APPENDIX 4E (rule 4.3A)
PRELIMINARY FINAL REPORT
For the year ended 31 December 2017

Name of the Entity

AVANCO RESOURCES LIMITED

ABN or Equivalent

85 126 379 646

Results for announcement to the market
(All comparisons to the year ended 31 December 2017)

			31-Dec-17	31-Dec-16
	Up/Down	% change	US$000	US$000
Revenue from ordinary activities	Up	65.1%	90,325	54,719
Profit/(loss) from ordinary activities after tax	Up	N/A	2,500	(2,662)
Profit/(loss) attributable to equity holders	Up	N/A	2,500	(2,662)

			31-Dec-17	31-Dec-16
	Up/Down	% change	US$ cents	US$ cents
Basic and diluted profit/ (loss) per share	Up	N/A	0.10	(0.11)

Dividends

No dividends have been paid or declared during the year ended 31 December 2017 (31 Dec 2016: Nil).

	31-Dec-17 US$	31-Dec-16 US$
Amount per security	N/A	N/A
Franked amount per security	N/A	N/A

Net tangible assets

	31-Dec-17	31-Dec-16
	US$ cents	US$ cents
Net tangible assets per ordinary share	4.0	4.0

Additional Appendix 4E disclosure requirements can be found in the directors' report and the 31 December 2017 financial statements and accompanying notes.

This report is based on the consolidated financial statements which have been audited by Ernst & Young.

AVANCO RESOURCES LIMITED

ABN 85 126 379 646

ANNUAL REPORT
for the year ended
31 December 2017

CORPORATE DIRECTORY

Directors
Vernon Tidy (Interim Non-Executive Chairman)
Anthony Polglase (Managing Director)
Luiz Ferraz (Independent Non-Executive Director)
Paul Chapman (Independent Non-Executive Director) – appointed 1 May 2017
Simon Mottram (Executive Director)
Luis Azevedo (Executive Director)
Colin Jones (Independent Non-Executive Director) – resigned 31 August 2017

Company Secretary
Scott Funston

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Telephone: +61 8 9324 1865
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Share Registry
Automic Registry Services
Level 2
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Perth WA 6000 Australia

Telephone: + 61 8 9324 2099
Facsimile: + 61 8 9321 2337

Auditors
Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia

Securities Exchange
The Company's securities are quoted
on the official list of the Australian Securities
Exchange Limited, the home branch being Perth.
ASX Code: AVB

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DIRECTORS' REPORT

The Directors of Avanco Resources Limited submit the Consolidated Financial Report for the year ended 31 December 2017. All amounts are presented in United States Dollars, unless otherwise stated.

1. DIRECTORS AND COMPANY SECRETARY

The names, qualifications and experience of the Company's Directors and Company Secretary in office during the period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

DIRECTORS AND COMPANY SECRETARY

Vernon Tidy	Independent Non-Executive Director
Appointment date	July 2015
Special responsibilities	Interim Non-Executive Chairman of the Board; Chairman of the Audit Committee; and Chairman of the Remuneration and Nomination Committee.
Qualification	Mr Tidy has a BComm Business from the West Australian Institute of Technology. He is a qualified accountant, a Fellow of the Institute of Chartered Accountants in Australia and an Associate of the Australian Institute of Company Directors.
Experience	Mr Tidy's skills encompass corporate governance, financial compliance and exceptional accounting, tax and audit knowledge. He is well known in the Australian resources sector, having formerly been a Senior Audit Partner at Ernst & Young where he led the WA mining and metals industry group. He has worked extensively with the largest multinationals to junior explorers, in Australia, South America, Asia and Africa for companies listed on the ASX, LSE and TSX. Currently Mr Tidy consults to the sector and is involved in industry transactions, notably project identification and transaction execution.
Other listed company directorships	He has not held any listed directorships during the past three years.

Anthony Polglase	Executive Director
Appointment date	July 2007
Special responsibilities	Managing Director; Member of the Risk Management Committee
Qualification	Mr Polglase has a BEng First Class Honors, Metallurgy from the Camborne School of Mines and a Higher National Certificate in Mechanical Engineering and a Higher National Certificate Electrical Engineering.
Experience	Mr Polglase started his career at the South Crofty Mine in Cornwall. Subsequently he studied a degree in metallurgy at the Camborne School of Mines, which helped launch his career internationally, working for over 40 years across different mining disciplines for companies including Ashanti, Rio Tinto, TVX and Invernia in Africa, Europe, the FSU and for the last decade in Brazil. Mr Polglase is recognised for his project management skills in the mining sector, notably critical evaluation, implementation and commissioning of mining projects.
Other listed company directorships	He has not held any other listed directorships during the past three years.

Luiz Ferraz	Independent Non-Executive Director
Appointment date	July 2016
Special responsibilities	-
Qualification	Mr Ferraz has a BA in Business Administration from Fundação Getúlio Vargas in São Paulo.

Experience	Mr Ferraz is a well-respected Brazilian businessman, with considerable experience and expertise in the Brazilian resources and finance sectors. He was formerly the CFO and subsequently CEO of Paranapanema, the largest copper smelter in Brazil, which he developed into strong business, increasing production significantly. Consequently, Mr Ferraz is well known to Brazilian and international copper producers and commodity traders. Having held senior positions at Banco Bandeirantes, Mr Ferraz also has considerable financial experience, notably with regards to debt financing.
Other listed company directorships	Partner of Brasil Agro, a Sao Paulo based specialist agribusiness investment fund. Board member of a number of unlisted industrial companies. Mr Ferraz has not held any other listed directorships during the past three years.

Paul Chapman	Independent Non-Executive Director
Appointment date	May 2017
Special responsibilities	Chairman of the Risk Management Committee; Member of the Audit Committee; and Member of the Remuneration and Nomination Committee.
Qualification	Mr Chapman has a BCom from the University of Melbourne, a Graduate Diploma in Taxation from the Royal Melbourne Institute of Technology and a qualified Chartered Accountant (CA) He is a member of The Australian Institute of Company Directors and The Australian Institute of Mining and Metallurgy.
Experience	Mr Chapman has considerable commercial skills gained across corporate finance and treasury, and a deep understanding of financial markets and the resources sector. His career has spanned senior commercial management roles at Western Mining, Alcoa and Minara Resources, before transitioning to board positions across a range of ASX mid and small-cap mining and development companies, notably Silver Lake Resources, where as a founding shareholder, he grew Silver Lake into an ASX 200 company, acting as Chairman until 2015.
Other listed company directorships	Non-executive chairman of Encounter Resources (appointed 5 April 2005). Non-executive chairman Black Cat Syndicate Limited (appointed 4 August 2017).

Simon Mottram	Executive Director
Appointment date	January 2011
Special responsibilities	Director of Exploration
Qualification	Mr Mottram has a BSc in Applied Geology from RMIT University and is a Fellow of the AusIMM.
Experience	Mr Mottram is a geologist with over 20 years' experience predominantly in iron oxide, copper, gold, nickel sulphide and precious metals. Having held senior management positions with a number of successful mining companies both in Australia and overseas, Mr Mottram has extensive knowledge in base and precious metal evaluations, and has seen a number of discoveries advanced through to commercial mine development. He has been central to several significant exploration successes. His exploration experience is well aligned to Avanco's projects and Mr Mottram is an expert in the application of modern exploration techniques, large-scale drill programmes and feasibility studies.
Other listed company directorships	He has not held any other listed directorships during the past three years.

Luis Azevedo	Executive Director
Appointment date	December 2012
Special responsibilities	Director of Legal Affairs
Qualification	Mr Azevedo has a BSc in Geology from the University of Rio de Janeiro, and LL.B from the University of Candido Mendes and LL.M from the Pontifical Catholic University Rio de Janeiro.
Experience	Mr Azevedo is recognised as one of the best lawyers in the Brazilian resource sector. He has a broad 35 years of experience across a range of companies and commodities, enhanced by the fact that he is also a qualified and experienced geologist. He has held senior positions at Western Mining, Barrick and Harsco, and presently runs a successful legal and accounting practice called FFA which provides specialist legal and technical support to resource companies operating in Brazil. He is also the Chairman of the Brazilian Association of Minerals Research Companies (ABPM - Associação Brasileira das Empresas de Pesquisa Mineral).
Other listed company directorships	Director of TSX listed company Talon Metals (appointed 5 April 2005) Director of AIM listed Harvest Minerals Limited (appointed 15 March 2012) Director of TSX listed company Five Star Diamonds Limited (appointed 11 May 2017) Director of AIM listed Jangada Mines Plc (appointed 1 July 2017)

Colin Jones	Independent Non-Executive Director (resigned 31 August 2017)
Appointment date	September 2007
Special responsibilities	Non-Executive Chairman (resigned 31 August 2017); Member of the Audit Committee (resigned 31 August 2017); and Member of the Remuneration and Nomination Committee (resigned 31 August 2017).
Qualification	Mining degree at Cardiff University in the UK.
Experience	Mr Jones consulting expertise includes 10 years with Rio Tinto Technical Services where, as Principal Consultant, he consulted globally. An authority on underground mine development, and the application of the block caving mining method, Mr Jones has consulted internationally as an independent consultant. Clients have included the multi-billion dollars Resolution (Arizona), Oyu Tolgoi (Mongolia) and Freeport (Indonesia) copper mine projects, Argyle Diamonds in Western Australia and a number of Brazilian mining companies, including Vale and Yamana Gold.
Other listed company directorships	He has not held any other listed directorships during the past three years.

Scott Funston	Chief Financial Officer and Company Secretary
Appointment date	July 2007
Special responsibilities	Chief Financial Officer Member of the Risk Management Committee (resigned 30 June 2017)
Qualification	Mr Funston has a BBus from the Edith Cowan University. He is a qualified Chartered Accountant (CA) and Company Secretary (ICSA).
Experience	Mr Funston is a qualified Chartered Accountant and Company Secretary with more than 17 years' experience in the mining industry and in the accounting profession. His expertise is financial management, regulatory compliance and corporate advice. Mr Funston possesses a strong knowledge of the Australian Securities Exchange requirements and previously assisted a number of resources companies operating throughout Australia, South America, Asia, USA and Canada with financial accounting, stock exchange compliance and regulatory activities.

1.1 Interests in the securities of the company

As at the date of this report the interests of the Directors in the securities of Avanco Resources Limited are:

	Ordinary Shares	Total options over ordinary shares granted at an exercise price of 10 cents each
Directors		
Anthony Polglase	8,148,615	45,000,000
Vernon Tidy	675,000	5,000,000
Luiz Ferraz	-	-
Paul Chapman	200,000	-
Simon Mottram	1,744,681	35,000,000
Luis Azevedo	1,238,392	20,000,000

2. RESULTS

The profit after tax for the year ended 31 December 2017 is $ 2,500,000 (2016: loss after tax of $2,662,000). The current year result includes an underlying EBITDA[(a)] of $23,609,000 (2016: $19,9401,000):

		$'000
	31 December 2017	31 December 2016
Gross sales revenue	96,351	59,283
Treatment, refining and transport charges	(13,766)	(9,676)
Production costs and changes to stockpile inventories	(48,234)	(24,384)
Sales royalties	(2,602)	(1,580)
Gross profit, before depreciation and amortisation	**31,749**	**23,643**
General, administration and other expenses	(8,082)	(4,258)
Net foreign exchange (loss)/ gain	(58)	16
Underlying EBITDA	**23,609**	**19,401**

(a) Underlying earnings before interest, taxes, depreciation and amortisation (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 amortisation of intangible assets.

The underlying EBITDA reconciles to the profit before tax as follows:

		$'000
	31 December 2017	31 December 2016
Underlying EBITDA	**23,609**	**19,401**
Financial income	181	395
Financial expense	(4,338)	(3,587)
Depreciation, amortisation and depletion	(14,506)	(11,417)
Impairment of exploration projects	-	(1,033)
Impairment of property, plant and equipment	(443)	-
Change in financial liability	(179)	(928)
Share-based payments	(510)	(1,786)
Net loss on derivative	(480)	-
Profit before tax	**3,334**	**1,045**

3. REVIEW OF OPERATIONS

3.1 HIGHLIGHTS

- Annual production of 14,101 tonnes of contained copper and 11,366 ounces of contained gold;
- Concentrate sales (net of finalisations) of 13,510 tonnes of contained copper and 10,065 ounces of gold resulting in provisional and finalised sales of $99,751,000
- Record cashflow from operating activities of $21,027,000
- Cash balance of $24,362,000 at 31 December 2017 - the Company continues to have no external borrowings
- Continuing excellent safety performance with no lost-time injuries
- Successful drilling on the eastern extension of Pedra Branca East, a Mineral Resource Estimate is in progress.
- 100% acquisition of MCT Mineração Ltda, the Company which holds the CentroGold project, with resources being increased with the addition of a maiden resource at Chega Tudo.

3.2 ANTAS OPERATION

STATISTICS	Units	2017
Total Material Mined	t	7,027,085
Ore Mined	t	642,366
Copper Grade	Cu %	1.98
Gold Grade	g/t	0.52
Tonnes Processed	t	708,113
Copper Grade	Cu %	2.05
Gold Grade	g/t	0.60
Copper Recovery	%	97.27
Gold Recovery	%	83.15
Concentrate	DMT	50,827
Contained Copper	t	14,101
Contained Gold	Oz	11,366
Concentrate Copper Grade	Cu %	27.74
Concentrate Gold Grade	g/t	6.96

(a) Safety and environment

Antas reported an excellent safety performance with no reported lost time injuries. To date, a total 2.72 million man hours have been achieved without a lost time incident. In addition, during February 2018 a major milestone of 3.0 million man hours were achieved without a lost time incident. This reflects an excellent safety and management culture at Antas.

No environmental incidents have been recorded up to the date of this report.

(b) Mining

In early 2017, the decision was made to increase the copper in concentrate production rate from 12,000 tpa in 2016 to 14,000 tpa in 2017 and this target was achieved before 31 December 2017.

During 2017, the Stage 1 pit was depleted and production focused on accelerating the Stage 2 pit cut-backs which required a higher strip ratio and resulted in more variable ore grades than anticipated.

A number of temporary operational setbacks arose during 2017 including a prolonged outage of the main excavator and poor blast drill availability. The difficulties with the blast drills introduced production constraints and inhibited grade control drilling in the pit. Blast drill performance improved considerably by the end of Q3 2017 and production has since been reinforced by the addition of a third blast drill rig. The mining fleet was expanded with an additional Volvo A40T haul truck to compensate for the incremental haul distance as the pit deepened.

Production in Q4 whilst meeting guidance was set against a backdrop of grade and access difficulties. The legacy of blast drilling difficulties affected access to the centre of the pit which is under the original Stage 1 pit and the main Antas copper sulphide pipe where grade and confidence of the orebody is higher. Subsequently, production towards the end of 2017 was from mining the extremities of the orebody which are characterised with lower reserve confidence and subsequently hosted less metal than expected. Consequently, Q4 production relied on Run of Mine (ROM) stocks to compensate for the aforementioned lower metal from the mine.

To alleviate pressure on the open-pit and with the upper-end of metal production guidance exceeded, it was decided to reduce milling operations in late December 2017. The focus of operations became accelerating waste mining and replenishing ROM stocks ahead of the wet season thus optimising mining activities for 2018. While this accelerates access to the centre of the pit, in the interim and until access is available, reliance on lower grade material will likely continue.

In seeking to expand and upgrade resources within the Antas pit during 2017, a 5,000m diamond drill programme was successfully completed. Drilling targeted areas within and below the pit to either expand and / or improve the confidence of the mineral resources. Near mine targets were also drill tested including the Azevedo target located proximal to Antas. Results from drilling were encouraging and a new Resource/Reserve model and re-optimized mining schedule will be available in Q1 2018. After the schedule has been completed, revised production guidance for 2018 will be advised. In the interim, an estimate for production ranging between 12,000-13,000 tonnes of copper in concentrate for 2018 is provided. This estimate includes the lower expected production Q1 2018 and the expected stronger production in the second half of 2018 as access to higher grade ore improves.

More Resource drilling at Antas is planned for 2018. This programme will include:
- better definition of the Azevedo target; and
- subject to the re-optimized Resource/Reserve results, drilling at depth under Antas to support an additional cut-back and/or an underground mining operation, both targeting extensions to mine life.

(c) Processing

The performance of the flotation processing plant was excellent throughout the year and achieved design on almost all metrics. The plant benefitted from a number of enhancements including: upgrades to the crushing circuit; extensive equipment machinery guarding; and enhanced process controls including the installation of bubble cameras in the flotation section.

The plant saw planned shutdowns in March 2017 and November 2017 for ball mill re-lining and regular maintenance. With annual production guidance exceeded the plant was also shut down in late December 2017 for further preventative maintenance and cleaning activities. This allowed for ROM stocks to be increased and mine development to be accelerated.

Work advanced on expanding the tailings dam capacity by 40%. At 31 December 2017, approximately 40% of the work had been completed with completion expected during Q1 2018.

(d) Operating costs

<u>Mining</u>

The main components of mining costs are the mine contractor, including a rise and fall adjustment, diesel consumption and blasting. During 2017 these costs were impacted by a prolonged outage of the main excavator, increasing haulage distance, government imposed increased diesel taxes, poor blast drill availability, declining ROM inventory and the management decision to expense all ICMS taxes, as they were deemed not recoverable. Additionally, the Company's accounting policy is to expense all development cut backs, given that it is very difficult to identify separately components benefiting from the waste material to enable the classification of development activities.

Mining in the pit during Q1 2018 is concentrated at the back of the Stage 2 pit. The continued impact of blast drilling difficulties experienced during 2017 have had an effect, delaying access to mining the front of the Stage 1 pit where grade is higher. Reliance on this lower grade material will likely continue early into the first quarter 2018 but it is not permanent.

Processing

In the processing plant, costs were impacted by an increase in electricity charges with low rainfall causing higher hydroelectricity charges. There were also inflationary costs to labour, however processing remained fairly consistent during the year on a per pound of copper produced.

Towards the end of the year, 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 were depleted, production reduced, with a resultant increase in costs per pound of metal produced. 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 allowed the open pit to catch up and consolidate its mining activities prior to completion of the new mine reserves.

Administration, Freight and Selling

Freight costs were impacted by increased diesel costs in the second half of the year due to government increased taxes on gasoline and diesel. In addition, ICMS unrecoverable taxes were written off to cost off sales and changes to shipping and port arrangements have increased logistic costs.

During the year, improved controls in the warehouse took place requiring additional costs.

Considerable focus on cost management and continuous improvement at Antas should result in lower diesel and electricity costs for 2018. This focus also involves a commitment to implementing a new accounting and budgeting package that will assist in driving continuous improvement at all levels. There were several savings initiatives in 2017 including reduced land freight costs with the Company moving to two containers per prime mover,

The Brazilian Real was volatile, strengthening against the US Dollar during the year. This resulted in a negative effect on a number of operating costs as well as domestic freight costs. Additionally, unrecoverable indirect taxes increased.

The Group has in place a collar structure, whereby the BRL cannot be stronger than BRL3.15 to $1.00 through April 2018 and BRL3.20 to $1.00 for May and June 2018.

(e) *Sales and Marketing*

A total of 13,510 tonnes of copper and 10,065 ounces of gold were sold during the year, net of finalisations, at average provisional prices of $2.77/lb and finalisations of $2.53/lb for copper and average $1,266/oz for gold, resulting in provisional and finalised sales of $99.75 million. The Company was also able to take advantage of pricing provisions permitted within the offtake contract. The Company has sold forward 2,850 tonnes at an average of $2.90lb. The Company can reallocate tonnes to months with more favorable pricing.

During the year the market was tested for a second offtake contract via a competitive bidding process with eight international traders for 40% to 60% (Avanco's option) of Antas production for 2018, 2019 and 2020. The Company expects to finalise a new contract with a second offtake partner during Q1 2018 with competitive and improved terms.

In late December 2017, the 2018 benchmark was set at $82.25 for treatment costs and $0.08225 for refining costs (2017: $92.50 and $0.0925). These reductions will result in a significant reduction in treatment and refining costs during 2018.

3.3 PEDRA BRANCA

Background

Pedra Branca is Avanco's second copper Project and is 100% owned. Pedra Branca is divided between the East and West Zone. The East Zone is the first zone being prepared for production, targeting 24,000 tonnes of copper and 16,000 ounces of gold annually. It is envisaged that this will be complemented with additional production from the Pedra Branca West Zone.

Definitive Feasibility Study

The pre-feasibility study for Pedra Branca East was successfully completed and announced in May 2017. Work towards completing the Definitive Feasibility Study for Pedra Branca East continues and is being compiled by Mining Plus, an independent engineering group. Mining Plus will focus primarily on the underground design and will be supported by

Brazilian specialist consultants for the process plant, tailing dam and mine infrastructure. The Definitive Feasibility Study will be assessing a number of options to improve overall project economics including reducing upfront capital expenditure. This strategy is similar to what was successfully undertaken at Antas prior to mine construction and production.

To provide input to the above study further diamond drilling was completed at Pedra Branca. This programme tested the extensions of mineralisation to the east and also and also recovered representative samples of the orebody for the purposes of definitive hydrological and metallurgical testing. The aforementioned tests are in progress and a resource upgrade for Pedra Branca East is underway.

Mineral Resource Estimate
At Pedra Branca West (some 300m west of Pedra Branca East) a new geological interpretation was undertaken. This exercise was followed by a short program of drilling at Pedra Branca West. It is believed that the western orebody has the potential to contribute additional resources to enhance the Pedra Branca East. This will be examined in 2018 in anticipation of ultimately providing an uplift to the production profile at Pedra Branca. As part of this evaluation, an updated Mineral Resource Estimate will be progressed for both Pedra Branca East and West.

3.4 CENTROGOLD PROJECT

The Group acquired 100% of the CentroGold Project in September 2017.

Background
The CentroGold Project is considered to be one of the largest undeveloped gold projects in Brazil. The Project fits well into Avanco's business model of developing low-risk-low-capex mines that capitalise on the Company's Brazilian and Aussie "know how". Avanco is focused on developing a high-grade low-risk operation.

Scoping Study
Activities at CentroGold accelerated during 2017, with infill-drilling necessary to support a Scoping Study and other studies to facilitate the lifting of the mining licence injunction. The Scoping Study is targeted for completion during Q1 2018 and will evaluate the combined Blanket, Contact and Chega Tudo orebodies.

During late 2017, the team at CentroGold was bolstered with the appointment of two senior geologists and a dedicated project manager.

The Company continued to build on relations with the local community including sponsoring: a Children's Day event with the Centro Novo Education Department; the 23rd Anniversary of Centro Novo; a health and well-being day with the local government; and a children's Christmas party.

Increased JORC Resources
During 2017, a maiden Mineral Resource Estimate for Chega Tudo was announced of 11.3 million tonnes at 1.6 g/t gold, containing 577,000 ounces of gold.

At Blanket, infill drilling confirmed high gold grades. Early holes returned abundant high-grade gold intersections over substantial widths, underscoring the potential for a sizeable gold operation. Assays show that continuity exists both within and between the existing approximately 70 metre spaced historical sections. Additionally, hole ACBKD-17-001 supports continuity in the known high-grade zone at Blanket. Remaining core will be sent for geo-technical and metallurgical testing to validate previous studies.

Drilling is currently focussing on upgrading the resource classification at the Contact orebody, with four rigs currently operational and drilling expected to be completed during Q1 2018.

Pleasingly work completed during 2017, increased the JORC Resources for CentroGold, which now stand at 32.6 million tonnes at 1.9 g/t gold, hosting 1.99 million ounces of gold.

Licensing update
All the mineral rights and exploration licences for CentroGold are confirmed to be in good standing with the Departamento Nacional de Produção Mineral (DNPM).

The Company continues to work towards the lifting of the licensing injunction and anticipates a decision as early as June 2018. Good progress was made towards this during 2017 with two key surveys completed:

- a survey examining the impact of artisanal mining activities; and

- Instituto Nacional de Colonização e Reforma Agrária (INCRA), being the regulatory authority responsible for certain surface rights at CentroGold, undertook their own survey.

Both surveys will contribute to an independent report by INCRA which the Company believes will support the lifting of the licencing injunction.

3.5 PANTERA PROJECT

During January 2018, the Company announced that it had agreed terms for an option (The Option) to acquire 100% of the Pantera Copper Project (Pantera) from Vale S.A. (Vale).

Pantera is located near to Avanco's existing operations in the world class Carajás Mineral Province, Brazil and has the potential to significantly add resources, reserves and a longer-term production profile for the Company.

Pantera fits Avanco's profile well. It is characterised with hosting high-grade copper-gold and potential to add scale and longevity. Its proximity to established infrastructure bodes well for low capital investment intensity, in many senses, similar to the Company's producing Antas Copper Mine which was developed on time and within budget.

An initial 5,000 metre drilling programme is currently being assessed and will begin during the first quarter of 2018, with a maiden JORC Mineral Resource to be defined. Substantial potential exists within the underexplored eastern side of Pantera, where massive sulphides (not seen in drilling to the west) are being mined from a small artisanal shaft. Any additional resources discovered in this area will not increase the acquisition price.

Summarised Transaction Terms

- Non-refundable $500,000 on signing of the "Pantera Acquisition Option". (Completed)
- The Option provides Avanco the right to acquire 100% of Pantera by either:
  - a) Completing 14,000 metres of drilling within two years and subsequently agreeing JORC compliant Measured and Indicated Resources hosted within the whole of the Historical Mineralised Zone*. Thereafter establishing the "Acquisition Price" calculated at $0.04/lb of contained copper**. Avanco can then exercise The Option by beginning payment of the acquisition monies to Vale. Following the exercise of The Option, beyond two years and up to five years, Avanco shall complete the drilling in the Historical Mineralised Zone and any contained copper in addition to 400,000 tonnes will incur a higher Acquisition Price based on an incremental cost of $0.06/lb of copper, or
  - b) The Option can be exercised at any time (with or without drilling) by agreeing an Acquisition Price based on a non-JORC compliant estimation of 400,000 tonnes of contained copper within the Historical Mineralised Zone*, valued at $0.04/lb of copper.
- In both cases, payment of the Acquisition Price to Vale are capped at $3 million per annum. Management estimate the acquisition cost will likely range between $20 million and $35 million, determined largely by the strategy adopted in a) or b) above. Consequently, it is anticipated that the payment period will be spread over a 7 to 12 years period.
- On electing to exercise The Option and making the first annual payment, Vale will transfer the mineral rights to Avanco.
- Any copper resources discovered by Avanco outside of the Historical Mineralised Zone (for example those discovered in the eastern part of the license) will not attract an increase to the Acquisition Price.
- Any future production from resources hosted outside of the Historical Mineralised Zone but within the boundaries of Pantera will be subject to a NSR royalty to Vale of 1% on copper.
- The agreement obliges Avanco to honour an underlying royalty previously assigned to BNDES of 1.5% on gross revenue.
- The Company undertakes to keep the mineral rights in good standing
- Avanco retains the right to withdraw from the transaction without penalty.

3.6 EXPLORATION

Background

The Carajás Province hosts the largest concentration of large tonnage Iron-Oxide-Copper-Gold deposits (IOCG) globally. Avanco has been operating in the region for a decade and over that time has accumulated the second largest tenement package, exceeding over 1,800 square kilometres.

Expanding Life of Mine at Antas

The Company has developed a strong track record of delivery, and credible local relationships with its peer companies, customers and suppliers. Within the 2018 budget, allowance has been made to explore Avanco tenements with a view to further expanding Antas mine life and to advance other local opportunities.

A success in this regard was drilling of the interpreted plunging mineralisation at Azevedo prospect. This was aided by an electromagnetic surveying (EM) which was following-up on mineralisation defined in initial drilling. The Azevedo drilling shows promising results in two of the three new holes, intersecting mineralisation both up (AAND-127) and down dip/plunge (AAND-126). These results are highly encouraging and justify further drill testing. Each hole will subsequently be surveyed by downhole EM, hence advancing knowledge to the next level before recommencing drilling in 2018.

3.7 OUTLOOK

As described in section 3.2 (b) above, a new Resource/Reserve model and re-optimized mining schedule will be available in Q1 2018. After the latter has been completed, revised production guidance for 2018 will be advised. In the interim, an estimate for production ranging between 12,000-13,000 tonnes of copper in concentrate for 2018 is provided. This estimate includes the lower expected production Q1 2018 and the expected stronger production in the second half of 2018 as access to higher grade ore improves.

The Group will provide more specific unit cash cost guidance once the Resource/Reserve model and re-optimized mining schedule is available.

The Board has approved capital expenditure, exploration and study costs for Q1 2018 of up to $10 million. Major items include: tailing storage facility wall lift; sustaining capital; Pedra Branca and CentroGold Feasibility Studies and Pantera exploration costs.

The Group will provide further capital expenditure guidance for the remainder of the year once the Resource/Reserve model and re-optimized mining schedule is available.

3.8 CORPORATE

The Group moved towards greater board independence with the appointment of Paul Chapman as a new Independent Non-Executive Director. Colin Jones, Founding Director and Independent Non-Executive Chairman, resigned at the end of August 2017.

During May 2017, the Company's ASX classification changed from a 'mining exploration company' to a 'mining producing company, marking a step change in the Group's progress.

Following the accelerated acquisition of MCT Mineracao Ltda (CentroGold) in October 2017 and the option to acquire a 100% interest in Pantera, Avanco now has a project development pipeline that offers significant diversified growth opportunities in both copper and gold. The Board is currently reviewing all the development and growth opportunities and plans to update shareholders with an enhanced strategic plan during Q1 2018.

3.9 FINANCIAL REVIEW

3.9.1 Income statement

The Antas Mine recorded a gross profit for the period of $17,243,000 (31 December 2016: gross profit of $12,226,000). A total of 13,510 tonnes of copper and 10,065 ounces of gold (payable, net of finalisations) were sold during the year, which together with treatment and refining charges of $6,026,000 and the unfavorable revaluation (refer note 5) of provisional sales $3,400,000, generated sales revenue of $90,325,000. Cost of sales for the year of $73,082,000 comprised production costs, royalties, transport and freight and movement in stockpiles and depreciation charges. The higher cost of sales during the period is mainly due to operational costs reflective of the Company's full year production, state taxes considered irrecoverable and the impact of ore stockpiles written down at year-end.

The Group's net profit before tax of $3,334,000 for the year was driven by gross profit from the Antas mine. This was offset by general and administrative expenses, financial expenses, impairment of property plant and equipment, loss on derivatives and other expenses. Financial expenses included non-cash accretion of the BlackRock royalty at the effective interest rate of 21% ($3,107,000) and the accretion of rehabilitation provision ($1,209,000). Other expenses of $2,582,000 primarily comprised of exploration expenditure incurred on projects not pursued, business development opportunities and indirect taxes.

During the year, the Group was granted a tax incentive (SUDAM) from the Brazilian Federal Government which aims to promote development in the Amazon region. The incentive reduces income tax payable and is effective for a period of 10 years from 1 January 2017.

3.9.2 Balance sheet

Total assets increased by $12,068,000 to $136,216,000 at 31 December 2017. The net increase in total assets was driven mainly due to investment decisions including the acquisition of the CentroGold project, ($10,164,000) and exploration activities at Pedra Branca, CentroGold and regionally ($8,499,000). In addition, there was an increase in current trade and other receivables due to delayed receipts of proceeds from sales and the initial recognition of a deferred tax asset ($2,457,000). The increase in assets was partially offset by depreciation, reduction in inventories and a decrease in receivables due to the utilisation of federal tax credits and write down of irrecoverable state taxes. Cash and cash equivalents increased by $1,496,000 mainly due to net cashflows from operations, offset by investments as described above.

Total liabilities were $44,767,000, an increase of $9,058,000 from 31 December 2016. The increase in total liabilities was driven by an increase in trade and other payables ($8,429,000), primarily as a result of recognition of the contingent consideration in relation to the acquisition of CentroGold ($5,000,000) as well as an increase in the provision for rehabilitation ($2,365,000). This increase was offset by decreases in financial liabilities ($864,000), deferred tax liabilities ($535,000) and current tax liabilities ($429,000).

3.10 MINERAL RESOURCE AND ORE RESERVE ESTIMATES

31 December 2017 Mineral Resource Statement

CARAJAS – Mineral Resources[1,2,3,4,5,6]						
DEPOSIT	JORC Category	Million Tonnes	Copper (%)	Gold (g/t)	Copper Metal (T)	Gold Metal (Oz)
Pedra Branca East [7]	Measured	1.98	2.7	0.7	53,000	43,000
	Indicated	5.72	2.8	0.7	161,000	123,000
	Inferred	2.78	2.7	0.6	75,000	55,000
	Total	**10.48**	**2.8**	**0.7**	**289,000**	**221,000**
Pedra Branca West [7]	Indicated	4.46	2.0	0.6	91,000	87,000
	Inferred	2.74	1.7	0.6	47,000	49,000
	Total	**7.19**	**1.9**	**0.6**	**138,000**	**136,000**
TOTAL PEDRA BRANCA	**Total**	**17.67**	**2.4**	**0.6**	**427,000**	**357,000**
ANTAS NORTH [8]	Measured	2.84	2.2	0.5	62,200	48,400
	Indicated	2.93	1.5	0.3	44,000	31,500
	Inferred	3.99	1.1	0.2	43,200	24,200
	Total	**9.76**	**1.5**	**0.3**	**149,400**	**104,100**
ANTAS SOUTH [7,9]	Measured	0.59	1.3	0.2	8,000	3,000
	Indicated	7.50	0.7	0.2	53,000	49,000
	Inferred	1.99	1.2	0.2	24,000	13,000
	Total	**10.08**	**0.8**	**0.2**	**85,000**	**65,000**
COMBINED TOTAL		**37.51**	**1.7**	**0.4**	**661,400**	**526,100**

ANTAS NORTH – Sulphide Ore Mineral Reserves [10,11]							
Location	JORC Category	Economic Cut-Off Cu%	Million Tonnes	Copper (%)	Gold (g/t)	Copper Metal (T)	Gold Metal (Oz)
Antas Mine	Proved	**0.50**	0.90	3.58	0.73	32,300	21,200
	Probable	**0.50**	1.83	1.83	0.43	33,600	25,600
Antas Mine Stockpiles	Proved	**0.50**	0.04	0.93	0.28	400	400
TOTAL PROVED + PROBABLE			**2.78**	**2.38**	**0.53**	**66,300**	**47,200**

CENTROGOLD – Mineral Resources[12,13,14]				
DEPOSIT	JORC Category	Million Tonnes	Gold (g/t)	Gold Metal (Oz)
Contact [15]	Indicated	2.1	2.5	168,000
	Inferred	5.9	2.2	424,000
	Total	**8.1**	**2.3**	**592,000**
Blanket [15]	Indicated	10.8	1.7	597,000
	Inferred	1.4	2.2	97,000
	Total	**12.2**	**1.8**	**694,000**
Chega Tudo [15]	Indicated	8.2	1.6	425,000
	Inferred	3.1	1.5	152,000
	Total	**11.3**	**1.6**	**577,000**
TOTAL		**31.5**	**1.8**	**1,863,000**

Note: Errors in totals may occur due to rounding

3.10.1 Discussion on Material Changes to JORC Compliant Mineral Resources and Reserves

Antas Mineral Resource

Antas is Avanco's operating high-grade open pit copper-gold mine. It was discovered by the Avanco team in 2011, developed under budget in under 12-months, and after entering commercial production in July 2016 is already operating above its original design capacity. Antas is 100% owned by Avanco.

The project comprises of two distinct areas, Antas North, which hosts the Antas Mine, and Antas South.

Antas North Mineral Resource

The Antas North Mineral Resource has been revised for depletion by production during the 2017. In addition, the reporting cut-off grade has been revised to 0.4% Cu to more accurately reflect current marginal cut-off grades from the Antas Mine. Only 'fresh' Mineral Resources have been reported.

The Antas North Mineral Resource hosts the Antas Mine. Depletion at Antas North has been estimated in accordance with accepted practices via the removal of mined material (tonnes/grade) based on surveys of the pit floor and surrounds, as compared to the surveyed surface used for the previously reported Mineral Resource.

31 December 2016 Antas North Mineral Resource Statement

ANTAS NORTH – SULPHIDE JORC Reported Mineral Resources Reported above a Cut-off Grade of 0.9% Cu					
Classification	Tonnes (Mt)	Copper (Cu %)	Gold (Au g/t)	Copper Metal (T)	Gold (Oz)
Measured	1.96	3.42	0.76	66,969	47,846
Indicated	1.61	2.23	0.42	35,877	21,724
Inferred	1.89	1.59	0.23	30,130	14,013
TOTAL	**5.46**	**2.43**	**0.48**	**133,000**	**84,000**

Note: Errors in totals may occur due to rounding

31 December 2017 Depleted Antas North Mineral Resource Statement

ANTAS NORTH – SULPHIDE JORC Reported Mineral Resources Reported above a Cut-off Grade of 0.4% Cu					
Classification	Tonnes (Mt)	Copper (Cu %)	Gold (Au g/t)	Copper Metal (T)	Gold (Oz)
Measured	2.84	2.2	0.5	62,200	48,400
Indicated	2.93	1.5	0.3	44,000	31,500
Inferred	3.99	1.1	0.2	43,200	24,200
TOTAL	**9.76**	**1.5**	**0.3**	**149,400**	**104,100**

Note: Errors in totals may occur due to rounding

The existing Competent Person's Consent, material assumptions, and technical parameters underpinning the Antas North Mineral Resource estimate continue to apply.

Antas South Mineral Resource
During the year, there has been no material change to the Antas South Mineral Resource.

The existing Competent Person's Consent, material assumptions, and technical parameters underpinning the Antas South Mineral Resource estimate continue to apply.

Antas Mine Mineral Reserves
The Antas Mine Ore Reserve has been revised for depletion at 31 December 2017 (EOFY), in accordance with mining movements at the Company's operating Antas Copper Mine. The reporting cut-off grade has been revised from 0.65% Cu to 0.50% Cu in line with current assessment of the mine's operating economic cut-off grade.

The Antas North Ore Reserve hosts the Antas Mine. Depletion at Antas North has been estimated in accordance with accepted practices via the removal of mined material (tonnes/grade) based on surveys of the pit floor and surrounds, as compared to the surveyed surface used for the previously reported Ore Reserve.

31 December 2016 Antas Mine Mineral Reserve Statement

ANTAS NORTH – JORC Reported Ore Reserves. December 2016							
Location	Classification	Economic Cut-Off Cu%	Tonnes (Mt)	Copper (%)	Gold (g/t)	Copper Metal (T)	Gold (Oz)
Antas Mine	Proved	0.65	1.23	3.34	0.73	41,100	28,900
	Probable	0.65	1.69	2.16	0.47	36,500	25,500
Antas Mine Stockpiles	Proved	0.65	0.12	2.26	0.53	2,800	2,100
TOTAL PROVED + PROBABLE			**3.04**	**2.64**	**0.58**	**80,000**	**57,000**

Note: Errors in totals may occur due to rounding

31 December 2017 Depleted Antas Mine Ore Reserve Statement

ANTAS NORTH – JORC Reported Ore Reserves. December 2017							
Location	Classification	Economic Cut-Off Cu%	Tonnes (Mt)	Copper (%)	Gold (g/t)	Copper Metal (T)	Gold (Oz)
Antas Mine	Proved	**0.50**	0.90	3.58	0.73	32,300	21,200
	Probable	**0.50**	1.83	1.83	0.43	33,600	25,600
Antas Mine Stockpiles	Proved	**0.50**	0.04	0.93	0.28	400	400
TOTAL PROVED + PROBABLE			**2.78**	**2.38**	**0.53**	**66,300**	**47,200**

Note: Errors in totals may occur due to rounding

The reduction in copper metal contained within the Antas Mine Ore Reserves concurs with the known material change due to mining production, after allowing for material held in mine stockpiles and the revised reporting cut-off, as reported in the above Ore Reserve Statement. The existing Competent Person's Consent, material assumptions, and technical parameters underpinning the Antas Mine Ore Reserve estimate continue to apply.

Pedra Branca Mineral Resource
Pedra Branca is an undeveloped copper project, located ~50km southwest of the Antas Mine. The project is divided between the East and the West zones.

During the year, there has been no material change to either the Pedra Branca East or Pedra Branca West JORC Compliant Mineral Resources. The existing Competent Person's Consent, material assumptions, and technical parameters underpinning these Resource estimate continue to apply.

CentroGold Mineral Resources
The CentroGold project is located in Maranhão, northern Brazil and was wholly acquired by the Company in October 2017. CentroGold comprises a contiguous 140,000 hectares of tenements situated along a highly prospective and under explored 75 kilometre greenstone trend. CentroGold hosts three proximal deposits; Blanket, Contact and Chega Tudo.

During the year, the Company reported updated Mineral Resources for the Blanket and Contact deposits and the maiden Mineral Resource for the Chega Tudo deposit, in accordance with the JORC (2012) Reporting Code. The Blanket and Contact Deposit Mineral Resources were updated in April 2017 following completion of a detailed analysis of quality assurance protocols and study of quality control data (QAQC) for all historical drilling and assaying, and a site visit by the Competent Person, which allowed upgrading of a portion of both deposits to include Indicated Mineral Resources.

19 January 2017 CentroGold Mineral Resource Statement

CENTROGOLD – Mineral Resources [11,12,13]. Reported above a Cut-off Grade of 1.0 g/t Au				
DEPOSIT	JORC Category	Million Tonnes	Gold (g/t)	Gold Metal (Oz)
CONTACT [14]	Inferred	8.00	2.30	592,000
BLANKET [14]	Inferred	12.20	1.80	694,000
TOTAL		**20.20**	**2.00**	**1,286,000**

Note: Errors in totals may occur due to rounding

31 December 2017 CentroGold Mineral Resource Statement

CENTROGOLD – Mineral Resources [12,13,14] December 2017. Reported above a Cut-off Grade of 1.0g/t Au				
DEPOSIT	JORC Category	Million Tonnes	Gold (g/t)	Gold Metal (Oz)
CONTACT [15]	Indicated	2.1	2.5	168,000
	Inferred	5.9	2.2	424,000
	Total	**8.1**	**2.3**	**592,000**
BLANKET [15]	Indicated	10.8	1.7	597,000
	Inferred	1.4	2.2	97,000
	Total	**12.2**	**1.8**	**694,000**
CHEGA TUDO[15]	Indicated	8.2	1.6	425,000
	Inferred	3.1	1.5	152,000
	Total	**11.3**	**1.6**	**577,000**
TOTAL		**31.5**	**1.8**	**1,863,000**

Note: Errors in totals may occur due to rounding

Refer to ASX Announcements "CentroGold Improved Mineral Resource Confidence", 26 April 2017, "CentroGold Exceeds 1.8M Ounces", 13 November 2017, and "CentroGold Exceeds 1.8M Ounces – Addendum", 20 November 2017 for Competent Person's Consent, material assumptions, and technical parameters underpinning the Blanket, Contact and Chega Tudo deposit Mineral Resource estimates.

3.10.2 Mineral resources and ore reserves governance and internal controls statements

The Mineral Resource and Ore Reserve estimates are currently undertaken by the Company's technical staff, in consultation with independent external professionals. A summary of the governance and controls applicable to the Company's mineral resource and ore reserve process is as follows:

- Review and validation of drilling and sampling methodology and data spacing, geological logging, data collection and storage, sampling and analytical quality control;
- Review of known and interpreted geological structure, lithology and weathering controls;
- Review of estimation methodology relevant to the mineralisation style;
- Visual validation of block model against raw data; and
- Internal peer review by senior company personnel.

The review process has not identified any material issues or risks associated with the existing Mineral Resources and Ore Reserve estimates. The Group periodically reviews the governance framework in line with the expansion and development of its business.

4. EMPLOYEES

The Group has 141 employees at 31 December 2017 (31 December 2016: 128 employees).

5. SUBSEQUENT EVENTS

Subsequent to year-end, the Group entered into an Option Agreement to acquire 100% of the Pantera Copper Project from Vale S.A. $500,000 was paid on signing of the agreement.

On 14 February 2018, 7,750,000 options expiring on 31 December 2019 were cancelled and 11,000,000 options at an exercise price of A$0.10 per share, expiring 31 December 2020 were issued.

6. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Group are set out in the above review of operations in this annual report. Any future prospects are dependent upon future successful exploration and evaluation.

7. ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The Group carries out operations that are subject to environmental regulations under legislation in Brazil. The Group has formal procedures in place to ensure regulations are adhered to. The Group is not aware of any breaches in relation to environmental matters.

8. SHARE OPTIONS

As at the date of this report, there were 195,250,000 unexpired ordinary shares under options. The details of the options at the date of this report are as follows:

Number	Exercise Price A$	Expiry Date
11,000,000	0.10	31 December 2020
34,250,000	0.10	31 December 2019
150,000,000	0.10	30 June 2018
195,250,000		

No options were exercised during the year. No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

On 14 February 2018, 7,750,000 options expiring on 31 December 2019 were cancelled and 11,000,000 options at an exercise price of A$0.10 per share, expiring 31 December 2020 were issued.

9. INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

The Company has made an agreement indemnifying all the Directors and officers of the Company against all losses or liabilities incurred by each Director or officer in their capacity as Directors or officers of the Company to the extent permitted by the Corporations Act 2001. The indemnification specifically excludes wilful acts of negligence. The Company paid insurance premiums in respect of Directors' and Officers' Liability Insurance contracts for current officers of the Company, including officers of the Company's controlled entities. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group. The total amount of insurance premiums paid has not been disclosed due to confidentiality reasons.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount).

No payment has been made to indemnify Ernst & Young during or since the financial year.

10. DIRECTORS' MEETINGS

During the year ended 31 December 2017, in addition to regular informed Board discussions, the number of meetings of directors held and the number of meetings attended by each director were as follows:

Director	Board meetings		Audit Committee meetings		Remuneration and Nomination Committee meetings		Risk Management Committee meetings	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Directors								
Anthony Polglase	10	10	-	-	-	-	4	4
Vernon Tidy	10	10	2	2	4	4	-	-
Luiz Ferraz	10	8	-	-	-	-	2	-
Paul Chapman [a]	7	7	1	1	3	3	2	2
Simon Mottram	10	10	-	-	-	-	-	-
Luis Azevedo	10	9	-	-	-	-	-	-
Colin Jones [b]	5	5	2	2	3	3	-	-

(a) Paul Chapman was appointed Non-Executive Director on 1 May 2017.
(b) Colin Jones resigned from the Board of Directors effective on 31 August 2017.

11. CORPORATE GOVERNANCE

In recognising the need for high standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that Avanco Resources Limited is in compliance with those guidelines to the extent possible, which are of importance to the commercial operation of listed resources company. During the period, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Group. The Group's Corporate Governance Statement and disclosures are contained from page 31 - 34.

12. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors of Avanco Resources Limited with an Independence Declaration in relation to the audit of the financial report for the year ended 31 December 2017. A copy of that declaration is included on page 80. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young Brazil received $72,981 (2016: $32,642) for the provision of non-audit services related to tax advice during the year. Refer to note 10 for further details of the total auditors' remuneration.

13. REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 31 December 2017 outlines the remuneration arrangements in place for Directors and Executives of Avanco Resources Limited in accordance with the requirements of the Corporations Act 2001 and its Regulations.

2017 was a year in which the Company bettered production guidance, maintained an excellent safety record, commenced exploration to extend the Antas mine life, accelerated its growth profile and completed its first full calendar year of commercial operations. During the past two years the Company has grown to 141 employees and 207 contractors, from a development company to a junior mining company producing more than 14,000 tonnes of Copper and 11,000 ounces of gold and for the year ended 31 December 2017 received sales revenues of $90,325,000 (2016: $54,719,000).

During May 2017, the Company's ASX classification changed from a 'mining exploration company' to a 'mining producing company, marking a step change in the Group's progress.

During this and the continuing growth phase, the Board has needed and needs to ensure that its vital Key Management Personnel and extremely important senior member employees in the operational business are rewarded and retained by the Company, that remuneration remained and remains market competitive and remuneration is able to be clearly communicated to the executive team.

For the purpose of this report, Key Management Personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

The report contains the following sections:

13.1 Key Management Personnel covered by this Remuneration Report
13.2 Remuneration Governance
13.3 Principles of Remuneration
13.4 Use of Remuneration Consultants
13.5 Executive Remuneration Framework
13.6 Key Management Personnel Service Contracts
13.7 Summary of Remuneration
13.8 Additional Disclosures Relating to Options and Shares

13.1 Key Management Personnel covered by this Remuneration Report

The following were KMPs of the Group at any time during the year ended 31 December 2017 and 31 December 2016 and unless otherwise indicated, KMPs for the entire period:

Non-Executive Directors	Executive Directors	Executives
Vernon Tidy	Anthony Polglase	Scott Funston - Chief Financial Officer and Company Secretary
Paul Chapman [(a)]	Simon Mottram	Wayne Phillips – Head of Projects
Luiz Ferraz	Luis Azevedo	
Colin Jones [(b)]		

[(a)] Paul Chapman was appointed Non-Executive Director on 1 May 2017.
[(b)] Colin Jones resigned from the Board of Directors effective on 31 August 2017.

There were no other changes to KMPs after the reporting date and before the date of the financial report.

13.2 Remuneration Governance

The Nomination and Remuneration Committee (the Committee) of the Board of Directors (the Board) is responsible for determining the remuneration arrangements for KMPs and other senior management and making recommendations to the Board. The Committee comprised three independent Non-Executive Directors up until the resignation of Colin Jones.

Subsequently the Committee comprises of two independent Non-Executive Directors.

The Committee reviews remuneration levels and other terms of employment on a periodic basis having regard to relevant employment market conditions, strategy of the Group, qualifications and experience of the KMPs and performance against targets set for each year.

The Committee also advises on the appropriateness of remuneration packages of the Group given trends in comparative peer companies both locally and internationally, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality board and executive team.

13.3 Principles of Remuneration

The performance of the Group depends on the quality of the KMPs it employs. To be successful in a global market, the Group must attract, motivate and retain KMPs of the highest calibre.

The Group embraces the following remuneration principles to secure a successful business:

- Remuneration must be competitive, equitable and fair to attract and retain high calibre KMPs;
- Remuneration must recognise the competitive global market in which the Group operates;
- Remuneration must reward Group and individual performance across a range of disciplines and be measured against benchmarked targets; and
- Remuneration must link rewards with protecting and creating shareholder value.

The table below shows the financial performance and other factors for the Group over the past five financial years:

12 months as at 31 December	**2017**	**2016**	**2015**			
6 months as at 31 December				**2014**		
12 months as at 30 June					**2014**	**2013**
Earnings/(loss) per share (cents) $	**0.10**	(0.11)	0.06	(0.16)	(0.07)	(0.21)
Net profit/ (loss) $000	**2,500**	(2,662)	1,224	(2,617)	(1,027)	(2,304)
Average share price A$	**0.099**	0.063	0.067	0.090	0.074	0.075
Market capitalization (A$'000)	**221,122**	162,156	110,124	129,611	149,551	62,384
Number of employees	**141**	128	58	15	15	13
Number of projects in production	**1**	1	-	-	-	-
Number of pre-production projects	**8**	6	6	6	6	6

13.4 Use of Remuneration Consultants

The Board and the Remuneration and Nomination Committee use an independent remuneration consultant, Godfrey Remuneration Group Pty Limited (Godfrey), to provide benchmarking data with regard to the remuneration of KMPs against market practice of a Comparator Group of Australian Securities Exchange (ASX) listed companies.

The advice and recommendations of remuneration consultants are used from time to time as a guide by the Board and the Remuneration and Nomination Committee. Decisions are made by the Board after its own consideration of the issues but having regard to the advice of the Remuneration Committee and the consultants.

In order to ensure the Remuneration and Nomination Committee is provided with advice, and as required, remuneration recommendations, free from undue influence by members of the KMP to whom the recommendations may relate, the Chairman of the Nomination and Remuneration Committee engages directly with Godfrey in this regard.

During 2017 Godfrey was paid A$39,000 for advice and recommendations in respect of reviewing the amount and elements of KMP remuneration.

By general enquiry and review, the Board is satisfied that the recommendations made by the remuneration consultants were free from undue influence by executive KMPs.

13.5 Executive Remuneration Framework

The Group's executive KMP total remuneration structure provides for:

- Fixed remuneration;
- Short-term, performance linked cash remuneration (STI); and
- Long-term, performance linked equity remuneration (LTI).

During the year, the executive KMP were not granted any STI nor LTI, as the Remuneration and Nomination Committee is currently reviewing a short term, performance linked, incentive program (STI) and a long term, performance linked, equity incentive program (LTI). Accordingly, total remuneration comprised only fixed remuneration and the vesting of previous years' options.

13.5.1 Fixed *remuneration*

Fixed remuneration comprises director's fees, consulting fees and employer superannuation contributions.

13.5.2 Short-term, performance*-linked remuneration (STI)*

The Remuneration and Nomination Committee is currently reviewing a short term, performance linked, incentive program (STI) which will provide annual cash awards for the achievement of specific objectives. STI payments awarded to each KMP will depend on the extent to which specific objectives of the financial year are met.

On an annual basis, after consideration of performance against the objectives, the Board determines the amount, if any, of the STI to be paid to each KMP, seeking recommendations from the Remuneration Committee as appropriate.

13.5.3 Long-term, performance linked equity remuneration (LTI)

LTI currently comprises the Employee Share Option Plan (ESOP) and the Performance Rights Plan (the Plan). The Remuneration and Nomination Committee is currently reviewing a revised Long-term, performance linked equity remuneration (LTI)

Employee Share Option Plan (ESOP):

The objective of the ESOP is to assist in the recruitment, reward, retention and motivation of employees of the Group. Under the ESOP, the Directors may invite individuals acting in a manner similar to employees to participate in the ESOP and receive options. An individual may receive the options or nominate a relative or associate to receive the options.

On resignation of a participant, any unvested options may be forfeited at the Board's discretion. Share options do not carry any dividend rights and can be exercised once the vesting conditions have been met until their expiry date.

The ESOP is open to executive officers, nominated consultants and employees of Avanco Resources Limited and its subsidiaries.

Performance Rights Plan (the Plan)

On 26 June 2015, shareholders approved the adoption of the Group's Performance Rights Plan.

The objective of the Plan is to provide the Group with a remuneration mechanism, through the issue of securities in the capital of the Company, to motivate and reward the performance of Directors and employees in achieving specified performance milestones within a specified performance period. The Board aligns the performance milestones pursuant to the Plan with the successful growth of the Group's business activities.

Performance rights remuneration has not been disclosed and explained as at 31 December 2017 as no performance rights have been granted to participants under the Plan (31 December 2016: Nil) and the aspects of the remuneration are yet to be determined. Once performance rights are issued, the Company will disclose and explain all aspects of the performance rights remuneration.

13.6 Key Management Personnel Service Contracts

13.6.1 Non-Executive Directors

The aggregate fee remuneration for Non-Executive Directors has been set at an amount not to exceed $700,000 per annum. This amount may only be increased with the approval of Shareholders at a general meeting.

	DIRECTORS FEES	COMMITTEE FEES	TOTAL REMUNERATION FOR 2017
Vernon Tidy	A$87,999	A$30,000	A$117,999
Luiz Ferraz	A$66,000	-	A$66,000
Paul Chapman [(a)]	A$46,000	A$15,000	A$61,000
Colin Jones [(b)]	A$108,333	A$5,000	A$113,333

[(a)] Paul Chapman was appointed Non-Executive Director on 1 May 2017.

[(b)] Colin Jones resigned from the Board of Directors effective on 31 August 2017.

13.6.2 Executive Directors

Anthony Polglase	Fixed remuneration and allowances for the year: A$552,500

Mr Polglase's agreement is for a three-year period commencing 1 December 2015 unless extended by both parties. Mr Polglase's total remuneration was increased to A$550,000 plus an allowance of 10% for the performance of his duties in Brazil effective 1 July 2017, as recommended by the Remuneration and Nomination Committee and adopted by the Board of Directors. In addition to his cash remuneration, Mr Polglase is entitled to 20 days annual leave.

Mr Polglase is entitled to:

- flights, medical benefits and accommodation arrangements customary to normal industry standards for an executive relocating to the benefit of the Group, and
- participate in any Group short and long-term incentive schemes. The term of the agreement is for three years commencing 1 December 2015 unless extended by both parties.

In the event of termination due to a redundancy or a material change in responsibilities, Mr Polglase is entitled to twelve months' monthly consulting fees. The Company may terminate the agreement by giving twelve months written notice or may terminate the agreement immediately for serious misconduct. Mr Polglase may terminate the agreement by giving three months written notice.

Simon Mottram	Fixed remuneration, allowances and superannuation for the year: A$386,750

Mr Mottram's agreement was initially for a two-year period commencing 1 December 2015, which has been extended with the same terms until a new agreement is concluded. Mr Mottram's total remuneration was increased to A$385,000, including superannuation, plus an allowance of 10% for the performance of his duties in Brazil, effective 1 July 2017, as recommended by the Remuneration and Nomination Committee and adopted by the Board of Directors. Mr Mottram is entitled to participate in any Group incentive schemes, as well as 20 days annual leave.

Mr Mottram may terminate the agreement by giving three months written notice. The Company may terminate the agreement by giving six months written notice, or may terminate the agreement immediately for serious misconduct. In the event of termination due to a redundancy or a material change in responsibilities, Mr Mottram is entitled to six months' monthly consulting fees.

The Company and Mr Mottram have signed a Confirmation of Continuation under Consulting Agreement document to record formally the understanding that his engagement continues beyond 1 December 2017 on the same terms, including any fixed remuneration increases from time to time, until a new agreement is entered into by the Company and Mr Mottram.

Luis Azevedo	Fixed remuneration for the year: A$262,500
Mr Azevedo's agreement was initially for a two-year period commencing 1 December 2015, which has been extended with the same terms until a new agreement is concluded. Mr Azevedo's total remuneration was increased to A$275,000, effective 1 July 2017, as recommended by the Remuneration and Nomination Committee and adopted by the Board of Directors. In addition to his cash remuneration, Mr Azevedo is entitled to 20 days annual leave. In the event of termination due to a redundancy or a material change in responsibilities, Mr Azevedo is entitled to six months' monthly consulting fees. The Company may terminate the agreement by giving six months written notice, or may terminate the agreement immediately for serious misconduct. Mr Azevedo may terminate the agreement by giving three months written notice. The Company and Mr Azevedo have signed a Confirmation of Continuation under Consulting Agreement document to record formally the understanding that his engagement continues beyond 1 December 2017 on the same terms, including any fixed remuneration increases from time to time, until a new agreement is entered into by the Company and Mr Azevedo.	

13.6.3 Executives

Scott Funston	Fixed remuneration for the year: A$295,000 Total Sub-committee fee for the year: A$5,000
Mr Funston's agreement was initially for a two-year period commencing 1 December 2015, which has been extended with the same terms until a new agreement is concluded. Mr Funston's total remuneration was increased to A$310,000 effective 1 July 2017, as recommended by the Remuneration and Nomination Committee and adopted by the Board of Directors. In addition to his cash remuneration, Mr Funston is entitled to 20 days annual leave. In the event of termination due to a redundancy or a material change in responsibilities, Mr Funston is entitled to six months' monthly consulting fees. The Company may terminate the agreement by giving six months written notice. Mr Funston may terminate the agreement by giving three months written notice. The Company and Mr Funston have signed a Confirmation of Continuation under Consulting Agreement document to record formally the understanding that his engagement continues beyond 1 December 2017 on the same terms, including any fixed remuneration increases from time to time, until a new agreement is entered into by the Company and Mr Funston.	
Wayne Phillips	Fixed remuneration for the year: A$367,500
Mr Phillip's agreement was initially for a two-year period commencing 1 December 2015, which has been extended with the same terms until a new agreement is concluded. Mr Phillip's total remuneration was increased to A$385,000, effective 1 July 2017, as recommended by the Remuneration and Nomination Committee and adopted by the Board of Directors. In addition to his cash remuneration, Mr Phillips is entitled to 20 days annual leave. In the event of termination due to a redundancy or a material change in responsibilities Mr Phillips is entitled to six months' monthly consulting fees. The Company may terminate the agreement by giving six months written notice Mr Phillips may terminate the agreement by giving three months written notice. The Company and Mr Phillips have signed a Confirmation of Continuation under Consulting Agreement document to record formally the understanding that his engagement continues beyond 1 December 2017 on the same terms, including any fixed remuneration increases from time to time, until a new agreement is entered into by the Company and Mr Phillips.	

13.6.4 Committee Members Remuneration

The Board has resolved that Committee members participating in other Committees (Sub-committees) established by the Board (currently comprising Audit, Remuneration and Nomination, and Risk Management Committees) should receive remuneration as follows, as recommended by the Remuneration and Nomination Committee and adopted by the Board of Directors.:

i. Chairman to receive A$15,000 per annum effective 1 July 2017, previously A$10,000;
ii. Member to receive A$7,500 per annum effective 1 July 2017, previously A$5,000; and

iii. Committee remuneration to be paid bi-annually.

13.6.5 Transactions with Key Management Personnel and their related parties

The Non-Executive Directors Mr Vernon Tidy, Mr Luiz Ferraz and former Non-Executive Director Mr Colin Jones issue invoices through their private companies for Directors fees, they are not separate entities that provide consulting services to the Company. Mr Tidy, Mr Ferraz and Mr Jones meet the definition and maintain their status as Independent Non-Executive Directors, thus retain objectivity and their ability to meet their oversight role.

Minersol Mineração Consultoria, a company of which Anthony Polglase is a Director charged the Group consulting fees, as part of his remuneration, for the year totalling $247,221 (2016: $ Nil). At year-end, there was no amount outstanding (2016: Nil).

The Warra Dream Trust trading as Mazuma Consulting, of which Vernon Tidy is a Trustee, charged the Group director's fees, as part of his remuneration, for the year totalling $94,058 (2016: $60,087). At year-end, there was no amount outstanding (2016: $11,875).

F&F Consultoria, Administração e Participacaões Ltda, a company of which Luis Ferraz is a Director charged the Group Director's fees, as part of his remuneration, for the year totalling $50,784 (2016: $22,576). At year-end, there was no amount outstanding (2016: $1,534).

JENS Dominion Pty Ltd, a company of which Simon Mottram is a Director, charged the Group director's and consulting fees, as part of his remuneration, for the year totalling $132,329 (2016: $257,771). At year-end, there was no amount outstanding (2016: $23,091).

During the year, Resourceful International Consulting Pty Ltd, a company of which Scott. Funston is a Director, invoiced the Group, as part of his remuneration, $230,175 (2016: $215,400) for executive services. At year-end, there was an amount outstanding of $22,183 (2016: $22,431). The balance is non-interest bearing and paid subsequent to year-end.

CI Jones C Eng., a company of which Colin Jones is a Director, charged the Group director's fees, as part of his remuneration, for the year totalling $87,225 (2016: $126,175). At year-end, there was no amount outstanding (2016: $13,592).

FFA Legal Ltda, a company in which Luis Azevedo is a Director and shareholder, provided the Group with a serviced office, legal, administrative and accounting services in Brazil for the year totalling $899,047 (2016: $838,269). At year-end, there was an amount outstanding of $62,113 (2016: $84,296). The balance is non-interest bearing and paid subsequent to year-end.

These transactions were entered on normal commercial terms.

13.7 Summary of Remuneration

The following section itemises the remuneration components for the KMPs.

The fixed remuneration, allowances, superannuation and sub-committee fees paid to key management personnel, for the year ended 31 December, are summarised as follows:

	2017		2016	
	A$ (a)	$ (b)	A$ (a)	$ (b)
Directors				
Vernon Tidy	117,999	94,058	80,000	60,087
Anthony Polglase	552,500	421,372	500,000	371,891
Luiz Ferraz (e)	66,000	50,784	30,000	22,576
Paul Chapman (c)	61,000	47,619	-	-
Simon Mottram	386,750	294,819	350,000	257,771
Luis Azevedo	262,500	201,924	250,000	182,720
Colin Jones (d)	113,333	87,225	170,000	126,175

	2017		2016	
	A$ [(a)]	$ [(b)]	A$ [(a)]	$ [(b)]
Executives				
Scott Funston	300,000	230,175	290,000	215,400
Wayne Phillips	367,500	284,830	350,000	264,129
Total	**2,227,582**	**1,712,806**	**2,020,000**	**1,500,749**

(a) Directors and executive remuneration include fees paid to members of committees established by the Board (sub-committees).
(b) Directors and executive remuneration is Australian Dollars based and has been translated to US Dollars using the exchange rate at the date of payment.
(c) Paul Chapman was appointed Non-Executive Director on 1 May 2017.
(d) Colin Jones resigned from the Board of Directors effective on 31 August 2017.
(e) Luiz Ferraz was appointed on 5 July 2016.

There were no other executive officers of the Group during the years ended 31 December 2017 and 31 December 2016. Details of the nature and amount of each element of the emolument of each Director and Executive of the Group are as follows:

31 December 2017	Short-term benefits			Share-based payments	Long-term benefits		Total Remuneration	Performance related
	Consulting Fees	Directors Fees	Allowances	Options [(c)]	Annual leave [(d)]	Superannuation		
	$	$	$	$	$	$	$	%
Directors								
Vernon Tidy	-	94,058	-	-	-	-	94,058	-
Anthony Polglase	400,399	-	20,973	33,095	39,357	-	493,824	-
Luiz Ferraz	-	50,784	-	-	-	-	50,784	-
Paul Chapman [(c)]	-	47,619	-	-	-	-	47,619	-
Simon Mottram	270,300	-	14,755	25,740	25,924	9,764	346,483	-
Luis Azevedo	201,924	-	-	14,709	17,890	-	234,523	-
Colin Jones [(d)]	-	87,225	-	-	-	-	87,225	-
Executives			-					
Scott Funston	230,175	-	-	11,032	10,083	-	251,290	-
Wayne Phillips	284,830	-	-	14,709	25,046	-	324,585	-
Total	**1,387,628**	**279,686**	**35,728**	**99,285**	**118,300**	**9,764**	**1,930,391**	

(a) Paul Chapman was appointed Non-Executive Director on 1 May 2017.
(b) Colin Jones resigned from the Board of Directors effective on 31 August 2017.
(c) Relates to the 2017 proportional expense of 140,000,000 options granted to Directors on 26 June 2015 exercisable at A$0.10 with an expiry date of 30 June 2018.
(d) KMPs cannot receive cash in lieu of leave except on termination. Prior year annual leave was changed to long-term to reflect the nature of the benefit.

31 December 2016	Short-term benefits			Share-based payments	Long-term benefits		Total Remune-ration	Perfor-mance related
	Consulting Fees	Directors Fees	Cash Bonus	Options	Annual leave [e]	Super-annuation		
	$	$	$	$	$	$	$	%
Directors								
Colin Jones	-	126,175	-	29,444 [d]	-	-	155,619	-
Anthony Polglase	371,891	-	36,126	528,482[c]	32,487	-	968,986	3.7
Vern Tidy	-	60,087	-	29,444[d]	-	-	89,531	-
Luiz Ferraz [a]	-	22,576	-	-	-	-	22,576	
Simon Mottram	257,771	-	-	411,041[c]	22,741	-	691,553	-
Luis Azevedo	182,720	-	-	234,881[c]	16,243	-	433,844	-
Executives								
Scott Funston [b]	215,400	-	-	176,161[c]	18,193	-	409,754	-
Wayne Phillips [b]	264,129	-	-	234,881[c]	22,741	-	521,751	-
Total	**1,291,911**	**208,838**	**36,126**	**1,644,334**	**112,405**	**-**	**3,293,614**	

(a) Luiz Ferraz was appointed on 5 July 2016.

(b) Scott Funston and Wayne Phillips stepped down from the Board of Directors effective 31 October 2016 but continue as executives of the Company.

(c) Relates to the 2016 proportional expense of 140,000,000 options granted to Directors on 26 June 2015 exercisable at A$0.10 with an expiry date of 30 June 2018.

(d) These options vested upon receiving shareholder approval on 30 May 2016. These options are not performance linked as it has been granted to provide a cost-effective consideration to non-executive directors for their ongoing commitment and contribution to the Company and to align their interests with those of the Shareholders.

(e) KMPs cannot receive cash in lieu of leave except on termination. Annual leave was changed to long-term to reflect the nature of the benefit.

The terms and conditions of each grant of options are as follows:

	Grant date	Grant number	Expiry date	Value per option	Value of options A$	Value of options $ [d]	Exercise price	No. Vested
Directors								
Anthony Polglase	26 Jun 2015[b]	45,000,000	30 Jun 2018	A$0.02	900,000	677,340	$0.10	45,000,000
Vernon Tidy	30 May 2016[c]	5,000,000	30 Jun 2018	A$0.01	41,000	29,444	$0.10	5,000,000
Simon Mottram	26 Jun 2015[b]	35,000,000	30 Jun 2018	A$0.02	700,000	526,820	$0.10	35,000,000
Luis Azevedo	26 Jun 2015[b]	20,000,000	30 Jun 2018	A$0.02	400,000	301,040	$0.10	20,000,000
Colin Jones[e]	26 Jun 2015[a]	5,000,000	30 Jun 2018	A$0.02	100,000	75,260	$0.10	5,000,000
	30 May 2016[c]	5,000,000	30 Jun 2018	A$0.01	41,000	29,444	$0.10	5,000,000

	Grant date	Grant number	Expiry date	Value per option	Value of options A$	Value of options $ [d]	Exercise price	No. Vested
Executives								
Scott Funston	26 Jun 2015[b]	15,000,000	30 Jun 2018	A$0.02	300,000	225,780	$0.10	15,000,000
Wayne Phillips	26 Jun 2015[b]	20,000,000	30 Jun 2018	A$0.02	400,000	301,040	$0.10	20,000,000
Total Granted	**30 May 2016**	**10,000,000**		**A$0.01**	**82,000**	**58,888**		**10,000,000**
Total Granted	**26 Jun 2015**	**140,000,000**		**A$0.02**	**2,800,000**	**2,107,280**		**140,000,000**

[a] These options are exercisable on or before 30 June 2018 and vested immediately on grant date upon Shareholders approval on 26 June 2015.
[b] The last tranche of these options fully vested on 26 May 2017 when the final service and performance vesting conditions were fulfilled.
[c] These options are exercisable on or before 30 June 2018 and vested immediately on grant date upon Shareholders approval on 30 May 2016. These options are not performance linked as it has been granted to provide a cost-effective consideration to non-executive directors for their ongoing commitment and contribution to the Group and to align their interests with those of the Shareholders.
[d] The $ value of the options have been translated at the A$: US$ exchange rate at the date of grant.
[e] Colin Jones resigned from the Board of Directors effective on 31 August 2017, the options, however, are still exercisable until expiry.

On resignation, any unvested options may be forfeited at the Board discretion. Share options do not carry any dividend rights and can be exercised once the vesting conditions have been met until their expiry date.

Options granted as part of remuneration have been valued using the Black-Scholes option pricing model, which takes account of factors such as the option exercise price, the risk-free interest rate, the current level and volatility of the underlying share price and the expected time to maturity of the option. Options granted under the plan carry no dividend or voting rights. For details on the valuation of options, including models and assumptions used, please refer to note 28.

No options were exercised for the years ended 31 December 2017 and 31 December 2016. No options granted to directors and executives expired or were forfeited during the year.

13.8 Additional disclosures relating to options and shares

13.8.1 Shareholdings of Key Management Personnel

The number of shares in the Company held during the period by each Director and Executive of the Group, including their personally related parties, is set out below. There were no shares granted during the reporting period as compensation.

Movement of Shares for the 12 months ended 31 December 2017	No. shares at 1 January 2017	Number granted as compensation	On exercise of share options	Other changes	No. shares at 31 December 2017
Directors					
Vernon Tidy	675,000	-	-	-	675,000
Anthony Polglase	8,148,615	-	-	-	8,148,615
Luiz Ferraz	-	-	-	-	-
Paul Chapman [a]	-	-	-	200,000 [c]	200,000
Simon Mottram	1,744,681	-	-	-	1,744,681
Luis Azevedo	1,238,392	-	-	-	1,238,392
Colin Jones [b]	1,415,155	-	-	(1,415,155) [b]	-
Executives					
Scott Funston	1,845,651	-	-	-	1,845,651
Wayne Phillips	192,857	-	-	-	192,857
Total	**15,260,351**	**-**	**-**	(1,215,155)	**14,045,196**

[a] Paul Chapman was appointed Non-Executive Director on 1 May 2017.

(b) Colin Jones resigned from the Board of Directors effective on 31 August 2017.
(c) Other changes during the year relate to shares acquired on-market trades held directly, indirectly and beneficially by Key Management Personnel.

13.8.2 Option holdings of Key Management Personnel

The numbers of options over ordinary shares in the Company held during the period by each Director of Avanco Resources Limited and specified Executives of the Group, including their personally related parties, are set out below:

Movement of Options for the 12 months ended 31 December 2017						
	No. options at 1 January 2017	Number granted as compen-sation	Number Exercised	No. options at 31 December 2017[a]	Vested during the current year [b]	Vested and Exercisable [c]
Directors						
Anthony Polglase	45,000,000	-	-	45,000,000	2,198,697	45,000,000
Vernon Tidy[a]	5,000,000	-	-	5,000,000	-	5,000,000
Luiz Ferraz	-	-	-	-	-	-
Simon Mottram	35,000,000	-	-	35,000,000	1,710,098	35,000,000
Luis Azevedo	20,000,000	-	-	20,000,000	977,199	20,000,000
Colin Jones [d]	10,000,000	-	-	10,000,000	-	10,000,000
Executives						
Scott Funston	15,000,000	-	-	15,000,000	732,899	15,000,000
Wayne Phillips	20,000,000	-	-	20,000,000	977,199	20,000,000
Total	**150,000,000**	**-**	**-**	**150,000,000**	**6,596,092**	**150,000,000**

(a) Options are held directly or indirectly by Key Management Personnel.
(b) The last tranche of these options fully vested on 26 May 2017 when the final service and performance vesting conditions were fulfilled.
(c) There were no vested options exercised during the year.
(d) Colin Jones resigned from the Board of Directors effective on 31 August 2017.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

All equity transactions with Key Management Personnel other than arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

There were no loans granted to Key Management Personnel during the year.

End of Remuneration Report (Audited)

This report is signed in accordance with a resolution of the Board of Directors.

Anthony Polglase
Managing Director
Perth, Western Australia
27 February 2018

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources and/or Ore Reserves 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; 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.

1. The Pedra Branca, Antas South and Antas North deposits are defined as Iron Oxide Copper Gold (IOCG) deposits, typical of that found in the Carajas Province of Brazil, and well documented in respected geological texts
2. See ASX Announcement "Pedra Branca Resource Upgrade, Advances Development Strategy", 26 May 2016, for Competent Person's Consent, material assumptions, and technical parameters underpinning the Pedra Branca East resource estimates
3. See ASX Announcement "Pedra Branca Resource Upgrade Delivers Substantial Increase in Both Contained Copper and Confidence", 13 July 2015, for Competent Person's Consent, material assumptions, and technical parameters underpinning the Pedra Branca West resource estimate
4. See ASX Announcement "Stage 1 set to excel on new high-grade Copper Resource", 7 May 2014, for Competent Person's Consent, material assumptions, and technical parameters underpinning the Antas North resource estimate
5. See ASX announcement "Major Resource Upgrade for Rio Verde", 8 February 2012, for Competent Person's Consent, material assumptions, and technical parameters underpinning the Antas South resource estimate
6. The Antas South JORC compliant resource was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012, on the basis that the information has not materially changed since it was last reported
7. Grade Tonnage Reported above a Cut-off Grade of 0.9% Copper for Sulphide Resources
8. Grade Tonnage Reported above a Cut-off Grade of 0.4% Copper for Sulphide Resources
9. Grade Tonnage Reported above a Cut-off Grade of 0.3% Cu for Oxide Resources
10. See ASX Announcement "Maiden Reserves Exceed Expectations for Antas Copper", 17 September 2014, for Competent Person's Consent, material assumptions, and technical parameters underpinning the Antas Copper Mine JORC (2012) Reported Ore Reserve estimate
11. Measured and Indicated Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves
12. Gold mineralisation within the CentroGold project is typical of mesothermal vein-style, or orogenic-style gold deposits
13. See ASX Announcements "CentroGold Improved Mineral Resource Confidence", 26 April 2017 for Competent Person's Consent, material assumptions, and technical parameters underpinning the Contact and Blanket deposit resource estimates
14. See ASX Announcements "CentroGold Exceeds 1.8M Ounces", 13 November 2017, and "CentroGold Exceeds 1.8M Ounces – Addendum", 20 November 2017 for Competent Person's Consent, material assumptions, and technical parameters underpinning the Chega Tudo deposit resource estimate
15. Grade Tonnage Reported above a Cut-off Grade of 1.0g/t Gold

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Avanco Resources Limited ("Avanco Resources" or "the Company") is responsible for corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

Upon listing the Company established a set of corporate governance policies and procedures. These were based on the Australian Securities Exchange Corporate Governance Council's (the Council's) "Principles of Good Corporate Governance and Best Practice Recommendations" (the Recommendations). In accordance with the Council's recommendations, the Corporate Governance Statement must now contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure.

The board is currently reviewing the structure of the board to further comply with the Recommendations, including appointing a non-executive independent director. For further information on corporate governance policies adopted by the Company, refer to our website: www.avancoresources.com.

1. Structure of the Board

The skills, experience and expertise relevant to the position held by each Director in office at the date of the annual report is included in the Directors' Report. Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

The Board has accepted the following definition of an Independent Director:
"An Independent Director is a Director who is not a member of management, is a Non-Executive Director and who:

- is not a substantial shareholder (under the meaning of Corporations Law) of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Company member, or been a Director after ceasing to hold any such employment;
- is not a principal of a professional adviser to the Company or another Company member;
- is not a significant consultant, supplier or customer of the Company or another Company member, or an officer of or otherwise associated, directly or indirectly, with a significant consultant, supplier or customer;
- has no significant contractual relationship with the Company or another Company member other than as a Director of the Company;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company."

In accordance with the definition of independence above, three Directors Mr Tidy, Mr Ferraz and Mr Chapman are considered independent. However, the majority of the board is not considered independent. To progress towards a majority independent board, the Company is in the process of recruiting a Non-Executive Chairman.

The term in office held by each Director in office at the date of this report is as follows:

Director	Term in office
Anthony Polglase	10 years 8 months
Simon Mottram	7 years 1 months
Luis Azevedo	5 years 2 months
Vernon Tidy	2 year 8 months
Luiz Ferraz	1 year 8 months
Paul Chapman	10 months

There are procedures in place, as agreed by the Board, to enable Directors to seek independent professional advice on issues arising in the course of their duties at the Company's expense.

1.1 Remuneration and Nomination Committee

On 30 June 2017, the Board resolved to combine the Remuneration Committee and Nomination Committee. The Remuneration Committee was established in 2015 and the Nomination Committee was established in 2016. The combined committee comprises of two independent Directors being Vernon Tidy (Chairman of the Committee) and Paul Chapman.

The Remuneration and Nomination Committee assists the Board in fulfilling its corporate governance responsibilities in regard to remuneration matters, including executives and senior management appointments, retention and termination policies, performance evaluation, and equity-based incentives plan reviews. It also assists the Board in developing and overseeing the formal process for the search and selection of new Directors and their appointment; and re-election and performance of Directors, as well as developing a succession plan so that an appropriate balance of skills, experience, expertise and diversity is maintained.

The Remuneration and Nomination Committee operates under a charter approved by the Board.

1.2 Audit Committee

The Audit Committee comprises two Independent Directors being Vernon Tidy (Chairman of the Committee) and Paul Chapman (Independent Non-Executive Director), whose qualifications are set out in the Directors' Report. The Audit Committee was established on 1 July 2013.

The Board has formally adopted an Audit and Risk Management Committee Charter to give assurance to the Board that all financial statements and reports to be adopted by the Board are consistent with all applicable reporting requirements and are, in all material respects, accurate and not misleading. Additionally, the Audit Committee is the mechanism through which the Company's Auditors will interface with the Board.

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes both internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial and non-financial information. It is the Board's responsibility for the establishment and maintenance of a framework of internal control of the Company.

1.3 Risk Management Committee

The Risk Management Committee was established in 2016 and chaired by an Independent Director, Paul Chapman. Members of the committee include the Managing Director, Tony Polglase and two independent consultants.

The Risk Management Committee is mandated by the Board, to execute the Financial Risk Management Policy. The Policy sets out the objective of the Company's financial risk management activities which is to continually monitor the Group's risk profile and to investigate and execute strategies for maintaining the value of the business through the use and management of financial instruments and hedging structures that are appropriate to this philosophical position and the Group's broader corporate strategy. The activities and composition of the Committee is directed by the Financial Risk Management Policy.

Under the Company's Risk Management Policy, it is expected that the board reviews the policy annually, in association with the budget process, to ensure it reflects the company's current position and strategic objectives relative to the markets it is exposed to. The Risk Management Committee, through the CFO, reports to the board at every board meeting.

2. Performance

The Board of the Company conducts its performance review of itself on an ongoing basis throughout the period. The small size of the Group and hands on management style requires an increased level of interaction between Directors and Executives throughout the period. Board members meet amongst themselves both formally and informally. The Board considers that the current approach that it has adopted with regard to the review of its performance provides the best guidance and value to the Group.

3. Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high-quality Board by remunerating Directors fairly and appropriately with reference to relevant employment market conditions. The Company does not currently link the nature and amount of Executive and Directors' emoluments to the Company's financial and operational performance. However, this policy is under review by the Board.

For details of remuneration of Directors and Executives please refer remuneration section, section 13, to the Directors' Report.

The Board is responsible for determining and reviewing compensation arrangements for Executive Directors and Executives. The Board has formally adopted a Remuneration Committee Charter as part of the Remuneration and Nomination Committee role. There is no scheme to provide retirement benefits, other than contractual and statutory superannuation when applicable.

4. Diversity Policy

The Group is committed to workplace diversity and to ensuring a diverse mix of skills and talent exists amongst its Directors, officers and employees, to enhance Group performance. The Board has adopted a Diversity Policy which addresses equal opportunities in the hiring, training and career advancement of Directors, officers and employees.

In accordance with this policy, the Board provides the following information pertaining to the proportion of women across the organisation at the date of this report.

	Actual	
	Number	Percentage
Women in the whole organisation	9	6.4%
Women in senior executive positions	-	-
Women on the board	-	-

5. Trading Policy

Under the Group's securities trading policy, an Executive or Director must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

Before commencing to trade, an Executive must first obtain the approval of the Managing Director to do so and a Director must first obtain approval of the Chairman. Only in exceptional circumstances will approval be granted to trade in the Company securities during any Blackout Periods.

6. Assurance

The Managing Director and Chief Financial Officer periodically provide formal statements to the Board that in all material aspects:

- the Group's financial statements present a true and fair view of the Group's financial condition and operational results; and
- the risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively.

This assurance forms part of the process by which the Board determines the effectiveness of its risk management and internal control systems in relation to financial reporting risks.

7. Shareholder Communication Policy

Pursuant to Principle 6, the Company's objective is to promote effective communication with its shareholders at all times.

The Company is committed to:

- Ensuring that shareholders and the financial markets are provided with full and timely information,
- Complying with continuous disclosure obligations contained in the ASX listing rules and the Corporations Act 2001 in Australia, and
- Communicating effectively with its shareholders and making it easier for shareholders to communicate with the Company.

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

- Through the release of information to the market via the ASX,
- Through the distribution of the annual report and notices of annual general meeting,
- Through shareholder meetings and investor relations presentations,
- Through letters and other forms of communications directly to shareholders, and
- By posting relevant information on the Company's website: www.avancoresources.com.

The external auditors are required to attend the annual general meeting and are available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

8. Corporate Governance Compliance

During the period, the Company has complied with each of the eight Corporate Governance Principles and the corresponding Best Practice Recommendations, other than in relation to the matters specified below:

Best Practice Recommendation	Notification of Departure	Explanation of Departure
1.5	The Company has not disclosed in its annual report its measurable objectives for achieving gender diversity and progress towards achieving them.	The Board continues to monitor diversity across the organisation and is satisfied with the current level of gender diversity within the Company as disclosed above. Due to the size of the Company and its small number of employees, the Board does not consider it appropriate at this time, to formally set measurable objectives for gender diversity.
2.4	The Company does not have a majority of independent directors.	The Board is balanced between executive and non-executive directors. To progress to a majority of independent directors, the Company is recruiting a Non-Executive Chairman.
4.1	The Audit Committee is chaired by the Interim Non-Executive Chairman.	This is a temporary position whilst the Company seeks to appoint a new Non-Executive Chairman.
4.1	The Audit Committee only comprises of two members.	This is a temporary position with the Audit Committee having two Non-Executive Directors, whilst the Company seeks to appoint a new Non-Executive Chairman.
7.1	The Risk Management Committee only has one Independent Non-Executive Director.	The Directors consider that the current structure and composition of the Committee is appropriate to the size and nature of operations of the Company.
2.1 and 8.1	The Remuneration and Nomination Committee only has two members.	This is a temporary position with the Audit Committee having two Non-Executive Directors, whilst the Company seeks to appoint a new Non-Executive Chairman.

As outlined in the Review of Operations, further organisational changes are planned and compliance with Corporate Governance Principles and the corresponding Best Practice Recommendations will be considered in implementing these changes.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2017

	Notes	31 December 2017 $'000	31 December 2016 $'000
Sales Revenue	5, 6	**90,325**	**54,719**
Production costs		(46,234)	(28,523)
Royalties		(2,602)	(1,580)
Transport and freight		(7,740)	(5,112)
Change in stockpile inventory		(2,000)	4,139
Depreciation, amortisation and depletion		(14,506)	(11,417)
Cost of sales		**(73,082)**	**(42,493)**
Gross profit		**17,243**	**12,226**
Expenses			
General and administration	7	(5,500)	(3,712)
Financial income	8	181	395
Financial expense	8	(4,338)	(3,587)
Net foreign exchange (loss)/ gain		(58)	16
Impairment of property plant and equipment	17	(443)	-
Impairment of exploration projects		-	(1,033)
Net loss on derivatives	20	(480)	-
Change in financial liability	21	(179)	(928)
Share-based payments	28	(510)	(1,786)
Other expenses	9	(2,582)	(546)
Total expenses		**(13,909)**	**(11,181)**
Profit before income tax		**3,334**	**1,045**
Income tax expense	11	(834)	(3,707)
Net profit/ (loss) for the year		**2,500**	**(2,662)**
Other Comprehensive income			
Other comprehensive profit/ (loss) for the year		**-**	**-**
Total comprehensive profit/ (loss) for the year		**2,500**	**(2,662)**
Earnings/ (loss) per share attributable to shareholders			
Basic and diluted earnings/ (loss) per share (cents per share)	12	**0.10**	**(0.11)**

Consolidated Statement of Financial Position
As at 31 December 2017

	Note	31 December 2017 $'000	31 December 2016 $'000
Current Assets			
Cash and cash equivalents	13	24,362	22,866
Trade and other receivables	14	11,300	7,786
Inventories	15	7,785	9,032
Derivative asset	20	11	-
Total Current Assets		**43,458**	**39,684**
Non-Current Assets			
Trade and other receivables	14	1,583	2,201
Deferred exploration and evaluation expenditure	16	38,595	21,203
Property, plant and equipment	17	50,123	61,060
Deferred taxation	23	2,457	-
Total Non-Current Assets		**92,758**	**84,464**
Total Assets		**136,216**	**124,148**
Current Liabilities			
Trade and other payables	18	15,482	10,382
Current tax liability	19	2,191	2,620
Financial liability	21	2,984	4,861
Derivative liability	20	92	-
Total Current Liabilities		**20,749**	**17,863**
Non-current Liabilities			
Trade and other payables	18	4,272	943
Financial liability	21	10,195	9,182
Provisions	22	9,551	7,186
Deferred taxation	23	-	535
Total Non-current Liabilities		**24,018**	**17,846**
Total Liabilities		**44,767**	**35,709**
Net Assets		**91,449**	**88,439**
Equity			
Issued capital	24	132,282	132,282
Reserves	25	(26,585)	(29,243)
Accumulated losses		(14,248)	(14,600)
Total Equity		**91,449**	**88,439**

Consolidated Statement of Changes in Equity
for the year ended 31 December 2017

	Notes	Issued capital $'000	Accumu-lated Losses $'000	Other reserves '000	Foreign Currency Translation Reserve $'000	Option Reserves $'000	Share-based payment Reserves $'000	Total $'000
Balance at 1 January 2017		**132,282**	**(14,600)**	**-**	**(37,339)**	**493**	**7,603**	**88,439**
Profit for the year		-	2,500	-	-	-	-	2,500
Total comprehensive income for the year		-	2,500	**-**	**-**	**-**	**-**	**2,500**
Transfers	25	-	(2,148)	2,148	-	-	-	-
Share based payments	28	-	-	-	-	-	510	510
Balance at 31 December 2017	24, 25	**132,282**	**(14,248)**	**2,148**	**(37,339)**	**493**	**8,113**	**91,449**
Balance at 1 January 2016		**132,282**	**(11,938)**	**-**	**(37,339)**	**493**	**5,817**	**89,315**
Loss for the year		-	(2,662)	-	-	-	-	(2,662)
Total comprehensive loss for the year		**-**	**(2,662)**	**-**	**-**	**-**	**-**	**(2,662)**
Share based payments	28	-	-	-	-	-	1,786	1,786
Balance at 31 December 2016	24, 25	**132,282**	**(14,600)**	**-**	**(37,339)**	**493**	**7,603**	**88,439**

Consolidated Statement of Cash Flows
for the year ended 31 December 2017

	Note	31 December 2017 $'000	31 December 2016 $'000
Cash flows from operating activities			
Cash received from customers		87,732	51,859
Payments to suppliers and employees		(65,705)	(39,918)
Cashflow from operations		**22,027**	**11,941**
Taxation paid	19	(1,181)	-
Financial income received	8	181	395
Net cash flows from operating activities	13	**21,027**	**12,336**
Cash flows used in investing activities			
Payments for deferred exploration and evaluation expenditure	16	(8,499)	(3,181)
Payments for property, plant and equipment	17	(2,373)	(19,722)
Acquisition of subsidiary	29	(4,200)	-
Net cash used in investing activities		**(15,072)**	**(22,903)**
Cash flows (used in)/ provided by financing activities			
Proceeds from Royalty Agreement		-	4,000
Repayment of Royalty Agreement	21	(4,150)	(1,583)
Net cash (used in)/ provided by financing activities		**(4,150)**	**2,417**
Net increase/ (decrease) in cash and cash equivalents		1,805	(8,150)
Cash and cash equivalents at beginning of the year		22,866	31,700
Exchange differences on cash and cash equivalents		(309)	(684)
Cash and cash equivalents at the end of the year	13	**24,362**	**22,866**

1. CORPORATE INFORMATION

The Consolidated Financial Statements of Avanco Resources Limited (the Company) and its controlled entities (together "the Group") for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 27 February 2018.

Avanco Resources Limited is a for profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The financial report has also been prepared on a historical cost basis, except for financial liabilities and assets carried at fair value.

The accounting policies applied by the Group in these Consolidated Financial Statements are consistent with those applied by the Group in the previous year.

In the Consolidated Statement of Profit or Loss and Other Comprehensive revenue and expenses in the comparative period have been reclassified as follows:

i. Concentrate revenue has been adjusted to be presented net of treatment and refining charges, amounting to $4,564,000, included in the pricing formula within the sales contract. The amended presentation is more consistent with the terms of the underlying sales agreement and has no impact on gross profit.
ii. The loss of measurement in the financial liability has been adjusted to be presented net of the notional royalty expense of $2,728,000. This has resulted in an increase in gross profit, although net profit before tax remains unchanged.

The financial report is presented in United States dollars and all values are rounded to the nearest thousand ($000), except when otherwise indicated.

2.2 Statement of compliance

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

2.3 New and revised Standards and Interpretations

The Group applied, for the first time, certain standards and amendments effective 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the Annual Consolidated Financial Statements of the Group:

- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle

2.4 Basis of Consolidation

The Consolidated Financial Statements comprise the financial statements of Avanco Resources Limited (the Company) and its subsidiaries as at 31 December each year (together "the Group'). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the Consolidated Statement of Financial Position and Consolidated Statement of Profit or Loss and Other Comprehensive Income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies.

In preparing the Consolidated Financial Statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-company transactions have been eliminated in full.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

2.5 Foreign currency translation

The Group's consolidated financial statements are presented in US dollars, which is also the functional currency of the parent company's and all subsidiaries.

Transactions denominated in foreign currencies are initially recorded in the functional currency rate ruling at the date of the underlying transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All exchange differences are recognised in profit or loss. Differences arising on settlement or translation of monetary items are also recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.6 Revenue

Revenue is recognised in the statement of profit or loss to the extent that it is probable that the economic benefits will flow to the Group and the revenue is capable of being reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

2.6.1 Interest income

Revenue is recognised as the interest accrues using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset. Interest income is recognised as financial income.

2.6.2 Sale of goods

Revenue on sale of mine products is recognised when risks and rewards of ownership of the mine product have passed to the buyer pursuant to a sales contract.

For copper concentrate sales, the sales price is determined on a provisional basis at the date of delivery. Adjustments to the sale price occur based on movements in the metal market price up to the date of final pricing. Final pricing is based on the quotational prices in terms of the contract, taking into account volumes subject to fixed prices. The period between provisional invoicing and final pricing is typically between 2 and 4 months. Revenue on provisionally priced sales is initially recorded at the estimated fair value of the consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the characteristics of a commodity derivative. Accordingly, the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value recognised as an adjustment to revenue and trade receivables in the statement of financial position. In all cases, fair value is determined with reference to LME forward prices.

2.7 Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash on hand, cash-in-transit deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less. Cash held as collateral with financial institutions and are easily accessible are considered cash equivalent.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as described above.

2.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset

2.8.1 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value. For instruments not valued at fair value, any directly attributable transaction costs will go through profit or loss. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

(i) Loans and receivables, excluding trade receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in financial income in profit or loss. An allowance doubtful debts is recognised when there is objective evidence that the Group will not be able to collect the debt. The losses arising from impairment are recognised in the profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

(ii) Trade receivables

Trade receivables are recorded at the fair value of the consideration receivable at the date of delivery. In determining fair value, provisional invoices are adjusted for the revenue adjustment mechanism embedded within provisionally priced sales arrangements, refer to note 2.6.2 for further information.

(iii)Loans, borrowings and trade and other payables

After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.
This category applies to the financial liability arising from royalty agreements, as well as to trade and other payables.

Other categories of financial instruments are held-to-maturity assets and financial assets and liabilities at fair value through profit or loss. The Group does not currently hold any held-to-maturity or available-for-sale assets. Derivatives which are measured at fair value through profit or loss are further detailed in section 2.8.2 below.

Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire, are discharged or cancelled.

2.8.2 Derivatives

The Group may use derivative financial instruments, such as forward currency contracts and options, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss (FVTPL). These embedded derivatives are measured at fair value, with changes in fair value recognised in profit or loss. Reassessment occurs only if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or there is a reclassification of a financial asset out of the FVTPL category.

Commodity contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements fall within the exemption from IAS 32 Financial Instruments: Presentation and IAS 39, which is commonly referred to as the 'own use scope exemption'. These contracts are accounted for as executory contracts. The Group recognises such contracts in its statement of financial position only when one of the parties meets its obligation under the contract to deliver either cash or a non-financial asset.

2.8.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and the estimated costs necessary to make the sale. Cost is determined on a weighted-average basis and includes all costs incurred in the normal course of business including direct material, direct labour costs and an allocation of production overheads, depreciation and amortisation and other costs incurred in bringing each product to its present location and condition. Inventories are categorised as follows:

- Run of mine (ROM) ore stockpile: ore in its natural, unprocessed state after blasting;
- Broken ore stockpile: ore stored in an intermediate state that has not yet passed through all the stages of production;
- Concentrate stockpile: products and materials that have passed through all stages of the production process; and
- Stores, spares and consumables: materials, goods or supplies to be either directly or indirectly consumed in the production process.

Quantities of ROM ore, broken ore and concentrate stocks are assessed primarily through surveys and assays.

2.10 Exploration and evaluation assets

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation. Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided the rights to tenure of the area of interest are current and at least one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest, alternatively by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Identifiable exploration assets acquired are recognised as assets at their cost of acquisition, as determined by the requirements of AASB 6 *Exploration for and evaluation of mineral resources*. Expenditure which fails to meet the conditions outlined above is written off. Furthermore, the directors regularly review the carrying value of exploration and evaluation expenditure and make write downs if the values are not expected to be recoverable.

Exploration and evaluation expenditure incurred subsequent to acquisition in respect of an exploration asset acquired, is accounted for in accordance with the policy outlined above for exploration expenditure incurred by or on behalf of the entity.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

2.11 Property, plant and equipment

2.11.1 Mine Properties

Once the technical feasibility and commercial viability of the extraction of mineral resources in a particular area of interest become demonstrable, the deferred exploration and evaluation expenditure and assets-under-construction costs attributable to that area of interest are transferred to mine properties. All development costs subsequently incurred, including sale of products during the development phase prior to reaching commercial production capacity (production start date), within that area of interest are capitalised and carried at cost.

Amortisation of capitalised mine properties is provided on the unit-of-production ("UOP") method resulting in an amortisation charge proportional to the depletion of the economically recoverable mineral reserves. Mining assets include and are amortised based on the following:

- Mine properties depreciated using UOP basis at the rate of ore mined over total reserves, and
- Processing plant and related equipment depreciated using UOP basis at the rate of ore processed over total reserves.

Costs are amortised from the commencement of commercial production.

2.11.2 Overburden removal costs

Post-production stripping is generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realised in the form of improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a 'stripping activity asset', if the following criteria are met:

- Future economic benefits (being improved access to the ore body) are probable,
- The component of the ore body for which access will be improved can be accurately identified, and
- The costs associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are charged to profit or loss as they are incurred. Depreciation of the stripping activity asset is determined on a unit of production basis for each area of interest.

2.11.3 Other assets

Other assets include furniture and fittings, computer equipment and motor vehicles. These assets are stated at cost, less accumulated depreciation.

(i) Initial recognition

The initial cost of an asset comprises its purchase price or construction cost, any cost directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

(ii) Depreciation

The depreciable amount of the below class of assets is depreciated on a straight- line basis over their useful lives commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Furniture, Fixtures and Fittings	15%
Computer and software	25%
Motor Vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The Group performs impairment testing when facts and circumstances suggest that the carrying amount has been impaired. If any indication exists, the Group estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.11.4 Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance expenditure is charged to profit or loss during the financial period in which it is incurred.

2.11.5 Derecognition

Property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit and loss.

2.12 Impairment of assets

2.12.1 Financial assets

A financial asset carried at amortised cost is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment charges are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in other comprehensive income and expense is transferred to profit or loss. An impairment charge is reversed if the reversal can be related objectively to an event occurring after the impairment charge was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in other comprehensive income and expense.

2.12.2 Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

In assessing whether an impairment is required, the carrying value of the asset or cash generating unit (CGU) is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal (FVLCD) and value in use (VIU). Given the nature of the Group's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place.

Consequently, the VIU for each CGU is estimated based on discounted future estimated cash flows (expressed in real terms) expected to be generated from the continued use of the CGUs using market based commodity price and exchange assumptions, estimated quantities of recoverable minerals, production levels, operating costs and its eventual disposal, based on latest life of mine (LOM) plans. These cash flows were discounted using a real post- tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

Estimates of quantities of recoverable minerals, production levels, operating costs and capital requirements and sourced from the planning process, including the LOM plans, five-year plans, one-year budgets and CGU-specific studies.

2.13 Current and Deferred Income Tax

2.13.1 Current tax

The current income tax charge is calculated in accordance with taxation regulations in each jurisdiction that have been or are substantively enacted at the reporting date. The tax charge is reduced by any regulatory tax incentive effective at reporting date. The Group currently has a tax incentive (SUDAM) from the Brazilian Federal Government which aims to promote development in the Amazon region. The incentive is effective for a period of 10 years from 1 January 2017.

Current tax is based on the taxable income and allowable expenses reported by the Group. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Only amounts that are legally enforceable to be set-off against current taxes at reporting date, such as indirect taxes and tax incentives, are reported as deducted from current tax.

2.13.2 Deferred tax

Deferred income tax is provided by comparing the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the balance sheet date.
Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date, including the effect of tax incentives on tax rates.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets are only recognised when there is sufficient probability of future taxable profits against which deductible temporary differences and the carry forward of unutilised tax losses may be recognised.

2.14 Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at contract inception date.
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.15.1 Rehabilitation

Rehabilitation includes mine closure and restoration costs which include the costs of dismantling and demolition of infrastructure or decommissioning, the removal of residual material and the remediation of disturbed areas specific to the site. Provisions are recognised at the time that the environmental disturbance occurs.

The provision is the best estimate of the present value of the future cash flows required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the financial year.

The amount of the provision for future rehabilitation costs is capitalised as an asset and recognised in property, plant and equipment and is depreciated over the useful life of the mineral resource. The unwinding effect of discounting the provision is recognised as a finance cost.

2.16 Employee benefits

2.16.1 Share-based payments

The Group provides benefits to individuals acting as, and providing services similar to employees (including Directors) of the Group in the form of share based payment transactions, whereby individuals render services in exchange for shares or rights over shares ('equity settled transactions').

There is currently an Employee Share Option Plan (ESOP) in place, which provides benefits to Directors and individuals providing services similar to those provided by an employee.

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black Scholes formula taking into account the terms and conditions upon which the instruments were granted.

In valuing equity settled transactions, no account is taken of any service and non-market performance conditions, only conditions linked to the price of the shares of the Company ('market conditions'). Service and non-market performance conditions are taken into account in estimating the number of equity instruments that is expected to ultimately vest.

The cost of the equity settled transactions is recognised as employee expenses in profit or loss, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of the market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity settled award are modified, as a minimum an expense of the original grant date fair value is recognised as if the terms had not been modified, provided that the original terms of the award have been met. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of the modification.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The cost of equity-settled transactions with non-employees is measured by reference to the fair value of goods and services received unless this cannot be measured reliably, in which case the cost is measured by reference to the fair value of the equity instruments granted.

The dilutive effect, if any, of outstanding options is reflected in the computation of earnings/loss per share.

2.16.2 Wages, salaries and other short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date, which represent present obligations resulting from employees' services provided to the reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at the reporting date including related on-costs, such as pension and superannuation contributions, social security, workers compensation and health insurance, as well as payroll related tax.

2.16.3 Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than twelve months after the reporting date, then they are discounted to their present value.

2.17 Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Segment Information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Avanco Resources Limited.

2.19 Earnings/Losses per share

2.19.1 Basic earnings *per share*

Basic earnings per share is calculated by dividing the net profit/ loss attributable to equity holders of the Company, excluding any costs of servicing equity other than dividends, by the weighted average number of ordinary shares, adjusted for any bonus elements.

2.19.2 Diluted earnings per share

Diluted earnings per share is calculated as net profit/ loss attributable to members of the Group, adjusted for:

- costs of servicing equity (other than dividends), including equity raising costs;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised; and
- other non-discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus elements.

2.20 Consumption taxes

Revenues, expenses and assets are recognised net of consumption taxes, except where the amount of consumption tax incurred is not recoverable from the tax authority. In these circumstances, the consumption tax is capitalised or expensed. Receivables and payables in the Statement of Financial Position are shown inclusive of consumption taxes.

The net amount of consumption tax recoverable from, or payable to, tax authorities is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are presented in the Statement of Cash Flow on a gross basis, except for the consumption tax component of investing and financing activities, which is receivable from or payable to the tax authority, are disclosed as operating cash flows.

3. Critical accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Group has identified a number of areas where significant judgements, estimates and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described with the associated accounting policy note within the related qualitative and quantitative note as described below.

3.1 Judgements

3.1.1 Production start date

The Group assesses the stage of each mine under development/construction to determine when a mine transitions into the production phase, this being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of each mine development/construction project, such as the complexity of the project and its location. The Group considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, all related amounts are reclassified from 'Assets under construction' to 'Producing mines'. Some of the criteria used to identify the production start date include, but are not limited to:

- Level of capital expenditure incurred compared with the original construction cost estimate
- Completion of a reasonable period of testing of the mine plant and equipment
- Ability to produce metal in saleable form (within specifications)
- Ability to sustain ongoing production of metal

When a mine development project moves into the production phase, the capitalisation of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

The Group determined the production start date for Antas Mine to be 1 April 2016 on the basis that the ability to produce metal in a saleable form within customer specification and completion of the testing period of the mine plant and equipment were achieved on that date. As from this date, all mining revenues and associated costs are no longer capitalised, but treated as operating costs through profit or loss.

3.1.2 Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Tax losses in the parent company do not expire and it may not be used to offset taxable income elsewhere in the Group. The Group has determined that it will not recognise deferred tax assets on these tax losses carried forward.

3.1.3 Production stripping costs

Significant judgement is required to distinguish between development stripping and production stripping and to distinguish between the production stripping that relates to the extraction of inventory and that which relates to the creation of a stripping activity asset.

Once the Group has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes (e.g., in tonnes) of waste to be stripped and ore to be mined in each of these components.

Judgement is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected volume (e.g., in tonnes) of waste to be stripped for an expected volume (e.g., in tonnes) of ore to be mined for a specific component of the ore body, is the most suitable production measure. Furthermore, judgements and estimates are also used to apply the UOP method in determining the depreciable lives of the stripping activity asset(s).

Up until the balance sheet date, all stripping activities at Antas North project has been allocated to the production of inventory, refer to note 2.11.2. Changes in the life of mine plan has resulted in challenges in identifying the component of the ore body made accessible by the stripping activity. This treatment will be reassessed when a revised mine plan is finalised.

3.1.4 Acquisition of control of a business

The acquisition of MCT Mineração Ltda (the Company that holds the rights in the CentroGold project) has been assessed as an asset acquisition as opposed to a business combination. In arriving at this conclusion, the primary consideration was the limited processes in MCT Mineração Ltda required to convert the inputs into outputs. At acquisition date, MCT Mineração Ltda had limited employees with minimal activity on the area of interest.

3.2 Estimates

3.2.1 Determination of mineral resources and ore reserves

The Group estimates its mineral resources and ore reserves in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC code'). The information on mineral resources and ore reserves was prepared by or under the supervision of Competent Persons as defined in the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values, deferred stripping costs and provisions for decommissioning and restoration. During the year, there were no changes in the reserves, other than the depletion, which impacted the carrying value of these assets and liabilities.

3.2.2 Capitalised exploration and evaluation assets

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

3.2.3 Recoverability of assets

Impairment assessments require the use of estimates and assumptions such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, closure and rehabilitation costs, exploration potential, reserves above) and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs. In such circumstances, some or all of the carrying amount of the assets/CGUs may be further impaired or the impairment charge reduced with the impact recognised in profit or loss.

3.2.4 Share based payment transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black Scholes model. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 28.

3.2.5 Rehabilitation provision

The Group makes full provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis at the time of developing the mines and installing and using those facilities.

The rehabilitation provision represents the present value of rehabilitation costs relating to current disturbance of the producing mine site. These costs are expected to be incurred in 2022, which is when the producing mine properties are expected to cease operations. These provisions have been created based on the Group's internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. The discount rate used in the calculation of the provision as at 31 December 2017 is 9.15% (2016: 13.65%), which represent the Brazilian five-year interest-free rate.

These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon future gold and copper prices, which are inherently uncertain.

3.3 Determination of Fair Values

The Group measures certain financial instruments, such as trade and other receivables, and derivatives, at fair value at each reporting date. Also, from time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g., when the entity acquires a business, or where an entity measures the recoverable amount of an asset or CGU at fair value less costs of disposal. Fair values of financial instruments measured at amortised cost are disclosed in note 31.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following applicable accounting standards and interpretations have been issued or amended but are not yet effective. These standards have not been adopted by the Group for the year ended 31 December 2017:

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
AASB 9	Financial Instruments	AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. **Classification and measurement** AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities. The main changes are described below. ***Financial assets*** a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	Based on the Group's initial assessment, there will be no significant change from the current measure-ment of the Group's financial instruments.	1 January 2018

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
		Financial liabilities Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI) • The remaining change is presented in profit or loss AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount. **Impairment** The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. **Hedge accounting** Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E. AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014. AASB 2014-8 limits the application of the existing versions of AASB 9 ((AASB 9 (December 2009) and AASB 9 (December		

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
		2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.		
AASB 2016-5	Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions [AASB 2]]	This standard amends AASB 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: • The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments • Share-based payment transactions with a net settlement feature for withholding tax obligations • A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	Based on the Group's initial assessment, these changes will not affect how the Group is currently measuring the share-based payments.	1 January 2018
AASB 15	Revenue from Contracts with Customers	AASB 15 *Revenue from Contracts with Customers* replaces the existing revenue recognition standards AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations (Interpretation *13 Customer Loyalty Programmes*, Interpretation 15 *Agreements for the Construction of Real Estate,* Interpretation 18 *Transfers of Assets from Customers*, Interpretation 131 *Revenue—Barter Transactions Involving Advertising Services* and Interpretation 1042 *Subscriber Acquisition Costs in the Telecommunications Industry*). AASB 15 incorporates the requirements of IFRS 15 *Revenue from Contracts with Customers* issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB). AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: Step 1: Identify the contract(s) with a customer Step 2: Identify the performance obligations in the contract Step 3: Determine the transaction price	Based on the Group's initial assessment, there will be no significant change from the manner in which the Group recognises revenue. However, this work is ongoing and additional impacts may be identified later in the implement-ation process	1 January 2018

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
		Step 4: Allocate the transaction price to the performance obligations in the contract Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted. AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15* amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a license and provides further practical expedients on transition to AASB 15.		
AASB 16	Leases	The key features of AASB 16 are as follows: **Lessee accounting** • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees. **Lessor accounting** • AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. AASB 16 supersedes: (a) AASB 117 *Leases*	The Group has not yet determined the likely impact on the Group's financial statements.	1 January 2019

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
		(b) Interpretation 4 *Determining whether an Arrangement contains a Lease* (c) SIC-15 *Operating Leases—Incentives* (d) SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.		
IFRIC Interpretation 22	IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*, which addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency, is effective 1 January 2018.	The Group is currently evaluating the impact of this standard. This work is ongoing and additional impacts may be identified later in the implement-ation process.	1 January 2018
IFRIC 23	Uncertainty over Income Tax Treatments	The Interpretation clarifies the application of the recognition and measurement criteria in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: • Whether an entity considers uncertain tax treatments separately • The assumptions an entity makes about the examination of tax treatments by taxation authorities • How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates • How an entity considers changes in facts and circumstances.	The Group has not yet determined the likely impact on the Group's financial statements.	1 January 2019

5. SEGMENT REPORTING

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. The Group is managed on a one segment basis being its Brazilian mining operations. Operating segments are therefore determined on the same basis.

	Brazilian mining operation $'000	Unallocated $'000	Consolidation adjustments $'000	Total Group results $'000
For the year ended 31 December 2017				
Total segment revenue [a]	96,351	-	-	96,351
Total segment expense	(87,843)	(7,451)	1,443	(93,851)
Segment net profit/ (loss) for the year	**8,508**	**(7,451)**	**1,443**	**2,500**
Total segment assets	82,364	117,706	(63,854)	136,216
Total segment liabilities	(89,394)	(25,626)	70,253	(44,767)
For the year ended 31 December 2016				
Total segment revenue [a]	59,283	-	-	59,283
Total segment expense	(55,756)	(8,101)	1,912	(61,945)
Segment net profit/ (loss) for the year	**3,527**	**(8,101)**	**1,912**	**(2,662)**
Total segment assets	96,683	98,243	(70,778)	124,148
Total segment liabilities	(116,783)	(15,659)	96,733	(35,709)

For internal reporting purposes concentrate sales revenue is grossed up for treatment and refining charges

[a] Reconciliation of segment revenue to sales revenue

	Copper $'000	Gold $'000	Other $'000	Total $'000
For the year ended 31 December 2017				
Provisional and finalised sales	87,041	12,752	(42)	99,751
Fair value of prior year provisional sales finalised in the current year	(1,595)	(91)	69	(1,617)
Fair value of current year provisional sales	(1,389)	(394)	-	(1,783)
Segment revenue	***84,057***	***12,267***	***27***	***96,351***
Treatment and refining costs	(5,477)	(549)	-	(6,026)
Sales Revenue	**78,580**	**11,718**	**27**	**90,325**
For the year ended 31 December 2016				
Provisional and finalised sales	48,895	8,691	79	57,665
Fair value of current year provisional sales	1,596	91	(69)	1,618
Segment revenue	50,491	8,782	10	59,283
Treatment and refinery costs	(4,114)	(450)	-	(4,564)
Sales Revenue	**46,377**	**8,332**	**10**	**54,719**

[a] Revenue from external customers are geographically located as follows:

	31 December 2017 $'000	31 December 2016 $'000
United Kingdom	80,070	54,719
Switzerland	10,255	-
Total Sales Revenue	**90,325**	**54,719**

Revenue to the United Kingdom and Switzerland was sold to one customer in each region. The revenue information is based on the location of the customers.

All non-current assets of the Group are located in Brazil.

6. SALES REVENUE

	31 December 2017 $'000	31 December 2016 $'000
Copper sales	78,580	46,377
Gold sales	11,718	8,332
Other sales	27	10
	90,325	**54,719**

7. GENERAL AND ADMINISTRATION EXPENSE

	31 December 2017 $'000	31 December 2016 $'000
Public company costs	(51)	(43)
Directors' fees and corporate salaries	(1,526)	(1,383)
Legal, compliance and consulting fees	(3,385)	(1,924)
Rent and outgoings	(74)	(80)
Travel expenses	(464)	(282)
	(5,500)	**(3,712)**

8. FINANCIAL INCOME/(EXPENSE)

	31 December 2017 $'000	31 December 2016 $'000
Interest received	181	395
Financial income	**181**	**395**
Bank charges	(22)	(42)
Accretion of financial liability (refer to 21)	(3,107)	(2,698)
Accretion of rehabilitation costs (refer to 22)	(1,209)	(847)
Financial expense	**(4,338)**	**(3,587)**

9. OTHER EXPENSES

	31 December 2017 $'000	31 December 2016 $'000
Indirect taxes and associated costs	(1,951)	(246)
Exploration costs on projects not pursued	(631)	(300)
	(2,582)	**(546)**

10. AUDITORS' REMUNERATION

	31 December 2017 $	31 December 2016 $
The auditor of Avanco Resources Limited is Ernst & Young		
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- an audit and review of the financial report of the entity and any other entity in the Consolidated group	(83,462)	(48,156)
Amounts received or due and receivable by Ernst & Young (Brazil) for:		
- an audit and review of the financial report of the entity and any other entity in the Consolidated group	(50,944)	(46,742)
- tax advice in relation to the entity and any other entity in the consolidated group	(72,981)	(32,642)
	(207,387)	**(127,540)**

11. INCOME TAX EXPENSE

	31 December 2017 $'000	31 December 2016 $'000
11.1 Income tax expense		
Major component of tax expense for the period:		
Current tax		
• Current income tax charge	3,740	3,172
• Adjustments in respect of current income tax of previous years	86	-
Deferred tax		
• Relating to origination and reversal of temporary differences	(2,992)	535
	834	**3,707**
11.2 Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate.		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable tax rate is as follows:		
Profit from continuing operations before income tax expense	3,334	1,045
Tax at Brazilian tax rate of 34% [(a)]	1,133	355
Share-based payments non-deductible	153	535
Other non-deductible expenses in Australia	669	273
ARO amortisation non-deductible	394	770
Other non-deductible expenses	1,892	997
Other deductible expenses	(144)	(97)
Unrealised income subject to tax	-	974
Utilisation of previously unrecognised tax losses	-	(736)
Deferred tax asset not recognised in Australia	58	477
Adjustment of current tax in relation to prior year	86	-
Brazilian investment tax incentive *[(b)]*	(2,137)	-
Previously unrecognised deferred tax asset now recognised	(1,420)	-
Effect of differential rate in Australia *[(a)]*	150	159
	834	**3,707**

	31 December 2017 $'000	31 December 2016 $'000
11.3 Unused tax losses		
Unused tax losses	9,063	8,722
Potential tax benefit not recognised at 30% [c]	**2,719**	**2,617**

[a] The Group used the Brazilian tax rate of 34% as the applicable rate in the tax reconciliation as the tax charge is primarily attributable to the Brazilian subsidiaries. Australia has a corporate tax rate of 30% resulting in the differential tax rate adjustment.

[b] During the year, the Group obtained a tax incentive (SUDAM) from the Brazilian Federal Government which aims to promote development in the Amazon region. The incentive reduces income tax payable and is effective for a period of 10 years from 1 January 2017.

[c] The benefit for tax losses is derived from Australia and will only be obtained if:

i. the Group derives future assessable income in Australia of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
ii. the Group continues to comply with the conditions for deductibility imposed by tax legislation in Australia; and
iii. no changes in tax legislation in Australia, adversely affect the Group in realising the benefit from the deductions for the losses.

12. EARNINGS PER SHARE

The following reflects the data used in the calculations of basic and diluted earnings per share after tax attributable to the shareholders of the Company.

	31 December 2017	31 December 2016
Net profit/ (loss) from continuing operations ($'000)	2,500	(2,662)
Weighted average number of ordinary shares for basic and dilutive earnings per share (number)	2,456,906,443	2,456,906,443
Basic and diluted earnings/ (loss) per share (cents per share)	**0.10**	**(0.11)**

For fully diluted profit/(loss) per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of dilutive potential ordinary shares. The Group's potentially dilutive securities consist of share options. As the options are out of the money at the balance sheet date, none of the potentially dilutive securities are currently dilutive.

There is no impact from 192,000,000 options outstanding at 31 December 2017 (31 December 2016: 150,000,000 options) on the profit per share calculation because they are anti-dilutive. These options could potentially dilute basic EPS in the future.

13. CASH AND CASH EQUIVALENTS

	31 December 2017 $'000	31 December 2016 $'000
Cash at bank	18,904	15,871
Short term deposits	3,019	6,995
Cash in-transit	1,839	-
Cash held as collateral	600	-
Cash and cash equivalents	**24,362**	**22,866**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are invested over varying periods between one day and three months, depending on the immediate cash requirements of the Group. These deposits earn interest at the respective short-term deposit rates. Cash in-transit are confirmed payments from customers which are not yet reflected in the bank account at year-end.

Cash held as collateral is the amount required by a counterparty to fulfil the collateral requirements of derivative contracts, refer to note 20.

	31 December 2017 $'000	31 December 2016 $'000
Reconciliation of operating profit before tax to the cash flows from operations		
Profit from ordinary activities before tax	3,334	1,045
Non-cash items		
Unrealised foreign exchange loss	309	233
Share based payment	510	1,786
Impairment of property, plant and equipment	443	-
Depreciation charges	14,506	11,417
Exploration expenditure written off	-	1,033
Accretion of provision for rehabilitation	1,209	847
Unrealised loss on derivative	81	-
Operating cashflow before changes to working capital	*20,392*	*16,361*
Increase in trade and other receivables	(2,896)	(8,051)
Decrease/ (increase) in inventories, net of transfers	1,247	(5,388)
Increase in trade and other payables	3,429	6,567
Increase in other liabilities	36	2,847
	22,208	**12,336**
Taxation paid	(1,181)	-
Net cashflow from operating activities	**21,027**	**12,336**

14. TRADE AND OTHER RECEIVABLES

	31 December 2017 $'000	31 December 2016 $'000
Current		
Trade receivables[(a)]	5,744	3,261
Recoverable taxes[(b)]	5,128	4,041
Prepayments	414	473
Security bond	14	11
	11,300	**7,786**
Non-current		
Other receivables	806	-
Recoverable taxes[(b)]	777	2,201
	1,583	**2,201**

(a) Trade receivables includes a fair value adjustment, net of selling costs of $1.78 million (2016: $1.62 million) relating to the commodity derivative embedded in the provisional pricing arrangement.

(b) Recoverable taxes mainly relate to SUDAM tax incentive, Brazilian federal and state taxes arising from the construction stage of the Antas North project. During 2017, the Group wrote-off indirect taxes which were considered irrecoverable. A portion of the write-off related to the construction stage was transferred to property, plant and equipment, refer to note 17.

15. INVENTORIES

	31 December 2017 $'000	31 December 2016 $'000
Run of mine (ROM) ore stockpile –net realisable value (2016: at cost)	2,247	3,865
Broken ore stockpile – net realisable value (2016: at cost)	690	1,475
Concentrate stockpile – at cost	2,846	2,444
Stores, spares and consumables – at cost	2,002	1,248
	7,785	**9,032**

Stores, spares and consumables represent materials and supplies consumed in the production process. During the year, the Group wrote down $0.69 million (2016: Nil) of ore stockpiles. This adjustment has been included in cost of sales.

16. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2017 $'000	31 December 2016 $'000
Carrying amount at the beginning of period	21,203	16,850
Exploration expenditure during the period	8,499	5,666
Transferred to plant and equipment (refer to note 17)	-	(280)
Impairment loss [(a)]	-	(1,033)
Acquisition of subsidiary (refer to note 29)	8,893	-
Carrying amount at the end of period	**38,595**	**21,203**

[(a)] During the previous year, the Group impaired the carrying amount of exploration and evaluation of assets totalling $1.03 million. These costs were associated with projects where no further exploration work is currently planned and therefore no future benefits were expected.

17. PROPERTY, PLANT AND EQUIPMENT

	Mine infra-structure $'000	Plant and equipment $'000	Other assets $'000	Assets under construction $'000	Total $'000
Gross carrying amount at cost					
Balance at 1 January 2017	**15,344**	**56,162**	**1,175**	**-**	**72,681**
Additions	311	1,622	173	267	2,373
Impairment [(a)]	-	(552)	-	-	(552)
Transferred from recoverable taxes (refer to note 14)	-	404	-	-	404
Rehabilitation change in estimate (refer to note 22)	1,156	-	-	-	1,156
Acquisition of subsidiary (refer to note 29)	-	-	79	-	79
Transfers	17,287	(16,528)	(759)	-	-
Balance at 31 December 2017	**34,098**	**41,108**	**668**	**267**	**76,141**

	Mine infra-structure $'000	Plant and equipment $'000	Other assets $'000	Assets under construction $'000	Total $'000
Accumulated depreciation					
Balance at 1 January 2017	**(2,732)**	**(8,659)**	**(230)**	**-**	**(11,621)**
Depreciation charge for the period	(7,674)	(6,794)	(38)	-	(14,506)
Impairment [(a)]	-	109	-	-	109
Balance at 31 December 2017	**(10,406)**	**(15,344)**	**(268)**	**-**	**(26,018)**
Net book value at 31 December 2017	**23,692**	**25,764**	**400**	**267**	**50,123**

[(a)] During the year, the Group impaired the full carrying amount of no longer usable equipment totalling $443,000.

CARRYING VALUE
As the Group identified impairment indicators such as strengthening of the Brazilian Real, the Group performed an impairment test on the recoverability of its assets.

The Group is a copper and gold producer currently producing at the Antas North mine. The Group determined the Antas North mine the cash generating unit (CGU) for impairment testing purposes. The recoverable amount of the CGU was considered based on value in use (VIU). VIU was determined as the present value of the estimated real future cash flows expected to arise from the Antas North project using assumptions that an independent market participant may consider. These cash flows were discounted using a real after-tax discount rate that reflected current market assessments of the time value of money and the risks specific to the CGU.

The basis for determination of the recoverable amount was:

- Average Life-of Mine copper price of $3.05/lb (2016: $2.78/lb) and Gold price of $1,284/oz (2016: $1,292) – future commodity prices were based on the 2017 consensus views from market participants in the period;
- Copper and Gold production – future copper and gold production was based on the Life of Mine Plan (LOM), ending 2022;
- Current (LOM) is based only on proven and probable reserves as per the Definitive Feasibility Study;
- Operating cost – these costs were based on management's best estimates at the time of the impairment testing;
- Foreign exchange rates – Brazilian Real to US dollar exchange rates were based on the forward curve and consensus views; and
- Discount rate – a post–tax real discount rate of 10%.

Based on the above review, the Group is of the opinion that no impairment exists for the year ended 31 December 2017.

	Mine infra-structure $'000	Plant and equipment $'000	Other assets $'000	Assets under construction $'000	Total $'000
Gross carrying amount at cost					
Balance at 1 January 2016	-	-	485	63,144	63,629
Additions	483	3,599	337	12,574	16,993
Transfers	16,513	52,563	353	(69,429)	-
Transferred to inventory - ore	-	-	-	(3,644)	(3,644)
Transferred to recoverable taxes [(a)]	-	-	-	(2,925)	(2,925)
Transfer from deferred exploration and evaluation expenditure (refer to note 16)	-	-	-	280	280
Rehabilitation change in estimate (refer to note 22)	(1,652)	-	-	-	(1,652)
Balance at 31 December 2016	**15,344**	**56,162**	**1,175**	**-**	**72,681**

	Mine infra-structure $'000	Plant and equipment $'000	Other assets $'000	Assets under construction $'000	Total $'000
Accumulated depreciation					
Balance at 1 January 2016	-	-	(204)	-	(204)
Depreciation charge for the period	(2,732)	(8,659)	(26)	-	(11,417)
Balance at 31 December 2016	**(2,732)**	**(8,659)**	**(230)**	**-**	**(11,621)**
Net book value at 31 December 2016	**12,612**	**47,503**	**945**	**-**	**61,060**

18. TRADE AND OTHER PAYABLES

	31 December 2017 $'000	31 December 2016 $'000
Current		
Trade payables	6,318	4,220
Other payables and accrued expenses [(a)]	8,164	6,162
Contingent consideration payable arising from acquisition of subsidiary [(b)]	1,000	-
	15,482	**10,382**
Non-current		
Taxes payable [(c)]	-	862
Other payables and accrued expenses [(a)]	272	81
Contingent consideration payable arising from acquisition of subsidiary [(b)]	4,000	-
	4,272	**943**

(a) Other payables and accrued expenses as at 31 December 2017 mainly comprise of royalties, Brazilian federal taxes and social security obligations.

(b) Relates to contingent payment in relation to the acquisition of MCT Mineração Ltda, refer to note 29.

(c) Non-current taxes payable in the prior year relate to indirect tax provision. These taxes were reclassified as current during the year ended 31 December 2017.

19. CURRENT TAX LIABILITY

	31 December 2017 $'000	31 December 2016 $'000
Opening balance	2,620	-
Income tax expense	*5,963*	*3,172*
SUDAM benefit set-off against income tax expense	*(2,137)*	-
Tax charge in the statement of profit or loss	3,826	3,172
Withholding taxes utilised as set-off	(5,211)	(552)
Income tax paid	(1,181)	-
SUDAM benefit transferred to recoverable taxes (refer note 14)	2,137	-
	2,191	**2,620**

20. DERIVATIVES

	31 December 2017 $'000	31 December 2016 $'000
Opening balance	-	-
Consideration paid at initial recognition	399	-
Fair value through profit or loss	(480)	-
Closing balance	**(81)**	**-**
Comprising of:		
Derivative asset		
Foreign exchange put options	**11**	**-**
Derivative liability		
Foreign exchange collars	**(92)**	**-**

Derivatives not designated as hedging instruments

During the year, the Company entered into various put options and collars to reduce foreign currency risk associated with the Brazilian operation. The derivatives were not designated as hedging instruments.

The put option has a nominal value of $3.5 million, and is exercisable on 29 January 2018 and 26 February 2018 at a strike price of R$3.15. The collars have a nominal value of $9 million with a call and put price range between R$3.15 to R$3.52. Settlement dates for the collars are staggered until 29 June 2018.

The Company placed $600,000 with a counterparty to fulfil the collateral requirement for the derivative contracts, which the counterparty has an obligation to return.

21. FINANCIAL LIABILITY

	31 December 2017 $'000	31 December 2016 $'000
Royalty agreement		
Opening balance	14,043	8,000
Changes from financing cash flows:		
Fair value of proceeds from royalty agreements	-	4,000
Royalty payments made	(4,150)	(1,583)
Other non-cash changes:		
Change in financial liability [(a)]	179	928
Accretion	3,107	2,698
Closing balance	**13,179**	**14,043**
Disclosed as:		
Current	2,984	4,861
Non-current	10,195	9,182
	13,179	**14,043**

a) The carrying value of the financial liability was revised primarily to reflect changes in the forecast cash flows at the royalty's original effective interest rate.

Royalty

In 2014, the Group executed a binding agreement with BlackRock World Mining Trust PLC (BlackRock) for up to $12 million non-dilutive production royalty investment subject to satisfying certain conditions precedent and in return for Net Smelter Return (NSR) royalty payments comprising 2% on copper, 25% on gold and 2% on all other metals that will be produced from Stage 1 (Antas North) and Stage 2 (Pedra Branca). In July 2015, the Group satisfied all conditions precedent associated with the agreement. This triggered the prorated construction expenditure payments of $4 million in July 2015, $4 million in November 2015 and $4 million in March 2016. The effective interest rate for the BlackRock royalty agreement is 21%. Refer to note 17 for key assumptions used in determining the Net Smelter Return (commodity prices, LOM production).

22. PROVISIONS

	31 December 2017 $'000	31 December 2016 $'000
Non-current liability		
Provision for rehabilitation		
Opening balance	7,186	7,991
Change in estimate	1,156	(1,652)
Accretion	1,209	847
Closing balance	**9,551**	**7,186**

23. DEFERRED TAXATION

	31 December 2017 $'000	31 December 2016 $'000
Deferred tax relating to Profit or Loss		
Deferred tax assets		
Property, plant and equipment [(a)]	2,969	-
Trade and other receivables	588	-
Accrued expenses	19	78
Provision for rehabilitation [(a)]	750	-
Unrealised foreign exchange losses	102	-
Unrealised derivative loss	24	-
Other provisions	173	-
SUDAM tax incentive [(a)]	(2,011)	-
Deferred tax asset arising from available tax losses	2,719	2,617
Deferred tax assets not brought to account as realisation is not regarded as probable	(2,847)	(2,591)
	2,486	**104**
Deferred tax liabilities		
Inventories	(29)	-
Trade and other receivables	-	(639)
	(29)	**(639)**
Deferred tax asset/ (liability)	**2,457**	**(535)**
Deferred tax relating to equity		
Share issue costs deductible over five years	278	477
Deferred tax assets not brought to account as realisation is not regarded as probable	(278)	(477)
Deferred tax balance	**-**	**-**

(a) During the year, the Group obtained a tax incentive (SUDAM) from the Brazilian Federal Government which aims to promote development in the Amazon region. The incentive reduces income tax payable and is effective for a period of 10 years from 1 January 2017. Previously unrecognised deferred tax assets have been recognised in the current year.

24. ISSUED CAPITAL

	31 December 2017 $'000	31 December 2016 $'000
Issued and fully paid	132,282	132,282

	31 December 2017 Number of share	31 December 2016 Number of share
Opening and closing balance	2,456,906,443	2,456,906,443

The Company does not have authorised capital nor par value in respect of its issued capital. Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Group, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the Company.

25. RESERVES

	31 December 2017 $'000	31 December 2016 $'000
Share based payment reserve	8,113	7,603
Option reserve	493	493
Foreign currency translation reserve	(37,339)	(37,339)
Other reserve	2,148	-
	(26,585)	(29,243)

25.1 *Share based payment reserve*

	31 December 2017 $'000	31 December 2016 $'000
At beginning of the period	7,603	5,817
Share based payment expense	510	1,786
At end of year	8,113	7,603

The share based payment reserve is used to record the value of equity benefits provided to directors, executives and employees as part of their remuneration and non-employees for their services.

25.2 *Option reserve*

	31 December 2017 $'000	31 December 2016 $'000
At the beginning and end of year	493	493

The option reserve is used to record the premium paid on the issue of listed options on 30 April 2008, which expired on 30 June 2010, less any of those options exercised.

25.3 *Foreign currency translation reserve*

	31 December 2017 $'000	31 December 2016 $'000
At the beginning and end of year	(37,339)	(37,339)

The foreign exchange differences arising on translation of the foreign operations are taken to the foreign currency translation reserve. The reserve will be recognised in profit and loss when the related operation is disposed of.

25.4 *Other reserve*

	31 December 2017 $'000	31 December 2016 $'000
At beginning of the year	-	-
Transfer from accumulated loss	2,148	-
At end of year	2,148	-

Other reserve comprises a regulatory requirement relating to a tax incentive (SUDAM) received from the Brazilian Federal Government during the year. The incentive, which entitles the Group a reduction in the income tax charges, is non-distributable to shareholders and has been transferred from the accumulated losses.

26. CAPITAL AND OTHER COMMITMENTS

	31 December 2017 $'000	31 December 2016 $'000
26.1 Operating lease commitments		
Non-cancellable operating lease rentals:		
Within one year	41	90
One year or later and no later than five years	82	13
	123	103

	31 December 2017 $'000	31 December 2016 $'000
26.2 Capital commitments		
Contracted but not provided for:		
Within one year	144	828
One year or later and no later than five years	168	-
	312	828

26.3 ***Commitments in relation to exploration projects***

The following agreements in relation to exploration activities were concluded during the previous years:

i. Canaã West Project

During November 2015, the Company executed an agreement with Codelco do Brasil Mineraçao ("Codelco") to acquire the Canaã West Project. The consideration for acquisition of a 100% interest in the Canaã West licences ("Project") is summarised as follows:

- $20,000 upon execution of a binding sale and purchase agreement for the Project;
- $100,000 on the later of approval by the National Department of Mineral Production ("DNPM") of the transference of the Project's mineral rights to Vale Dourado Mineraçao Ltda, free and clear from any and all charges, encumbrances, mortgages, liens or other adverse interest; or within twelve months following execution of the binding agreement;
- $250,000 when Avanco announces a JORC Ore Reserve on any of the licences to the ASX;

- $1,000,000 upon receipt of mining licence and the commencement of construction of a mining operation;
- 1% NSR production royalty, which can be purchased for $1,000,000 at any time after the commencement of commercial production, provided the copper price exceeds $2.50/lb for three consecutive months; and
- Codelco retains "back-in" rights for 60% of the project if a JORC Ore Reserve containing greater than 1.5 million tonnes of copper is announced to the ASX. On executing the back-in, Codelco will no longer be entitled to the production royalty and will free-carry Avanco to commercial production.

There have been no changes to the above conditions during the year.

ii. Pedra Branca Project

In February 2012, the Group acquired 100% interest in the Pedra Branca Project from Xstrata Copper. Remaining commitments on this acquisition are:

- The Group will pay 1% net smelter return royalty in relation to the ore extracted from the Pedra Branca Project; and
- On reaching commercial production, the Group is required to make monthly payments totalling $10 million over one year.

26.4 *Sales commitments*

The Group is exposed to changes in the price of copper on its forecast copper sales and in accordance with the offtake agreement fixed the price to sell 2,850 tonnes of copper concentrate during January to April 2018 at an average price of $6,392 per tonne of copper. As the contract will be gross settled, the Group has applied the 'own use scope exemption' under AASB 139 to this contract and is therefore recognised as an executory contract.

27. RELATED PARTY TRANSACTIONS

27.1 *Details of Key Management Personnel*

Vernon Tidy	Interim Non-Executive Chairman
Anthony Polglase	Managing Director
Luis Ferraz	Non-Executive Director
Paul Chapman	Non-Executive Director
Luiz Azevedo	Executive Director
Simon Mottram	Executive Director
Scott Funston	Chief Financial Officer and Company Secretary
Wayne Phillips	Head of Projects
Colin Jones	Former Non-Executive Chairman

27.2 *Remuneration of Key Management Personnel (KMP)*

Details of the nature and total amount of each element of the emolument for Directors and Executives of the Group for the year are as follows:

	31 December 2017 $	31 December 2016 $
Short term employee benefits	1,703,042	1,536,875
Other long-term employee benefits	118,300	112,405
Post-employment benefits	9,764	-
Share based payments	99,285	1,644,334
Total remuneration	**1,930,391**	**3,293,614**

As at year-end, there were 150,000,000 share options (2016: 150,000,000) held by key management personnel to purchase ordinary shares.

27.3 *Transactions with related parties of KMPs*

The Non-Executive Directors Mr Vernon Tidy, Mr Luiz Ferraz and former Non-Executive Director Mr Colin Jones issue invoices through their private companies for Directors fees, they are not separate entities that provide consulting services to the Company. Mr Tidy, Mr Ferraz and Mr Jones meet the definition and maintain their status as Independent Non-Executive Directors, thus retain objectivity and their ability to meet their oversight role.

Minersol Mineração Consultoria, a company of which Mr. Tony Polglase is a Director charged the Group consulting fees, as part of his remuneration, for the year totalling $247,221 (2016: $ Nil). At year-end, there was no amount outstanding (2016: Nil).

The Warra Dream Trust trading as Mazuma Consulting, of which Mr. Vernon Tidy is a Trustee, charged the Group director's fees, as part of his remuneration, for the year totalling $94,058 (2016: $60,087). At year-end, there was no amount outstanding (2016: $11,875).

F&F Consultoria, Administração e Participacaões Ltda, a company of which Mr. Luis Ferraz is a Director charged the Group director's fees, as part of his remuneration, for the year totalling $50,784 (2016: $22,576). At year-end, there was no amount outstanding (2016: $1,534).

JENS Dominion Pty Ltd, a company of which Mr. Mottram is a Director, charged the Group director's and consulting fees, as part of his remuneration, for the year totalling $132,329 (2016: $257,771). At year-end, there was no amount outstanding (2016: $23,091).

During the year, Resourceful International Consulting Pty Ltd, a company of which Mr. Funston is a Director, invoiced the Group $230,175 (2016: $215,400) for executive services, as part of his remuneration. At year-end, there was an amount outstanding of $22,183 (2016: $22,431). The balance is non-interest bearing and paid subsequent to year-end.

CI Jones C Eng., a company of which Mr. Jones is a Director, charged the Group director's fees, as part of his remuneration, for the year totalling $87,225 (2016: $126,175). At year-end, there was no amount outstanding (2016: $13,592).

FFA Legal Ltda, a company in which Mr. Azevedo is a Director and Shareholder, provided the Group with a serviced office, legal, administrative and accounting services in Brazil for the year ended totalling $899,047 (2016: $838,269). At year-end, there was an amount outstanding of $62,113 (2016: $84,296). The balance is non-interest bearing and paid subsequent to year-end.

These transactions have been entered into on normal commercial terms.

27.4 *Transactions with other related parties*

The Group entered into a Net Smelter Royalty Agreement with BlackRock World Mining Trust Plc, a major shareholder of the Company. The transaction has been accounted for as a financial liability, refer to note 21 for further details.

These transactions have been entered into on normal commercial terms.

28. SHARE BASED PAYMENT PLAN

28.1 *Recognised share based payment transactions*

Share based payment transactions recognised as operating expenses in the statement of profit or loss and other comprehensive income during the period were as follows:

	31 December 2017 $'000	31 December 2016 $'000
Operating expenses		
Employee share based payment	510	1,786

28.2 *Employee share based payment plan*

The Group has established an employee share option plan (ESOP). The objective of the ESOP is to assist in the recruitment, reward, retention and motivation of employees of the Group. Under the ESOP, the Directors may invite individuals acting in a manner similar to employees to participate in the ESOP and receive options. An individual may receive the options or nominate a relative or associate to receive the options. The plan is open to directors, executive officers, nominated consultants and employees of the Group.

The fair value at grant date of options granted during the reporting period was determined using the Black Scholes option pricing model that takes into account the exercise price, the expected life of the options, the share price at grant date and expected price volatility of the underlying share and the risk-free interest rate for the term of the option. The table below summaries options granted under ESOP:

Grant Date	Expiry date	Exercise price	Balance at 31 December 2016 Number	Granted Number	Balance at 31 December 2017 Number	Exercisable at 31 December 2017 Number
31 May 2016	30 June 2018 [a]	A$0.10	10,000,000	-	10,000,000	10,000,000
26 June 2015	30 June 2018 [a]	A$0.10	5,000,000	-	5,000,000	5,000,000
26 June 2015	30 June 2018 [b]	A$0.10	135,000,000	-	135,000,000	135,000,000
23 January 2017	31 December 2019	A$0.10	-	42,000,000	42,000,000	21,000,000
			150,000,000	**-**	**192,000,000**	**171,000,000**
Weighted remaining contractual life (years)			1.5		0.7	
Weighted average exercise price			A$0.10		A$0.10	

[a] These options were granted with no vesting condition and exercisable at grant date.

[b] These options have the following vesting conditions: one quarter upon the Company achieving completion of construction and commissioning of stage 1; one quarter upon the Company achieving six months of consecutive production equivalent to a rate equal to planned copper and gold concentrate production; one quarter upon the Company producing a Pre-Feasibility study for the Project stage 2; and one quarter upon the optionholder remaining a KMP of the Company by 1 March 2017. These options fully vested in May 2017.

The inputs on the Black Scholes model for options expensed during the years ended 31 December 2017 and 31 December 2016 included:

Model inputs	Options Granted 23 January 2017 [a]	Options Granted 31 May 2016 [b]	Options Granted 26 June 2015 [b]
Share price at grant date	**A$0.072**	A$0.069	A$0.069
Exercise price	**A$0.10**	A$.10	A$.10
Expected life of the option	**3 years**	2 years	3 years
Expected Volatility	**48%**	48%	57%
Expected dividend yield	**Nil**	Nil	Nil
Risk-free interest rate	**2.33%**	1.52%	2.58%
Fair value per option	**A$0.0172**	**A$0.0082**	**A$0.0200**

[a] These options were granted to employees and consultants. Half of the options vest on the first anniversary of the grant date with the remaining vesting on second anniversary of the grant date, provided the employee, or consultant, remains in employment on vesting date.

[b] As at 31 December 2017, 100% of these options have vested.

28.3 *Performance Rights*

On 26 June 2015, at the Annual General Meeting (AGM), shareholders approved the adoption of the Group's Performance Rights Plan ('the Plan").

The objective of the Plan is to provide the Group with a remuneration mechanism, through the issue of securities in the capital of the Company, to motivate and reward the performance of Directors and employees in achieving specified performance milestones within a specified performance period. The Board will ensure that the performance milestones pursuant to the Plan are aligned with the successful growth of the Company's business activities.

As at year-end (2016: Nil) no performance rights have been granted to participants under the Plan.

29. ACQUISITION OF SUBSIDIARY

In October 2016, the Company entered into an agreement with TSX-listed Jaguar Mining Inc. (Jaguar) to earn up to 100% of MCT Mineração Ltda (MCT) which owns the Gurupi Gold Project (Gurupi) located in northern Brazil. The Project has been renamed to CentroGold.

On 17 September 2017, the Group entered into an agreement to accelerate the acquisition of 100% of MCT for conditional instalment payments of $2 million on signing and $2 million within 60 days and an additional $5 million in 10 payments of $0.5 million, following completion of permitting. Control of the subsidiary occurred on 1 October 2017 with the lodgement of the transfer of shares with the relevant authorities, and appointment of the directors by the Group to the MCT board.

The acquisition has been accounted for as an asset acquisition with the purchase price being allocate to the fair value of the net assets acquired as follows:

	Value recognised on acquisition $'000
Assets	
Exploration and evaluation expenditure	8,893
Property, plant and equipment	79
Cash and cash equivalent	8
Trade and other receivables	1,184
	10,164
Liabilities	
Trade and other payables	964
	964
Total consideration	**9,200**
Purchase consideration	
Total cash paid	4,200
Contingent consideration liability [(a)]	5,000
Total consideration	**9,200**

[(a)] The contingent consideration relates to the amount which is expected to be paid once the licenses are perfected.

MCT incurred expenses of $11,440 subsequent to acquisition. All other costs have been capitalised as evaluation and exploration expenditure.

Should a claim against MCT Mineração Ltda occur arising from events prior to acquisition by the Group, Jaguar Mining Inc. shall bear the costs and losses arising from the claim, in line with the terms of the Quota Purchase and Sale Agreement.

30. FINANCIAL RISK MANAGEMENT

The Group has exposure to interest rate, liquidity risk, market risk and credit risk arising in the normal course of the Group's business.

The Group's management of financial risk is aimed at providing an acceptable level of certainty to the cash flow and profitability of the business by removing or reducing risk to future adverse movements in markets to which it is exposed. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Company established a Risk Management Committee in September 2016 when a high level of confidence in the production profile from Antas was attained. A risk management policy has been approved by the Board with a framework that provides clear parameters to which the risk management committee can operate, make decisions and provide recommendations.

The primary objective of the financial risk management activities of the Risk Management Committee is to continually monitor the Group's risk profile and to investigate and execute strategies for maintaining the value of the business through the use and management of financial instruments and hedging structures that are appropriate the Group's broader corporate strategy.

The risk management committee reviews these issues on an ongoing, regular basis and makes recommendations to the Board.

Market, liquidity and credit risks (including foreign exchange, commodity price and interest rate) arise in the normal course of business. The principal financial instruments as at the reporting date include receivables, payables, financial liabilities relating to royalty agreements, cash and derivatives. This note presents information about exposures to the above risks, the objectives, policies and processes for measuring and managing risk, and the management of capital. The objective is to support the delivery of the financial targets while protecting future financial security.

30.1 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by maintaining sufficient cash facilities to meet the operating requirements of the business and investing excess funds in highly liquid short-term investments. The responsibility for liquidity risk management rests with the Board of Directors.

The Group prepares detailed models as part of its process of budget planning, which are used to predict liquidity needs and to support the Group's funding activities. The construction, operation and evaluation of the various phases of projects are measured on a regular basis so as to determine the cash spent to date and the forecast cash requirement. Liquidity risk is managed by monitoring the actual and forecast cash flows for the Group, including capital expenditure, operational costs, and working capital requirements.

At 31 December 2017, the Group had cash of $24.36 million (2016: $22.87 million) and net current assets of $22.71 million (2016: $21.82 million).

Alternatives for sourcing future capital include the issue of equity instruments and debt. These alternatives are evaluated to determine the optimal mix of capital resources for capital needs. The Group expects that, absent a material adverse change in a combination of sources of liquidity, present levels of liquidity along with future positive cashflows arising from the Antas North operation and a combination of capital raising or debt will be adequate to meet the Group's expected capital needs.

Maturity analysis for financial liabilities

The following are the contractual maturities of financial liabilities, including estimated royalty payments, at year end:

2017							
$'000	Carrying Amount	Contractual cash outflows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Trade and other payables	19,754	19,754	14,482	1,000	4,272	-	-
Financial liability	13,179	20,205 [(a)]	2,144	1,958	4,161	11,942	-
Derivative liability	92	92	92	-	-	-	-
	33,025	**40,051**	**16,718**	**2,958**	**8,433**	**11,942**	**-**

2016							
$'000	Carrying Amount	Contractual cash outflows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Trade and other payables	11,325	11,325	10,382	-	943	-	-
Financial liability	14,043	23,204 [(a)]	3,210	2,163	7,783	10,048	-
	25,368	**34,529**	**13,592**	**2,163**	**8,726**	**10,048**	**-**

[(a)]This relates to estimated undiscounted future cash outflows

30.2 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Group's exposure to market risk for changes to interest rate risk relates primarily to its earnings on cash and term deposits. The Group manages the risk by investing in short term deposits.

	31 December 2017 $'000	31 December 2016 $'000
Cash and cash equivalents	**24,362**	22,866

Interest rate sensitivity

The following table demonstrates the sensitivity of the Group's profit and loss to a reasonably possible change in interest rates, with all other variables constant.

Judgements of reasonably possible movements	Increase/ (decrease) in Profit or loss before tax	
	31 December 2017 $'000	31 December 2016 $'000
Increase 100 basis points	**244**	229
Decrease 100 basis points	**(244)**	(229)

The 100 basis points is a reasonable possible change, which is derived from a review of historical movements and management's judgement of future trends in the locations in which the Group operates. The analysis was performed on the same basis in 2016.

30.3 Credit Risk Exposures

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss.

Exposure to credit risk

The Group's significant concentration of credit risk is in relation to cash held with financial institutions and sales to its offtake partners. The Group minimises exposure by investing funds with counterparties with a domestic long-term credit rating of A- or higher. In addition, there is a low credit risk exposure to the Group's long-term offtake partner, who are reputable commodity traders. For spot contracts, letters of credits from financial institutions are utilised to reduce the credit risk exposure.

The Group has no past due or impaired debtors at year-end (2016: Nil). The carrying amount of the Group's financial assets represents the maximum credit exposure of the Group. The Group's maximum exposure to credit risk at the reporting date was:

Carrying Amount

	31 December 2017 $'000	31 December 2016 $'000
Trade and other receivables (excludes recoverable taxes)	**5,744**	3,261
Cash and cash equivalents	**24,362**	22,866

30.4 Market risk

The Group is exposed to fluctuations in metal prices (principally copper and gold), fluctuations in foreign currency and interest rates, in each case in relation to its future operational cash flows and its ability to service existing and planned funding of current projects. The market prices for copper and gold fluctuate widely. These fluctuations are caused by numerous factors beyond the Company's control, such as: speculative positions taken by investors or copper and gold traders, changes in the demand and supply, actual or expected metal sales by central banks and The International Monetary Fund (IMF), global or regional economic events. A sustained period of significant copper and gold price volatility may adversely affect the Group's ability to evaluate the feasibility of undertaking new capital projects or continuing existing operations or to make other long-term strategic decisions.

Management of risk includes managing market risk exposures within acceptable parameters, whilst optimising the return. Risk management undertakes to ensure the primary underlying driver is to minimise the possible harm to the operations from adverse price movements. A principle of the Company's risk management policy is that the use of committed hedging products must reduce with hedge duration.

30.4.1 Exposure to currency risk

The Group's exposure to foreign currency risk at the reporting date was as follows, based on notional amounts:

2017				
Foreign Currency	**BRL**	**AUD**	**EUR**	
USD equivalent	**$'000**	**$'000**	**$'000**	**Total**
Cash and cash equivalents	5,089	413	7	5,509
Trade and other receivables	7,124	14	-	7,138
Trade and other payables	(12,875)	(938)	(3)	(13,816)
Derivative asset	11	-	-	11
Derivative liability	(92)	-	-	(92)
Balance sheet exposure	**(743)**	**(511)**	**4**	**(1,250)**

2016				
Foreign Currency	**BRL**	**AUD**	**EUR**	
USD equivalent	**$'000**	**$'000**	**$'000**	**Total**
Cash and cash equivalents	7,174	166	8	7,348
Trade and other receivables	6,778	12	-	6,790
Trade and other payables	(11,002)	(309)	(10)	(11,321)
Balance sheet exposure	**2,950**	**(131)**	**(2)**	**2,817**

The following significant exchange rates (US$1.00) applied during the period:

	Average rate		Year-end date spot rate	
	12 months ended 31 December 2017	12 months ended 31 December 2016	31 December 2017	31 December 2016
AUD	**1.3073**	1.3465	**1.2810**	1.3894
BRL	**3.2919**	3.4911	**3.308**	3.2591
EUR	**0.8448**	0.9065	**0.833**	0.9501

Sensitivity analysis

A 10 per cent strengthening of the United States dollar against the following currencies at 31 December would have decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the year ended 31 December 2016.

The following table shows the increase/ (decrease) in profit or loss:

	Profit or loss before tax impact	
	31 December 2017	31 December 2016
	$'000	$'000
AUD	46	12
BRL	60	(268)

A 10 per cent weakening of the United States dollar against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

30.4.2 Exposure to price risk

The Group enters into physical commodity contracts at fixed prices in the normal course of business. These contracts are not derivatives and are treated as executory contracts, which are recognised and measured at cost when the transactions occur.

Trade receivables which contain quotational period embedded derivatives are carried at fair value in accordance with the policy set out in Note 2.8.1. The Group has entered into fixed price arrangements in certain cases, to reduce the impact of copper price volatility.

Sensitivity analysis

Approximately 5,176 tonnes of copper and 4,079 ounces of gold were exposed to commodity price movements as at 31 December 2017. The average provisional sale prices of exposed tonnes were as follows: copper: $6,502/t and gold $1,297oz.

The table below summarises the impact on profit or loss before tax for changes in commodity prices on the carrying value of financial instruments. The analysis is based on the assumption that the gold and copper prices move 10% with all other variables held constant. Reasonably possible movements in commodity prices were determined based on current year movement in prices:

	Increase/ (decrease) on Profit or loss before tax	
	31 December 2017	31 December 2016
	$'000	$'000
Copper sales	3,366	4,842
Gold sales	498	846
Change in financial liability	(1,791)	(1,180)
	2,073	**4,508**

The prior year impact has been adjusted to reflect the current year assumptions on reasonable movements in commodity prices.

30.5 Capital risk management

The Group's capital comprises share capital, reserves less accumulated losses amounting to $91.45 million at 31 December 2017 (2016: $88.44 million). The Group manages its capital to ensure its ability to continue as a going concern and to optimise returns to its shareholders. The Group was ungeared at year end and not subject to any externally imposed capital requirements. Refer to note 30 for further information on the Group's financial risk management policies.

31. FAIR VALUE MEASUREMENT

The fair values of financial assets and financial liabilities carried at amortised cost approximate their carrying value.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable

The following financial assets and liabilities are classified as level 2:

- Trade and other receivables of $5.74 million (2016: $3.26 million);
- Derivative asset of $0.11 million (2016: $ Nil); and
- Derivative liability of $0.92 million (2016: $ Nil).

The fair value of trade and other receivables is valued in accordance with method outlined in note 2.8.1.

32. INVESTMENT IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2.4.

Name of Entity	Country of Incorporation	Status	Equity Holding as at 31 December 2017	Equity Holding as at 31 December 2016
Avanco Holdings Pty Ltd	Australia	Dormant	100%	100%
Estrela Metals Ltd	Australia	Dormant	100%	100%
AVB Copper Pty Ltd	Australia	Dormant	100%	100%
AVB Brazil Pty Ltd	Australia	Dormant	100%	100%
AVB Carajas Pty Ltd	Australia	Dormant	100%	100%
AVB Minerals Pty Ltd [a]	Australia	Dormant	100%	-
Estrela de Brasil Mineração Ltda	Brazil	Active	100%	100%
AVB Mineração Ltda [b]	Brazil	Active	100%	100%
Avanco Resources Mineração Ltda	Brazil	Active	100%	100%
Vale Dourado Mineração Ltda	Brazil	Active	100%	100%
MCT Mineração Ltda [c]	Brazil	Active	100%	-
ARL South America Exploration Ltd	Bermuda	Dormant	100%	100%
ARL Holdings Ltd	Bermuda	Dormant	100%	100%
Avanco Luc S.a.r.l.	Luxembourg	Active	100%	100%
Avanco Lux I S.C.S	Luxembourg	Active	100%	100%

(a) Newly incorporated entity.
(b) AVB Mineração Ltda holds 100% of the Antas North Project which is the Group's main producing asset.
(c) In October 2017, Estrela de Brasil Mineração Ltda acquired 100% of the shares of MCT Mineração Ltda (refer note 29).

33. SUBSEQUENT EVENTS

Subsequent to year-end, the Company entered into an Option Agreement to acquire 100% of the Pantera Copper Project from Vale S.A. $500,000 was paid on signing of the agreement.

On 14 February 2018, 7,750,000 options expiring on 31 December 2019 were cancelled and 11,000,000 options at an exercise price of A$0.10 per share, expiring 31 December 2020 were issued.

34. PARENT ENTITY INFORMATION

The following information is related to the parent entity, Avanco Resources Limited, at 31 December 2017. The information presented here has been prepared using consistent accounting policies as presented in Note 2:

	Parent entity	
	31 December 2017 $000	31 December 2016 $000
Current assets	8,154	2,040
Non-current assets	81,622	85,819
Total Assets	**89,776**	**87,859**
Current liabilities	(5,905)	(737)
Total Liabilities	**(5,905)**	**(737)**
Net Assets	**83,871**	**87,122**
Issued capital	132,282	132,282
Share based payment reserve	8,113	7,603
Option reserves	493	493
Foreign currency translation reserve	(21,542)	(21,542)
Accumulated losses	(35,475)	(31,714)
Total Equity	**83,871**	**87,122**
Loss for the period	(3,761)	(3,979)
Other comprehensive income for the period	-	-
Total comprehensive loss for the period	**(3,761)**	**(3,979)**

Avanco Resources Limited has entered into an office lease agreement, which expires in June 2019. Total payment of $53,615 is expected for the remaining term of the lease.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Avanco Resources Limited, I state that:

1. In the opinion of the Directors:

   (a) the financial statements and notes of the Group for the year ended 31 December 2017 are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the financial position of the Group as at 31 December 2017 and of its performance, for the year ended on that date; and

      (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

   (c) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.2;

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with sections of 295A of the Corporations Act 2001 for the year ended 31 December 2017.

On behalf of the Board

Anthony Polglase
Managing Director
Perth, Western Australia
27 February 2018

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Auditor's Independence Declaration to the Directors of Avanco Resources Limited

As lead auditor for the audit of Avanco Resources Limited, for the financial year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Avanco Resources Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

V L Hoang
Partner
27 February 2018

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Independent auditor's report to the members of Avanco Resources Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Avanco Resources Limited ("the Company") and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Impairment of property, plant & equipment

Why significant	How our audit addressed the key audit matters
As disclosed in note 17, the Group had property, plant and equipment, including capitalised mine properties, of US $50.1 million as at 31 December 2017. Australian Accounting Standards require the Group to assess throughout the reporting period whether there is any indication that an asset may be impaired. If any indication exists, the Group must estimate the recoverable amount of the asset. At year end, the Group has concluded, based on this assessment, that there were indicators of impairment and performed an impairment test. The impairment testing process is complex and judgmental in that it requires the use of assumptions and estimates that are affected by expected future performance and market conditions. As a result, impairment testing is considered a key audit matter. Key assumptions, judgments and estimates used in the formulation of the Group's impairment of property, plant and equipment include discount rates, gold and copper prices, operating costs, reserves and production as disclosed in note 17.	We evaluated the Group's future cash flow forecasts included in the Board approved value in use impairment model, involved our valuation specialists to assess the process by which they were prepared, and assessed the underlying assumptions including expected cash inflows from gold/copper sales and cash outflows from the production process and other operating expenses. We assessed the technical competency of the Group's management compiling the reserves and resources data utilised in the model. We also reviewed Board of Directors meeting minutes and various operational reports and plans in order to understand the future plans of the Group and determine whether there was any contradictory information in relation to the assumptions applied in the impairment model. We also performed sensitivity analyses to ascertain the extent changes could have on the results of the impairment test. We also assessed the adequacy of the financial report disclosures regarding the assumptions to which the Group's assessment of impairment of property, plant and equipment are most sensitive, being those that would have the most significant effect on the determination of the recoverable amount.

Carrying value of capitalised exploration and evaluation

Why significant	How our audit addressed the key audit matters
As disclosed in Note 16, the Group held capitalised exploration and evaluation expenditure of US $38.6 million as at 31 December 2017. The carrying value of exploration and evaluation assets is subjective based on Group's ability, and intention, to continue to explore the asset. The carrying value may also be impacted by the results of exploration work indicating that the mineral reserves and resources may not be commercially viable for extraction. This creates a risk that the amounts stated in the financial statements may not be recoverable. Accordingly, this matter was considered to be a key audit matter.	We assessed the carrying value of the Group's exploration and evaluation assets. In performing our procedures, we: ▸ Considered the Group's right to explore in the relevant exploration area which included obtaining and assessing supporting documentation such as licence agreements ▸ Considered the Group's intention to carry out significant exploration and evaluation activity in the relevant exploration area which included an assessment of the Group's future cash flow forecasts and enquired of management and the Board of Directors as to the intentions and strategy of the Group ▸ Assessed recent exploration activity in relevant exploration licence areas to determine if there are any negative indicators that would suggest a potential impairment of the capitalised exploration and evaluation expenditure ▸ Assessed the commercial viability of results relating to exploration and evaluation activities carried out in the relevant licence area ▸ Assessed the ability to finance any planned future exploration and evaluation activity ▸ Assessed the appropriateness of the disclosures in the financial report relating to the exploration and evaluation assets.

Financial liability – BlackRock royalty

Why significant	How our audit addressed the key audit matters
As disclosed in Note 21, the Group had a financial liability associated with the BlackRock royalty of US $13.2 million as at 31 December 2017. The financial liability reflects expected future cash payments based on a net smelter return in respect of the estimated production of copper and gold as specified in the royalty agreement. The determination of the expected future cash payments is complex and judgmental and is based on assumptions and estimates that are affected by expected future performance and market conditions. As a result, this matter was considered to be a key audit matter. Key assumptions, judgements and estimates used include discount rates, gold and copper price, reserves and production as disclosed in Note 21.	We assessed the financial liability associated with the net smelter return which has been calculated based on the estimated production of copper and gold consistent with the Board approved value in use impairment model referred to above. Our audit procedures in relation to the impairment model have been outlined above. We also considered the Board of Directors meeting minutes and various operational reports and plans in order to understand the future plans of the Group and whether there was any potential contradictory information compared to the assumptions applied in the royalty calculation and the impairment model. In addition we have assessed the appropriateness of the disclosures in the financial report relating to the financial liability.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 20 to 29 of the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of Avanco Resources Limited for the year ended 31 December 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

V L Hoang
Engagement Partner
Perth
27 February 2018

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current at 21 February 2018.

Substantial Shareholders

The names of shareholders who have notified the Company in accordance with Section 671B of the Corporations Act 2001 are:

Shareholder Name	No. of Ordinary Shares	Percentage %
APPIAN NATURAL RESOURCES FUND	453,307,418	18.45
GREENSTONE AVB HOLDINGS	409,937,578	16.69
BLACKROCK GROUP (BLACKROCK INC AND SUBSIDIARIES)	292,383,269	11.90
GLENCORE HOLDINGS PTY LIMITED	203,099,095	8.27

Distribution of Shareholders

Ordinary Shares		
Range	Number of Holders	Number of Shares
1 - 1,000	210	21,300
1,001 - 5,000	164	653,333
5,001 - 10,000	432	3,652,572
10,001 - 100,000	1,980	89,888,066
100,001 - 9,999,999,999	1,364	2,362,691,172
Totals	**4,150**	**2,456,906,443**

There were 457 holders of ordinary shares holding less than a marketable parcel.

Top Twenty Shareholders

Name	Number of Ordinary Shares held	%
CITICORP NOMINEES PTY LIMITED	489,883,040	19.94%
GREENSTONE AVB HOLDINGS	409,937,578	16.69%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	287,820,595	11.71%
GLENCORE HOLDINGS PTY LIMITED	203,099,095	8.27%
BNP PARIBAS NOMS PTY LTD	24,826,840	1.01%
J P MORGAN NOMINEES AUSTRALIA LIMITED	14,743,290	0.60%
MR BRADLEY BARRY KRAUSE	12,024,408	0.49%
GWYNVILL TRADING PTY LTD	11,000,000	0.45%
KEPPOCH PTY LTD	10,150,000	0.41%
VADORA HOLDINGS PTY LTD	10,000,000	0.41%
REZANN PTY LTD	9,995,000	0.41%
ADZIEL PTY LTD	9,934,728	0.40%
BRISPOT NOMINEES PTY LTD	9,235,607	0.38%
MR JESSIE XUAN NGUYEN	9,230,616	0.38%
PERFECT FRESH PTY LTD	8,447,123	0.34%
MR MICHAEL RILEY & MS ALISON MEEKING	7,724,200	0.31%
ALMI SUPER PTY LTD	7,617,504	0.31%
S & B NARULA PTY LTD NARULA FAMILY S/F	7,602,859	0.31%
BNP PARIBAS NOMINEES PTY LTD	6,809,598	0.28%
GRIZZLEY HOLDINGS PTY LIMITED	6,666,666	0.27%
Total	**1,556,748,747**	**63.36%**

Restricted Securities
There are no restricted securities.

On-Market Buy Back
There is no current on-market buy back.

Voting Rights
All ordinary shares carry one vote per share without restriction.

Interests in Mining Tenements Held

Project	Property Name	Tenure Title Holder	Interest %	AREA (ha)	Licence Number	Status of Tenure
STAGE 1	Rio Verde	AVB	100	7,290.6	PL 470	Mining Concession
	Rio Verde	AVB	100	7,290.6	853.714/1993	Mining Concession
	Rio Verde	AVB	100	2,009	850.113/2017	Granted to 2020
	Serra Verde	AVB	100	2,391	850.622/2007	#
	Serra Verde	AVB	100	7,359	850.892/2006	Granted to 2018
	Estrela East	VDM**	100	4,230	850.825/2005	Granted to 2019
	Agua Boa	VDM	100	1,327	850.016/2013	#
	Agua Boa	ARM	100	6,552	850.552/2016	Granted to 2019
	Agua Boa	ARM	100	8,907	850.823/2005	Granted to 2020
	Agua Boa	VDM	100	8,957	850.826/2012	***
STAGE 2	Pedra Branca	VDM	100	3,195	850.318/2000	Final Report Approved
	Pedra Branca	AVB	100	4,106	850.202/2013	Granted to 2016
	Pedra Branca	VDM	100	9,391	850.707/2009	Granted to 2017
	Pedra Branca	VDM	100	9,879	850.526/2004	Granted to 2017
	Pedra Branca	VDM	100	1,040	850.278/2005	Granted to 2017
	Pedra Branca	EST	100	4,998	850.053/2014	Granted to 2018
	Pedra Branca	VDM	100	9,859	851.067/2007	Granted to 2018
	Pedra Branca	VDM**	100	240	850.217/2000	Granted to 2018
	Pedra Branca	AVB	100	5,000	851.674/2011	Granted to 2018
	Pedra Branca	VDM	100	7,770	850.780/2012	Granted to 2018
	Pedra Branca	VDM	100	9,988	850.226/2009	Granted to 2019
	Pedra Branca	EST	100	5,000	850.228/2016	Granted to 2019
	Pedra Branca	VDM	100	8,975	850.511/2016	Granted to 2020
	Pedra Branca	AVB	100	598	300.420/2011	#
	Pedra Branca	VDM**	100	4,980	850.146/1995	#
	Pedra Branca	VDM**	100	9,993	850.173/2002	#
	Pedra Branca	VDM**	100	9,755	850.181/2001	#
	Pedra Branca	VDM**	100	10,000	850.300/1993	#
	Pedra Branca	VDM**	100	8,047	850.191/2005	#
	Pedra Branca	EST	100	4,999	851.700/2013	#
	Pedra Branca	VDM	100	3,195	300.710/2014	#
CANAÃ WEST	Canaã West	VDM**	100****	5,024	850145/1995	Granted to 2018
	Canaã West	VDM**	100****	10,000	850994/2011	Granted to 2020
	Canaã West	VDM**	100****	5,753	854951/1995	#
Carajás Regional	Carajás Regional	ARM	100	9,724	850.288/2014	Granted to 2018

Project	Property Name	Tenure Title Holder	Interest %	AREA (ha)	Licence Number	Status of Tenure
Trindade Iron Project	Trindade North	AVB	100	289.62	850.283/1999	Final Report Approved
	Trindade North	AVB	100	4,678.5	301.107/2016	#
Touro Nickel Project	Trindade South	AVB	#	9,797	850.781/2013	#
	Trindade South	AVB	100	9,797	850.569/2011	Granted to 2018
CentroGold	CentroGold	MCT	100	10,000	800.088/1985	Granted to 2018
	CentroGold	MCT	100	6,389	800.089/1985	Granted to 2018
	CentroGold	MCT	100	7,088	800.091/1985	Granted to 2018
	CentroGold	MCT	100	3,874	806.064/2006	Granted to 2018
	CentroGold	MCT	100	6,958	806.083/2006	Granted to 2018
	CentroGold	MCT	100	3,835	806.108/2003	Granted to 2018
CentroGold	CentroGold	MCT	100	4,901	806.109/2008	Granted to 2018
	CentroGold	MCT	100	9,872	806.166/2007	Granted to 2018
	CentroGold	MCT	100	9,876	806.253/2009	Granted to 2018
	CentroGold	MCT	100	4,635	806.702/2010	Granted to 2018
	CentroGold	MCT	100	9,950	806.706/2010	Granted to 2018
	CentroGold	MCT	100	508	850.649/2010	Granted to 2018
	CentroGold	MCT	100	2,420	850.651/2010	Granted to 2018
	CentroGold	MCT	100	353	850.652/2010	Granted to 2018
	CentroGold	MCT	100	650	850.864/2011	Granted to 2018
	CentroGold	MCT	100	176	806.254/2009	Granted to 2018
	CentroGold	MCT	100	8,840	806.205/2008	Granted to 2019
	CentroGold	MCT	100	745	850.650/2010	Granted to 2019
	CentroGold	MCT**	100	3,373	806.241/2014	Granted to 2019
	CentroGold	MCT	100	3,491	850.061/2016	Granted to 2020
	CentroGold	MCT**	100	2,624	806.308/2008	#
	CentroGold	MCT**	100	2,806	806.309/2008	#
	CentroGold	MCT	100	3,997	800.090/1985	#
	CentroGold	MCT	100	2,584	800.180/1990	#
	CentroGold	MCT	100	462	806.023/1999	#
	CentroGold	MCT	100	5,291	806.071/2001	#
	CentroGold	MCT	100	4,314	806.091/2006	#
	CentroGold	MCT	100	972	806.109/2003	#
	CentroGold	MCT	100	2,235	806.147/2003	#
	CentroGold	MCT	100	18	806.204/2004	#
	CentroGold	MCT	100	326	850.021/2012	#
	CentroGold	MCT**	100	10,000	806.057/2003	#
	CentroGold	MCT**	100	1,675	806.704/2010	#

AVB = AVB Mineraçao. ARM = Avanco Resources Mineração. VDM = Vale Dourado Mineração.
EST = Estela do Brazil Mineraçao. MCT = MCT Mineração
** Expected to be, or awaiting or in the process of being transferred into respective subsidiary
*** Subject to pending legal process
**** Subject to conditions of the acquisition agreement
^ Application for an extension of term, awaiting decision
# New application (or Bid) for exploration permit (size of tenement may be reduced/reshaped, if approved and before approval)