Avanco
RESOURCES LIMITED

ABN 85 126 379 646

Annual Report
for the year ended
31 December 2016

CORPORATE DIRECTORY

Directors
Mr Colin Jones (Independent Non-Executive Director)
Mr Anthony Polglase (Managing Director)
Mr Simon Mottram (Executive Director)
Mr Luis Azevedo (Executive Director)
Mr Vernon Tidy (Independent Non-Executive Director)
Mr Luiz Ferraz (Independent Non-Executive Director)

Company Secretary
Mr Scott Funston

Registered Office
Suite 3
257 York Street
Subiaco, WA 6008
Telephone: +61 8 9324 1865
Facsimile: +61 8 9200 1850
Website: www.avancoresources.com

Share Registry
Automic Registry Services
Level 2
267 St Georges Terrace
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

Contents

The Directors of Avanco Resources Limited submit the Consolidated Financial Report for the year ended 31 December 2016.

1. DIRECTORS AND COMPANY SECRETARY

The names, qualifications and experience of the Company's Directors 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.

1.1 Qualification and experience

Mr Colin Jones
Non-Executive Chairman
Following Coal Mine certification with British Coal in South Wales Mr Jones completed a mining degree at Cardiff University in the UK.

After several years of mining contract management with Thyssens, Mr Jones joined Rio Tinto, becoming the General Manager of the South Crofty Tin Mine in Cornwall. In 1986 he became the Project Manager for the development of Rio Tinto's world class Copper Mine in Portugal where, following project completion, he became the Director of Production.

Mr Jones consulting expertise includes 10 years with Rio Tinto Technical Services where, as Principal Consultant, he consulted globally. Mr Jones was responsible for the underground development of the Fortaleza Nickel Mine in Brazil and was a core consultant for the underground development at the Palabora mine in South Africa.

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 dollar 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. Mr Jones is an independent consultant, has an MBA, speaks Portuguese and maintains a residence in Brazil. Mr Jones has not held any other listed directorships during the past three years.

Special Responsibilities: Member of the Audit Committee, Remuneration Committee and Nomination Committee.

Mr Anthony Polglase
Managing Director
With over 30 years multi-disciplined mining experience across ten different countries, Mr Polglase is qualified in mechanical and electrical engineering with an honours degree in Metallurgy from the Camborne School of Mines, UK and is fluent in Portuguese. Mr Polglase has acquired detailed knowledge relating to the development and operation of gold, copper, lead, zinc and tin projects and has either been responsible for or closely involved with the commissioning of more than seven mining projects. Project management including critical evaluation, implementation and commissioning are Mr Polglase's strengths. Mr Polglase has demonstrated the ability to successfully transition projects to full operations in the most challenging environments.

Mr Polglase was a Director of Harvest Minerals Limited (appointed 1 February 2012, resigned 26 June 2014) and Black Star Petroleum Limited (appointed 28 February 2013, resigned 4 July 2014). He has not held any other listed directorships during the past three years.

Special Responsibilities: Member of the Risk Management Committee and Nomination Committee.

Mr Simon Mottram
Executive Director
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. Mr Mottram is a graduate of Melbourne RMIT University, a Fellow of the AusIMM and fluent in Portuguese. He assumes responsibility for all of the Company's exploration activities.

Mr Mottram was a Director of Harvest Minerals Limited (appointed 1 February 2012, resigned 4 July 2014). Mr Mottram has not held any other listed directorships during the past three years.

Mr Luis Azevedo
Executive Director
Mr Azevedo is a resource industry professional with over 35 years of international experience. Mr Azevedo qualified as a geologist at the University of Rio de Janeiro in 1985 and subsequent to working as a geologist he completed a law degree at the University of Candido Mendes in 1992 and obtained his Masters of Law from Pontifical Catholic University Rio de Janeiro in 1994.

Mr Azevedo has held senior positions with major resource companies including Western Mining Corporation, Barrick Gold and Harsco. In 2004 he founded the legal firm FFA Legal based in Rio de Janeiro, which provides specialist legal and technical support to resource companies operating in Brazil. He is based in Rio de Janeiro, Brazil and is a Brazilian national.

Mr Azevedo is currently a Director of TSX listed company Talon Metals (appointed 5 April 2005), as well as AIM listed Harvest Minerals Limited (appointed 15 March 2012) and Over The Counter (OTC) exchange traded Brazil Minerals Inc. (appointed 1 January 2014). Mr Azevedo was a Director of Brazilian Gold Corporation (appointed 22 June 2011, resigned 1 January 2014).

Mr Vern Tidy
Non-Executive Director
Mr Tidy was an audit partner with Ernst & Young where he was the leader of the Perth office's mining and metals industry group, responsible for all service lines to that industry.

In his role at Ernst & Young he serviced mining clients varying from the largest multinationals with large scale operations through to junior explorers. His experience included projects in Australia, South America, SE Asia and various African countries. It also included experience with ASX, LSE, AIM and TSX listed companies. Since leaving Ernst & Young Mr Tidy has consulted to the mining industry and has been involved in industry transactions, as well as project identification and financing.

Mr Tidy brings skills encompassing corporate governance and critical review of financial compliance. Mr Tidy is a Fellow of the Institute of Chartered Accountants in Australia, Associate of the Australian Institute of Company Directors and holds a Bachelor of Business – West Australian Institute of Technology (now Curtin University). Mr Tidy has not held any other listed directorships during the past three years.

Special Responsibilities: Chairman of the Audit Committee, Remuneration Committee and Nomination Committee.

Mr Luiz Ferraz
Non-Executive Director (appointed on 5 July 2016)
As the former CFO and subsequently CEO of Paranapanema's Copper Smelter, Mr Ferraz successfully advanced the smelter into a financially strong business, increasing cathode production from 190,000tpa to 280,000tpa, and doubling copper pipe and sheet production to 36,000tpa and 55,000tpa respectively. He was also previously Operations Manager for Banco Bandeirantes, responsible for credit analysis and financial transactions associated with the National Bank of Economic Development, Social Integration Programme and Financing of Machinery and Equipment.

Mr Ferraz is well known to Brazilian mining majors, international copper producers and commodity traders having negotiated many copper contracts on behalf of Paranapanema. Having participated in numerous major transactions amounting to hundreds of millions of Reals, Mr Ferraz has a proven track record of successfully debt financing Brazilian companies.

Mr Ferraz's mining experience includes the acquisition of Mineração Santa Elina's shares (now Yamana Gold) from Echo Bay and the sale of the Patinga Tin Mine to Peruvian mining group Minsor.

Mr Ferraz is currently a partner of Brasil Agro, a Sao Paulo based specialist agribusiness investment fund and sits on the board of a number of industrial companies. Mr Ferraz has not held any other listed directorships during the past three years.

Special Responsibilities: Member of the Risk Management Committee.

Mr Scott Funston

Chief Financial Officer and Company Secretary

Mr Funston is a qualified Chartered Accountant and Company Secretary with more than 15 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.

Mr Funston was a Director of Highfield Resources Limited (appointed 2 November 2012, resigned 28 February 2014), The Waterberg Coal Company Limited (appointed 5 April 2013, resigned 17 March 2014), Castillo Copper Limited (appointed 19 November 2012, resigned 1 April 2014) and Lindian Resources Limited (appointed 5 May 2011, resigned 3 July 2014). He has not held any other listed directorships during the past three years.

On 31 October 2016, Mr Funston stepped down from the Board of Directors but continues as an executive of the Company in the capacity of Chief Financial Officer and Company Secretary.

Special Responsibilities: Member of the Audit Committee, Remuneration Committee and Risk Management Committee.

1.2 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 [c]	Total options over ordinary shares granted at an exercise price 10 cents each [c]
Directors		
Mr C. Jones	1,415,155	10,000,000
Mr A. Polglase	8,148,615	45,000,000
Mr S. Mottram	1,744,681	35,000,000
Mr L. Azevedo	1,238,392	20,000,000
Mr V. Tidy	675,000	5,000,000
Mr L. Ferraz [a]	-	-
Executives		
Mr S. Funston [b]	1,845,651	15,000,000
Mr W. Phillips [b]	192,857	20,000,000

[a] Mr Ferraz was appointed Non-Executive Director on 5 July 2016.

[b] Mr Funston and Mr Phillips stepped down from the Board of Directors effective 31 October 2016 but continue as executives of the Company.

[c] Includes shares and options held directly, indirectly and beneficially by key Management Personnel.

2. RESULTS

The loss after tax for the year ended 31 December 2016 is US$2,662,000 (2015 profit after tax of US$1,224,000). For financial reporting purposes production at the Antas operation commenced on 1 April 2016.

The current period result includes an underlying EBITDA[i] of US$16,673,000 :

					US$'000
	Q1 2016	**Q2 2016**	**Q3 2016**	**Q4 2016**	**YTD**
Sales revenue	-	16,250	18,617	24,416	59,283
Treatment, refining and transport charges	-	(2,860)	(3,174)	(3,642)	(9,676)
Net sales revenue	**-**	**13,390**	**15,443**	**20,774**	**49,607**
Production costs and changes to stockpile inventories	-	(6,259)	(8,184)	(9,941)	(24,384)
Royalties	-	(1,111)	(1,474)	(1,723)	(4,308)
Gross profit, before depreciation and amortisation	**-**	**6,020**	**5,785**	**9,110**	**20,915**
General, administration and other expenses	(549)	(1,038)	(1,238)	(1,433)	(4,258)
Net foreign exchange gain/(loss)	(95)	(94)	250	(45)	16
Underlying EBITDA	**(644)**	**4,888**	**4,797**	**7,632**	**16,673**

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

					US$'000
	Q1 2016	**Q2 2016**	**Q3 2016**	**Q4 2016**	**YTD**
Underlying EBITDA	**(644)**	**4,888**	**4,797**	**7,632**	**16,673**
Financial income	135	81	76	103	395
Financial expense	(7)	(10)	(15)	(10)	(42)
Depreciation, amortisation and depletion	(8)	(3,238)	(4,495)	(3,676)	(11,417)
Accretion of rehabilitation and royalty liabilities	-	(1,370)	(1,059)	(1,116)	(3,545)
Impairment of exploration projects	(625)	(51)	-	(357)	(1,033)
Change in financial liability	-	(1,405)	-	3,205	1,800
Share-based payments	-	(465)	-	(1,321)	(1,786)
Profit before tax	**(1,149)**	**(1,570)**	**(696)**	**4,460**	**1,045**

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

3. REVIEW OF OPERATIONS

3.1 HIGHLIGHTS

- Production guidance exceeded, with record annual production of 11,188t of copper and 7,779oz of gold
- Record concentrate sales of 36,765t and provisional sales revenue of US$ 58,233,000, including pre-production sales of US$ 369,000
- Record cashflow from operations of US$ 12,336,000
- Cash balance of US$ 22,866,000 at 31 December 2016 - the Company continues to be debt-free
- Excellent safety performance with no lost-time injuries
- Infrastructure construction at Pedra Branca advanced; rights purchased from copper major to prospective license along strike
- Maiden resource estimates at CentroGold announced

3.2 ANTAS OPERATION

STATISTICS	Units	2016
Total Material Mined	t	6,497,037
Ore Mined	t	629,026
Copper Grade	Cu %	2.24
Gold Grade	g/t	0.67
Tonnes Processed	t	510,830
Copper Grade	Cu %	2.29
Gold Grade	g/t	0.55
Copper Recovery	%	95.76
Gold Recovery	%	85.81
Concentrate	DMT	39,794
Contained Copper	t	11,188
Contained Gold	Oz	7,779
Concentrate Copper Grade	Cu %	28.11
Concentrate Gold Grade	g/t	6.08

(a) Safety and environment

During the year, construction and continuous operation of the plant reached 1,605,492 man-hours without a lost time accident and the LTIFR (Lost Time Injury Frequency Rate) remains at zero up to the date of this report.

Management continues to focus on developing a safety culture through accountability, engagement and systems. No environmental incidents were recorded up to the date of this report.

(b) Mining

Consistent production from the Antas open pit has been maintained for the year and the focus is to complete Stage 1 development to reduce production risk. Significant works outside of the pit included completion of the waste dump diversion works and progressive rehabilitation.

Production came mostly from the Stage 1 Pit. Adjustments were made to the ore boundary definitions to accommodate some lower/medium grades zones as a consequence of grade control drilling results. This resulted in the loss of some tonnes, but was compensated in Copper metal terms by a corresponding increase in grade.

(c) Processing

Commissioning of the fully integrated plant was completed during the second quarter with commercial production declared on 1 July 2016. During the last quarter, a programme of process optimization was implemented, based on recommendations from a metallurgical specialist, which resulted in improvement in plant throughput.

Installation of a tertiary crusher was completed in December 2016. This has reduced the operating load on the secondary cone crusher and increased crushing capacity to approximately 200tph.

The application to increase production from the current 12,000 tonnes per annum of Copper metal to 18,000 tonnes per annum has been submitted and is in the process of being revised upwards. The application is with the relevant authorities awaiting approval.

(d) Operating costs

Operating costs came within budget despite the strengthening of the Brazilian Real to the United States Dollar during the year. The record copper production and higher grade achieved was offset to some degree by a decrease in gold credits due to a lower provisional gold price and the strengthening of the Brazilian Real against the Dollar.

Mining and processing costs per tonne were lower than forecast due to additional tonnes mined and processed. Higher ore grade and better recoveries also helped reduce unit costs.

(e) Sales

A total of 21.9 million pounds of copper and 6,847 ounces of gold were sold during the year at average provisional prices of US$2.24/lb copper and US$1,273/oz gold respectively resulting in gross sales of US$58.2 million, which includes pre-production sales of US$0.3 million. The Company was also able to take advantage of pricing provisions permitted within the offtake contract and secured final prices for all copper shipped since September at prices above those in the provisional invoices. Additionally, during December 2016, 4,000 tonnes of copper metal were sold forward at $5,757.90 per tonne. This pricing is effective for shipments commencing early December and will be allocated to approximately 70% of the payable copper of each shipment until the Company has shipped the 4,000 tonnes of allocated payable copper. The approximate 30% remaining for each shipment will be at quotational period prices.

3.3 PEDRA BRANCA

It is the intention to bring forward exploration work to support the full-scale development of the Pedra Branca East Project, instead of the smaller interim development stage option outlined previously by the Scoping Study[16].

Highlights include:

- Revised Pre-Feasibility Study (PFS) for Pedra Branca East, targeting release late April 2017
- Definitive Feasibility Study (DFS) for completion within 12 months thereafter
- 5,000 metres drilling programme
- Studies to examine the inclusion of Pedra Branca West
- Regulatory and environmental works to permit the full-scale mine

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

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

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

The budget for Pedra Branca includes a minimum 5,000 metres of infill drilling, appointment of a DFS Study Manager, and regulatory and environmental works to permit the full-scale mine. Exploration will cover the recently acquired Canaã West Project[17].

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

3.4 CENTROGOLD PROJECT

CentroGold[18] is an advanced stage exploration project in neighbouring Maranhão State. A Scoping Study re-assessing the project's scale and economics via a range of development opportunities is underway, examining two contiguous higher grade zones within the project. Scoping Study results are expected to be available in late April 2017.

In total, approximately US$0.9 million has been allocated to CentroGold to facilitate resolution of legacy licensing issues, updating of JORC Resources and production of the Scoping Study. Further expenditure will be proposed as progress is made.

3.5 EXPLORATION

The Carajás Province hosts the largest concentration of large tonnage Iron-Oxide-Copper-Gold deposits (IOCG[19]) 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.

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

Following the purchase in late 2016 of the Terrestrial Electromagnetic (TEM) geophysical survey equipment and an extensive training programme provided by consultants, the Company's in-house TEM team is aggressively advancing all known targets in the portfolio, starting in and around the Antas mine environs. The TEM team will operate full-time through 2017. The budget includes an allowance for a second TEM equipment, and additional discretionary funds may be made available for drill testing of high conviction targets if they are generated.

3.6 CORPORATE

The Company has further increased its already strong cash balance through disciplined cash management, and positive cash inflow from operations due to increased production and higher copper prices, whilst at the same time, continuing to invest in the development of Pedra Branca, CentroGold and other projects.

3.7 MINERAL RESOURCE AND ORE RESERVE ESTIMATE

CARAJAS COPPER – 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	2.70	0.70	53,000	43,000
	Indicated	5.72	2.80	0.70	161,000	123,000
	Inferred	2.78	2.70	0.60	75,000	55,000
	Total	**10.48**	**2.80**	**0.70**	**289,000**	**221,000**
Pedra Branca West[7]	Indicated	4.46	2.04	0.61	91,000	87,000
	Inferred	2.74	1.72	0.56	47,000	49,000
	Total	**7.19**	**1.92**	**0.59**	**138,000**	**136,000**
TOTAL PEDRA BRANCA	**Total**	**17.67**	**2.44**	**0.65**	**427,000**	**357,000**
ANTAS NORTH[7]	Measured	1.96	3.42	0.76	67,000	48,000
	Indicated	1.61	2.23	0.42	36,000	22,000
	Inferred	1.89	1.59	0.23	30,000	14,000
	Total	**5.46**	**2.43**	**0.48**	**133,000**	**84,000**
ANTAS SOUTH[8]	Measured	0.59	1.34	0.18	8,000	3,000
	Indicated	7.50	0.70	0.20	53,000	49,000
	Inferred	1.99	1.18	0.20	24,000	13,000
	Total	**10.08**	**0.83**	**0.20**	**85,000**	**65,000**
TOTAL		**33.21**	**1.95**	**0.49**	**645,000**	**506,000**

ANTAS COPPER MINE – Sulphide Ore Mineral Reserves[9,10]							
Location	**JORC Category**	**Economic Cut-Off Cu%**	**Million Tonnes**	**Copper (%)**	**Gold (g/t)**	**Copper Metal (T)**	**Gold Metal (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**	**80,400**	**56,500**

CENTROGOLD – Mineral Resources[11,12,13]				
DEPOSIT	**JORC Category**	**Million Tonnes**	**Gold (g/t)**	**Gold Metal (Oz)**
CONTACT ZONE[14]	Inferred	8.00	2.30	592,000
BLANKET ZONE[14]	Inferred	12.20	1.80	694,000
TOTAL		**20.20**	**2.00**	**1,286,000**

3.7.1 Discussion on Material Changes to Mineral Resource and Reserves

Pedra Branca East Mineral Resource

Pedra Branca ("PB") is the Company's second and larger copper project, located ~50km southwest of the Antas Copper Mine. During the year, a revised Mineral Resource was completed incorporating results from a 1,790m infill drill programme.

The updated PB East Mineral Resource estimate is comparable in size to the previous estimate, but with over 70% now reporting to the higher confidence Measured and Indicated categories.

There has been a marginal decrease in global tonnage in comparison to the previous estimate resulting from more accurate definition of the plunging shoot geometry and removal of some low confidence Inferred Resource zones. The overall copper grade remains unchanged at 2.8%, while the gold grade has increased by 13% to 0.7g/t (differences due to rounding may exist).

The following table provides a comparison between the previous and updated JORC Mineral Resource estimates for PB East.

	PB East: July 2015 JORC Mineral Resource estimate			PB East: May 2016 JORC Mineral Resource estimate [2]			Comparison		
	Tonnes (mt)	**Grade (Cu %)**	**Grade (Au g/t)**	**Tonnes (mt)**	**Grade (Cu %)**	**Grade (Au g/t)**	**Tonnes**	**Grade (Cu %)**	**Grade (Au g/t)**
Measured	-	-	-	1.98	2.7	0.7	100%	100%	100%
Indicated	7.96	2.8	0.6	5.72	2.8	0.7	-28%	0%	17%
Inferred	3.43	2.7	0.6	2.78	2.7	0.6	-19%	0%	0%
TOTAL	**11.39**	**2.8**	**0.6**	**10.48**	**2.8**	**0.7**	**-8%**	**0%**	**13%**

Pedra Branca West Mineral Resource

During the year, there has been no material change to the PB West JORC Mineral Resource. The existing Competent Person's Consent, material assumptions, and technical parameters underpinning the PB West Mineral Resource estimate continue to apply. [3]

Antas North JORC Mineral Resource

The Antas North JORC Mineral Resource has been revised for depletion at 31 December 2016, in accordance with mining movements at the Company's operating Antas Copper Mine.

Depletion has been carried out in accordance with accepted practices, via the removal of material (tonnes/grade) based on accurate survey measurement of the pit floor and surrounds at year-end, compared to the surveyed surface used in for the previously reported Mineral Resource. In the course of Resource depletion, oxide Mineral Resources have also been removed from the Mineral Resource Statement, as these are no longer relevant.

Previously Reported Antas North JORC Mineral Resource Statement

ANTAS NORTH – SULPHIDE JORC Reported Mineral Resources April 2014. Reported above a Cut-off Grade of 0.9% Cu [4]					
Classification	**Tonnes (Mt)**	**Copper (Cu %)**	**Gold (Au g/t)**	**Copper Metal (T)**	**Gold (Oz)**
Measured	2.48	3.26	0.71	80,724	56,751
Indicated	1.62	2.22	0.42	36,002	21,884
Inferred	1.90	1.59	0.23	30,184	14,085
TOTAL	**6.00**	**2.45**	**0.48**	**147,000**	**93,000**

At 31 December 2016, Depleted Antas North JORC Mineral Resource Statement

ANTAS NORTH – SULPHIDE JORC Reported Mineral Resources December 2016. 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**

The approximately 14,000t reduction in Copper metal contained within the Antas North JORC Mineral Resource (differences due to rounding may exist) concurs with the material change in the corresponding Antas Copper Mine Reserve Statement, when talking into consideration material held in mine stockpiles, as reported in the Reserve Statement.

The existing Competent Person's Consent, material assumptions, and technical parameters underpinning the Antas North Mineral Resource estimate continue to apply.[4]

Antas South Mineral Resource

During the year, there has been no material change to the Antas South JORC Mineral Resource. The existing Competent Person's Consent, material assumptions, and technical parameters underpinning the Antas South Mineral Resource estimate continue to apply. [6]

Antas Copper Mine Mineral Reserves

The Antas Copper Mine JORC Mineral Reserve has been revised for depletion at 31 December 2016, in accordance with mining movements at the Company's operating Antas Copper Mine.

Depletion has been carried out in accordance with accepted practices, via the removal of material (tonnes/grade) based on accurate survey measurement of the pit floor and surrounds at year-end, compared to the surveyed surface used in for the previously reported Mineral Reserve.

Previously Reported Antas Copper Mine Mineral Reserve Statement

ANTAS NORTH – JORC Reported Ore Reserves. August 2014 [9, 15]								
Classification	**Type**	**Economic Cut-Off Cu%**	**Tonnes (Mt)**	**Copper (%)**	**Gold (g/t)**	**Copper Metal (T)**	**Gold (Oz)**
Antas Mine	Proved	0.65	1.73	3.05	0.65	52,700	36,100
	Probable	0.65	1.89	2.05	0.46	38,700	27,900
TOTAL PROVEN + PROBABLE			**3.62**	**2.53**	**0.55**	**91,000**	**64,000**

At 31 December 2016, Depleted Antas Copper Mine Mineral Reserve Statement

ANTAS NORTH – JORC Reported Ore Reserves. December 2016 [15]							
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**

The reduction in Copper metal contained within the Antas Copper Mine JORC Mineral Reserves (differences due to rounding may exist) concur with the known material change due to mining movement, when talking into consideration material held in mine stockpiles, as reported in the above Reserve Statement.

The existing Competent Person's Consent, material assumptions, and technical parameters underpinning the Antas Copper Mine JORC Mineral Reserve estimate continue to apply. [9]

CentroGold Mineral Resources

During the year, the Company entered in a agreement to earn up to 100% of the CentroGold project, which is located 500km northwest by paved highway from São Luis, the capital of Maranhão State, and 350km southeast from Belém, the capital of Pará State. The Project is also favourably located approximately 600km northeast of the Company's Carajas assets.

Previous operators had reported a Foreign Resource Estimate at the project, based on the Cipoeiro and Chega Tudo gold deposits. The deposits are 8km apart and situated approximately 40km from Cento Novo, the nearest substantial town, with a population estimated at 15,000.

The Cipoeiro deposit is made up of two distinct and separate zones, the Blanket Zone and Contact Zone. During the year, the Company reported Mineral Resources for the Blanket and Contact Zones for the first time, in accordance with the JORC (2012) Reporting Code.

Refer to ASX Announcements "Maiden Resource Estimate at the CentroGold Project", 20 December 2016, and "CentroGold Resource Base Grows to Over 1.2M Ounces", 19 January 2017, for Competent Person's Consent, material assumptions, and technical parameters underpinning the Blanket Zone and Contact Zone Mineral Resource estimates.

3.7.2 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 Company periodically reviews the governance framework in line with the expansion and development of its business.

4. SUBSEQUENT EVENTS

On 23 January 2017, the Board granted 42 million share options to employees and consultants of the Company at an exercise price of A$0.10 expiring on 31 December 2019.

5. 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 the results of the Antas mine development and future successful exploration and evaluation.

6. 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.

7. SHARE OPTIONS

As at the date of this report, there were 192,00,000 unexpired ordinary shares under options (150,000,000 at the balance date). The details of the options at the date of this report are as follows:

Number	Exercise Price A$	Expiry Date
42,000,000	0.10	31 December 2019
150,000,000	0.10	30 June 2018
192,000,000		

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

12,550,000 unlisted options with an exercise price of 15 cents were not exercised on 31 December 2016 and have expired.

8. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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.

9. DIRECTORS' MEETINGS

During the year ended 31 December 2016, 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 Committee meetings		Risk Management Committee meetings	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Directors								
Mr C. Jones	8	8	2	2	2	2	-	-
Mr A.Polglase	8	8	-	-	-	-	1	1
Mr S. Mottram	8	8	-	-	-	-	-	-
Mr L. Azevedo	8	6	-	-	-	-	-	-
Mr V. Tidy	8	8	2	2	2	2	-	-
Mr L. Ferraz [(a)]	5	2	-	-	-	-	1	-
Executives							-	-
Mr S. Funston [(b)]	6	6	2	2	2	1	1	1
Mr W. Phillips [(b)]	6	6	-	-	-	-	-	-

(a) Mr Ferraz was appointed Non-Executive Director on 5 July 2016

(b) Mr Funston and Mr Phillips stepped down from the Board of Directors effective 31 October 2016.

There were no Nomination Committee meetings during the year as it was established on 8 December 2016.

10. PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year ended 31 December 2016.

11. CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Avanco Resources Limited 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 is in compliance with those guidelines to the extent possible, which are of importance to the commercial operation of a junior 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 elsewhere in the annual report.

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 with an Independence Declaration in relation to the audit of the financial report for the year ended 31 December 2016. A copy of that declaration is included on page 82. 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.

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.

Ernst & Young Brazil received US$32,642 for the provision of non-audit services related to tax advice during the year. Refer to note 9 for further details of the total auditors remuneration.

13. REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 31 December 2016 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.

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

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 Executive Remuneration Framework
13.5 Key Management Personnel Service Contracts
13.6 Summary of Remuneration
13.7 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 2016 and 31 December 2015 and unless otherwise indicated, KMPs for the entire period:

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

(a) Mr Ferraz was appointed Non-Executive Director on 5 July 2016.
(b) Mr Funston and Mr Phillips stepped down from the Board of Directors effective 31 October 2016 but continue as executives of the Company.

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

13.2 Remuneration Governance

The 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 comprises two independent Non-Executive Directors and one Executive of the Group.

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

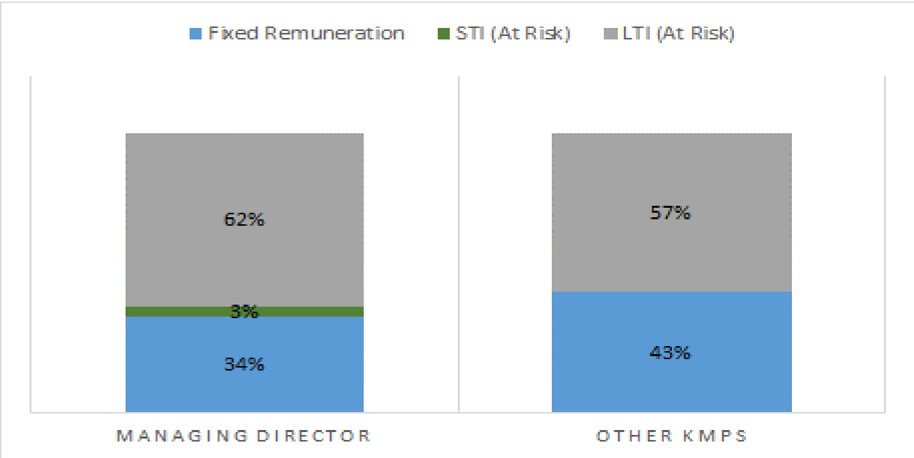
The performance of the Group depends on the quality of the KMPs it employs. To be successful in a global market, the Group must attract, motivate and retain KMPs of the highest calibre.

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.

13.4 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).

The table below shows the proportion of each element of total remuneration, at target maximum opportunities, for the KMPs. 65% of total remuneration for the Managing Director is at risk and 57% of total remuneration for the other KMPs is at risk.



13.4.1 Fixed remuneration

Fixed remuneration comprises director's fees, consulting fees and employer superannuation contributions, which is based on a benchmark research performed by the Remuneration Committee in the previous year. The research compared peer companies to the fixed remuneration, STI and LTI components given to the Group's KMPs.

The selected comparator group of companies is a broad base of ASX listed mid-tier mining companies with projects in Latin America or developing countries either transitioning from exploration to development or currently producing and also presenting similar market capitalisation, management size and infrastructure.

There was no change to Non-Executive Directors fixed remuneration.

13.4.2 Short-term, performance-linked remuneration (STI)

The Remuneration 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.

As the Group's main focus has been the construction, commissioning and development of the Antas North and Pedra Branca Projects; the Board anticipates that the most appropriate objectives for the STI will be non-revenue, non-market based measures that are critical to the success of the Group such as the effective completion of commissioning of the Project, sustained production and maintaining competitive costs.

The STI objectives for the Managing Director for the year ended 31 December 2016 were the successful completion of the Antas North (Stage 1) project. As the Group successfully completed the plant construction of the project, on time and below budget and achieving commercial production on 1 July 2016, the Board awarded an STI to the Managing Director equivalent to 10% of his annual fixed remuneration.

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

LTI comprises the Employee Share Option Plan (ESOP) and the Performance Rights Plan (the Plan).

Employee Share Option Plan (ESOP):
The objective of the ESOP is to assist in the recruitment, reward, retention and motivation of employees of Avanco Resources Limited. 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.

As at 31 December 2016 (31 December 2015: Nil) no performance rights have been granted to participants under the Plan.

13.5 Key Management Personnel Service Contracts

Remuneration arrangements for KMPs are formalised in employment or consulting contracts. Details of these contracts are provided below:

13.5.1 Non-Executive Directors

The aggregate fee remuneration for Non-Executive Directors has been set at an amount not to exceed $500,000 per annum. This amount may only be increased with the approval of Shareholders at a general meeting.

Mr Colin Jones

The Non-Executive Chairman Mr Colin Jones is paid an annual fee of A$160,000 payable in monthly instalments and board sub-committee fees of A$10,000 paid biannually (equivalent of US$126,175 for the year ended 31 December 2016).

Mr Vern Tidy

Mr Tidy was appointed Non-Executive Director effective 20 July 2015 until the date of the 2016 annual general meeting of the Group for an annual remuneration of A$60,000 payable in monthly instalments and board sub-committee fees of A$20,000 paid biannually (equivalent of US$60,087 for the year ended 31 December 2016).

Mr Luiz Ferraz

Mr Ferraz was appointed Non-Executive Director effective 5 July 2016 until the date of the 2017 annual general meeting of the Group for an annual remuneration of A$60,000 payable in monthly instalments (equivalent of US$22,576 for the six months ended 31 December 2016).

13.5.2 Executive Directors

Mr. Anthony Polglase

The Managing Director, is paid an annual consulting fee in equal monthly instalments. The consulting agreement commenced on 1 January 2013 and was subsequently updated on 1 December 2015 to reflect a fixed remuneration of A$500,000 per annum effective 1 July 2015 (equivalent of US$371,891 for the year ended 31 December 2016) as recommended by the Remuneration Committee and adopted by the Board of Directors in consideration to his continuous commitment with the Group and in acknowledgment of his relocation to Brazil.

As part of the revised agreement, 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.

As part of the contract, Mr Polglase is entitled to participate in any Group short and long term incentive schemes. The term of the agreement is for three years 2015 unless extended by both parties.

As part of the agreement in the event of termination due to a redundancy or serious change in employment conditions 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.

Mr Simon Mottram

Mr Mottram is paid an annual consulting fee on a monthly basis. By recommendation of the Remuneration Committee and adopted by the Board of Directors, the consulting agreement of Mr Mottram was updated on 1 December 2015 to reflect a fixed remuneration base of A$350,000 per annum effective 1 July 2015 (equivalent of US$257,771 for the year ended 31 December 2016) for an additional period of two years commencing 1 December 2015. Mr Mottram is entitled to participate in any Group incentive schemes

Mr Mottram may terminate the agreement by giving three months written notice. The Group 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 serious change in employment conditions Mr Mottram is entitled to six months' monthly consulting fees. The Company may terminate the agreement by giving six months written notice or should the agreement be terminated by the Board prior to the full term of two years then a termination payment of six months fee will apply unless the Company requires the Director to serve out the notice period.

Mr Luis Azevedo

Mr Azevedo has been paid an annual consulting fee on a monthly basis for corporate services in Brazil. On 1 December 2015 Mr Azevedo's consulting agreement was restructured to reflect a fixed-remuneration-only base of A$250,000 per annum effective 1 July 2015 (equivalent of US$182,720 for the year ended 31 December 2016) to compensate his duties of Director of the Group as recommended by the Remuneration Committee and adopted by the Board of Directors. Mr Azevedo is entitled to participate in any Group incentive schemes.

The agreement is for a two-year period commencing 1 December 2015 unless extended by both parties. In the event of termination due to a redundancy or serious change in employment conditions Mr Azevedo is entitled to six months' monthly consulting fees. The Company may terminate the agreement by giving six months written notice or should the agreement be terminated by the Board prior to the full term of two years then a termination payment of six months fee will apply unless the Company requires the Director to serve out the notice period. Mr Azevedo may terminate the agreement by giving three months written notice.

13.5.3 Executives

Mr Scott Funston

Mr Scott Funston stepped down from the Board of Directors effective 31 October 2016 and continued his duties as Company Secretary and Chief Financial Officer. On 1 December 2015 Mr Funston's' consulting agreement was restructured to reflect a fixed-remuneration base of A$280,000 per annum and board sub-committee fees of A$10,000 paid biannually effective 1 July 2015 (equivalent of US$215,400 for the year ended 31 December 2016) to compensate his duties as recommended by the Remuneration Committee and adopted by the Board of Directors. Mr Funston is entitled to participate in any Group incentive schemes. His agreement was not materially altered as a result of his resignation as Executive Director.

The agreement is for a two-year period commencing 1 December 2015 unless extended by both parties. In the event of termination due to a redundancy or serious change in employment conditions Mr Funston is entitled to six months' monthly consulting fees. The Company may terminate the agreement by giving six months written notice or should the agreement be terminated by the Board prior to the full term of two years then a termination payment of six months fee will apply unless the Company requires the Executive to serve out the notice period. Mr Funston may terminate the agreement by giving three months written notice.

Mr Wayne Phillips

Mr Phillips stepped down from the Board of Directors effective 31 October 2016 and was appointed as the Company's Head of Projects. On 1 December 2015 Mr Phillips' consulting agreement was updated to reflect consulting fees of A$350,000 per annum effective 1 July 2015 (equivalent of US$264,129 for the year ended 31 December 2016) to compensate his duties of Director the Group as recommended by the Remuneration Committee and adopted by the Board of Directors. Mr Phillips is entitled to participate in any Group incentive schemes. Mr Phillips' remuneration was modified to ensure the total remuneration he received prior to him stepping down as an Executive Director was not affected. All other terms of his agreement were not altered.

The agreement is for a two-year period commencing 1 December 2015 unless extended by both parties. In the event of termination due to a redundancy or serious change in employment conditions Mr Phillips is entitled to six months' monthly consulting fees. The Company may terminate the agreement by giving six months written notice or should the agreement be terminated by the Board prior to the full term of two years then a termination payment of six months fee will apply unless the Company requires the Executive to serve out the notice period. Mr Phillips may terminate the agreement by giving three months written notice.

13.5.4 Committee Members Remuneration

The Board has resolved that committee members participating in other committees (sub-committees) established by the Board (currently comprising audit and remuneration committees) should receive remuneration as follows:

i. Chairman to receive $10,000 per annum;
ii. Member to receive $5,000 per annum; and
iii. Committee remuneration to be paid biannually

13.5.5 Other transactions with Key Management Personnel and their related parties

There have been no transactions during the current year (2015: U$319,855) with Kernow Mining Consultants Pty Ltd, a company of which Mr. Polglase is a Director, and at year-end there was no outstanding amount due (2015: US$Nil).

During the year, Resourceful International Consulting Pty Ltd, a company of which Mr. Funston is a Director, invoiced the Group US$215,400 (2015: US$206,467) for executive services. At year-end, there was an amount outstanding of US$22,431 (2015: US$20,678).

JENS Dominion Pty Ltd, a company of which Mr. Mottram is a Director, charged the Group director's and consulting fees for the year totalling US$257,771 (2015: US$243,842). At year-end, there was an amount outstanding of US$23,091 (2015: US$21,285).

CI Jones C Eng., a company of which Mr. Jones is a Director, charged the Group director's fees for the year totalling US$126,175 (2015: US$124,031). At year-end, there was an amount outstanding of US$13,592 (2015: US$17,651).

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 US$838,269 (2015: US$359,038). At year-end, there was an amount outstanding of US$84,296 (31 December 2015: US$118,326).

The Warra Dream Trust trading as Mazuma Consulting, of which Mr. Vern Tidy is a trustee, charged the Group director's fees for the year totalling US$60,087 (2015: US$36,184). At year-end, there was an amount outstanding of US$11,875 (2015: US$10,947).

These transactions have been entered into on normal commercial terms.

13.6 Summary of Remuneration

The following section itemises the remuneration components for the KMPs.

The table below shows the financial performance of the Group over the past five financial years:

12 months as at 31 December	**2016**	**2015**				
6 months as at 31 December			**2014**			
12 months as at 30 June				**2014**	**2013**	**2012**
Earnings/(loss) per share (cents) US$	(0.11)	0.06	(0.16)	(0.07)	(0.21)	(0.17)
Net (loss)/ profit US$000	(2,662)	1,224	(2,617)	(1,027)	(2,304)	(1,512)
Average share price A$	0.063	0.067	0.090	0.074	0.075	0.088

A summary of the key management personnel fixed remuneration for the year ended 31 December 2015 and 31 December 2016 are as follows:

	2016		2015	
	A$	**US$ [b]**	**A$**	**US$ [b]**
Directors [a]				
Mr C. Jones	170,000	126,175	165,000	124,031
Mr A. Polglase	500,000	371,891	425,000	317,623
Mr S. Mottram	350,000	257,771	325,000	243,842
Mr L. Azevedo	250,000	182,720	224,600	168,274

	2016		2015	
	A$	US$ [b]	A$	US$ [b]
Mr V. Tidy	80,000	60,087	50,000	36,184
Mr L. Ferraz [c]	30,000	22,576	-	-
Executives [a]				
Mr S. Funston [d]	290,000	215,400	273,750	206,467
Mr W. Phillips [d]	350,000	264,129	325,000	243,842
Total	**2,020,000**	**1,500,749**	**1,788,350**	**1,340,263**

[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] Mr Ferraz was appointed on 5 July 2016.
[d] Mr Funston and Mr Phillips stepped down from the Board of Directors effective 31 October 2016 but continue as executives of the Company.

There were no other executive officers of the Group during the years ended 31 December 2016 and 31 December 2015.

Details of the nature and amount of each element of the emolument of each Director and Executive of the Group are as follows:

2016								
	Short-term benefits			Share-based payments	Annual leave [e]	Long-term benefits	Total Remune-ration	Perfor-mance related
	Consulting Fees	Directors Fees	Cash Bonus	Outstanding options		Post-employ-ment benefits		
	US$	US$	US$	US$	US$	US$	US$	%
Directors								
Mr C. Jones	-	126,175	-	29,444 [d]	-	-	155,619	-
Mr A. Polglase	371,891	-	36,126	528,482[c]	32,487	-	968,986	3.7
Mr S. Mottram	257,771	-	-	411,041[c]	22,741	-	691,553	-
Mr L. Azevedo	182,720	-	-	234,881[c]	16,243	-	433,844	-
Mr V. Tidy	-	60,087	-	29,444[d]	-	-	89,531	-
Mr L. Ferraz [a]	-	22,576	-	-	-	-	22,576	
Executives								
Mr S. Funston [b]	215,400	-	-	176,161[c]	18,193	-	409,754	-
Mr W. 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**	**1.1**

[a] Mr Ferraz was appointed on 5 July 2016.
[b] Mr Funston and Mr 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.

2015								
	Short-term benefits			Share-based benefits		Long-term benefits	Total Remune-ration	Perfor-mance related
	Consulting Fees	Directors Fees	Cash Bonus	Options lapsed[(b)]	Outstanding options[(c)]	Post-employ-ment benefits		
	US$	US$	US$	US$	US$	US$	US$	%
Directors								
Mr C. Jones	-	124,031	-	(38,430)	77,060[(d)]	-	162,661	-
Mr A. Polglase	317,623	-	-	(230,580)	118,532	-	205,575	-
Mr S. Mottram	243,842	-	-	(153,720)	92,192	-	182,314	-
Mr L. Azevedo	168,274	-	-	(76,860)	52,681	-	144,095	-
Mr V. Tidy [(a)]	-	36,184	-	-	-	-	36,184	-
Mr S. Funston	206,467	-	-	(38,430)	39,511	-	207,548	-
Mr W. Phillips	168,587	75,255	-	(38,430)	52,681	-	258,093	-
Total	**1,104,793**	**235,470**	**-**	**(576,450)**	**432,657**	**-**	**1,196,470**	**-**

(a) Mr Tidy was appointed Non-Executive Director on 20 July 2015.

(b) The conditions attached to the 75,000,000 options exercisable at A$0.12 with an expiry date of 31 December 2015 were not met at the expiry date and have lapsed without vesting. As a result, the expense recognised in the current and previous years was reversed.

(c) Relates to the 2015 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 26 June 2015. 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.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

	Grant date	Grant number	Expiry date	Value per option	Value of options A$	Value of options US$ [(g)]	Exercise price	No. Vested
Director								
Mr C. Jones	26 Jun 2015[(d)]	5,000,000	30 Jun 2018	A$0.02	100,000	75,260	$0.10	5,000,000
	30 May 2016[(f)]	5,000,000	30 Jun 2018	A$0.01	41,000	29,444	$0.10	5,000,000
Mr A. Polglase	26 Jun 2015[(e)]	45,000,000	30 Jun 2018	A$0.02	900,000	677,340	$0.10	42,801,303
Mr S. Mottram	26 Jun 2015[(e)]	35,000,000	30 Jun 2018	A$0.02	700,000	526,820	$0.10	33,289,902
Mr L. Azevedo	26 Jun 2015[(e)]	20,000,000	30 Jun 2018	A$0.02	400,000	301,040	$0.10	19,022,801
Mr V. Tidy[(a)]	30 May 2016[(f)]	5,000,000	30 Jun 2018	A$0.01	41,000	29,444	$0.10	5,000,000
Executive								
Mr S. Funston [(c)]	26 Jun 2015[(e)]	15,000,000	30 Jun 2018	A$0.02	300,000	225,780	$0.10	14,267,101
Mr W. Phillips [(c)]	26 Jun 2015[(e)]	20,000,000	30 Jun 2018	A$0.02	400,000	301,040	$0.10	19,022,801
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**		**133,403,908**

[a] Mr Tidy was appointed Non-Executive Director on 20 July 2015.

[b] Mr Ferraz was appointed Non-Executive Director on 5 July 2016.

[c] Mr Funston and Mr Phillips stepped down from the Board of Directors effective 31 October 2016 but continues as executives of the Company.

[d] These options are exercisable on or before 30 June 2018 and vested immediately on grant date upon Shareholders approval on 26 June 2015.

[e] 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.

[f] 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 Company and to align their interests with those of the Shareholders.

[g] The US$ value of the options have been translated at the A$: US$ exchange rate at the date of grant.

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 26.

No options were exercised for the years ended 31 December 2016 and 31 December 2015.

No options granted to directors and executives expired or were forfeited during the year.

13.7 Additional disclosures relating to options and shares

13.7.1 Shareholdings of Key Management Personnel

The number of shares in the Company held during the period by each Director and Executive of Avanco Resources Limited, 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 2016					
	No. shares at 1 January 2016	**Number granted as compensation**	**On exercise of share options**	**Other changes[c]**	**No. shares at 31 December 2016**
Director					
Mr C. Jones	1,215,155	-	-	200,000	1,415,155
Mr A. Polglase	7,195,615	-	-	953,000	8,148,615
Mr S. Mottram	1,744,681	-	-	-	1,744,681
Mr L. Azevedo	988,392	-	-	250,000	1,238,392
Mr V. Tidy	-	-	-	675,000	675,000
Mr L. Ferraz [a]	-	-	-	-	-
Executive					
Mr S. Funston [b]	1,845,651	-	-	-	1,845,651
Mr W. Phillips [b]	192,857	-	-	-	192,857
Total	**13,182,351**	**-**	**-**	**2,078,000**	**15,260,351**

[a] Mr Ferraz was appointed Non-Executive Director on 5 July 2016.

[b] Mr Funston and Mr Phillips stepped down from the Board of Directors effective 31 October 2016 but continue as executives of the Company.

[c] Other changes during the year relate to shares acquired on-market trades (1,860,000) held directly, indirectly and beneficially by Key Management Personnel.

13.7.2 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 2016								
					Vested during the current year	Vested options		Unvested Options
	No. options at 1 January 2016	Number granted as compen-sation	Num-ber Exer-cised	No. options at 31 December 2016[d]		Exercis-able [f]	Non-exercis-able	
Director								
Mr C. Jones	5,000,000	5,000,000	-	10,000,000	5,000,000	10,000,000	-	-
Mr A. Polglase	45,000,000	-	-	45,000,000	35,110,394	22,500,000 [e]	20,301,303	2,198,697
Mr S. Mottram	35,000,000	-	-	35,000,000	27,308,084	17,500,000 [e]	15,789,902	1,710,098
Mr L. Azevedo	20,000,000	-	-	20,000,000	15,604,619	10,000,000 [e]	9,022,801	977,199
Mr V. Tidy[a]	-	5,000,000	-	5,000,000	5,000,000	5,000,000	-	-
Mr L. Ferraz [b]	-	-	-	-	-	-	-	-
Executive								
Mr S. Funston [c]	15,000,000	-	-	15,000,000	11,703,465	7,500,000 [e]	6,767,101	732,899
Mr W. Phillips [c]	20,000,000	-	-	20,000,000	15,604,619	10,000,000 [e]	9,022,801	977,199
Total	**140,000,000**	**10,000,000**	**-**	**150,000,000**	**115,331,181**	**82,500,000**	**60,903,908**	**6,596,092**

(a) Mr Tidy was appointed Non-Executive Director on 20 July 2015.

(b) Mr Ferraz was appointed Non-Executive Director on 5 July 2016.

(c) Mr Funston and Mr Phillips stepped down from the Board of Directors effective 31 October 2016 but continues as executives of the Company.

(d) Options are held directly, indirectly and beneficially by Key Management Personnel.

(e) 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.

(f) There were no vested options exercised during the year.

There were no other 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
28 March 2017

Competent Persons Statement

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources and/or Mineral 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. Refer 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. Refer 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. Refer 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. Refer 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 0.3% Cu for Oxide Resources
9. Refer 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 Mineral Reserve estimate
10. Measured and Indicated Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves
11. Gold mineralisation within the CentroGold project is typical of mesothermal vein-style, or orogenic-style gold deposits
12. Refer ASX Announcement "Maiden Resource Estimate at the CentroGold Project", 20 December 2016, for Competent Person's Consent, material assumptions, and technical parameters underpinning the Blanket Zone resource estimate
13. Refer ASX Announcement "CentroGold Resource Base Grows to Over 1.2M Ounces", 19 January 2017, for Competent Person's Consent, material assumptions, and technical parameters underpinning the Contact Zone resource estimate
14. Grade Tonnage Reported above a Cut-off Grade of 1.0g/t Gold
15. Measured and Indicated Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.
16. Refer ASX Announcement "Pedra Branca East Scoping Study Clears Pathway to Decline Development", 12 September 2016, for Competent Person's Consent, material assumptions, and technical parameters underpinning the Pedra Branca East Scoping Study.
17. Refer ASX announcement "Acquisition of Highly Prospective Copper Tenement Along Strike from Pedra Branca", 15 November 2016.
18. Refer ASX Announcement "Avanco to Acquire Advanced Gold Project", 7 October 2016, for details on the CentroGold project acquisition/earn-in.
19. The Pedra Branca and Antas deposits are defined as Iron Oxide Copper Gold (IOCG) deposits, typical of that found in the Carajás Province of Brazil, and well documented in respected geological texts

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 non-executive independent directors. 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 of Director 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 Jones, Mr Tidy and Mr Ferraz are considered independent. However, the majority of the board is not considered independent. To progress towards a majority independent board, two Executive directors, Mr Funston and Mr Phillips, stepped down from the Board of Directors effective 31 October 2016. They continue as executives of the Company. In addition, an independent director, Mr Ferraz, was appointed on 5 July 2017.

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

Director	Term in office
Mr A. Polglase	10 years 3 months
Mr S. Mottram	6 years 7 months
Mr C. Jones	6 years 10 months
Mr L. Azevedo	4 years 9 months
Mr V. Tidy	1 year 8 months
Mr L. Ferraz	9 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 Committee

The Board established a Remuneration Committee during 2015 comprising two independent Directors being Mr Vern Tidy (Chairman of the Committee) and Mr Colin Jones (Non-Executive Chairman of the Board) and Mr Scott Funston, the Chief Financial Officer and Company Secretary.

The Remuneration 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.

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

1.2 Audit Committee

The Board has established an Audit Committee comprising two independent Directors being Mr Vern Tidy (Chairman of the Committee) and Mr Colin Jones (Non-Executive Chairman of the Board) and Mr Scott Funston, the Chief Financial Officer and Company Secretary, 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 during the year. It comprises of one independent Director, Mr Luiz Ferraz, the Managing Director, Mr Tony Polglase, and Mr Scott Funston, the Chief Financial Officer and Company Secretary, 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 Company'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 Company's broader corporate strategy.

1.4 Nomination Committee

The Board has established a Nomination Committee comprising two independent Directors being Mr Vern Tidy, Chairman of the Committee, and Mr Colin Jones, Non-Executive Chairman of the Board, and Mr Tony Polglase, the Managing Director. The Nomination Committee was established on 8 December 2016.

The Nomination Committee 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. The committee also assists the Board in developing a succession plan so that an appropriate balance of skills, experience, expertise and diversity is maintained.

2. Performance

The Board of Avanco Resources conducts its performance review of itself on an ongoing basis throughout the period. The small size of the Company 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 Company.

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 given the Company has transitioned from commissioning to production during the current year.

For details of remuneration of Directors and Executives please refer 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 and formed a separate Committee. There is no scheme to provide retirement benefits, other than statutory superannuation when applicable.

4. Diversity Policy

The Company is committed to workplace diversity and to ensuring a diverse mix of skills and talent exists amongst its Directors, officers and employees, to enhance Company 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	5	3.9%
Women in senior executive positions	-	-
Women on the board	-	-

5. Trading Policy

Under the Company'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 Company's financial statements present a true and fair view of the Company'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.

Avanco Resources Limited 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,
- By posting relevant information on the Company's website: www.avancoresources.com.

Communication with shareholders has been further enhanced by the appointment of the Head of Corporate Affairs.

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 Avanco Resources has complied with each of the 8 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 Directors consider that the current structure and composition of the Board is appropriate to the size and nature of operations of the Company.
4.1	An Executive is a member of the Audit Committee	The Directors consider the current structure of the Committee to be appropriate considering that the majority of members are independent directors and chaired by an independent director.

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 2016 [1]

	Notes	31 December 2016 US$'000	31 December 2015 [2] US$'000
Sales revenue	6	59,283	-
Treatment, refining and transport charges		(9,676)	-
Net sales revenue		**49,607**	**-**
Production costs		(28,523)	-
Royalties		(4,308)	-
Change in stockpile inventory		4,139	-
Depreciation, amortisation and depletion		(11,417)	-
Cost of sales		**(40,109)**	**-**
Gross profit		**9,498**	**-**
Expenses			
General and administration	7	(3,343)	(1,375)
Financial income	8	395	210
Financial expense	8	(3,587)	-
Net foreign exchange gain		16	3,312
Impairment of investments		-	(23)
Impairment of exploration projects	15	(1,033)	-
Change in financial liability	19	1,800	-
Share-based payments	26	(1,786)	(236)
Other expenses		(915)	(664)
Total expenses		**(8,453)**	**1,224**
Profit before income tax		**1,045**	**1,224**
Income tax expense	10	(3,707)	-
Net (loss)/ profit for the year		**(2,662)**	**1,224**
Other Comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Foreign currency translation		-	(20,236)
Other comprehensive loss for the year		**-**	**(19,012)**
Total comprehensive loss for the year		**(2,662)**	**(19,012)**
(Loss)/ earnings per share attributable to shareholders			
Basic and diluted (loss)/ earnings per share (cents per share)	11	**(0.11)**	**0.06**

[1] The Group has changed the presentation of the Statement of Profit or Loss and Other Comprehensive Income. Refer to Note 2.1.7 for further details.
[2] The Group has changed its presentation and functional currency for financial reporting purposes to US Dollars. Refer to Note 2.1.1 for further details.

Consolidated Statement of Financial Position
As at 31 December 2016

	Note	31 December 2016 US$'000	31 December 2015[(1)] US$'000	1 January 2015 [(1)] US$'000
Assets				
Current Assets				
Cash and cash equivalents	12	22,866	31,700	16,153
Trade and other receivables	13	7,786	768	135
Inventories	14	9,032	-	-
Total Current Assets		**39,684**	**32,468**	**16,288**
Non-Current Assets				
Trade and other receivables	13	2,201	1,168	-
Deferred exploration and evaluation expenditure	15	21,203	16,850	41,010
Property, plant and equipment	16	61,060	63,425	6,420
Available for sale investments		-	-	24
Total Non-Current Assets		**84,464**	**81,443**	**47,454**
Total Assets		**124,148**	**113,911**	**63,742**
Current Liabilities				
Trade and other payables	17	10,382	4,758	2,829
Current tax liability	18	2,620	-	-
Financial liability	19	4,861	1,952	-
Provisions	20	-	3,270	-
Deferred revenue	21	-	577	-
Total Current Liabilities		**17,863**	**10,557**	**2,829**
Non-current Liabilities				
Trade and other payables	17	943	-	-
Financial liability	19	9,182	6,048	-
Provisions	20	7,186	7,991	-
Deferred taxation	10	535	-	-
Total Non-current Liabilities		**17,846**	**14,039**	**-**
Total Liabilities		**35,709**	**24,596**	**2,829**
Net Assets		**88,439**	**89,315**	**60,913**
Equity				
Issued capital	22	132,282	132,282	85,104
Reserves	23	(29,243)	(31,029)	(11,029)
Accumulated losses		(14,600)	(11,938)	(13,162)
Total Equity		**88,439**	**89,315**	**60,913**

(1) The Group has changed its presentation and functional currency for financial reporting purposes to US Dollars. Refer to Note 2.1.1 for further details.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2016

	Notes	Issued capital US$'000	Accumulated Losses US$'000	Foreign Currency Translation Reserve US$'000	Option Reserves US$'000	Share-based payment Reserves US$'000	Total US$'000
Balance at 1 January 2016 (1)		**132,282**	**(11,938)**	**(37,339)**	**493**	**5,817**	**89,315**
Loss for the year		-	(2,662)	-	-	-	(2,662)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive loss for the year		**-**	**(2,662)**	**-**	**-**	**-**	**(2,662)**
Transactions with owners in their capacity as owners							
Share based payments	26	-	-	-	-	1,786	1,786
Balance at 31 December 2016		**132,282**	**(14,600)**	**(37,339)**	**493**	**7,603**	**88,439**
Balance at 1 January 2015 (1)		**85,104**	**(13,162)**	**(17,103)**	**493**	**5,581**	**60,913**
Profit for the year		-	1,224	-	-	-	1,224
Other comprehensive loss		-	-	(20,236)	-	-	(20,236)
Total comprehensive		**-**	**1,224**	**(20,236)**	**-**	**-**	**(19,012)**
Transactions with owners in their capacity as owners							
Shares issued during the period		49,092	-	-	-	-	49,092
Transaction costs		(1,914)	-	-	-	-	(1,914)
Share based payments	26	-	-	-	-	236	236
Balance at 31 December 2015 (1)		**132,282**	**(11,938)**	**(37,339)**	**493**	**5,817**	**89,315**

(1) The Group has changed its presentation and functional currency for financial reporting purposes to US Dollars. Refer to Note 2.1.1 for further details.

Consolidated Statement of Cash Flows
for the year ended 31 December 2016

	Note	31 December 2016 US$'000	31 December 2015[1] US$'000
Cash flows from operating activities			
Cash received from customers		51,859	-
Payments to suppliers and employees		(39,918)	(1,991)
Financial income received		395	211
Net cash flows from/(used in) operating activities	12	**12,336**	**(1,780)**
Cash flows from investing activities			
Payments for deferred exploration and evaluation expenditure		(3,181)	(24,122)
Payments for property, plant and equipment		(19,722)	(14,132)
Net cash used in investing activities		**(22,903)**	**(38,254)**
Cash flows from financing activities			
Proceeds from Royalty agreement		4,000	8,000
Repayment of Royalty Agreement		(1,583)	-
Proceeds from issue of shares		-	49,092
Payments for share issue costs		-	(1,914)
Net cash provided by financing activities		**2,417**	**55,178**
Net (decrease)/increase in cash and cash equivalents		(8,150)	15,144
Cash and cash equivalents at beginning of the year		31,700	16,153
Exchange differences on cash and cash equivalents		(684)	403
Cash and cash equivalents at the end of the year	12	**22,866**	**31,700**

[1] The Group has changed its presentation currency for financial reporting purposes to US Dollars. Refer to Note 2.1.1 for further details.

1. CORPORATE INFORMATION

The Consolidated Financial Statements of Avanco Resources Limited and its controlled entities (the Group) for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on 28 March 2017.

Avanco Resources Limited is a company limited by shares incorporated 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.

1.1 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 accounting policies applied by the Group in these Consolidated Financial Statements are consistent with those applied by the Group in the previous year, with the exception of the following and are further described under the changes and new accounting policies notes below:

- Change in functional and presentation currency, refer to note a 2.1.1; and
- Expansion of financial instruments, property, plant and equipment, inventories, trade receivables, and revenue policies to provide for the commencement of operational activities at Antas North mine, refer to note 2.1.2 to 2.1.7.

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

1.2 Statement of compliance

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Changes and new accounting policies

2.1.1 Change in functional and presentation currency

As the Group has progressed from the development and construction phase to producer of the Antas North (Stage 1) project, major cash inflows and outflows are now denominated in US Dollars. Revenue from the Antas mine is denominated in US Dollars and it is anticipated that future debt and capital raisings will be denominated in US Dollars. On this basis, the parent entity and all the subsidiaries have changed their functional currency to US Dollars, and the Group and the parent entity have changed their presentation currency from Australian Dollars to US Dollars, effective 1 January 2016. Financial information for prior periods has been restated from Australian Dollars to US Dollars in accordance with AASB 121 The effects of changes in foreign exchange rates and AASB 108 Accounting Policies, changes in Accounting Estimates and Errors.

Assets and liabilities were translated into US Dollars using the closing rate as at 31 December 2015. Income, expenses and cashflow recognised in the period were translated at an average US Dollar exchange rate for the period and equity was translated at historical rates at the date of transaction. Resulting exchange differences were reflected as currency translation adjustments and included in the cumulative foreign currency translation reserve.

In order to derive the US Dollars equivalent for the consolidated financial statements, the Group has accounted for this change in functional and presentation currency using the following exchange rates:

- Income and expenses for the year ended 31 December 2015 at a rate of A$1 = US$0.7526, approximating actual exchange rates for the date of transactions,
- Balance sheet at 31 December 2015 at a rate of A$1 = US$0.7298, being the exchange rate at 31 December 2015.
- Equity and reserves (except foreign currency translation reserve) have been restated using historical rates, approximating the date of the transactions with rates in the range of A$1 = US$0.7298 to US$1.0595, with the translations differences recorded in the foreign currency translation reserve.

The Consolidated Statements of Profit or Loss and Other Comprehensive Income and Financial Position in Australian Dollars and US Dollars are stated as below:

Consolidated Statement of Profit or Loss and Other Comprehensive Income		
	2015 A$000	**2015 US$'000**
Sales revenue	-	-
Treatment, refining and transport charges	-	-
Net sales revenue	**-**	**-**
Direct costs	-	-
Royalties	-	-
Depreciation, amortisation and depletion and indirect costs	-	-
Cost of sales	**-**	**-**
Gross profit	**-**	**-**
Expenses		
General and administration	(1,828)	(1,375)
Financial income	279	210
Net foreign exchange gain	4,401	3,312
Impairment of investments	(30)	(23)
Share-based payments	(314)	(236)
Other net expenses	(802)	(664)
Profit before income tax	**1,706**	**1,224**
Income tax expense	**-**	-
Net profit for the year	**1,706**	**1,224**
Other Comprehensive loss		
Items that may be reclassified subsequently to profit and loss		
Foreign currency translation	(15,462)	(20,236)
Other comprehensive loss for the year	**(15,462)**	**(20,236)**
Total comprehensive loss for the year	**(13,756)**	**(19,012)**
Loss per share attributable to shareholders		
Basic and diluted earnings per share (cents per share)	0.08	0.06

Consolidated Statement of Financial Position					
	Notes	31 December 2015 A$000	31 December 2015 US$'000	1 January 2015 A$000	1 January 2015 US$'000
Assets					
Current Assets					
Cash and cash equivalents	12	43,446	31,700	19,805	16,153
Trade and other receivables	13	1,043	768	165	135
Total Current Assets		**44,489**	**32,468**	**19,970**	**16,288**
Non-Current Assets					
Trade and other receivables	13	1,600	1,168	-	-
Deferred exploration and evaluation expenditure	15	23,088	16,850	50,282	41,010
Property, plant and equipment	16	86,908	63,425	7,872	6,420
Available for sale investments		-	-	30	24
Total Non-Current Assets		**111,596**	**81,443**	**58,184**	**47,454**
Total Assets		**156,085**	**113,911**	**78,154**	**63,742**
Current Liabilities					
Trade and other payables	17	6,519	4,758	3,469	2,829
Financial liability	19	2,675	1,952	-	-
Provisions	20	4,481	3,270	-	-
Deferred revenue	21	790	577	-	-
Total Current Liabilities		**14,465**	**10,557**	**3,469**	**2,829**
Non-current Liabilities					
Financial liability	19	8,287	6,048	-	-
Provisions	20	10,950	7,991	-	-
Total Non-current Liabilities		**19,237**	**14,039**	**-**	**-**
Total Liabilities		**33,702**	**24,596**	**3,469**	**2,829**
Net Assets		**122,383**	**89,315**	**74,685**	**60,913**
Equity					
Issued capital	22	148,001	132,282	86,861	85,104
Reserves	23	(13,044)	(31,029)	2,104	(11,029)
Accumulated losses		(12,574)	(11,938)	(14,280)	(13,162)
Total Equity		**122,383**	**89,315**	**74,685**	**60,913**

2.1.2 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

(a) 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 plus, 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

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. 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.

This category applies to trade and other receivables, refer to 2.1.5 for detailed accounting policy relating to trade receivables.

(ii) Available-for-sale (AFS) financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited to the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method. The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

(iii) Loans and 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 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, which the Group currently does not hold.

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.

(b) Derivatives

The Group may use derivative financial instruments, such as forward currency contracts, 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, except for the effective portion of cash flow hedges.

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 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'. For these contracts and the host part of the contracts containing embedded derivatives, they 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.
There were no derivatives recognized during the year.

(c) 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.

2.1.3 Property, plant and equipment

(a) 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 ramp-up 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 resources. Mining assets include and are amortized based on the following:

- Mine properties depreciated using UOP basis at the rate of ore mined over total reserves
- Asset retirement obligation (ARO) depreciated using UOP basis at the rate of ore mined over total reserves
- 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.

(b) Overburden removal costs

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,
- 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 is determined on a unit of production basis for each area of interest.

(c) 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.

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.

(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.

(d) 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.

(e) 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.

2.1.4 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 run of mine (ROM) ore, broken ore and concentrate stocks are assessed primarily through surveys and assays.

2.1.5 Trade receivables

Trade receivables include actual invoiced sales of copper concentrate as well as sales not yet invoiced for which deliveries have been made and the risks and rewards of ownership have passed. The receivable amount calculated for the copper concentrate delivered but not yet invoiced is recorded at the fair value of the consideration receivable at the date of delivery. The fair value of trade receivables is further adjusted for the revenue adjustment mechanism embedded within provisionally priced sales arrangements, refer to note 2.1.6 for further information.

Other receivables are stated at amortised cost less any allowance for uncollectible amounts. An allowance is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

2.1.6 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:

(a) Deferred revenue

Deferred revenue or unearned revenue is initially recognised in the Statement of Financial Position as a liability until the services have been rendered or products have been delivered and all risks have been transferred. It represents products or services that are owed to customers. Once the product or service is delivered over time, it is recognised as revenue in the statement of profit or loss.

(b) 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 recognized as financial income.

(c) 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 monthly average market price in the month of settlement. 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.

2.1.7 Change in presentation of components in the Consolidated Statement of Profit or Loss

With the Antas North copper project commencing production, the presentation of the Consolidated Statement of Profit or Loss and Other Comprehensive Income necessitated change to reflect mining operational activities. Revenue and expenses in the comparative period have been reclassified as follows:

- Interest income of US$0.2 million previously reported under total revenue has been reclassified to financial income;
- All expenses and other income, except for other expenses, foreign exchange gain/loss and share based payments, totalling US$1.4 million have been categorised under general and administration expenses.

2.1.8 New and revised Standards and Interpretations

The Group applied, for the first time, certain standards and amendments effective 1 January 2016. 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 2016, they did not have a material impact on the Annual Consolidated Financial Statements of the Group:

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality
- AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]
- AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)
- AASB 1057 Application of Australian Accounting Standards
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

- AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]

2.2 Basis of Consolidation

The Consolidated Financial Statements comprise the financial statements of Avanco Resources Limited ("Avanco Resources" or "the Company") and its subsidiaries as at 31 December each year ('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 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.

2.3 Foreign currency translation

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

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.

Refer to note 2.1.1 in relation to change in functional and presentation currency.

2.4 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.

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.

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. Exploration assets acquired are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions referred to in AASB 6 is met.

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.

2.5 Impairment of assets

2.5.1 Financial assets

A financial asset 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 recognized. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognized 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.

2.5.2 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 CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs to sell (FVLCS) 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 capital requirements, including any expansion projects, and its eventual disposal, based on the CGU five-year plans and latest life of mine (LOM) plans. These cash flows were discounted using a real post- tax discount rate that reflected 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 out planning process, including the LOM plans, five-year plans, one-year budgets and CGU-specific studies.

2.6 Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

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

2.7 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.

2.7.1 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.

2.8 Current and Deferred Income Tax

2.8.1 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. 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.

2.8.2 Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between 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.

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.

2.9 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.

2.10 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.

2.11 Earnings/Losses per share

2.11.1 Basic* earnings *per share

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

2.11.2 Diluted* earnings *per share

Diluted earnings per share is calculated as net profit 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.

2.12 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 recognised as part of the cost of acquisition of the asset or as part of an item of expense. 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.

2.13 Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at 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 property 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. Finance charges are charged directly against income.

2.14 Employee benefits

2.14.1 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 non-market performance conditions, only conditions linked to the price of the shares of Avanco Resources Limited ('market conditions').

The cost of the equity settled transactions is recognised, 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 is recognised as if the terms had not been modified. 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.

2.14.2 Wages, salaries and annual leave

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.

2.14.3 Short-term employee benefits

Short term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash incentives if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

2.14.4 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.

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 moves 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 has 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.

The Group has US$29.1 million (2015: US$14.1 million) of tax losses carried forward. These losses relate to the parent company that have a history of losses, do not expire, and 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 the 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).

Subsequent to production start date, all stripping activities at Antas North (Phase 1) project has been allocated to the production of inventory.

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.

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, future capital requirements, 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. 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 26.

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 mine sites, which are expected to be incurred up the end of life of mine, 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.

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 financial instruments, such as available for sale assets, trade 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 19.

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 2016:

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.	The Group has not yet determined the likely impact on the Group's financial statements.	1 January 2018

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
		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. ***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		

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
		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 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.		
AASB 2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	This Standard amends AASB 112 *Income Taxes* (July 2004) and AASB 112 *Income Taxes* (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	The Group has not yet determined the likely impact on the Group's financial statements.	1 January 2017
AASB 2016-2	Amendments to Australian Accounting Standards –	This Standard amends AASB 107 *Statement of Cash Flows* (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide	The Group has not yet determined the likely	1 January 2017

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
	Disclosure Initiative: Amendments to AASB 107	disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	impact on the Group's financial statements.	
Annual Improvements to IFRS Standards 2014–2016 Cycle	Annual Improvements to IFRS Standards 2014–2016 Cycle	This amending standard addresses the following: • IFRS 12 Disclosure of Interests in Other Entities Clarification of the scope of the Standard (effective date 1 January 2017) • IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters (effective date 1 January 2018) • IAS 28 Investments in Associates and Joint Ventures - Measuring an associate or joint venture at fair value. (effective date 1 January 2018)	The Group has determined this standard will not impact the Group's financial statement.	1 January 2017
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.	The Group has not yet determined the likely impact on the Group's financial statements.	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	The Group has not yet determined the likely impact on the Group's financial statements.	1 January 2018

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
		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 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 licence and provides further practical expedients on transition to AASB 15.		

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
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* (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.	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
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 has not yet determined the likely impact on the Group's financial statements.	1 January 2018

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 primarily on the basis of its Brazilian mining operations. Operating segments are therefore determined on the same basis.

	Brazilian mining operation US$'000	Unallocated US$'000	Consolidation adjustments US$'000	Total Group results US$'000
For the year ended 31 December 2016				
Total segment revenue	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)

Total revenue is generated from one customer and the Group has delivered 100% of its sales volume to this customer.

As there were no operational mines in the previous year, all significant operating decisions were based upon analysis of the Group as one segment.

6. SALES REVENUE

	31 December 2016 US$'000	31 December 2015 US$'000
Copper sales	50,491	-
Gold sales	8,782	-
Other sales	10	-
Total Sales Revenue	**59,283**	**-**

Copper and gold sales for 31 December 2016 comprise of:

			US$'000
	Copper	Gold	Total
Provisional sales	49,165	8,699	57,864
Finalised sales adjustments	(270) [b]	(8)	(278)
Revaluation of provisional sales [a]	1,596	91	1,687
Total Sales Revenue	**50,491**	**8,782**	**59,273**

[a] Revaluation of provisional copper sales comprise of forward price revaluation on sales that have not been finalised as at the period end. In accordance with the Group's off-take agreements, all sales are initially recognised using a provisional sales price, being the average LME price of the 10 days prior to the date of shipment (provisional copper sale). Adjustments to the sales price subsequently occur, based on movements in quoted market prices up to the date of final pricing. Adjustments are also made to the sales volume upon finalisation of assays as per the Group's off-take agreements. This resulted in a favourable US$1.69 million fair value adjustment to profit or loss for the year ended 31 December 2016.

[b] Finalised copper sales for the year comprised 495.5 tonnes of copper (2015: Nil), being payable at an average final copper price of US$2.20/lb (2015: Nil) in comparison to an average provisional copper price of US$2.19/lb (2015: Nil)

7. GENERAL AND ADMINISTRATION EXPENSE

	31 December 2016 US$'000	31 December 2015 US$'000
Public company costs	(43)	(65)
Directors' fees and corporate salaries	(1,383)	(480)
Legal, compliance and consulting fees	(1,555)	(278)
Rent and outgoings	(80)	(225)
Travel expenses	(282)	(327)
	(3,343)	**(1,375)**

8. FINANCIAL INCOME/(EXPENSE)

	31 December 2016 US$'000	31 December 2015 US$'000
Interest received	395	210
Financial income	**395**	**210**
Bank charges	(42)	-
Accretion of financial liability (refer to 19)	(2,698)	-
Accretion of rehabilitation costs (refer to 20)	(847)	-
Financial Expense	**(3,587)**	**-**

9. AUDITORS REMUNERATION

	31 December 2016 US$	31 December 2015 US$
The auditor of Avanco Resources Limited is Ernst & Young (Australia)		
Amounts received or due and receivable by Ernst & Young for:		
- an audit and review of the financial report of the entity and any other entity in the Consolidated group	(94,898)	(31,609)
- tax advice in relation to the entity and any other entity in the consolidated group	(32,642)	-
	(127,540)	**(31,609)**

10. INCOME TAX EXPENSE

	31 December 2016 US$'000	31 December 2015 US$'000
10.1 Income tax expense		
Major component of tax expense for the period:		
Current tax	3,172	-
Deferred tax	535	-
	3,707	**-**
10.2 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	1,045	1,224
Tax at Brazilian tax rate of 34% (2015: Australian tax rate of 30%) [a]	355	367
Share-based payments non-deductible	535	-
Other non-deductible expenses in Australia	273	-
ARO accretion and amortisation non-deductible	770	-
Other non-deductible expenses	997	97
Other deductible expenses	(97)	-
Unrealised income subject to tax	974	-
Benefit from previously unrecognised tax losses	(736)	(464)
Deferred tax asset not recognised	477	-
Effect of differential rate in Australia	159	-
Income tax expense	**3,707**	**-**
10.3 Unused tax losses		
Unused tax losses	29,073	14,127
Potential tax benefit not recognised at 30% [b]	**8,722**	**4,238**

	31 December 2016 US$'000	31 December 2015 US$'000
10.4 Deferred tax		
The following deferred tax balances have not been brought to account:		
Deferred tax relating to Profit or Loss		
Deferred tax liabilities		
Exploration and evaluation assets	-	7,799
Trade and other receivables	639	-
	639	**7,799**
Deferred tax assets		
Deferred tax asset arising from available tax losses	(8,722)	(8,937)
Accrued expenses	(78)	(2,408)
Deferred tax assets not brought to account as realisation is not regarded as probable	8,696	3,546
	(104)	**(7,799)**
Deferred tax balance	**535**	**-**
Deferred tax relating to equity		
Share issue costs deductible over five years	(477)	(692)
Deferred tax assets not brought to account as realisation is not regarded as probable	477	692
Deferred tax balance	**-**	**-**

[a] The Group adjusted the applicable tax rate in the tax reconciliation from the Australian tax rate of 30% to Brazilian tax rate of 34% as the tax charge is primarily attributable to the Brazilian subsidiaries.

[b] 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; and
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.

11. 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 2016	31 December 2015
Net (loss)/ profit from continuing operations (US$'000)	(2,662)	1,224
Weighted average number of ordinary shares for basic and dilutive earnings per share (number)	2,456,906,443	2,077,810,217
Basic and diluted (loss)/ earnings per share (cents per share)	(0.11)	0.06

For fully diluted 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 150,000,000 options outstanding at 31 December 2016 (31 December 2015: 152,550,000 options) on the profit per share calculation because they are anti-dilutive. These options could potentially dilute basic EPS in the future.

12. CASH AND CASH EQUIVALENTS

	31 December 2016 US$'000	31 December 2015 US$'000
Cash comprises of:		
Cash at bank	15,871	25,650
Short term deposits	6,995	6,050
Cash and cash equivalents	**22,866**	**31,700**

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.

	31 December 2016 US$'000	31 December 2015 US$'000
Reconciliation of operating profit before tax to the cash flows from operations		
Profit from ordinary activities before tax	1,045	1,224
Non-cash items		
Unrealised foreign exchange loss/ (gain)	233	(3,312)
Share based payment	1,786	236
Impairment of investments	-	23
Depreciation charges	11,417	48
Exploration expenditure written off	1,033	-
Accretion of financial liability and provision for rehabilitation	3,544	-
Change in financial liability	(1,800)	-
Operating profit before changes to working capital	***17,258***	***(1,781)***
Increase in trade and other receivables	(8,051)	(351)
Increase in inventories, net of transfers	(5,388)	-
Increase in trade and other payables	6,567	352
Decrease in other liabilities	1,950	**-**
Net cash outflow generated by/ (used in) operating activities	**12,336**	**(1,780)**

13. TRADE AND OTHER RECEIVABLES

	31 December 2016 US$'000	31 December 2015 US$'000
Current		
Trade receivables[(a)]	3,261	576
Recoverable taxes[(b)]	4,041	34
Prepayments	473	137
Security bond	11	21
	7,786	**768**

	31 December 2016 US$'000	31 December 2015 US$'000
Non-current		
Recoverable taxes[b]	2,201	1,168
	2,201	**1,168**

a) Trade receivables includes a fair value adjustment of US$ 1.69 million relating to the commodity derivative embedded in the provisional pricing arrangement.

b) Recoverable taxes mainly relate to Brazilian federal and state taxes arising from the construction stage of the Antas North project.

14. INVENTORIES

	31 December 2016 US$'000	31 December 2015 US$'000
Run of mine (ROM) ore stockpile - at cost	3,865	-
Broken ore stockpile – at cost	1,475	-
Concentrate stockpile – at cost	2,444	-
Stores, spares and consumables – at cost	1,248	-
	9,032	**-**

Stores, spares and consumables represent materials and supplies consumed in the production process.

15. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2016 US$'000	31 December 2015 US$'000
Carrying amount at the beginning of period	16,850	41,010
Exploration expenditure during the period	5,666	14,729
Transferred to plant and equipment (refer to note 16)	(280)	(27,063)
Impairment loss [a]	(1,033)	-
Net exchange difference on translation	-	(11,826)
Carrying amount at the end of period	**21,203**	**16,850**

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

16. PROPERTY, PLANT AND EQUIPMENT

	Mine infra-structure US$'000	Plant and equipment US$'000	Buildings and improve-ments US$'000	Other assets US$'000	Assets under construction US$'000	Total US$'000
Cost						
Balance at 1 January 2016	-	-	-	485	63,144	63,629
Additions	483	3,502	97	337	12,574	16,993
Transfers	16,513	17,469	35,094	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 15)	-	-	-	-	280	280
Rehabilitation change in estimate (refer to note 20)	(1,652)	-	-	-	-	(1,652)
Balance at 31 December 2016	**15,344**	**20,971**	**35,191**	**1,175**	**-**	**72,681**
Accumulated depreciation						
Balance at 1 January 2016	-	-	-	(204)	-	(204)
Depreciation charge for the period	(2,732)	(4,066)	(4,593)	(26)	-	(11,417)
Balance at 31 December 2016	**(2,732)**	**(4,066)**	**(4,593)**	**(230)**	**-**	**(11,621)**
Net book value at 31 December 2016	**12,612**	**16,905**	**30,598**	**945**	**-**	**61,060**

[(a)] Refer to note 13 on recoverable taxes.

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 focused on the Carajas region in Brazil and 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 US$2.78/lb. and Gold price of US$1,292/oz. – future commodity prices were based on the 2016 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);
- Current (LOM) is based only on proven and probable reserves as per DFS;
- Operating and capital 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 2016.

	Mine infra-structure US$'000	Plant and equipment US$'000	Buildings and improve-ments US$'000	Other assets US$'000	Assets under construction US$'000	Total US$'000
Cost						
Balance at 1 January 2015	-	-	-	331	6,277	6,608
Additions	-	-	-	234	27,700	27,934
Transferred from exploration and evaluation expenditure (refer to note 15)	-	-	-	-	27,063	27,063
Rehabilitation (refer to note 20)	-	-	-	-	7,991	7,991
Net effect of movement in exchange rates	-	-	-	(80)	(5,887)	(5,967)
Balance at 31 December 2015	**-**	**-**	**-**	**485**	**63,144**	**63,629**
Accumulated depreciation						
Balance at 1 January 2015	-	-	-	(188)	-	(188)
Depreciation charge for the period	-	-	-	(49)	-	(49)
Net effect of movement in exchange rates	-	-	-	33	-	33
Balance at 31 December 2015	**-**	**-**	**-**	**(204)**	**-**	**(204)**
Net book value at 31 December 2015	**-**	**-**	**-**	**281**	**63,144**	**63,425**

17. TRADE AND OTHER PAYABLES

	31 December 2016 US$'000	31 December 2015 US$'000
Current		
Trade payables	4,220	3,479
Other payables and accrued expenses [(a)]	6,162	1,279
	10,382	**4,758**
Non-current		
Taxes payable [(b)]	862	-
Other payables	81	-
	943	-

[(a)] Other payables and accrued expenses as at 31 December 2016 mainly comprise of royalties, Brazilian federal taxes and social security obligation.

[(b)] Taxes payable relate to indirect taxes which are not payable within the next 12 months.

18. CURRENT TAX LIABILITY

	31 December 2016 US$'000	31 December 2015 US$'000
Income tax charge	3,172	
Withholding taxes available for set-off	(552)	-
	2,620	-

19. FINANCIAL LIABILITY

	31 December 2016 US$'000	31 December 2015 US$'000
Royalty agreement		
Opening balance	8,000	-
Fair value of proceeds from royalty agreements	4,000	8,000
Change in financial liability [(a)]	(1,800)	-
Royalty expense	2,728	-
Royalty payments made	(1,583)	-
Accretion	2,698	-
Closing balance	**14,043**	**8,000**
Disclosed as:		
Current	4,861	1,952
Non-current	9,182	6,048
	14,043	**8,000**

In 2014 the Group executed a binding agreement with BlackRock World Mining Trust PLC (BlackRock) for up to US$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 US$4 million in July 2015, US$4 million in November 2015 and US$4 million in March 2016. The effective interest rate for the BlackRock royalty agreement is 21%.

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

20. PROVISIONS

	31 December 2016 US$'000	31 December 2015 US$'000
Current liability		
Provision for land access payments[(a)]	-	2,270
Provision for royalty payment[(b)]	-	1,000
	-	**3,270**
Non-current liability		
Provision for rehabilitation[(c)]		
Opening balance	7,991	-
Change in estimate	(1,652)	7,991
Accretion	847	-
Closing balance	**7,186**	**7,991**

a) During January 2015 the Group entered into an agreement with the land owners of the Rio Verde property where the Antas North project is located. The agreement requires the Group to pay certain fixed amounts adjusted by annual Brazilian inflation upon the Group achieving its first despatch of copper from the Project. The final payment was settled during the current year.

b) In 1993 Britagem E Laminacao de Rochas SA ("Brilasa"), an industrial minerals firm, registered the Rio Verde property with the National Department of Mineral Production (DNPM). On 3 November 2005 Apoquindo Minerals Inc ("Apoquindo") entered into an agreement with Brilasa in which Brilasa granted Apoquindo a 100% interest in the Rio Verde project. In October 2007 the Group purchased Apoquindo and consequently 100% of the Rio Verde property and its associated commitments. The agreement specified a royalty payment of 0.7% of the net smelter return from production of gold, copper or other products from the Rio Verde project, payable every four months after deducting duties, taxes, legal contributions, fees, transport expenses and insurance related to the sale of the product. This royalty can be satisfied by the payment of US$1 million to Brilasa at any time. During the year, the Group settled the royalty with the payment of US$1 million.

c) The provision for rehabilitation is an estimate of the value of future costs for dismantling, demobilisation, remediation and ongoing treatment and monitoring of the Antas Project in Brazil. This provision has been created based on the Group's internal estimates which are reviewed over time as the operation develops. The accretion of the effect of discounting on the provision is recognised as a financial expense. In addition, the rehabilitation obligation has been recognised as an asset and will be amortised over the life of the mine upon reaching commercial production.

21. DEFERRED REVENUE

	31 December 2016 US$'000	31 December 2015 US$'000
Unearned revenue	**-**	**577**

In December 2015, the Company entered into an agreement (Pre-sale agreement) with an external party to sell 500 Wet Metric Tonnes (WMT) of Copper in Concentrate at the spot rate prevailing at the date of the transaction less any attributable refining charges. The Group satisfied the agreement during the year.

22. ISSUED CAPITAL

	31 December 2016 US$'000	31 December 2015 US$'000
Issued and fully paid	**132,282**	**132,282**

	31 December 2016		31 December 2015	
	No.	US$'000	No.	US$'000
Opening balance	2,456,906,443	132,282	1,661,675,855	85,104
Shares issued during the period	-	-	795,230,588[(a)]	49,092
Transaction costs on share issue	-	-	-	(1,914)
Closing balance	**2,456,906,443**	**132,282**	**2,456,906,443**	**132,282**

a) On 24 June 2015, the Group finalised a A$63.62 million financing comprising of a 15% Placement followed by an Entitlements Issue for a further A$19.94 million and A$43.68 million respectively at an issue price of A$0.08 per share.

The Group 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 Group.

23. RESERVES

	31 December 2016 US$'000	31 December 2015 US$'000
Share based payment reserve	7,603	5,817
Option reserves	493	493
Foreign currency translation reserve	(37,339)	(37,339)
	(29,243)	**(31,029)**

23.1 *Share based payment reserve*

	31 December 2016 US$'000	31 December 2015 US$'000
At beginning of the period	5,817	5,581
Share based payment expense	1,786	236
At end of year	**7,603**	**5,817**

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. On 31 December 2016, 12,500,000 options expired.

23.2 *Option reserve*

	31 December 2016 US$'000	31 December 2015 US$'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.

23.3 *Foreign currency translation reserve*

	31 December 2016 US$'000	31 December 2015 US$'000
At beginning of the period	(37,339)	(17,103)
Foreign currency translation	-	(20,236)
At 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. As a result of the change in the Group's functional currency, refer to note 2.1.1, there is no translation during the year. The reserve is recognised in profit and loss when the net investment is disposed of.

24. CAPITAL AND OTHER COMMITMENTS

	31 December 2016 US$'000	31 December 2015 US$'000
Operating lease commitments		
Non-cancellable operating lease rentals:		
Within one year	90	192
One year or later and no later than five years	13	82
	103	**274**
Capital commitments		
Contracted but not provided for:		
Within one year	828	3,664
One year or later and no later than five years	-	961
	828	**4,625**

24.1 *Operating lease commitments*

The Group has entered into various leases primarily for office and operational use. These leases expire between 2 to 47 months. There are no restrictions placed upon the lessee by entering into these leases.

24.2 *Capital commitments*

In the previous year, the Group entered into land access agreements, civil works, dam construction and supply of materials, services and steel works for the Antas North project. During the year 31 December 2016, the Group successfully completed the construction of the processing plant, resulting in a significantly lower capital commitment at reporting date.

24.3 *Commitments in relation to exploration projects*

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

i. Centrogold Project

In October 2016, the Company entered into an agreement with TSX-listed Jaguar Mining Inc. (Jaguar) to earn up to 100% of the Gurupi Gold Project1 (Gurupi) located in northern Brazil. The Project has been renamed to CentroGold. The principal terms of the transaction upon satisfactory completion of certain conditions precedent are summarised as follows:

- The agreement provides Avanco with the right to earn 20% of Jaguar’s 100% interest in the Gurupi Gold Project (“Project”) within 12 months (There may be an extension as the Gurupi earn-in transaction obliges Avanco to perfect regulatory and access related issues within 24 months) of the signing date by paying to Jaguar an aggregate cash fee of US$1.69 million plus an additional fee of US$500,000 in cash or shares in Avanco and by expending US$300,000 to perfect title and establish access.
- Avanco will earn an additional 31% interest in the Project upon publication of results relating to completion of a reserve estimate reported in accordance with the JORC Code in excess of 500,000 ounces gold, and will earn a further 29% interest upon demonstration of adequate funding coupled with the start of construction of a process plant with capacity in excess of 50,000 ounces per year.
- In the event that Avanco cannot demonstrate adequate funding for the Project, Jaguar will have a one-time right to buy back a 31% interest in Gurupi and therefore control of the Project by paying to Avanco the reasonable costs and expenses incurred in the preparation of the reserve report and associated feasibility studies.
- Avanco will have the option to acquire the remaining 20% interest in the Project by paying a fee equal to the greater of US$6.25 million or the sum of US$12.50 per ounce of gold as per the reserve study.
- Jaguar will retain a Net Smelter Royalty (“NSR”) upon reaching commercial production at the Project. The NSR will be 1% on the first 500,000 ounces of gold or gold ounce equivalent produced; 2% on production from 500,001 to 1,500,000 ounces; and 1% on production exceeding 1,500,000 ounces.

The conditions precedent were satisfied prior to year-end resulting in an accrual of US$200,000 at reporting date, of which US$100,000 was paid subsequent to year-end.

ii. 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:

- US$20,000 upon execution of a binding sale and purchase agreement for the Project;
- US$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;
- US$250,000 when Avanco announces a JORC Ore Reserve on any of the licences to the ASX;
- US$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 US$1,000,000 at any time after the commencement of commercial production, provided the copper price exceeds US$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.

At year-end, an accrual of US$100,000 was recognised and paid subsequent to year-end.

24.4 *Sales commitments*

The Group is exposed to changes in the price of copper on its forecast copper sales and therefore on 2 December 2016 in accordance with the offtake agreement fixed the price to sell 4,000 tonnes of copper concentrate during the period December 2016 to March 2017 at a price of US$5,758 per tonne of copper. The Group has applied the ‘own use scope exemption’ under AASB 139 to this contract and is therefore recognised as an executory contract.

At 31 December 2016, 40% of the copper concentrate under the forward sale contract was delivered and provisionally sold.

25. RELATED PARTY TRANSACTIONS

25.1 *Details of Key Management Personnel*

C. Jones	Non-Executive Chairman
A. Polglase	Managing Director
V. Tidy	Non-Executive Director
L. Ferraz	Non-Executive Director
L. Azevedo	Executive Director
S. Mottram	Executive Director
S. Funston	Chief Financial Officer and Company Secretary
W. Phillips	Head of Projects

25.2 *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 2016 US$	31 December 2015 US$
Short term employee benefits	1,536,875	1,340,263
Other long term employee benefits	112,405	-
Post-employment benefits	-	-
Share based payments	1,644,334	(143,793)
Total remuneration	**3,293,614**	**1,196,470**

As at year-end, there were 150,000,000 share options (2015: 140,000,000) held by key management personnel to purchase ordinary shares.

25.3 *Transactions with KMPs*

There have been no transactions during the current year (2015: U$319,855) with Kernow Mining Consultants Pty Ltd, a company of which Mr. Polglase is a Director, and at year-end there was no outstanding amount due (2015: US$Nil).

During the year, Resourceful International Consulting Pty Ltd, a company of which Mr. Funston is a Director, invoiced the Group US$215,400 (2015: US$206,467) for executive services. At year-end, there was an amount outstanding of US$22,431 (2015: US$20,678).

JENS Dominion Pty Ltd, a company of which Mr. Mottram is a Director, charged the Group director's and consulting fees for the year totalling US$257,771 (2015: US$243,842). At year-end, there was an amount outstanding of US$23,091 (2015: US$21,285).

CI Jones C Eng., a company of which Mr. Jones is a Director, charged the Group director's fees for the year totalling US$126,175 (2015: US$124,031). At year-end, there was an amount outstanding of US$13,592 (2015: US$17,651).

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 US$838,269 (2015: US$359,038). At year-end, there was an amount outstanding of US$84,296 (31 December 2015: US$118,326).

The Warra Dream Trust trading as Mazuma Consulting, of which Mr. Vern Tidy is a trustee, charged the Group director's fees for the year totalling US$60,087 (2015: US$36,184). At year-end, there was an amount outstanding of US$11,875 (2015: US$10,947).

These transactions have been entered into on normal commercial terms.

25.4 *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 parent company. The transaction has been accounted for as a financial liability, refer to note 19 for further details.

These transactions have been entered into on normal commercial terms.

26. SHARE BASED PAYMENT PLAN

26.1 Recognised share based payment transactions

Share based payment transactions recognised as operating expenses in the statement of comprehensive income during the period were as follows:

	31 December 2016 U$'000	**31 December 2015 U$'000**
Operating expenses		
Employee share based payment	**1,786**	**236**

26.2 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 Avanco Resources Limited. 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 Avanco Resources Limited.

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 2015 Number	Granted Number	Exer-cised Number	Expired / Forfeited Number	Balance at 31 December 2016 Number	Exercisable at 31 December 2016 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	77,500,000
30 July 2014	31 December 2016	A$0.15	12,550,000	-	-	(12,550,000)	-	-
			152,550,000	**-**	**-**	**(12,550,000)**	**150,000,000**	**92,500,000**
Weighted remaining contractual life			1.5					
Weighted average exercise price			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.

The inputs on the Black Scholes model for options expensed during the years ended 31 December 2016 and 31 December 2015 included:

Model inputs	Options Granted 31 May 2016	Options Granted 26 June 2015	Options Granted 30 July 2014
Share price at grant date	A$0.069	A$0.069	A$0.098
Exercise price	A$.10	A$.10	A$0.15
Expected life of the option	2 years	3 years	2 years and 5 months
Expected Volatility	48%	57%	80%
Expected dividend yield	Nil	Nil	Nil
Risk-free interest rate	1.52%	2.58%	2.53%
Fair value per option	**A$0.0082**	**A$0.0200**	**A$0.0363**

26.3 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 (2015: Nil) no performance rights have been granted to participants under the Plan.

27. 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 ensuring net cash flows are sufficient to meet all of its financial commitments and maintain the capacity to fund the construction, operation and exploration activities. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established a Risk Management Committee which monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

Market, liquidity and credit risks (including foreign exchange, commodity price, interest rate and credit risk) arise in the normal course of business. These risks are managed under Board approved treasury processes and transactions. The principal financial instruments as at the reporting date include receivables, payables, royalty agreements and cash. 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.

27.1 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 2016, the Group had cash of US$22.87 million and net current assets of US$21.82 million. Current liabilities, excluding current tax liability, of US$15.24 million include trade payable obligations and royalty payments.

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:

2016							
US$'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**	**-**

2015							
US$'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	4,758	4,758	4,758	-	-	-	-
Financial liability	8,000	16,135[(a)]	719	1,215	4,356	7,079	2,766
	12,758	**20,893**	**5,477**	**1,215**	**4,356**	**7,079**	**2,766**

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

27.2 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 2016 US$'000	31 December 2015 US$'000
Cash and cash equivalents	22,866	31,700

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	Effect on Post Tax Losses (Increase)/ Decrease	
	31 December 2016 US$'000	31 December 2015 US$'000
Increase 100 basis points	229	317
Decrease 100 basis points	(229)	(317)

A sensitivity of 100 basis points has been used as this is considered reasonable given the current level of both short term and long term Australian Dollar interest rates. The change in basis points is derived from a review of historical movements and management's judgement of future trends. The analysis was performed on the same basis in 2015.

27.3 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 partner. 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 offtake partner, who are reputable commodity traders.

The Group has no past due or impaired debtors at year-end (2015: 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 2016 US$'000	31 December 2015 US$'000
Trade and other receivables (excludes recoverable taxes)	3,745	734
Cash and cash equivalents	22,866	31,700

27.4 Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange and interest rates will affect the Group's income or the value of its holdings of financial instruments. Market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return.

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 economical 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.

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 Board and Risk Management Committee considers that actively hedging currency risk out two to three years carries its own inherent risks as there are too many variables that can affect either mining operations and/or that can affect the currency within that timeframe. As such the risk management policy recommends that hedging commitments be reduced as the time to maturity lengthens, as the level of uncertainty increases. The risk management policy specifically prevents naked commitments, thus preventing Foreign Exchange only or commodity only hedging.

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

27.4.1 Exposure to currency risk

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

2016					
Foreign Currency	**USD**	**BRL**	**AUD**	**EUR**	
USD equivalent	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**Total**
Cash and cash equivalents	15,518	7,174	166	8	22,866
Trade and other receivables	3,197	6,778	12	-	9,987
Trade and other payables	(4)	(11,002)	(309)	(10)	(11,325)
Financial liability	(14,043)	-	-	-	(14,043)
Balance sheet exposure	**4,668**	**2,950**	**(131)**	**(2)**	**7,485**

2015					
Foreign Currency	**USD**	**BRL**	**AUD**	**EUR**	
USD equivalent	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**Total**
Cash and cash equivalents	21,142	8,100	2,455	3	31,700
Trade and other receivables	583	1,297	55	1	1,936
Trade and other payables	-	(4,346)	(410)	(2)	(4,758)
Financial liabilities	(8,000)	-	-	-	(8,000)
Balance sheet exposure	**13,725**	**5,051**	**2,100**	**2**	**20,878**

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

	Average rate		**Year-end date spot rate**	
	12 months ended 31 December 2016	**12 months ended 31 December 2015**	**31 December 2016**	**31 December 2015**
AUD	1.3465	1.3289	1.3894	1.3702
BRL	3.4911	3.3245	3.2591	3.9572
EUR	0.9065	0.9009	0.9501	0.9168

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 2015.

The following table shows the decrease in profit or loss:

	Profit or loss impact	
	31 December 2016 US$'000	**31 December 2015 US$'000**
AUD	12	(459)
BRL	(268)	(191)
EUR	-	-

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.

27.4.2 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 2.1.5. The Group has entered into fixed price arrangements in certain cases, to reduce the impact of copper price volatility.

Sensitivity analysis

Approximately 66 tonnes of copper and 1,034 ounces of gold were exposed to commodity price movements as at 31 December 2016. The average provisional sale prices of exposed tonnes were as follows: copper: US$5,177/t and gold US$1,166/oz.

A 20 per cent change in the copper price and a 10 per cent change in the gold price against the exposed commodities at 31 December would have increased or decreased profit or loss by the amounts shown below.

	Profit or loss impact	
	31 December 2016 US$'000	31 December 2015 US$'000
Copper	68	-
Gold	121	-
	189	-

27.5 Capital risk management

The Group's capital comprises share capital, reserves less accumulated losses amounting to US$88.44 million at 31 December 2016 (2015: US$89.31 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 period end and not subject to any externally imposed capital requirements. Refer to note 27 for further information on the Group's financial risk management policies.

28. FAIR VALUE MEASUREMENT

Set out below is a comparison of the carrying amounts and fair values of financial assets and liabilities at 31 December 2016 and 31 December 2015:

	31 December 2016		31 December 2015	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	22,866	22,866	31,700	31,700
Trade and other receivables	9,987	9,987	1,936	1,936
Trade and other payables	(11,325)	(11,325)	(4,758)	(4,758)
Financial liability	(14,043)	(14,043)	(6,048)	(6,048)
	7,485	**7,485**	**22,830**	**22,830**

Commodity derivatives embedded in sales arrangement are carried at fair 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

Trade receivables of US$1.69 million (2015: Nil) are measured using level 2 valuation techniques with reference to consensus forecasts, spot metal prices and exchange rates at the reporting date.

29. 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 2.2.

Name of Entity	Country of Incorporation	Status	Equity Holding as at 31 December 2016	Equity Holding as at 31 December 2015
Avanco Holdings Pty Ltd	Australia	Dormant	100%	100%
Estrela Metals Ltd	Australia	Dormant	100%	100%
AVB Copper Pty Ltd [(a)]	Australia	Dormant	100%	-
AVB Brazil Pty Ltd [(a)]	Australia	Dormant	100%	-
AVB Carajas Pty Ltd [(a)]	Australia	Dormant	100%	-
Estrela de Brasil Mineração Ltda	Brazil	Active	100%	100%
AVB Mineração Ltda	Brazil	Active	100%	100%
Avanco Resources Mineração Ltda	Brazil	Active	100%	100%
Vale Dourado Mineração Ltda	Brazil	Active	100%	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 entities.

30. PARENT ENTITY INFORMATION

The following information related to the parent entity, Avanco Resources Limited, at 31 December 2016. The information presented here has been prepared using consistent accounting policies as presented in Note 2, including a change in functional and presentation currency as discussed under Note 2.1.1.

	Parent entity		
	31 December 2016 US$000	31 December 2015 US$000	31 December 2015 A$000
Current assets	2,040	15,650	21,444
Non-current assets	85,819	74,075	101,501
Total Assets	**87,859**	**89,725**	**122,945**
Current liabilities	737	410	562
Total Liabilities	**737**	**410**	**562**
Net Assets	**87,122**	**89,315**	**122,383**
Issued capital	132,282	132,282	148,001
Share based payment reserve	7,603	5,817	6,220
Option reserves	493	493	549
Foreign currency translation reserve	(21,542)	(21,542)	-
Accumulated losses	(31,714)	(27,735)	(32,387)
Total Equity	**87,122**	**89,315**	**122,383**
Loss for the period	(3,979)	(10,532)	(13,756)

	Parent entity		
	31 December 2016 US$000	31 December 2015 US$000	31 December 2015 A$000
Other comprehensive income for the period	-	-	-
Total comprehensive loss for the period	**(3,979)**	**(10,532)**	**(13,756)**

Avanco Resources Limited has entered into an office lease agreement, which expires in May 2017. Total payment of US$9,153 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 2016 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 2016 and of its performance, for the year ended on that date; and

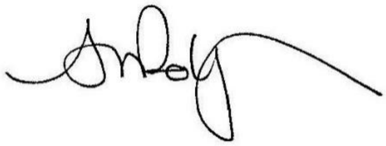
      (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   (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 1.2;

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 2016.

On behalf of the Board



Anthony Polglase
Managing Director
Perth, Western Australia
28 March 2017

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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 2016, 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

G H Meyerowitz
Partner
28 March 2017

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Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Independent Auditor's Report

To the shareholders 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"), including its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2016, 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 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year ended on that date

(ii) 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 *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional* Accountants ("the Code") that are relevant to our audit of the financial report in Australia; and we have 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 statements. 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.

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1. Carrying value of non-current assets

Why significant	How our audit addressed the key audit matter
As disclosed in note 16, the Group had property, plant and equipment, including capitalised mine properties, of US$61.1 million as at 31 December 2016. The impairment testing process is complex and judgmental and is based on assumptions and estimates that are affected by expected future performance and market conditions. Key assumptions, judgments and estimates used in the formulation of the Group's impairment of non-current assets include discount rates, gold and copper prices, operating costs, reserves and production as disclosed in note 3.2.3.	We involved our valuation specialists to evaluate the Group's future cash flow forecasts included in the Board approved value in use impairment model, the process by which they were prepared, and assessed the underlying assumptions such as expected cash inflows from gold/copper sales and cash outflows from the production process and other operating expenses. We also assessed the key assumptions and performed sensitivity analyses to ascertain the extent changes could have on the results of the impairment test. We assessed the technical competency of the Group's management compiling the reserves and resources data utilised in the model. We considered the Board of Director's meetings 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 impairment model.

2. Recognition and measurement of rehabilitation provisions

Why significant	How our audit addressed the key audit matter
As disclosed in note 20, the Group had a rehabilitation provision of US$7.2 million as at 31 December 2016 relating to the mine site and processing facility of the Antas Project in Brazil. As disclosed in note 3.2.5 the determination of this provision requires judgment in estimating the future costs, the timing as to when the future costs will be incurred and the determination of an appropriate rate to discount the future costs to their net present value. The Group reviews rehabilitation obligations that have arisen annually, or as new information becomes available, including an assessment of the underlying assumptions used, effects of any changes in local regulations, and the expected approach to rehabilitation.	We assessed the Group's process for determining the rehabilitation provision, and enquired about material movements in the provision during the year. We evaluated the legal and/or constructive obligations with respect to the rehabilitation for all mine sites and processing facilities, the intended method of rehabilitation and the associated cost estimates. We assessed the competency and objectivity of the external experts used by the Group in compiling the data that supported the provisions. We also assessed the accuracy of the calculations used to determine the rehabilitation provision including the discount rate applied.

3. Carrying value of inventories

Why significant	How our audit addressed the key audit matter
As disclosed in note 14, the Group held inventories as at 31 December 2016 of US$9.0 million, which related to ore and concentrate stockpiles, raw materials and stores. It is a material balance for the Group which requires judgment in determining an appropriate costing basis and assessing if this is at the lower of cost and net realisable value.	We considered the application of the Group's accounting policies in respect of ore and concentrate stockpiles, raw materials and stores. We obtained an understanding of the IT system the Group uses to physically control inventories at the different stages of production. We assessed the design and operating effectiveness of key controls in respect of amounts associated with inventories and tested that inventories were recorded at the lower of cost and net realisable value. We also assessed the mathematical accuracy of the inventory calculations.

4. Carrying value of capitalised exploration and evaluation

Why significant	How our audit addressed the key audit matter
As disclosed in note 15, the Group held capitalised exploration and evaluation expenditure of US$21.2 million as at 31 December 2016. 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.	Our audit procedures included the following: ▸ 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 a given exploration licence area 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.

5. Financial liability - BlackRock royalty

Why significant	How our audit addressed the key audit matter
As disclosed in note 19, the Group had a financial liability associated with the BlackRock royalty of US$14.0 million as at 31 December 2016. The financial liability is calculated based on a net smelter return in respect of the estimated production of copper and gold as specified in the royalty agreement. The estimated future cash payments are complex and judgmental and are based on assumptions and estimates that are affected by expected future performance and market conditions. Key assumptions, judgements and estimates used include discount rates, gold and copper price, reserves and production as disclosed in note 3.2.3.	As the financial liability is based on estimated future cash payments, the Group relied upon the same future cash flow forecasts it used in the Board approved value in use impairment model referred to above, to estimate future cash payments associated with the net smelter return. Our audit procedures in relation to the impairment model has been outlined above. 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 impairment model. We considered the Board of Directors meetings 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 impairment model.

Information other than the financial statements and auditor's report

The Directors are responsible for the other information. The other information comprises the information in the Group's Annual Report for the year ended 31 December 2016, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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 upon 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.

Directors' responsibilities 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 related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or 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 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 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 entity'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 in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity 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 consolidated financial statements represent 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 Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 25 of the Directors' Report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of Avanco Resources Limited for the year ended 31 December 2016, 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

G H Meyerowitz
Engagement Partner
Perth
28 March 2017

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 27 March 2017.

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 WORLD MINING	317,466,790	12.92
GLENCORE HOLDINGS PTY LIMITED	203,099,095	8.27

Distribution of Shareholders

Ordinary Shares		
Range	Number of Holders	Number of Shares
1 - 1,000	209	23,893
1,001 - 5,000	180	722,260
5,001 - 10,000	411	3,497,484
10,001 - 100,000	2,009	89,661,502
100,001 - 9,999,999,999	1,270	2,363,001,304
Totals	**4,079**	**2,456,906,443**

There were 196 holders of ordinary shares holding less than a marketable parcel.

Top Twenty Shareholders

Name	Number of Ordinary Shares held	%
CITICORP NOMINEES PTY LIMITED	473,504,311	19.27%
GREENSTONE AVB HOLDINGS COOPERATIEF UA	409,937,578	16.69%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	326,866,166	13.30%
GLENCORE HOLDINGS PTY LIMITED	203,099,095	8.27%
BNP PARIBAS NOMS PTY LTD	34,457,559	1.40%
J P MORGAN NOMINEES AUSTRALIA LIMITED	22,958,979	0.93%
NATIONAL NOMINEES LIMITED	21,080,965	0.86%
KEPPOCH PTY LTD	10,150,000	0.41%
VADORA HOLDINGS PTY LTD	10,000,000	0.41%
MS BYAMBAA ZOLZAYA	9,976,010	0.41%
ADZIEL PTY LTD	9,934,728	0.40%
MR ANDREW JOHN GOLEDZINOWSKI	9,000,000	0.37%
MR JESSIE XUAN NGUYEN	8,719,886	0.35%
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	8,657,601	0.35%
MR BRADLEY BARRY KRAUSE	8,213,822	0.33%
MR MICHAEL RILEY & MS ALISON MEEKING	8,135,195	0.33%
S & B NARULA PTY LTD NARULA FAMILY S/F	7,602,859	0.31%
ALMI SUPER PTY LTD	7,138,230	0.29%
BRISPOT NOMINEES PTY LTD	6,793,152	0.28%
GRIZZLEY HOLDINGS PTY LIMITED	6,666,666	0.27%
Total	**1,602,892,802**	**65.24%**

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)	DNPM[8] No of Area	Status of Tenure
STAGE 1	RIO VERDE	AVB	100	7,290.69	PL 470	Mining Concession
	RIO VERDE	AVB	100	7,290.69	853.714/1993	Mining Concession
	RIO VERDE	AVB	100	2,009	300.375/2013	#
	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	8,907	850.823/2005	***
	AGUA BOA	ARM	100	6,552	850.552/2016	Granted to 2019
	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	VDM	100	8,881	850.570/2003	Granted to 2016
	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	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 2017
	CANAÃ WEST	VDM**	100****	5,753	854951/1995	#
Carajas Regional	CARAJAS REGIONAL	ARM	100	9,724	850.288/2014	Granted to 2018
Trindade Iron Project	TRINDADE NORTH	AVB	100	4,967@	850.283/1999	Final Report Approved
Touro Nickel Project	TRINDADE SOUTH	AVB	#	9,797	850.781/2013	#
	TRINDADE SOUTH	AVB	100	9,797	850.569/2011	Granted to 2018

AVB = AVB Mineraçao. ARM = Avanco Resources Mineraçao. VDM = Vale Dourado Mineraçao. EST = Estela do Brazil Mineraçao.
* Final Exploration Report approved by the National Department of Mineral Production.
** 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
@ Pending size reduction
^ 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)