



ABN 85 126 379 646

Condensed Interim Consolidated Financial Report  
for the six months ended  
30 June 2015

# Avanco Resources Limited

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## CORPORATE DIRECTORY

### Directors

Mr Colin Jones (Non-Executive Director)

Mr Anthony Polglase (Managing Director)

Mr Scott Funston (Executive Director)

Mr Simon Mottram (Executive Director)

Mr Wayne Phillips (Executive Director)

Mr Luis Azevedo (Non-Executive Director)

Mr Vernon Tidy (Non-Executive Director)

### Company Secretary

Mr Scott Funston

### Registered Office

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Facsimile: +61 8 9200 1850

Website: [www.avancoresources.com](http://www.avancoresources.com)

### Share Registry

Automatic Registry Services

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West Perth WA 6005 Australia

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Facsimile: + 61 8 9321 2337

### Auditors

Ernst & Young

11 Mounts Bay Road

Perth WA 6000 Australia

### Securities Exchange

The Company's securities are quoted

On the official list of the Australian Securities

Exchange Limited, the home branch being Perth.

ASX Code: AVB

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## DIRECTORS' REPORT

The Directors of Avanco Resources Limited submit the Condensed Interim Consolidated Financial Report of the consolidated entity for the six months ended 30 June 2015. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

### Directors

The names of Directors who held office during or since the end of the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr Anthony Polglase	Managing Director
Mr Simon Mottram	Executive Director
Mr Scott Funston	Executive Director
Mr Wayne Phillips	Executive Director
Mr Colin Jones	Non-Executive Director
Mr Luis Azevedo	Non-Executive Director
Mr Vernon Tidy	Non-Executive Director (appointed on 20 July 2015)

### Results

The profit after tax for the six months ended 30 June 2015 was A\$4,360 (six months ended 30 June 2014 loss of A\$715,659).

## Review of Operations

### HIGHLIGHTS

- The Company secured an ~A\$80 million financing package for the Antas Copper Mine comprising of:
  - A\$63.62<sup>1</sup> 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 \$0.08 per share;
  - Financing was supported by BlackRock<sup>2</sup> and Appian<sup>3</sup>, with new investor Greenstone Resources<sup>4</sup> taking a cornerstone position; and
  - US\$4 million (first tranche) payment received from BlackRock, as per the Royalty Agreement<sup>5</sup>.
- Board authorised the start of construction to benefit from approaching dry season.
- Construction has started well~50% of build Capex committed within budget.
- A Letter of Intent (LOI) signed with mining services group for operation of the open pit.
- At the neighbouring Pedra Branca Project, 65% of Resources have been converted to Indicated Category. This resulted in the high grade JORC Resources increasing by 18% or ~70,000 tonnes of contained Copper

Pedra Branca EAST Mineral Resources July 2015. Reported above Cut-off Grade 0.9% Cu						
DEPOSIT	Category (%)	Million (Mt)	Cu (%)	Au (ppm)	Cu Metal (t)	Au Metal (Oz)
PB East	Indicated <b>70%</b>	7.96	2.81	0.63	224,000	160,000
	Inferred <b>30%</b>	3.43	2.70	0.61	92,000	67,000
<b>Total</b>		<b>11.39</b>	<b>2.78</b>	<b>0.62</b>	<b>316,000</b>	<b>227,000</b>

## Avanco Resources Limited

Pedra Branca WEST Mineral Resources July 2015. Reported above Cut-off Grade 0.9% Cu						
DEPOSIT	Category (%)	Million (Mt)	Cu (%)	Au (ppm)	Cu Metal (t)	Au Metal (Oz)
PB West	Indicated <b>62%</b>	4.46	2.04	0.61	91,000	87,000
	Inferred <b>38%</b>	2.74	1.72	0.56	47,000	49,000
<b>Total</b>		<b>7.19</b>	<b>1.92</b>	<b>0.59</b>	<b>138,000</b>	<b>136,000</b>
<b>Pedra Branca Total</b>		<b>18.58</b>	<b>2.45</b>	<b>0.61</b>	<b>454,000</b>	<b>363,000</b>

- In preparation for operational readiness the Board and management team have been strengthened with the appointment of: an independent Director, the Antas Mine Manager and the Chief Financial Officer-Brazil
- The Company is in the fortunate position of being debt free and financially strong. Funds on hand are expected to be adequate to see Antas into production and advance Pedra Branca studies in parallel.

### ~A\$80 Million FINANCING

The Company has completed A\$63.62 million equity financing through a A\$19.94 million placement and a A\$43.68 million entitlements issue at \$0.08 per share.

The placement and entitlement issue was strongly supported by cornerstone shareholders BlackRock<sup>2</sup>, Appian<sup>3</sup> and new substantial shareholder Greenstone<sup>4</sup>, who were the largest contributor, becoming a 17% shareholder. Additionally, the cornerstone shareholders took-up large positions in the entitlement shortfall.

As announced through substantial shareholder notices, Greenstone, BlackRock, Appian and Glencore hold approximately 56% of the Issued Capital in Avanco.

The completion of the equity financing satisfied all conditions precedent associated with the US\$12 million BlackRock Royalty Agreement. This triggered the first payment of US\$4 million, in July 2015, with the balance payable in two further tranches pro-rata with construction expenditure.

### ANTAS COPPER MINE - CONSTRUCTION

The decision to start construction was dictated by the approaching dry season. The timely commencement maximises the benefits of having the greater part of construction occurring within a six month window of low rainfall. Cognisant of this, and with financing progressing well, the Board ordered the earthworks contractor to mobilise and work began on site in May. Building has since progressed well with activities accelerating. Construction is scheduled over nine months with the target of commissioning before the end of February 2016. Following commissioning a minimum four to six week period is envisaged to achieve continuous operations.

Budget estimates put the cost of Construction and Working Capital at ~US\$60 million.

ANTAS DEVELOPMENT BUDGET FX-US\$@3.0BRL & US\$@1.3AU\$)	US\$ Millions
<b>Plant Construction</b>	<b>25.0</b>
<b>Mine Infrastructure</b>	<b>7.4</b>
<b>Open Pit Mine</b>	<b>5.0</b>
<b>Construction TMF</b>	<b>3.4</b>
<b>Engineering/Owners Costs</b>	<b>5.0</b>
<b>Contingency</b>	<b>7.0</b>
<b>Working Capital</b>	<b>7.0</b>
<b>TOTAL</b>	<b>~60.0</b>

The table above is a "best estimate" and is subject to change as the project advances

### Flotation Beneficiation Plant

Construction started well and has continued to make good progress. The project is on schedule to date, with 50% of the capital already committed and within budget. One of the critical path activities relates to mobilisation of the Mechanical-Electrical installation contractor and this was scheduled for early August. Also critical is a timely start to the filtration section. Both the dewatering building and filter installation has been awarded to the Original Equipment Manufacturer, Metso, under a Lump Sum Turn Key contract. Earthmoving around the plant area accelerated during the quarter with only the Crushing Plant retention wall remaining to be completed.

Concurrent with earthworks, the civil contractor has installed piles and prepared excavations ready for the mill, flotation, thickener and filter foundation. Setting of form work, fixing of re-bar (part of the reinforced concrete manufacturing procedure) and pouring of concrete footings has commenced.

### Tailings Management Facility (TMF)

De-grubbing and clearing of the TMF impoundment area is well advanced. Following the installation of a coffer dam, excavation of the embankment basal centerline is underway.

### Infrastructure

- The access road/bridge upgrading is on-going in preparation for the increasing use of heavy construction traffic.
- Installation of permanent facilities including offices, refectory and first aid post etc are on schedule.
- 100 pylons have been installed in readiness for suspending the 34.5 kV transmission line

## ANTAS MINING

### Mine Design

The pit design has been further optimised, following a review of the mining fleet configuration. The nominated haulage fleet comprises six-wheel drive articulated trucks capable of negotiating steeper ramps. This allows a reduction in stripping ratio from 7.6 to 7.1 with slight improvement in ore tonnes.

### Original Pit Optimisation

CATEGORY	kbcms	kt	Cu (%)	Au (g/t)
Waste ( < 0.65% Cu)	10,533	27,606		
Ore ( >= 0.65% Cu)	1,186	3,625	2.53	0.55
Strip Ratio (t:t)		7.6		
<b>TOTAL</b>	<b>11,720</b>	<b>31,231</b>		

### New Pit Optimisation

CATEGORY	kbcms	kt	Cu (%)	Au (g/t)
Waste ( < 0.65% Cu)	9,936	26,019		
Ore ( >= 0.65% Cu)	1,193	3,647	2.53	0.55
Strip Ratio (t:t)		7.1		
<b>TOTAL</b>	<b>11,129</b>	<b>29,666</b>		

Pit sequencing was also reviewed with a reduced number of pit stages allowing the smoothing of ore delivery whilst removing potential challenges associated with cut backs.

The rock dump landform has been modified to eliminate pooling of water in proximity to the final pit crest.

With the above changes to the pit design and sequencing, a re-optimisation of the mining and milling schedule was undertaken with the objectives of:

- Smoothing of Material Movement over the Life of Mine;
- Achieving mill throughput of ~500,000 tpa;
- Producing 12,000t of Copper metal per year;
- Ensuring sufficient high grade ore is always on hand to compensate for stoppages in the mine attributed to weather or operational delays;
- Reduction of Low/Medium grade stockpiles; and
- Timely start to pre-production mining to deliver low grade ore for plant commissioning.

### **Mining Operations**

Following a rigorous tendering process and final recommendation from highly respected Brazilian and international consultants, a Letter Of Intent has been provided to the mining services group, MACA Limited. This group was the only company deemed to have Brazilian experience coupled with the drill and blast expertise required at Antas.

The Principal activities provided under contract include Drill & Blast, Ore/Waste excavation and haulage to the flotation plant/rock dump. MACA personnel are already on site and de-grubbing and clearing have commenced.

MACA expects equipment deliveries through September including, a Liebherr R910 Excavator, <7 x Volvo AF40 Haul Trucks and 2 x CAT 5150 Drill Rigs. In the interim site works over the pit, rock dump and haul roads will proceed under MACA's direction using local contractors.

The Grade Control Study drilling is progressing well in the Antas Stage 1 Pit. This study will determine parameters for Production Grade Control drilling/sampling going forward. Results to date clearly confirm the high grade mineralisation ~15m vertically below surface as predicted in the Proven/Probable Reserves model.

## **HEATH SAFETY AND ENVIRONMENT – CONSTRUCTION**

No Lost Time Injuries, Medical Treatment Incidents or Environmental events occurred during the half. Scheduled safety inspections were completed. Waste disposal/treatment procedures were implemented. Protocols for safe: excavations, lifting and working at heights were reviewed/implemented.

## **CONCENTRATE SALES**

Antas is scheduled to produce ~45,000 tpa of copper concentrates containing low levels of deleterious elements. A number of firm offers have been received which indicate the Company should expect commercially attractive terms inclusive of, discounts on Treatment and Refining Costs and a high percentage of payable value on delivery Free On Board Brazil. The terms for "clean" material are envisaged to likely improve as forecast shortages of clean concentrates (essential for blending) weigh on market sentiment. The Company has engaged the services an experienced sales and marketing consultant to assist management in negotiations with prospective off-take groups which will continue throughout Quarter 3 and Quarter 4.

**CONSTRUCTION & OPERATIONAL APPOINTMENTS**

To reinforce construction supervision reporting and in pursuing operational readiness for Antas a number of management hires have been made since the end of the half. These appointments complete the formation of Avanco’s front line management team and include: Mining Manager, Plant Manager, Construction Manager, Chief Financial Officer – Brazil, Financial Controller – Australia and Construction Cost Controller – Brazil. The full profiles of these individuals were announced on 20 and 28 July 2015.

**STAGE 2 – PEDRA BRANCA**

Pedra Branca is the Company’s second and much larger copper project located 50km southwest of Antas North (Stage 1). An infill drilling programme of eleven holes, for 4,192m of diamond drilling has recently been completed.

Results of infill resource drilling at Pedra Branca exceeded management’s target of converting >50% of Resources to the Indicated Category. Increasing the high grade JORC Resources by 18% (~70,000 tonnes of contained Copper), and further defining a resource upside along strike at Pedra Branca East.

Observed Grade and widths have been consistent with previous wider spaced drilling results at Pedra Branca West. While Pedra Branca East results confirmed or improved on previous mineralised widths in the centre of the orebody. This resulted in a significant increase in tonnes and demonstrates a continuation of the orebody along strike towards the east.

Increases in resources is principally from the higher grade, Pedra Branca East deposit (+32% increase in tonnes with no change in grade, resulting in a 32% increase in contained Copper). Pedra Branca West, has shown a marginal drop in tonnes (-11%), but importantly there is a 8% uplift in grade.

The comparison table below shows uplift from the previously reported June 2103 JORC Resource at Pedra Branca.

**Comparison of Results to Previous JORC Reported Resource**

Deposit	PB EAST Mineral Resources July 2015			PB EAST Mineral Resources June 2013			Comparison		
	Tonnes (Mt)	Grade (Cu %)	Cu Metal (Kt)	Tonnes (Mt)	Grade (Cu %)	Cu Metal (Kt)	Tonnes	Grade (Cu %)	Cu Metal (t)
<b>PB East</b>	11.39	2.78	<b>316</b>	8.63	2.78	<b>240</b>	+32%	0%	+32%
<b>PB West</b>	7.19	1.92	<b>138</b>	8.12	1.77	<b>144</b>	-11%	+8%	-4%
<b>TOTAL</b>	<b>18.58</b>	<b>2.45</b>	<b>454</b>	<b>16.75</b>	<b>2.29</b>	<b>384</b>	<b>+11%</b>	<b>+7%</b>	<b>+18%</b>

Cognisant of mining economics, the recent resource upgrade has been prepared using a 0.9% Copper Resource cut-off, clearly illustrating the high grade nature of Pedra Branca. Management considers a 0.9% Cu cut-off grade to be appropriate. This cut-off also reflects the economics associated with the probable selection of underground mining as the principal method of mining at Pedra Branca.

Much larger than Antas (currently under construction), Pedra Branca contains three times more contained Copper metal, and at a more favourable average resource grade of 2.45% Copper and 0.61g/t Gold, when reporting at the same 0.9% Copper cut-off grade.

A Scoping Study will lead to a “Decision to Mine”<sup>17</sup> before the 2015 year end, with the Pre-Feasibility Study (PFS) expected to be finished in the first quarter of 2016.



## Avanco Resources Limited

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In determining mining methods, the PFS will produce estimates of mineable tonnes and grade (JORC Reported Reserves), define CAPEX and OPEX and provide other valuable information.

Geotechnical drilling is now complete, with study work underway.

The PFS will benefit from robust information gleaned from the proximal Antas Project. Additionally results from APBD-15-39 (the eastern edge of Pedra Branca East) illustrates that the orebody and its high grade core (18.80m<sup>7</sup> at 2.89% Cu, 0.89g/t Gold from 437.60m<sup>7</sup>) is open along strike, highlighting the potential for further resource growth and strongly justifying additional drilling.

Best results from the infill drilling programme at Pedra Branca included:

- **40.00m<sup>7</sup> at 1.60% Cu, 0.26g/t Au from 436.00m<sup>7</sup>  
Inc. 18.80m<sup>7</sup> at 2.89% Cu, 0.89g/t Gold from 437.60m<sup>7</sup>** **APBD-15-39**
- **47.85m<sup>7</sup> at 1.27% Cu, 0.36g/t Au from 418.15m<sup>7</sup>** **APBD-15-42**
- **27.00m<sup>7</sup> at 1.63% Cu, 0.37g/t Au from 261.00m<sup>7</sup>  
Inc. 12.65m<sup>8</sup> at 2.39% Cu, 0.55g/t Gold from 261.00m<sup>7</sup>** **APBD-15-43**
- **40.85m<sup>7</sup> at 1.38% Cu, 0.70g/t Au from 274.95m<sup>7</sup>  
Inc. 13.05m<sup>7</sup> at 3.14% Cu, 1.63g/t Gold from 274.95m<sup>7</sup>** **APBD-15-44**

## REGIONAL EXPLORATION

Several high value exploration licenses within the vicinity of Pedra Branca have been granted by the DNPM<sup>8</sup>. Exploration personnel have been mobilised to the field advancing these targets using Avanco's powered auger drill rigs

An option agreement has also been recently executed, through which Avanco will evaluate a number of areas with "rights" to select for acquisition and further investigation via an earn-in structure. The agreement allows the Company to increase its land position within prospective licenses situated along preferred geological trends in the Carajas.

Following the recently defined high grade upside along strike at Pedra Branca East, a step-out drilling programme has been planned and re-scheduled to commence after the completion of the Stage 2 studies.

Management have been examining several new opportunities with a small number worthy of closer evaluation. Avanco is currently pursuing an option over a potentially interesting Base-Precious metals project outside of Para State. Limited scout drilling is underway with observations to date not conclusive.

## CORPORATE

Management have been working towards bringing Antas into production since its discovery in 2012. Completion of the A\$63.62 million equity raising coupled with the BlackRock Royalty monies allows the expectation that Antas is fully funded into production.

The Board take this opportunity to thank all shareholders who participated in the entitlement issue and welcomes a new cornerstone investor Greenstone Resources who took the lead in the Placement.

The Company recognises the unprecedented support from BlackRock, Appian and Greenstone who took up their entitlement and participated in the shortfall ensuring the Company was fully funded.

Institutional groups now make up 56% of issued capital of the Company.

## Avanco Resources Limited

MAJOR SHAREHOLDER	~%
Glencore	8.00
Blackrock World Mining Fund	14.0
Appian Natural Resources Fund	17.0
Greenstone Resources	17.0

The Board believes the equity financing structure for Antas puts the Company in a good position in these times of commodity volatility, where being unhedged, debt and covenant free, provides greater asset security and assurance to shareholders as the Company makes the transition from explorer to producer.

The greater part of the Company's funds have been converted into US\$'s protecting funds from the weakening Australian dollar. The US dollar has strengthened significantly against the Brazilian Real, creating an opportunity for savings as almost all of the Antas construction costs are denominated in local currency, although management are cognisant that some benefit will be eroded by the impact of Inflationary pressures.

Management aim to commence commissioning of some areas before end of 2015 and as a whole operating unit during February with ramp-up to full production thereafter. To incentivise the Board and management for the critical period ahead, the Company obtained shareholder approval for a performance rights plan. This will allow the Company to align management's interests with those of the Company's shareholders.

In recognising the need to advance corporate governance the Company welcomed Mr Vern Tidy to the Board as a Non-Executive and Independent Director. Mr Tidy brings compelling skills to the Company, encompassing corporate governance and critical review of financial compliance gained from servicing mining clients varying from the largest multinationals through to junior explorers. Mr Tidy is a fellow of the Institute of Chartered Accountants in Australia and a member of the Australian Institute of Company Directors.

Funds on hand (A\$68.4m) are believed to be adequate to see Antas into production and advance Pedra Branca in parallel.

## CARAJAS MINERAL RESOURCE ESTIMATE

CARAJAS - TOTAL JORC Reported Mineral Resources <sup>9,10,11,12</sup>						
DEPOSIT	Category	Million Tonnes	Cu (%)	Au (ppm)	Copper Metal (T)	Gold Metal (Oz)
PB East <sup>13</sup>	Indicated	7.96	2.81	0.63	224,000	160,000
	Inferred	3.43	2.70	0.61	92,000	67,000
	<b>Total</b>	<b>11.39</b>	<b>2.78</b>	<b>0.62</b>	<b>316,000</b>	<b>227,000</b>
PB West <sup>13</sup>	Indicated	4.46	2.04	0.61	91,000	87,000
	Inferred	2.74	1.72	0.56	47,000	49,000
	<b>Total</b>	<b>7.19</b>	<b>1.92</b>	<b>0.59</b>	<b>138,000</b>	<b>136,000</b>
PEDRA BRANCA	<b>Total</b>	<b>18.58</b>	<b>2.45</b>	<b>0.61</b>	<b>454,000</b>	<b>363,000</b>
ANTAS NORTH <sup>13</sup>	Measured	2.83	3.01	0.72	85,000	66,000
	Indicated	1.65	2.20	0.42	36,000	22,000
	Inferred	1.9	1.59	0.23	30,000	14,000
	<b>Total</b>	<b>6.38</b>	<b>2.38</b>	<b>0.50</b>	<b>152,000</b>	<b>102,000</b>
ANTAS SOUTH <sup>14</sup>	Measured	0.59	1.34	0.18	8,000	3,000
	Indicated	7.5	0.7	0.2	53,000	49,000
	Inferred	1.99	1.18	0.2	24,000	13,000
	<b>Total</b>	<b>10.08</b>	<b>0.83</b>	<b>0.2</b>	<b>85,000</b>	<b>65,000</b>
<b>TOTAL</b>		<b>35.04</b>	<b>1.97</b>	<b>0.47</b>	<b>691,000</b>	<b>530,000</b>

**ANTAS NORTH – JORC Reported Ore Reserves**

ANTAS NORTH – JORC Reported Ore Reserves <sup>15,16</sup>							
Classification	Type	Economic Cut-Off Cu%	Tonnes (Mt)	Copper (%)	Gold (g/t)	Copper Metal (T)	Gold (Oz)
Proved	ROM Ore	0.90	1.385	3.62	0.74	50,137	33,046
Probable	ROM Ore	0.90	1.264	2.72	0.57	34,381	23,231
<b>PROVEN + PROBABLE ROM ORE</b>			<b>2.649</b>	<b>3.19</b>	<b>0.66</b>	<b>84,518</b>	<b>56,277</b>
Proved	Low Grade	0.65	0.342	0.74	0.30	2,531	3,308
Probable	Low Grade	0.65	0.635	0.72	0.23	4,572	4,709
<b>TOTAL PROVEN + PROBABLE</b>			<b>3.63</b>	<b>2.53</b>	<b>0.55</b>	<b>91,621</b>	<b>64,294</b>

**Subsequent Events**

During July 2015 the Company received US\$4 million in satisfaction of the conditions precedent associated with the US\$12 million BlackRock Royalty Agreement. The balance is payable in two further tranches pro-rata with construction expenditure.

**Auditor’s Independence Declaration**

Section 307C of the Corporations Act 2001 requires our auditors, Ernst & Young, to provide the Directors of the company with an Independence Declaration in relation to the review of the Condensed Interim Consolidated Financial Report for the six months ended 30 June 2015. This Independence Declaration is set out on page 10 and forms part of this report.

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



**Anthony Polglase**  
**Managing Director**  
 Perth, Western Australia  
 11 September 2015

### **Competent Persons Statement**

*The information in this report that relates to Exploration Results 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.*

### **Additional Information**

1. Excluding the BlackRock Royalty Transaction<sup>5</sup>
2. A Fund belonging to BlackRock World Mining Trust plc
3. Appian Natural Resources Fund
4. Greenstone Resources LP
5. See ASX announcement "US\$12,000,000 Agreement reached with BlackRock World Mining Trust plc", 8 October 2013 and ASX announcement "July 2014 Quarterly Activities Report", 31 July 2014. Note - the \$15.6m or US\$12m is before costs. The July 2014 royalty transaction entered into by the Company and BlackRock World Mining Trust plc
6. The orebody is defined as an Iron Oxide Copper Gold (IOCG) deposit, typical of that found in the Carajas Province of Brazil, and well documented in respected geological texts
7. Downhole widths/depths. For full results and true widths/depths see "Pedra Branca Resource Upgrade Delivers Substantial Increase in Both Contained Copper and Confidence", 13 July 2015
8. National Department of Mineral Production
9. See ASX Announcement "Pedra Branca Resource Upgrade Delivers Substantial Increase in Both Contained Copper and Confidence", 13 July 2015, for Competent Person's Consent, material assumptions, and technical parameters underpinning the Pedra Branca resource estimates
10. See ASX Announcement "Stage 1 set to excel on new high grade Copper Resource", 7 May 2014, for Competent Person's Consent, material assumptions, and technical parameters underpinning the Antas North resource estimate
11. See ASX announcement "Major Resource Upgrade for Rio Verde", 8 February 2012, for Competent Person's Consent, material assumptions, and technical parameters underpinning the Antas South resource estimate
12. 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
13. Grade Tonnage Reported above a Cut-off Grade of 0.9% Copper
14. Grade Tonnage Reported above a Cut-off Grade of 0.3% Cu for Oxide Resources
15. See ASX Announcement "Maiden Reserves Exceed Expectations for Antas Copper", 17 September 2014, for Competent Person's Consent, material assumptions, and technical parameters underpinning the Antas North JORC (2012) Reported Reserve estimate
16. Measured and Indicated Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves
17. Note – the "decision to mine" relates an expectation that management will be sufficiently confident to continue, to commit expenditures on Stage 2. This may be inclusive of commencing limited site works at Pedra Branca with the aim of minimising lead-time into production. This strategy will put Stage 2 in a better situation to capitalise on an improving copper price that the Company envisages from 2016 onward. The aforementioned is all in anticipation of a positive outcome from the Pre-feasibility study



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## Auditor's independence declaration to the Directors of Avanco Resources Limited

In relation to our review of the financial report of Avanco Resources Limited for the half-year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

G H Meyerowitz  
Partner  
11 September 2015

## Avanco Resources Limited

### Condensed Interim Consolidated Statement of Profit or loss and Other Comprehensive Income for the six months ended 30 June 2015

	Notes	Consolidated	
		6 months ended 30 June 2015 A\$000	6 months ended 30 June 2014 A\$000
<b>Revenue</b>			
Interest income		144	267
<b>Total revenue</b>		<b>144</b>	<b>267</b>
Public company costs		(20)	(37)
Consulting fees		(221)	(193)
Legal fees		(61)	(10)
Share based payments		(272)	(213)
Rent and outgoings		(149)	(184)
Travel expenses		(114)	(66)
Impairment of investments		-	(90)
Foreign exchange gain		975	-
Other expenses	3	(278)	(190)
<b>Profit/(loss) before income tax</b>		<b>4</b>	<b>(716)</b>
Income tax expense		-	-
<b>Net profit/(loss) for the half year</b>		<b>4</b>	<b>(716)</b>
<b>Other Comprehensive Loss</b>			
<b>Items that may be reclassified subsequently to profit and loss</b>			
Foreign currency translation		(3,322)	127
<b>Other comprehensive (loss)/income for the half-year</b>		<b>(3,322)</b>	<b>127</b>
<b>Total comprehensive loss for the half-year</b>		<b>(3,318)</b>	<b>(589)</b>
<b>Loss per share attributable to owners of Avanco Resources Limited</b>			
Basic and diluted profit/(loss) per share (cents per share)		0.001	(0.049)

Condensed Interim Consolidated Statement of Financial Position  
As at 30 June 2015

		<b>Consolidated</b>	
		30 June 2015	31 December 2014
		A\$000	A\$000
	Note		
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		68,365	19,805
Trade and other receivables		386	165
<b>Total Current Assets</b>		<b>68,751</b>	<b>19,970</b>
<b>Non-Current Assets</b>			
Available for sale investments	4	30	30
Property, plant and equipment	6	53,897	7,872
Deferred exploration and evaluation expenditure	5	24,883	50,282
<b>Total Non-Current Assets</b>		<b>78,810</b>	<b>58,184</b>
<b>Total Assets</b>		<b>147,561</b>	<b>78,154</b>
<b>Current Liabilities</b>			
Trade and other payables		5,008	3,469
<b>Total Current Liabilities</b>		<b>5,008</b>	<b>3,469</b>
<b>Non-current Liabilities</b>			
Provisions	7	9,774	-
<b>Total Non-current Liabilities</b>		<b>9,774</b>	<b>-</b>
<b>Total Liabilities</b>		<b>14,782</b>	<b>3,469</b>
<b>Net Assets</b>		<b>132,779</b>	<b>74,685</b>
<b>Equity</b>			
Issued capital	8	148,001	86,861
Reserves		(946)	2,104
Accumulated losses		(14,276)	(14,280)
<b>Total Equity</b>		<b>132,779</b>	<b>74,685</b>

Condensed Interim Consolidated Statement of Changes in Equity  
for the six months ended 30 June 2015

	Issued capital A\$000	Accumulated Losses A\$000	Foreign Currency Translation Reserve A\$000	Option Reserves A\$000	Share-based payment Reserves A\$000	Total A\$000
<b>Balance at 1 January 2015</b>	<b>86,861</b>	<b>(14,280)</b>	<b>(4,351)</b>	<b>549</b>	<b>5,906</b>	<b>74,685</b>
Profit for the half-year	-	4	-	-	-	4
Other comprehensive loss	-	-	(3,322)	-	-	(3,322)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>4</b>	<b>(3,322)</b>	<b>-</b>	<b>-</b>	<b>(3,318)</b>
<b>Transactions with owners in their capacity as owners</b>						
Shares issued during the period	63,618	-	-	-	-	63,618
Transaction costs	(2,478)	-	-	-	-	(2,478)
Share based payments	-	-	-	-	272	272
<b>Balance at 30 June 2015</b>	<b>148,001</b>	<b>(14,276)</b>	<b>(7,673)</b>	<b>549</b>	<b>6,178</b>	<b>132,779</b>
<b>Balance at 1 January 2014</b>						
<b>Balance at 1 January 2014</b>	<b>65,065</b>	<b>(10,625)</b>	<b>(2,922)</b>	<b>549</b>	<b>5,366</b>	<b>57,433</b>
Loss for the half-year	-	(716)	-	-	-	(716)
Other comprehensive loss	-	-	127	-	-	127
<b>Total comprehensive loss year</b>	<b>-</b>	<b>(716)</b>	<b>127</b>	<b>-</b>	<b>-</b>	<b>(589)</b>
<b>Transactions with owners in their capacity as owners</b>						
Shares issued during the period	23,000	-	-	-	-	23,000
Transaction costs	(1,203)	-	-	-	-	(1,203)
Share based payments	-	-	-	-	213	213
<b>Balance at 30 June 2014</b>	<b>86,862</b>	<b>(11,341)</b>	<b>(2,795)</b>	<b>549</b>	<b>5,579</b>	<b>78,854</b>



**Condensed Interim Consolidated Statement of Cash Flows  
for the six months ended 30 June 2015**

	<b>Consolidated</b>	
	6 months ended 30 June 2015 A\$000	6 months ended 30 June 2014 A\$000
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(953)	(685)
Interest received	144	308
<b>Net cash flows used in operating activities</b>	<b>(809)</b>	<b>(377)</b>
<b>Cash flows from investing activities</b>		
Payments for deferred exploration and evaluation expenditure	(12,111)	(3,883)
Payments for plant and equipment	(658)	(1,974)
<b>Net cash used in investing activities</b>	<b>(12,769)</b>	<b>(5,857)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	63,618	23,000
Payments for share issue costs	(2,478)	(1,203)
<b>Net cash provided by financing activities</b>	<b>61,140</b>	<b>21,797</b>
<b>Net increase in cash and cash equivalents</b>	<b>47,562</b>	<b>15,563</b>
Cash and cash equivalents at beginning of period	19,805	16,642
Exchange on cash and cash equivalents	998	-
<b>Cash and cash equivalents at the end of the period</b>	<b>68,365</b>	<b>32,205</b>

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The Condensed Interim Consolidated Financial Statements of Avanco Resources Limited and its controlled entities (the Group) for the six months ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on 11 September 2015.

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.

**Basis of Preparation**

The accounting policies applied by the Group in this condensed interim consolidated financial statements are consistent with those applied by the Group in its consolidated annual financial statements as at and for the financial year ended 31 December 2014 and have been prepared in accordance with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Act 2001.

The condensed interim consolidated financial statements for the six months ended 30 June 2015 have been prepared on the historical cost basis except for the available for sale financial assets which are measured at fair value.

The presentation currency is Australian dollar, unless otherwise stated.

These condensed interim consolidated financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 31 December 2014 and any public announcements made by Avanco Resources Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

***Changes in accounting policies***

In the six months ended 30 June 2015, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current reporting period. It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has not elected to early adopt any new standards or amendments.

**Avanco Resources Limited**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**for the six months ended 30 June 2015**

**NOTE 2: SEGMENT REPORTING**

For management purposes, the Company is organised into one main operating segment, which involves mineral exploration for iron ore, copper and nickel. All of the Group's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Makers) as a single segment.

Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole. The revenue earned by the Group is generated in Australia and relates to interest income and all of the Group's non-current assets reside in Brazil.

**NOTE 3: OTHER EXPENSES**

	<b>Consolidated</b>	
	<b>6 months ended 30 June 2015 A\$000</b>	<b>6 months ended 30 June 2014 A\$000</b>
Accounting and audit fees	(101)	(79)
Bank fees	(74)	(31)
Computer and website expenses	(4)	(5)
Insurance	(4)	-
Printing and stationary	(17)	(9)
Subscriptions	(8)	(10)
Communications	(38)	(19)
Conferences and seminars	(12)	(13)
Depreciation	(20)	(24)
<b>Total other expenses</b>	<b>(278)</b>	<b>(190)</b>

**NOTE 4: AVAILABLE FOR SALE INVESTMENTS**

	<b>Consolidated</b>	
	<b>30 June 2015 A\$000</b>	<b>31 December 2014 A\$000</b>
Opening balance	30	30
Additions	-	-
Disposals	-	-
Fair value adjustments	-	-
<b>Balance at period end</b>	<b>30</b>	<b>30</b>

All Available for sale investments are quoted on the Australian Securities Exchange and as such considered as level 1 under fair value hierarchy.

**Avanco Resources Limited**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**for the six months ended 30 June 2015**

**NOTE 5: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE**

	<b>Consolidated</b>	
	<b>30 June 2015</b>	<b>31 December 2014</b>
	<b>A\$000</b>	<b>A\$000</b>
Carrying amount at the beginning of period	50,282	45,189
Exploration expenditure during the period	10,615	8,668
Impairment loss	-	(2,019)
Transferred to plant and equipment <sup>(a)</sup>	(33,763)	-
Net exchange difference on translation	(2,251)	(1,556)
<b>Carrying amount at the end of period</b>	<b>24,883</b>	<b>50,282</b>

(a) During the half-year year ended 30 June 2015 the exploration and evaluation costs associated with the Group's Antas project (Stage 1) were reclassified as development assets (assets under construction) following technical and commercial feasibility completion and financing approval.

**NOTE 6: PLANT AND EQUIPMENT**

<b>30 June 2015</b>							
<b>A\$000</b>	<b>Plant &amp; equipment</b>	<b>Computer and software</b>	<b>Furniture, Fixtures and Fittings</b>	<b>Motor vehicles</b>	<b>Assets under construction</b>	<b>Total</b>	
<b>Cost</b>							
Balance at 1 January 2015	176	70	99	60	7,696	8,101	
Additions	17	9	70	-	2,933	3,029	
Transferred from exploration and evaluation expenditure (see note 5)	-	-	-	-	33,763	33,763	
Rehabilitation cost (see note 7)	-	-	-	-	9,774	9,774	
Net effect of movement in exchange rates	1	(4)	(6)	(6)	(506)	(521)	
<b>Balance at 30 June 2015</b>	<b>194</b>	<b>75</b>	<b>163</b>	<b>54</b>	<b>53,660</b>	<b>54,146</b>	
<b>Depreciation</b>							
Balance at 1 January 2015	(117)	(36)	(63)	(13)	-	(229)	
Depreciation charge for the period	(12)	(3)	(1)	(4)	-	(20)	
<b>Balance at 30 June 2015</b>	<b>(129)</b>	<b>(39)</b>	<b>(64)</b>	<b>(17)</b>	<b>-</b>	<b>(249)</b>	
<b>Net book value at 30 June 2015</b>	<b>65</b>	<b>36</b>	<b>99</b>	<b>37</b>	<b>53,660</b>	<b>53,897</b>	

**Avanco Resources Limited**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**for the six months ended 30 June 2015**

31 December 2014 A\$000	Plant & equipment	Computer and software	Furniture, Fixtures and Fittings	Motor vehicles	Assets under construction	Total
<b>Cost</b>						
Balance at 1 July 2014	133	59	87	61	-	340
Additions	42	7	1	-	7,570	7,620
Net effect of movement in exchange rates	1	4	11	(1)	126	141
<b>Balance at 31 December 2014</b>	<b>176</b>	<b>70</b>	<b>99</b>	<b>60</b>	<b>7,696</b>	<b>8,101</b>
<b>Depreciation</b>						
Balance at 1 July 2014	(106)	(31)	(62)	(6)	-	(205)
Depreciation charge for the period	(11)	(5)	(1)	(7)	-	(24)
<b>Balance at 31 December 2014</b>	<b>(117)</b>	<b>(36)</b>	<b>(63)</b>	<b>(13)</b>	<b>-</b>	<b>(229)</b>
<b>Net book value at 31 December 2014</b>	<b>59</b>	<b>34</b>	<b>36</b>	<b>47</b>	<b>7,696</b>	<b>7,872</b>

**NOTE 7: PROVISIONS**

**Provision for Rehabilitation**

The provision for rehabilitation is an estimate of the value of future costs for dismantling, demobilisation, remediation and ongoing treatment and monitoring of the 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 unwinding of the effect of discounting on the provision is recognised as a finance cost. 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. During the six months ended 30 June 2015 the Company recognised a provision for rehabilitation of A\$9.77 million (31 December 2014: Nil).

**NOTE 8: ISSUED CAPITAL**

	<b>Consolidated</b>			
	30 June 2015		31 December 2014	
	A\$000		A\$000	
<b>Issued and paid up capital</b>				
Issued and fully paid	148,001		86,861	
	30 June 2015		31 December 2014	
	No.	A\$000	No.	A\$000
<b>Movements in issued capital</b>				
Opening balance	1,661,675,855	86,861	1,113,993,968	48,135
Shares issued during the period	795,230,588 <sup>(a)</sup>	63,618	547,681,887 <sup>(b)</sup>	41,076
Transaction costs on share issue	-	(2,478)	-	(2,350)
<b>Closing balance</b>	<b>2,456,906,443</b>	<b>148,001</b>	<b>1,661,675,855</b>	<b>86,861</b>

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 \$0.08 per share.

b) During 2014 the Company completed placements totalling A\$41.1 million at \$0.075 per share.

**Avanco Resources Limited**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**for the six months ended 30 June 2015**

**NOTE 9: CAPITAL AND OTHER COMMITMENTS**

	<b>Consolidated</b>	
	<b>30 June 2015</b>	<b>31 December 2014</b>
	<b>A\$000</b>	<b>A\$000</b>
<b>Operating lease commitments<sup>(a)</sup></b>		
<i>Non-cancellable operating lease rentals:</i>		
Within one year	88	66
One year or later and no later than five years	-	44
	<b>88</b>	<b>110</b>
<b>Contractual, capital and other commitments<sup>(b)</sup></b>		
<i>Contracted but not provided for and payable:</i>		
Within one year	13,813	5,818
One year or later and no later than five years	308	-
	<b>14,121</b>	<b>5,818</b>

**a) Operating lease commitments**

The Group entered into an operating lease for the Group's registered office and principal place of business for a period of two years ending on 30 June 2016. The lease is non-cancellable.

**b) Contractual, capital and other commitments**

The Group entered into contracts under terms and conditions that require payments to third parties that previously held the tenements. The contracts have pre-emptive rights that allow Avanco Resources Limited to relinquish the tenements after providing the required notice period, the longest notice periods being 60 days. The terms of the licenses vary according to exploration milestones being met. The agreements have additional royalty payments based on production rates and the Pedra Branca Project has a milestone payment of USD\$10 million upon reaching commercial production. The royalty amounts and Pedra Branca milestone payment have not been included as at 30 June 2015 (31 December 2014: Nil) as the timing and amounts remain uncertain.

The Group entered into land access agreements, civil works, dam construction and supply of materials, services and steel works for the Stage 1 and Stage 2 Projects.

**NOTE 10: DIVIDENDS**

No dividends have been paid or provided for during the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

**NOTE 11: RELATED PARTY TRANSACTIONS**

During the six months ended 30 June 2015 Resourceful International Consulting Pty Ltd, a company of which Mr. Funston is a director, invoiced the Group A\$136,125 (twelve months ended 30 June 2014: A\$240,000) for corporate, consulting, accounting and associated services. As at 30 June 2015 there was an amount outstanding of A\$22,687 (30 June 2014: A\$11,000).

Kernow Mining Consultants Pty Ltd, a company of which Mr. Polglase is a director, charged the Group consulting fees for the six months ended 30 June 2015 A\$186,667 (twelve months ended 30 June 2014: A\$350,000). As at 30 June 2015 there was an amount outstanding of A\$29,167 (30 June 2014: A\$29,167).

**Avanco Resources Limited**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**for the six months ended 30 June 2015**

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JENS Dominion Pty Ltd, a company of which Mr. Mottram is a director, charged the Group consulting fees for the six months ended 30 June 2015 A\$165,000 (twelve months ended 30 June 2014: A\$300,000). As at 30 June 2015 there was an amount outstanding of A\$27,500 (30 June 2014: A\$25,000).

CI Jones C Eng., a company of which Mr. Jones is a director, charged the Group director's and consulting fees for the six months ended 30 June 2015 A\$113,889 (twelve months ended 30 June 2014: A\$115,271). As at 30 June 2015 there was an amount outstanding of A\$20,573 (30 June 2014: A\$3,333).

FFA Legal Ltda, a company in which Mr. Azevedo is a director and shareholder, provided the Group with a serviced office, legal and accounting services in Brazil for the six months ended 30 June 2015 A\$117,665 (twelve months ended 30 June 2014: A\$252,872). As at 30 June 2015 there was an amount outstanding of \$Nil (30 June 2014: \$26,678).

These transactions have been entered into on normal commercial terms.

**NOTE 12: CONTINGENT LIABILITIES**

The Group has no contingent liabilities as at 30 June 2015 (31 December 2014: Nil).

**NOTE 13: FAIR VALUE MEASUREMENT**

At 30 June 2015 the carrying value of all financial assets and liabilities is considered to approximate fair values.

**NOTE 14: SUBSEQUENT EVENTS**

During July 2015 the Company received US\$4 million in satisfaction of the conditions precedent associated with the US\$12 million BlackRock Royalty Agreement. The balance is payable in two further tranches pro-rata with construction expenditure.

## Directors' Declaration

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### DIRECTORS' DECLARATION

In the opinion of the Directors of Avanco Resources Limited ('the company'):

1. The Condensed Interim Consolidated Financial Statements and notes thereto of the consolidated entity, as set out on pages 11 to 20, are in accordance with the Corporations Act 2001 including:
  - a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
  - b. giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half-year then ended.
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



**Anthony Polglase**  
**Managing Director**  
Perth, Western Australia  
11 September 2015



## Independent review report to the members of Avanco Resources Limited

### Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Avanco Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' responsibility for the half-year financial report

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

### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* ("ASRE 2410"), in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Avanco Resources Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the 30 June 2015 financial report of Avanco Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half year ended on that date
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



G H Meyerowitz  
Partner  
11 September 2015