

16 May 2018

## Pedra Branca Regulatory and Development Update

**ASX: AVB ('AVANCO' OR 'THE COMPANY')** is pleased to report that a successful public hearing was recently held for the proposed development of the Pedra Branca Copper Project, in Carajas, Brazil. No objections were recorded at the hearing, indicating a strong level of local support.

The implementation of Pedra Branca requires approval from various regulatory authorities, including the State environmental body Secretaria de Estado de Meio Ambiente do Pará (SEMA). The Public Hearing represents an important component of the Brazilian Mining and Environmental Legislation Code<sup>1</sup> and is a necessary step towards the granting of the Provisional Environmental License (LP).

Whilst further consultation and approval by Government agencies is required, the successful completion of the Public Hearing or "*Audiencia Publica*", is regarded as a positive and significant step forward for the granting of the LP. The Public Hearing saw significant interest with approximately 800 people from the surrounding communities participating (see Picture 1). Importantly, numerous State and Municipal politicians, including the Pará State Vice Governador, the Secretary of Environment of Pará and the local Mayor of Agua Azul<sup>2</sup>, were in attendance.



*Significant interest with ~800 people from the surrounding communities participating*

The purpose of the public hearing was to discuss the potential social and environmental impacts on the local communities of the proposed development of Pedra Branca.

Avanco Director, Luis Azevedo outlined Avanco's interest in developing Pedra Branca while our environmental consultant, Terra Ambiente, presented the Project's environmental features, controls and expected outcomes.

Following the presentations, members of the public actively participated in a question and answer session. Luis Azevedo responded to approximately 60 questions over a period of three and a half hours. Questions and discussions included:

- direct job creation for the local and surrounding communities;
- prioritising the employment of local people and suppliers;
- anticipated tax revenues;
- impact of the proposed underground mine on local farmers; and
- responsibility for maintenance of local roads.

There were no serious concerns raised by the local communities and Avanco committed to supporting improvements to local infrastructure and giving priority to the employment of people from Agua Azul.

Following a period of further consultation, the environmental authorities will review the matters raised during the public forum and where deemed appropriate, integrate them into the LP. Grant of the LP is expected late Q3-2018 with the subsequent Installation License (LI)<sup>4</sup> before year end.



*Luis Azevedo responds to questions from the community*

## **PEDRA BRANCA DEVELOPMENT**

Development related activities continue at the Project with a focus on the near-term development of Pedra Banca East (PBE).

Work on a revised Mineral Resource Estimate (MRE) for PBE (incorporating the previously announced drill results as per the Company's ASX announcement "Drilling Success Continues at Pedra Branca" dated 4 April 2018) has reached an advanced stage. Expectations are that the MRE

will not materially change in terms of tonnes, grade and confidence levels. The new MRE will be released following inclusion of the results from the current 6,000m PBE infill diamond drilling programme, once received and interpreted.

Drilling progress on the infill programme has been delayed due to poor rig availability but is now proceeding satisfactorily. The objective of the programme is to improve confidence in the MRE, rather than increasing it, and will serve to support the conversion of resources to reserves as required for the Definitive Feasibility Study (DFS). The new MRE, subject to timely assay turnaround, is targeted for Q3-2018.

Complete assay results are not yet available however, management expects results to be consistent with those holes previously released as drilling is located on 50m x 50m or 25m x 25m grids within existing wire frames.

The engineering required for PBE continues in parallel with the drilling activities. Good progress has been achieved on geotechnical testing, plant design and costings. The Capital estimates for above ground infrastructure and the process plant will benefit from the completion of more detailed engineering.

Delivery of the DFS is being rescheduled for Q4-2018 with the critical path being infill drilling, Ore Reserve estimation, metallurgical testing and underground mine design and scheduling. Accordingly, management has deferred all activities relating to the Pedra Branca West MRE to facilitate this focus.

Assuming completion of the DFS and the grant of the LI during Q4-2018, the Company should be in a position, subject to financing, to make a construction decision in Q1-2019. Achieving the technical, regulatory and financing milestones in timely fashion is essential for the construction decision. The financing strategy for Pedra Branca is dependent on the outcome of the current OZ Minerals takeover offer. Should that offer not proceed, Avanco will seek to raise finance, including through the issuance of equity and / or the assumption of debt. The target project development timetable will be subject to finance timing, availability and terms.

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Footnotes:

1. The Public Hearing process is called Audience Public and is associated with the preparation of an Environmental Impact Study and Environmental Impact Report (EIA / RIMA). The Public Hearing is a legal obligation according to Brazilian Law (instituted by CONAMA Resolution 001/86) required for the implementation of any projects deemed to have potentially significant environmental impacts. It consists of studies of soils, water and air etc to verify if the area to be disturbed has any pre-existing environmental liabilities. The studies also examine how the socio-economic environment will be impacted by the project's development. The Provisional License (LP) represents the first stage of environmental licensing. The LP examines and makes an assessment of the project's location and design attesting to the expected environmental performance of the project. The LP then establishes the basic requirements for the next phase of environmental approvals. The LP works as a foundation for building up the terms and conditions for the project, including obligations related to environmental performance, control and reporting by the company.
2. The Pedra Branca project is located within the boundaries of the Agua Azul Municipality, in Para State
3. The Public Hearing is followed by a mandatory 10-day window for the public to present any written comments or concerns about Pedra Branca. After the latter, the State Environmental authorities will be in a position to consider any "special conditions" arising from the Public Hearing that are deemed reasonable for inclusion into the Provisional Environmental License (LP), see #1 above
4. The LI can also be referred to as a Construction License