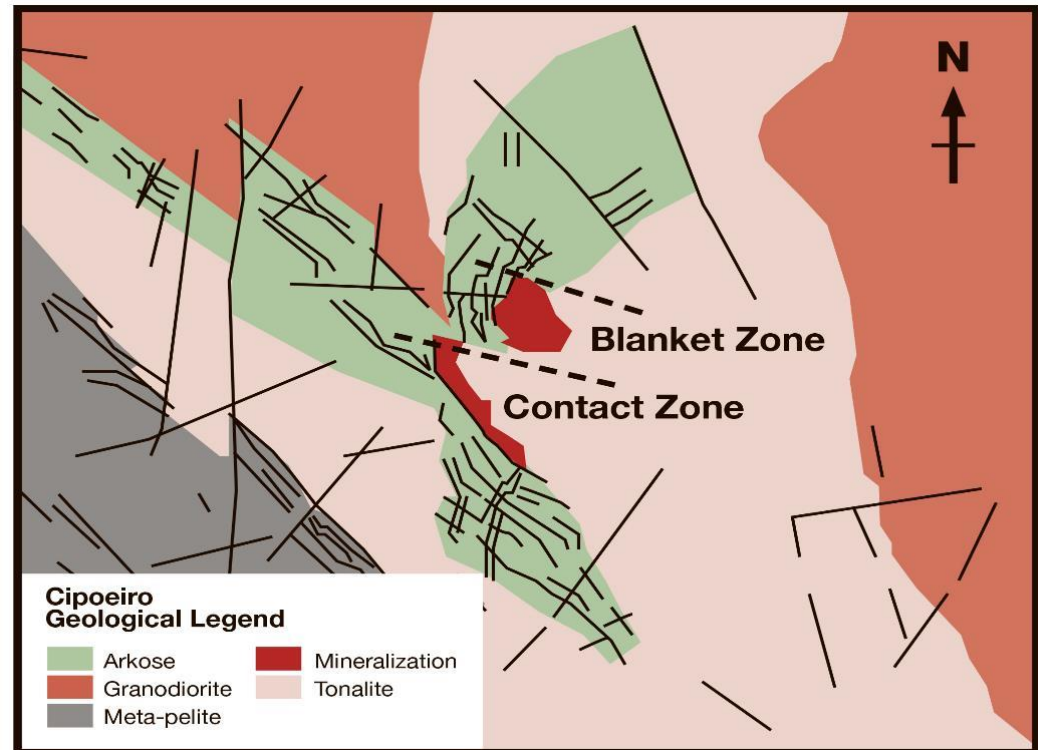
\* Refer slide 19 for Foreign Resource Estimate



# CENTROGOLD KEY ATTRIBUTES

LEVERAGING OFF THE ANTAS MODEL

- ▶ Blanket Zone presents immediate potential for a low capex, fast start-up open pit development
- ▶ Contact Zone has clear potential for providing expansion options to any project start-up focused on the Blanket Zone
- ▶ Avanco believes a more economically attractive outcome is achievable (compared to previous studies) starting on higher grade material at the Blanket Zone using Antas as a model (size & capex)
- ▶ Metallurgical testwork on Cipoeiro and Chega Tudo ores indicate both are “free-milling” and non-refractory, with leach recoveries reported at between 89% and 97%



# L I C E N S I N G   A N D   A C C E S S

AVANCO DIRECTOR LUIS AZEVEDO TO LEAD PROCESS



- ▶ Agreement obliges Avanco to resolve certain regulatory and access related issues in the first 12 months with a minimum budget of US\$300,000. If required, this can be extended at Avanco's discretion to 24 months
- ▶ Both the Cipoeiro and Chega Tudo deposits are on Mining Lease Applications. Both applications are currently pending the prerequisite issue of an Environmental License. An Environmental License has previously been issued and subsequently suspended by another regulatory body due to an oversight in the legal process regarding surface rights
- ▶ After thorough legal due diligence, Avanco is of the opinion that the issues are resolvable and require the specialist skills of a highly experienced, mining focused legal team with an appropriately sized budget
- ▶ Both parties agree that Avanco Director Luis Azevedo and his highly experienced team at FFA Legal are the right people for the task
- ▶ FFA Legal estimates that this process will take between 4 to 6 months
- ▶ This timetable fits well with Avanco's technical programme - JORC Resource estimates and Scoping Study in Q4 2016, with field work commencing in Q1 2017 (refer to slide 8)

**LICENCE MANAGEMENT PROGRAMME:**

**Q4 2016 – Q1 2017**

**2016 TECHNICAL PROGRAMME:**

- ▶ Cipoeiro – Blanket Zone
  - ❑ Data review, QAQC and geological model
  - ❑ JORC Resource estimate
- ▶ Scoping Study – fast start-up/low-capex option for Blanket Zone
- ▶ Cipoeiro – Contact Zone
  - ❑ Data review, QAQC and geological model
  - ❑ JORC Resource estimate
- ▶ Scoping Study – Blanket Zone start-up, Contact Zone expansion

**November 2016**

**December 2016**

**December 2016**

**January 2017**

**BUDGET:**

**~US\$500,000**

**2017 TECHNICAL PROGRAMME:**

- ▶ Chega Tudo Resource modelling. Maiden drill programme
- ▶ Commence Pre-Feasibility Study

**Q1 2017**

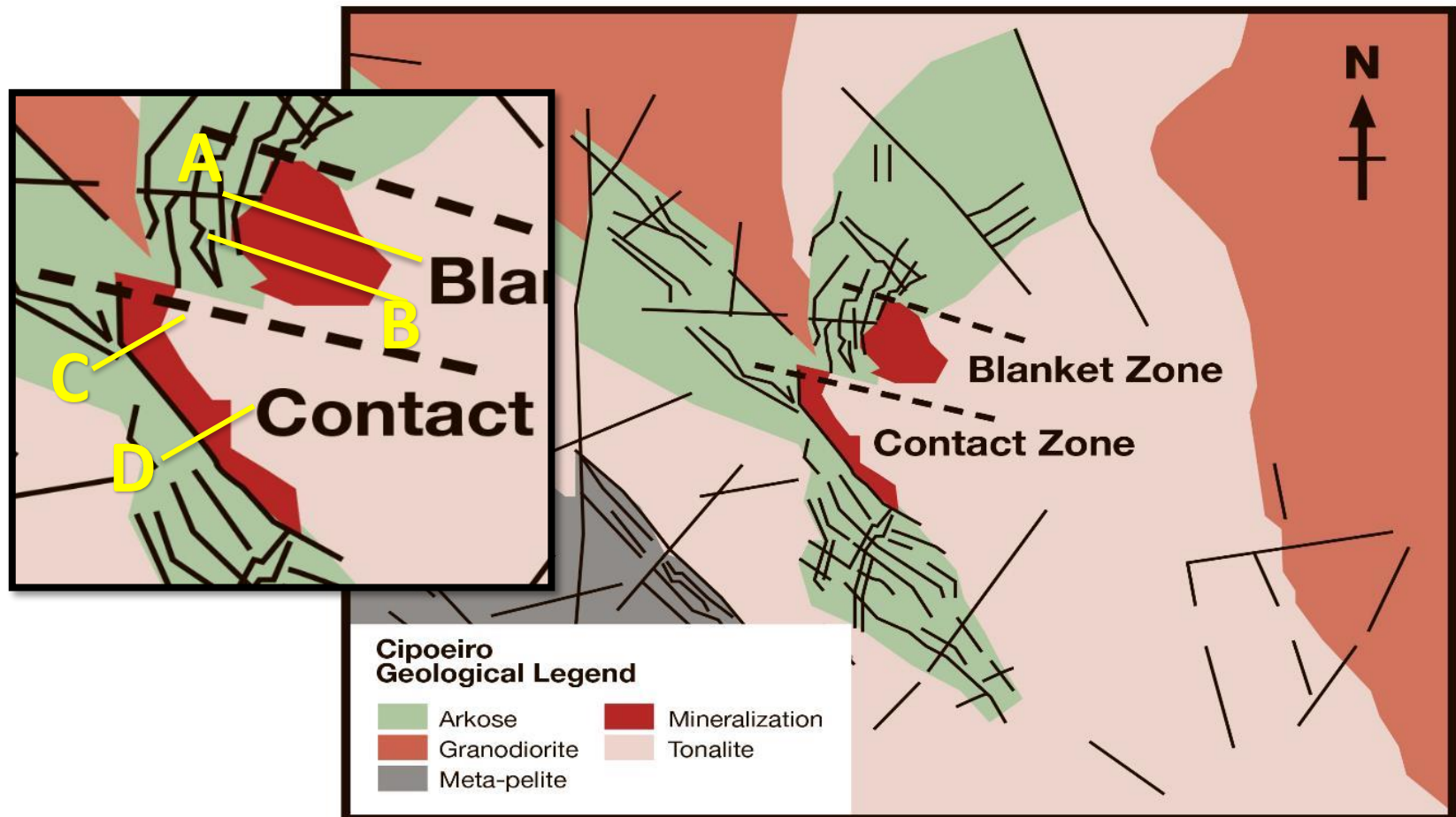
**Q2 2017**



# CIPOEIRO GOLD DEPOSIT

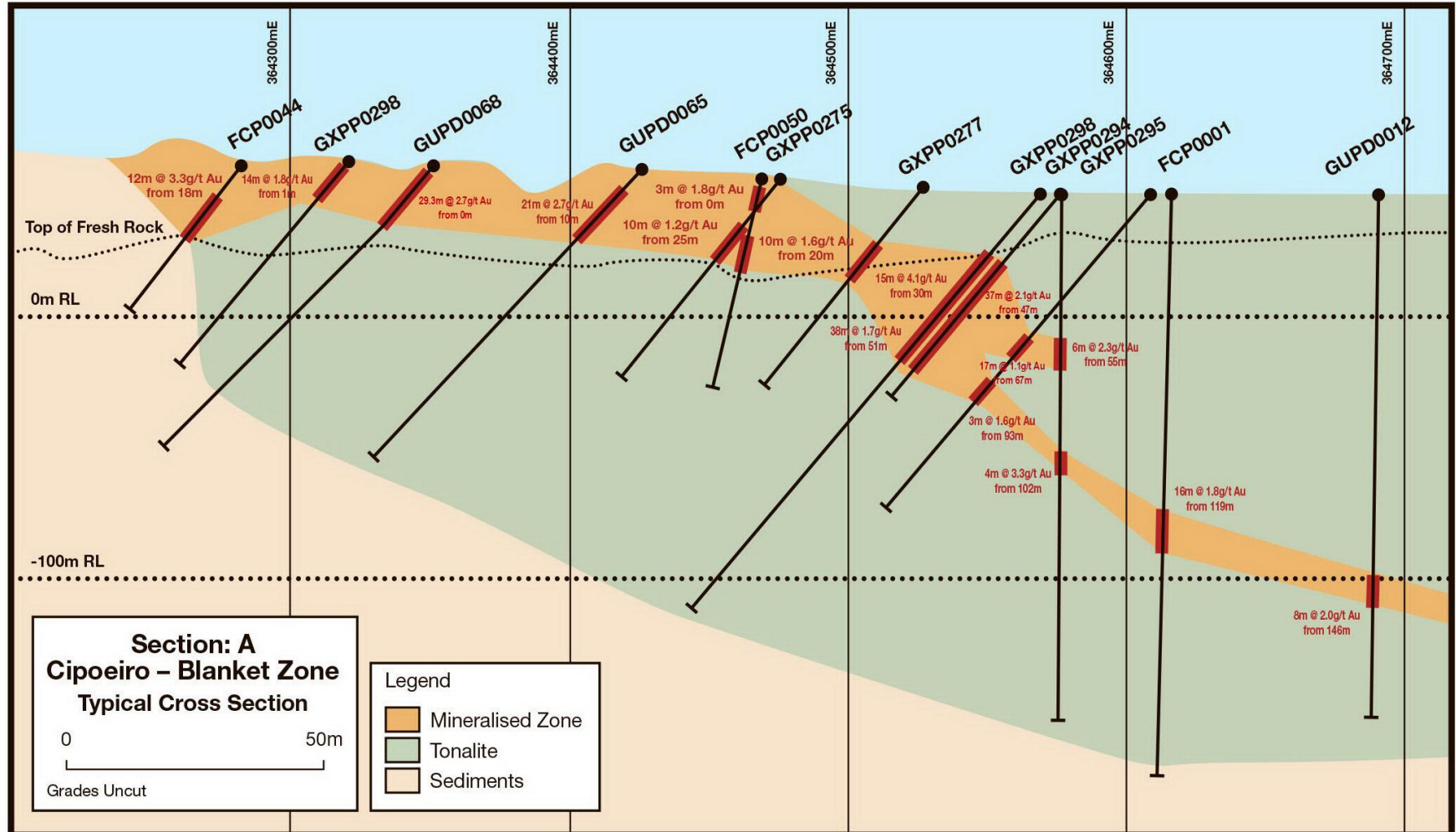
## BLANKET ZONE

- Initial work to focus on Cipoeiro, firstly at the Blanket Zone which demonstrates better grade combined with robust continuity



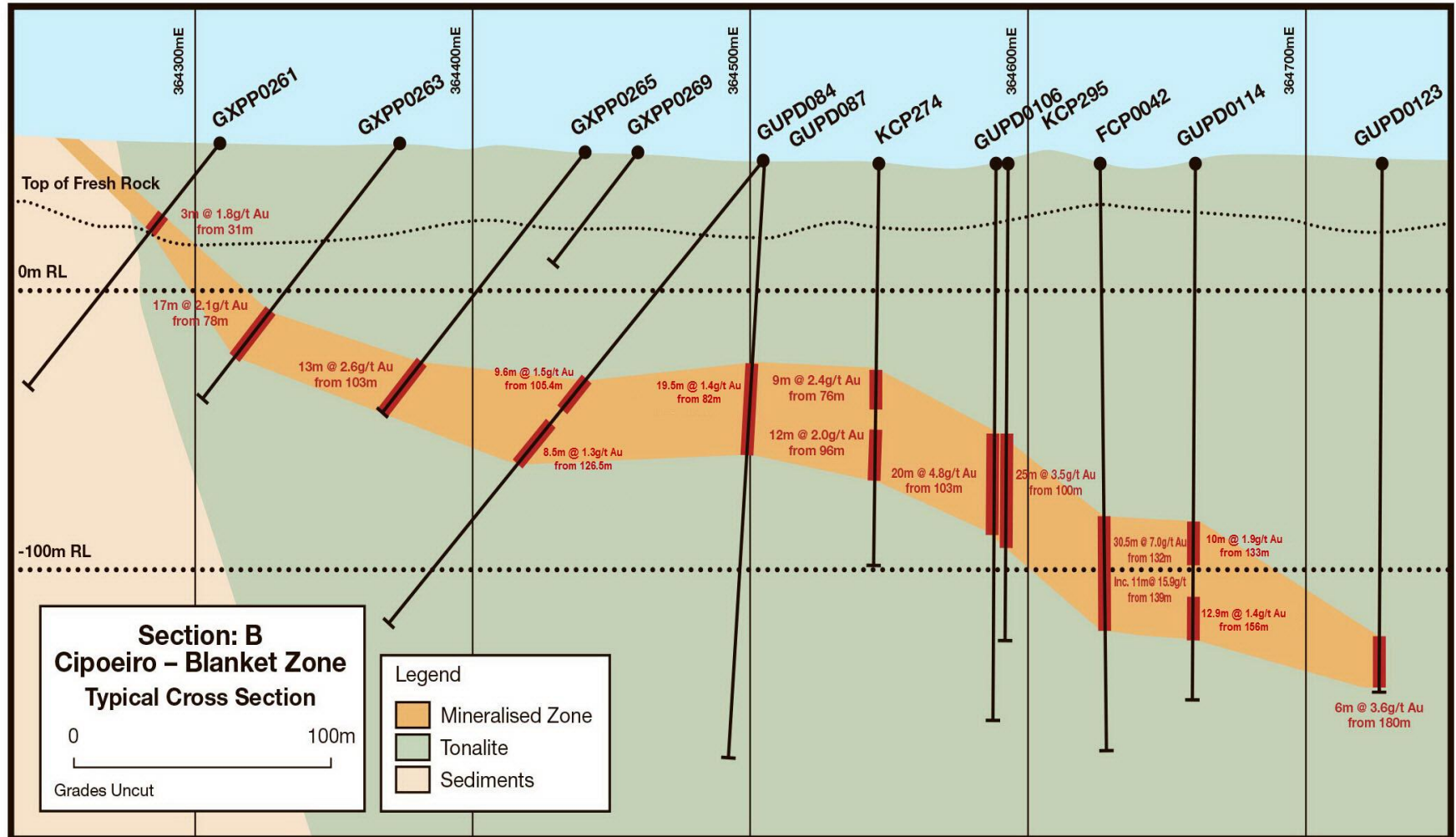
# CIPOEIRO BLANKET ZONE - SECTION A

## OXIDE MINERALISATION FROM SURFACE



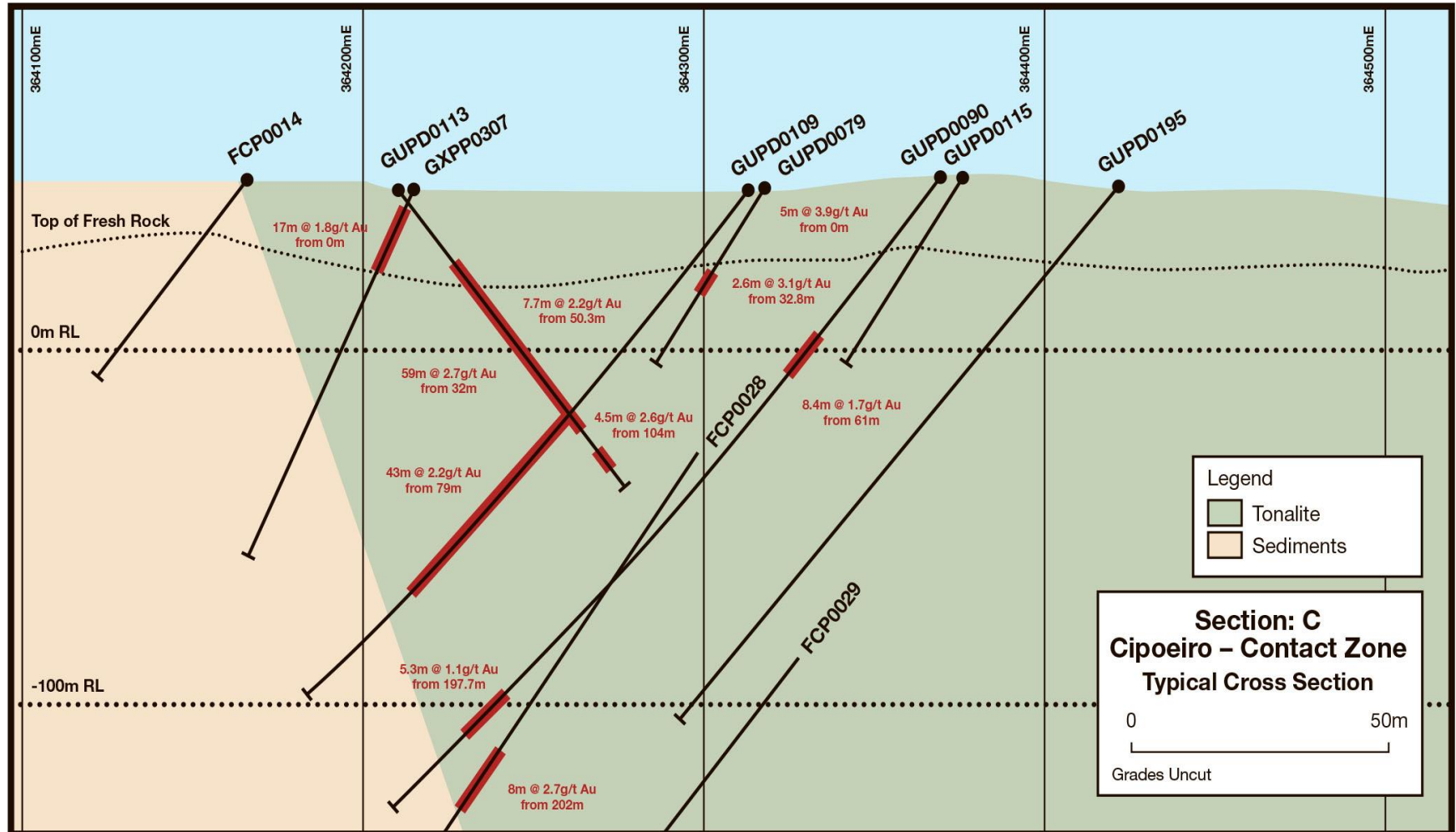
# CIPOEIRO BLANKET ZONE - SECTION B

SHALLOW DIP, LOW STRIP



# CIPOEIRO CONTACT ZONE - SECTION C

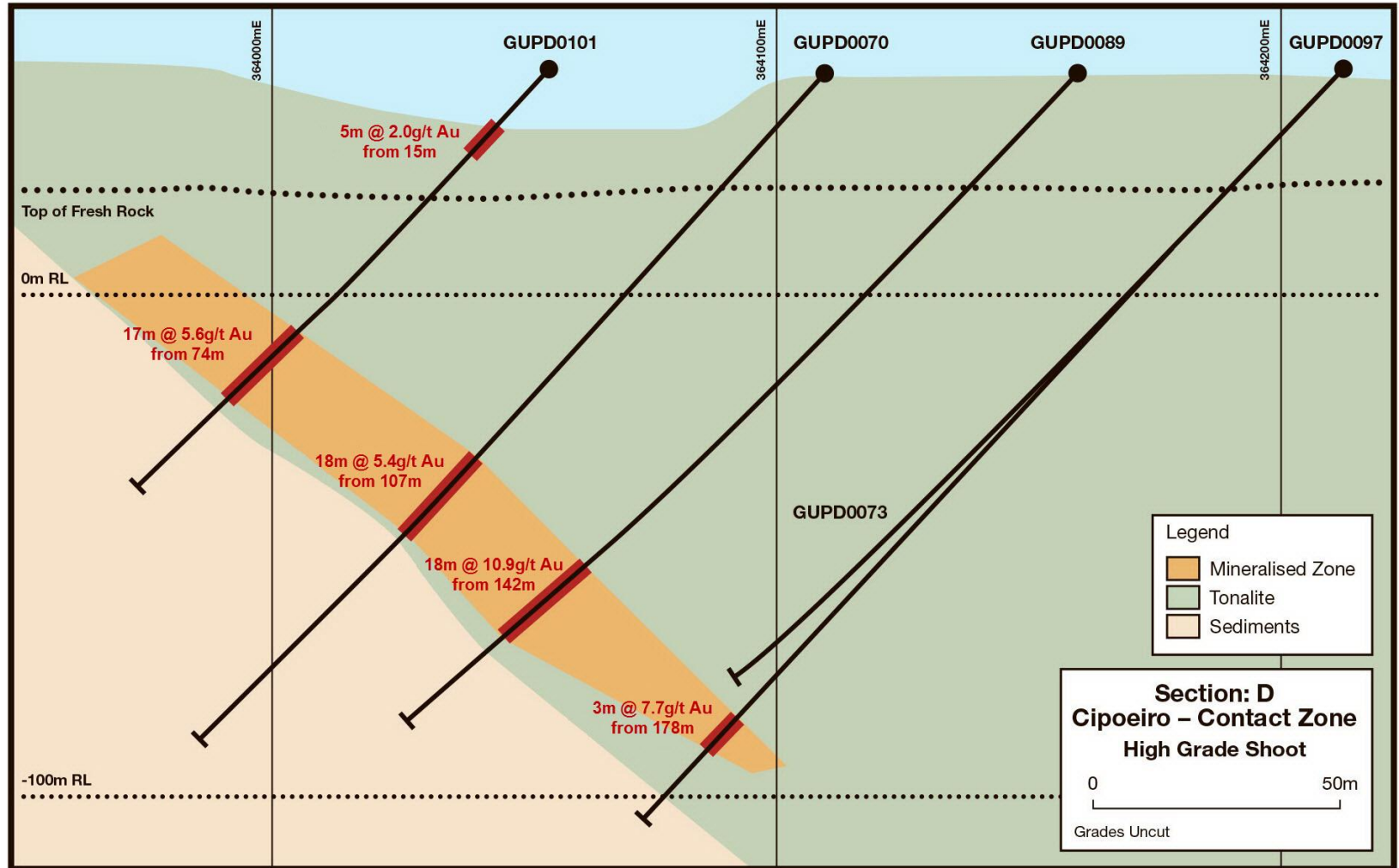
## WIDE, SUB-VERTICAL CORRIDOR





# CIPOEIRO CONTACT ZONE - SECTION D

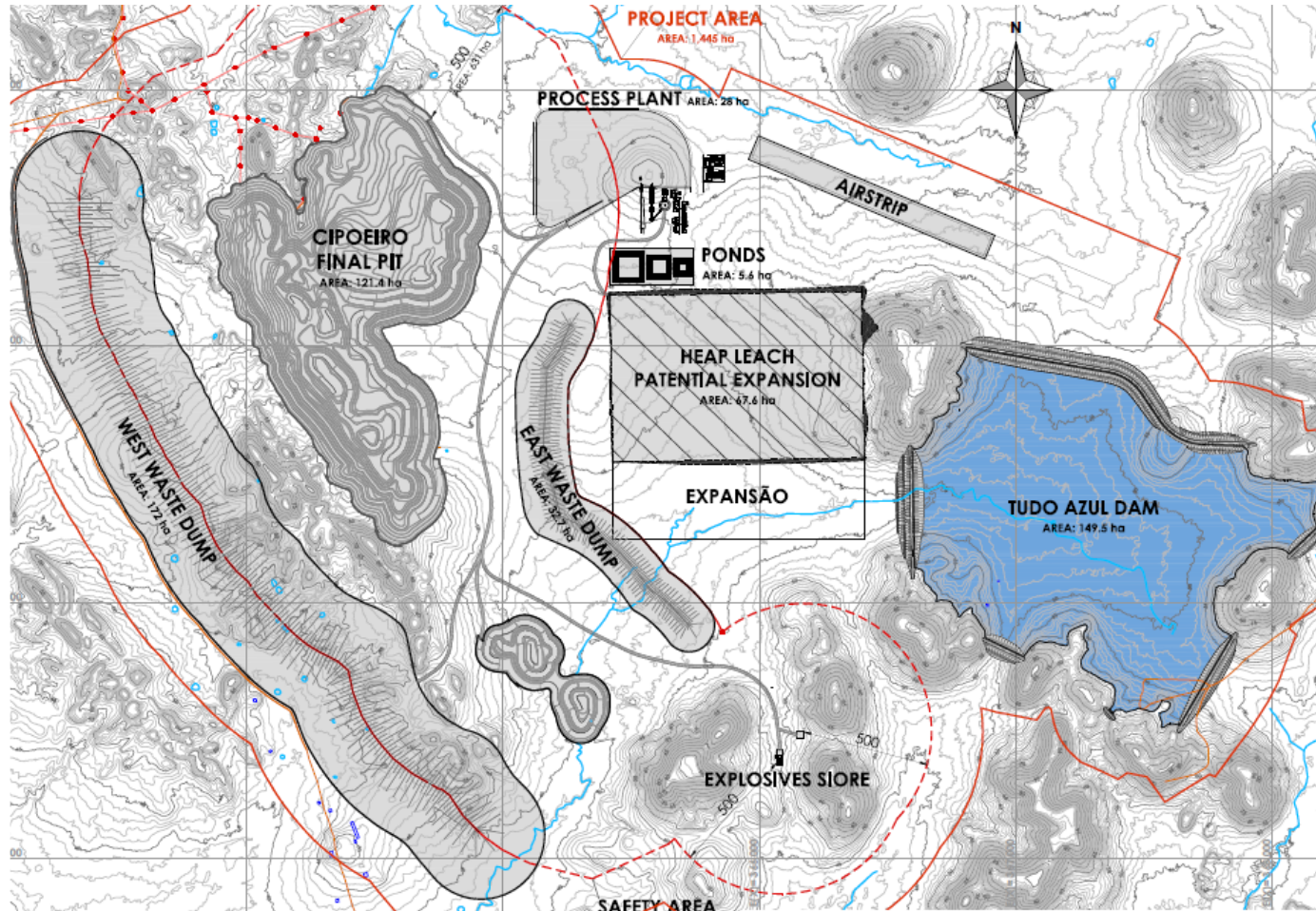
## POTENTIAL HIGH GRADE ZONE



# MOST RECENT FEASIBILITY STUDY

## A POTENTIAL DEVELOPMENT FOOTPRINT FOR CIPOEIRO

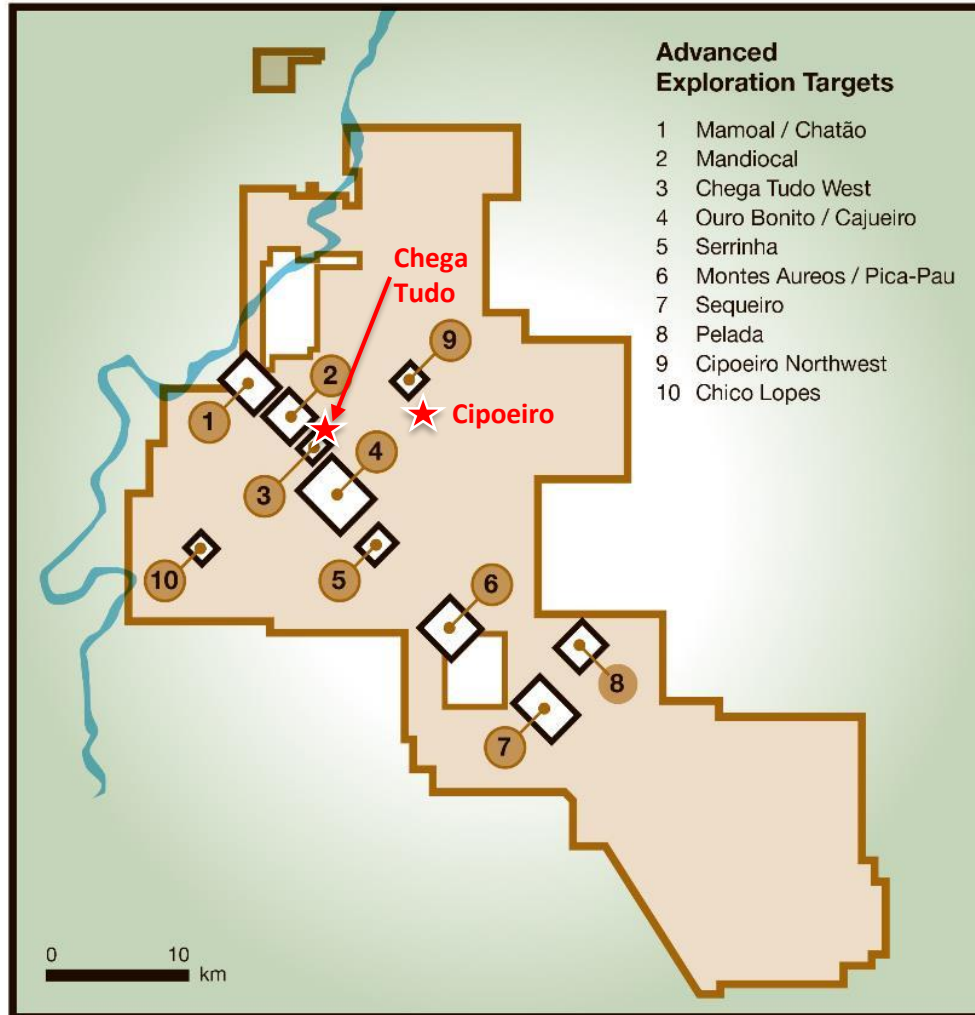
- Site layout for planned mine at Cipoeiro from previous Feasibility Study





# REGIONAL UPSIDE

## TOP 10 TARGETS



- Vast project database pending review to prioritise targets for follow-up exploration

### Advanced Exploration Targets

1	Mamoa / Chatão
2	Mandiocal
3	Chega Tudo West
4	Ouro Bonito / Cajueiro
5	Serrinha
6	Montes Aureos / Pica-Pau
7	Sequeiro
8	Pelada
9	Cipoeiro Northwest
10	Chico Lopes

### Tenure

- ▶ The CentroGold project covers an area of ~1,370km<sup>2</sup>. Of this ~800km<sup>2</sup> (or 58%) is granted. Both the Cipoeira and Chega Tudo deposits are on Mining Lease Applications
- ▶ Surface rights belong to several local farmers. Positive negotiations have already commenced
- ▶ A small group of artisanal miners are treating superficial oxide material that is not expected to inhibit mine development

### Infrastructure

- ▶ CentroGold is located 500km NW by paved highway from São Luis (capital of Maranhão) and 350km SE of Belém (capital of Pará). The Project is also favourably located approximately 600km northeast of the Company's Carajas assets
- ▶ The main Cipoeiro and Chega Tudo gold deposits are 8km apart and situated approximately 40km from Cento Novo, the nearest substantial town, with a population estimated at 15,000
- ▶ Power is currently supplied by the local utility company CEMAR. For a mining operation, power will be delivered via a new overhead line from the main substation ~40 km away. Water can be sourced if required from the Gurupi River, 14km away

### Climate

- ▶ Equatorial climate, with rain in summer (December to May). Annual rainfall averages 2,000mm

# ADDITIONAL INFORMATION

## CIPOEIRO DEPOSIT CURRENT STATUS

### ▶ Cipoeiro



- ▶ Artisanal miners currently exploiting small volumes of saprolite material
- ▶ Primary zone containing majority of resource remains untouched
- ▶ Gravity recovery by artisans is low due to very fine gold

### ▶ Cipoeiro West



### ▶ Cipoeiro town



# ADDITIONAL INFORMATION

## KEY TRANSACTION TERMS<sup>1</sup>



- ▶ Agreement provides Avanco with initial right to earn 20% of Jaguar Mining Inc's ("Jaguar", TSX: JAG) 100% interest in the CentroGold Gold Project<sup>2</sup> ("Project") within 12 months of the signing date (extendable as earn-in obliges Avanco to perfect regulatory and access related issues within 24 months) by paying to Jaguar an aggregate cash fee of US\$1.7 million plus an additional fee of US\$500,000 in cash or shares in Avanco and by expending US\$300,000 to perfect title and establish access
- ▶ Avanco can earn an additional 31% interest in the Project upon publication of results relating to completion of a reserve estimate reported in accordance with the JORC Code in excess of 500,000 ounces gold, and will earn a further 29% interest upon demonstration of adequate funding coupled with the start of construction of a process plant with capacity in excess of 50,000 ounces per year
- ▶ In the event that Avanco cannot demonstrate adequate funding for the Project, Jaguar will have a one-time right to buy back a 31% interest and therefore control of the Project by paying to Avanco the reasonable costs and expenses incurred in the preparation of the reserve report and associated feasibility studies.
- ▶ Avanco will have the option to acquire the remaining 20% interest in the Project by paying a fee equal to the greater of US\$6.25 million or the sum of US\$12.50 per ounce of gold as per the reserve study.
- ▶ Jaguar will maintain a Net Smelter Royalty ("NSR") upon the commissioning of production at the Project. The NSR will be 1% on the first 500,000 ounces of gold or gold ounce equivalent produced; 2% on production from 500,001 to 1,500,000 ounces; and 1% on production exceeding 1,500,000 ounces<sup>3</sup>.
- ▶ Avanco retains the right to withdraw from the transaction with 60 days' notice.
- ▶ Existing Royalties
  - Franco Nevada (Newmont): 1%
  - Rio Tinto: 0.75%
  - CFEM (Federal Gold Royalty): 1%

CentroGold - TOTAL NI 43-101 Mineral Resource <sup>4,5,6</sup>					
DEPOSIT	Au Cut-Off Grade	Category	Million Tonnes	Au (g/t)	Contained Gold (oz)
Cipoeiro	0.33 g/t	Indicated	49.20	1.17	1,855,000
		Inferred	6.70	1.11	240,000
		Total	55.90	1.16	2,095,000
Chega Tudo	0.31 g/t	Indicated	20.70	1.00	663,000
		Inferred	11.90	0.98	377,000
		Total	32.60	0.99	1,040,000
<b>TOTAL</b>		<b>Total</b>	<b>88.50</b>	<b>1.10</b>	<b>3,135,000</b>

- The resource estimate has not been reported in accordance with the JORC Code 2012, and is a "Foreign Estimate" for the purpose of the ASX Listing Rules
- A Competent Person (under ASX Listing Rules) has not yet done sufficient work to classify the Foreign Estimate as a Mineral Resource in accordance with the JORC Code 2012
- It is uncertain that following evaluation of this Foreign Estimate, it will be able to be reported in accordance with the JORC Code 2012

## COMPETENT PERSONS STATEMENT

The information in this announcement that relates to ASX Listing Rules 5.12.2 through to 5.12.7, Exploration Targets, Exploration Results and Mineral Resources is an accurate representation of the available data and is based on information compiled by Mr Simon Mottram who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Mottram is an Executive Director of Avanco Resources Limited (“Avanco”), in which he is also a shareholder. Mr Mottram has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person (CP) as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr Mottram consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

## CAUTIONARY AND FORWARD LOOKING STATEMENTS

- This announcement may contain certain forward-looking statements. Words ‘anticipate’, ‘believe’, ‘expect’, ‘forecast’, ‘estimate’, ‘likely’, ‘intend’, ‘should’, ‘could’, ‘may’, ‘target’, ‘plan’, ‘potential’ and other similar expressions are intended to identify forward-looking statements. Indication of, and guidance on, future costings, earnings and financial position and performance are also forward-looking statements.
- Such forward looking statements are not guarantees of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Avanco, its officers, employees, agents and associates, which may cause actual results to differ materially from those expressed or implied in such forward-looking statements.
- Actual results, performance, or outcomes may differ materially from any projections or forward-looking statements or the assumptions on which those statements are based.
- You should not place any undue reliance on forward-looking statements and neither Avanco nor its directors, officers, employees, servants or agents assume any responsibility to update such information.
- Any stated Production Target is based on the Company’s current expectations of future results or events and should not be relied upon by investors when making investment decisions. Further evaluation work and appropriate studies are required to establish sufficient confidence that this target will be met.
- Costs are in US\$



## FOOTNOTES

1. Subject to typical conditions precedent for a transaction of this nature
2. Ounces of gold or gold equivalent, should other metals be produced from the project
3. Gold mineralisation within the CentroGold project is considered to be typical of mesothermal vein-style, or orogenic-style gold deposits
4. Canadian Institute of Mining, Metallurgy and Petroleum (CIM), used for reporting of mineral resources/reserves on the TSX. The CIM Code is a National Reporting Organisation (a recognised code) and member of the Committee for Mineral Reserves International Reporting Standards (CRIRSCO) with JORC and a number of other foreign codes
5. This is the most recent foreign resource estimate published for CentroGold, and is contained within an independent Technical Report (Feasibility Study) on the CentroGold Project, reported under the standards of Canada's National Instrument (NI) 43-101. This is a publicly available document and can be accessed from the SEDAR website for public company filings
6. See ASX Announcement "Avanco to Acquire Advanced Gold Project", 7 October 2016, for Competent Person's Consent, material assumptions, Listing Rule 5.12 compliance and technical parameters supporting the Foreign Resource Estimate
  - The Company is not in possession of any new information since the above news release of 7 October 2016
  - The supporting information in the above news release (7 October 2016) continues to apply



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