

Avanco Resources (ASX: AVB)

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AVANCO FULL YEAR 2016 RESULTS

Avanco Resources (ASX: AVB) ("Avanco" or the "Company") announces the 2016 full year financial results, the Company's first year as an operator following the commencement of production at the Antas Mine.

Highlights include:

- Excellent first year of operations, Antas built, commissioned and ramped up ahead of schedule and under budget;
- Exceptional safety record achieved for the year, with no reported lost time injuries;
- Contained copper production exceeded guidance at 11,188 tonnes for the year (Q4 4,011 tonnes). Gold production of 7,779 ounces for the year (Q4 2,839 ounces).
- Revenue of \$59.2 million for the year (Q4 \$24.4 million).
- EBITDA of \$16.8 million for the year (Q4 \$7.8 million).
- Net loss of \$2.7 million for the year (Q4 net profit \$0.75 million).
- Cash balance of US\$22.9m at 31 December 2016 - the Company continues to be debt-free

GUIDANCE

In 2016 Avanco contained production: 11,188t Cu and 7,779oz Au.
Production guidance for 2017 is 13,500-14,000t Cu and 9,750-10,500 oz Au.

Commenting on the Company's performance, Tony Polglase, CEO, said:

"2016 was the landmark year for Avanco. The commissioning of the Antas Mine was ahead of time, under budget and after declaring commercial production on July 1st, the ramp-up in production exceeded every metric at the mine and in the plant. This resulted in us exceeding guidance to produce over 11,000 tonnes of copper and earn \$59 million dollars in revenue.

The fourth quarter demonstrated the full potential of Antas. During this quarter our margins grew and we can report our maiden pre-tax profit of \$1.045 million. Into 2017, Antas continues to produce positive free cash flow, bolstering the cash position of \$22.9 million at the end of 2016.

I would like to thank our employees, shareholders, customers, suppliers and the regulatory authorities in Para and Brazil for their support and helping to make 2016 a landmark year for Avanco. Collectively we have demonstrated that we can build value through copper mining in the Carajas. I look forward to building on this foundation as we eagerly pursue the many growth opportunities that are open to us in 2017 and beyond."

This news release should be read in conjunction with Avanco's Annual Report for the year ended December 31, 2016, which is available at www.avancoresources.com and filed on the ASX website. There are no comparative numbers presented in this press release as commercial production was declared on July 1, 2016.

SUMMARY FINANCIALS

The loss after tax for the year ended 31 December 2016 was US\$2.7 million. For financial reporting purposes production at the Antas operation commenced on 1 April 2016. The current period result includes an underlying EBITDA⁽ⁱ⁾ of US\$16.8 million.

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	YTD
Sales revenue	-	16,250	18,617	24,416	59,283
Treatment, refining and transport charges	-	(2,860)	(3,174)	(3,642)	(9,676)
Net sales revenue	-	13,390	15,443	20,774	49,607
Production costs and changes to stockpile	-	(6,259)	(8,184)	(9,941)	(24,384)
Royalties	-	(1,111)	(1,474)	(1,723)	(4,308)
Gross profit, before depreciation and amortisation	-	6,020	5,785	9,110	20,915
General, administration and other expenses	(549)	(1,038)	(1,238)	(1,433)	(4,258)
Net foreign exchange gain/(loss)	(95)	(94)	250	(45)	16
Underlying EBITDA	(644)	4,888	4,797	7,632	16,673

The underlying EBITDA reconciles to the profit/(loss) before tax as follows:

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	YTD
Underlying EBITDA	(644)	4,888	4,797	7,632	16,673
Financial income	135	81	76	103	395
Financial expense	(7)	(10)	(15)	(10)	(42)
Depreciation, amortisation and depletion	(8)	(3,238)	(4,495)	(3,676)	(11,417)
Accretion of rehabilitation and royalty	-	(1,370)	(1,059)	(1,116)	(3,545)
Impairment of exploration projects	(625)	(51)	-	(357)	(1,033)
Change in financial liability	-	(1,405)	-	3,205	1,800
Share-based payments	-	(465)	-	(1,321)	(1,786)
Profit before tax	(1,149)	(1,570)	(696)	4,460	1,045

⁽ⁱ⁾ Underlying earnings before interest, taxes, depreciation and amortization (EBITDA) is an unaudited non-IFRS measure and is a common measure used to assess profitability before the impact of different financing methods, income taxes, depreciation and depletion of tangible assets and amortization of intangible assets.

ANTAS MINE

First production concentrate production at Antas was achieved in early March 2016 and first commercial production on July 1, 2016.

2017 Highlights:

- Production guidance exceeded, with record annual production of 11,188t of copper (Q4 4,011 tonnes) and 7,779oz of gold (Q4 2,839 ounces).
- Record concentrate sales of 36,765t and provisional sales revenue of US\$58.2 million, including pre-production sales of US\$0.3 million and excluding revaluation of provisional sales.
- Record cashflow from operations of US\$12.3 million

Safety

During the year, construction and continuous operation of the plant reached 1,605,492 man-hours without a lost time accident and the LTIFR (Lost Time Injury Frequency Rate) remains at zero up to the date of this report. Management continues to focus on developing a safety culture through accountability, engagement and systems. No environmental incidents were recorded up to the date of this report.

Antas Stage 1 Pit in the foreground



Antas Summary Production Statistics

	Units	FY 2016	Q4 2016
Total Material Mined	t	6,497,037	1,680,311
Ore Mined	t	629,026	210,137
Copper Grade	Cu %	2.24	2.52
Gold Grade	g/t	0.67	0.73
Tonnes Processed	t	510,830	172,320
Copper Grade	Cu %	2.29	2.40
Gold Grade	g/t	0.55	0.60
Copper Recovery	%	95.76	97.20
Gold Recovery	%	85.81	85.82
Concentrate	DMT	39,794	14,243
Contained Copper	t	11,188	4,010
Contained Gold	Oz	7,779	2,839
Concentrate Copper Grade	Cu %	28.11	28.16
Concentrate Gold Grade	g/t	6.08	6.20

PEDRA BRANCA PROJECT

Against a backdrop of a weaker copper market and internal capital constraints as the Company brought the Antas Mine into production, the most economical way to commence the development at Pedra Branca East was through trial mining of the hanging-wall high grade zone. The ore extracted from this small-scale development was to be trucked to Antas where the spare plant capacity could be utilised, thereby reducing CapEx and OpEx.

Today, with improvements in copper market, fewer capital constraints, and the opportunity to utilise the Antas plant capacity with feed from the Antas mine and generate higher margins, the strategy for Pedra Branca East has advanced, with the current Scoping Study being updated to a PFS for full-scale development.

Subsequent to the period end in this report, The Board has approved approximately \$4.4 million to finalise the PFS targeting 24,000 tonnes of copper per annum and advance the DFS, including infill drilling, with a target completion of works within 12 months and delivery during the first quarter 2018. This holds a similar timeline to the original intention yet for a larger development.

Pedra Branca Site Aerial Overview



The budget for Pedra Branca includes a minimum 5,000 metres of infill drilling, appointment of a DFS Study Manager, and regulatory and environmental works to re-permit the full-scale mine.

Later studies will examine inclusion of Pedra Branca West, with opportunity to further expand production and life-of-mine targeting an additional 10,000 tonnes of copper per annum.

During 2016 good progress was achieved at Pedra Branca, work that will help advance the large-scale development now proposed. The box-cut and portal were completed during the last quarter. As expected, ground conditions proved favourable with competent rock at the entry location. Completion of the box-cut and portal ahead of the wet season put the Company in a good position to be able to accelerate the timeline for the ultimate development of a full-scale mine. Construction of a new 120-metre-long concrete river bridge was completed on schedule. Onsite infrastructure works, including internal roads, drainage, workshop and an explosives magazine were also completed.

CENTROGOLD

CentroGold is an advanced stage exploration project located 600 kilometres from the Company's Carajás copper assets, in Maranhão state just over the border from Pará state. The project was formerly owned by a Canadian gold major before being acquired by Jaguar Mining Inc. In October 2016, Avanco announced the acquisition of a stepped interest in the Project from Jaguar (see Announcement "Avanco to Acquire Advanced Gold Project, 7 October 2016).

The Cipoeira Deposit within the CentroGold Project consists of two separate zones; the Blanket Zone for which a maiden mineral resource was reported in December 2016; and the adjacent Contact Zone for which a maiden mineral resource was reported in January 2017⁴. Together they are host to over 1.2Moz of gold at an average grade of 2.0g/t.

CentroGold Mineral Resources - January 2017(above a cut-off grade of 1.0g/t Au)				
Cipoeira Deposit	Category	Million Tonnes	Au (g/t)	Gold Metal (Oz)
Contact Zone	Inferred	8.04	2.3	592,300
Blanket Zone	Inferred	12.20	1.8	694,000
	TOTAL	20.24	2.0	1,286,300

Refer ASX Announcement "Maiden Resource Estimate at the CentroGold Project", 20 December 2016, for Competent Person's Consent, material assumptions, and technical parameters underpinning the Blanket Zone resource estimate

Refer ASX Announcement "CentroGold Resource Base Grows to Over 1.2M Ounces", 19 January 2017, for Competent Person's Consent, material assumptions, and technical parameters underpinning the Contact Zone resource estimate

The size and tenor of this resource underscores the Company's belief that the project has the potential to support a scalable, low-CapEx open pit mining operation. Further significant growth potential exists, with the nearby Chega Tudo Deposit, in addition to the exploration potential associated with the large contiguous tenement package.

A Scoping Study re-assessing the project's scale and economics via a range of development opportunities, initially focussed on two contiguous zones of the three in total is underway. The scoping study will be released at the end of April 2017, following an update to the JORC resource classification, which the company believes is a necessary additional requirement for the publication of a scoping study.

EXPLORATION

Exploration work during the year focused on detailed mapping northwest of Pedra Branca, soil sampling at Serra Roxa, field reconnaissance work at the Trindade North and Xinguarinha licenses as well as in the area immediately north of the Antas Mine. Regional exploration focused on target generation (soil sampling) in the São Jorge and Trindade South licences.

At Antas, three discrete soil anomalies were identified, labelled as anomaly A, B and C (below). Anomaly A defines a 350m NE-SW striking anomalous trend (similar strike to Antas North) with up to 608ppm Cu and 14ppb Au (in soil), which remains open along strike in both directions and coincides partially with an untested VTEM anomaly target on the SW extension of the anomaly. Anomaly B is 300m long and open to the south with a maximum copper (in soil) value of 419ppm. Anomaly C is 200m long, open to the west, with maximum value copper (in soil) value of 285ppm.

In January 2017, the Company's geophysical consultant commenced the training programme and ensuing field work programme in the Carajás with the Company's new electromagnetic (EM) survey equipment. Training will be followed by an extensive year-round programme of testing regional exploration targets.

LIQUIDITY AND CAPITAL RESOURCES

The balance sheet at December 31, 2016 is strong with cash of \$22.9 million.

The working capital position, comparatives are as follows:

	31 December 2016	30 June 2016	31 December 2015
Cash and cash equivalents	22,866	21,042	31,700
Trade and other receivables	7,786	4,098	768
Inventories	9,032	6,320	-
Trade and other payables	(10,382)	(11,144)	(8,605)
Current tax liability	(2,620)	-	-
Current financial liability	(4,861)	(5,780)	(1,952)
Total Working Capital	21,821	14,536	21,911

TONY POLGLASE
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All dollar amounts in this announcement refer to United States Dollar unless otherwise stated.