ASX Release

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

Full Year 2017 Guidance Update

Avanco advises that the company expects to exceed the upper end of copper and gold production guidance at the Antas Mine for the 2017 Financial Year.

Production guidance of 13,500 to 14,000 tonnes of copper is now expected to be in the range of 14,000 and 14,150 tonnes. Gold production will substantially exceed the upper end of 9,750 to 10,500 ounce guidance, with current expectations now between 11,500 and 11,750 ounces.

As reported in the Third Quarter 2017 Activities Report[1], the C1[2] unit cash cost at Antas was $1.51/lb for the nine months to 30 September 2017, which was one cent above the annual guidance of $1.35 to $1.50/lb and the AISCC[3] for the same period was $1.83/lb, three cents above the annual guidance of $1.65 to $1.80/lb.

The Company anticipates that C1 unit cash costs for the full year 2017 will average between US$1.55 and US$1.65/lb and the AISCC between US$1.85 and US$1.95/lb.

Towards the end of the fourth quarter, the Antas Mine produced lower than forecast ore grades in addition to an essential plant maintenance shutdown to reline the mill. As a result, ROM stocks have been depleted, production has reduced, with a resultant increase in costs per pound of metal produced. To alleviate pressure on the open pit operations and with upper end metal production guidance expected to be exceeded, management took the decision to reduce plant throughput for the remainder of December. Capping copper production at approximately 14,100 tonnes was considered necessary to put the mine in a better position for metal production in the first quarter of 2018, while allowing ROM stocks to accumulate ahead of the rains. This action allows the open pit to catch up and consolidate its mining activities prior to completion of the new mine reserves.

Mining in the pit during the fourth quarter 2017 and early first quarter 2018 is concentrated at the back of the Stage 2 pit. The continued impact of blast drilling difficulties experienced earlier in the year have had an effect, delaying access to mining the front of the Stage 1 pit where grade is higher. It is now apparent that the lower grade area at the back of the Stage 2 pit does contain less metal than expected, attributed to the known narrow vein mineralisation containing less high-grade material within it. With mining restricted to between 40,000 and 50,000 tonnes of ore, depleting ROM stocks will achieve the forecast 14,100 tonnes of copper, impacting further on C1 costs. Reliance on this lower grade material will likely continue early into the first quarter 2018 but it is not permanent.

As the first quarter 2018 progresses access to higher grade areas at the front of the Stage 2 pit, production and costs should return to normal, ROM stocks will be rebuilt, and the strip ratio will be lower in this period.

Additionally, implemented cost reduction programmes will begin to have an effect, the first of which is a move to a free market power, which should result in a significantly lower energy unit cost.

The Company will report its Fourth Quarter 2017 Activities Report on January 25, 2018 and Full Year Financial Results and Report on February 27, 2018.

On completion of the new Resources and Reserves statement for Antas, the Company will be able to update the market on a revised mine plan with production and costs guidance for 2018.

TONY POLGLASE
MANAGING DIRECTOR

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[1] See ASX, Third Quarter 2017 Activities Report, October 25, 2017.

[2] C1 cash costs are calculated per pound of copper produced and adjusted for inventory movements during the period. Mining costs include the full cost of all waste mined during the period.

[3] AISCC is calculate per pound of payable copper sold, net of finalisation sales and adjusted for concentrate inventory movements during the period.

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