AVANCO RESOURCES LIMITED

ABN 85 126 379 646

Condensed Interim Consolidated Financial Report
for the half-year ended
30 June 2017

Incorporating Appendix 4D

CORPORATE DIRECTORY

Directors

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

APPENDIX 4D

Reporting Period

The reporting period is the half-year ended 30 June 2017. The previous corresponding period is 30 June 2016.

All amounts are in US Dollars, unless otherwise stated.

Results for announcement to the market

		% change		30 June 2017 US$000
Revenue from ordinary activities	Up	184%	To	**46,117**
Profit from ordinary activities after tax	Not applicable			**1,120**
Profit attributable to equity holders	Not applicable			**1,120**

No dividend was paid or proposed during the half-year ended 30 June 2017 (half-year ended 30 June 2016: Nil).

The Group achieved a gross profit for the period of US$7.07 million (30 June 2016: gross profit of US$2.77 million) and a net profit for the period of US$1.12 million (30 June 2016: net loss of US$2.72 million). Sales generated comprised 14,855klb of copper and 5,113 ounces of gold, contributing to gross sales of US$46.12 million, offset by treatment, refining and transport charges of US$6.88 million and cost of sales of US$32.17 million. General and administrative expenses, financial expenses, income tax and other expenses reduced the gross profit to a net profit of US$1.12 million for the half-year ended 30 June 2017.

Net tangible assets

The net tangible assets per ordinary share for the half-year ended 30 June 2017 was US$0.04 (31 December 2016: US$0.04).

Investments in controlled entities

During the period, there were no changes in control over Group entities, with the exception of AVB Minerals Pty Ltd, which was incorporated on 25 April 2017. Wholly owned subsidiaries of Avanco Resources Limited included the following:

Country of Incorporation			
Australia	**Brazil**	**Luxembourg**	**Bermuda**
Avanco Holdings Pty Ltd	Estrela do Brasil Mineração Ltda	Avanco Lux S.a.r.l.	ARL Holdings Ltd
Estrela Metals Ltd	AVB Mineração Ltda	Avanco Lux I S.C.S	ARL South America Exploration Ltd
AVB Copper Pty Ltd	Avanco Resources Mineração Ltda		
AVB Brazil Pty Ltd	Vale Dourado Mineração Ltda		
AVB Carajas Pty Ltd			
AVB Minerals Pty Ltd			

Avanco Resources Limited owns 100% of the Antas Norte high-grade open pit copper-gold project in the Carajas province, northern Brazil, which is the Group's principal revenue-generating asset.

Investments in associates and joint ventures

Avanco Resources Limited does not have any interests in associates or joint venture entities.

Review and accounting standards

The report is based on the condensed interim consolidated financial report that has been subjected to a review by the Company's auditor. All entities incorporated into the consolidated Group's results were prepared under IFRS.

DIRECTORS' REPORT

The Directors of Avanco Resources Limited submit the Condensed Interim Consolidated Financial Report of the consolidated entity for the half-year ended 30 June 2017.

The amounts contained in this report have been rounded to the nearest thousand under the option available to the group under Australian Securities and Investments Commission (ASIC) Instrument 2016/191 dated 24 March 2016, unless otherwise stated.

In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

Director

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 Colin Jones	Independent Non-Executive Chairman
Mr Vernon Tidy	Independent Non-Executive Director
Mr Luiz Ferraz	Independent Non-Executive Director
Mr Paul Chapman	Independent Non-Executive Director (appointed 24 April 2017)
Mr Anthony Polglase	Managing Director
Mr Simon Mottram	Executive Director
Mr Luis Azevedo	Executive Director

Results

The profit after tax for the half-year ended 30 June 2017 was US$1,120,000 (half-year ended 30 June 2016 loss after tax of US$2,719,000). The current period result includes an underlying EBITDA[(i)] of US$10,901,000.

	US$'000
Sales revenue	46,117
Treatment, refining and transport charges	(6,884)
Net sales revenue	**39,233**
Direct production costs and change in stockpiles	(21,790)
Royalties	(3,259)
General, administration and other expenses	(3,407)
Net foreign exchange gain/(loss)	124
Underlying EBITDA	**10,901**

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

	US$'000
Underlying EBITDA	**10,901**
Interest received	150
Other financial expense	(11)
Non-cash items	
Depreciation, amortisation and depletion	(7,116)
Accretion of rehabilitation and royalty liabilities	(2,129)
Impairment of property, plant and equipment	(443)
Change in financial liability	2,094
Share-based payments	(236)
Profit before tax	**3,210**

(i) Underlying earnings before interest, taxes, depreciation and amortisation (EBITDA) is a 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.

Operating and financial review

During the half-year, the Antas Mine produced copper and gold above guidance generating positive free cashflows and completed twelve months of commercial production. The resource and reserve drill program advanced well, yielding immediate results with the identification of a near-mine exploration prospect.

The Pedra Branca East Project advanced with the release of the pre-feasibility study, which demonstrates potential for a large-scale standalone underground mining operation. The definitive feasibility study is in progress, in addition to mining studies and a reserve definition and resource extension drill program, including Pedra Branca West.

Positive development occurred in the CentroGold Project with the announcement of an improved mineral resource confidence and the commencement of a scoping study. Furthermore, good progress continues to be made with the resolution of licensing issues.

1. HIGHLIGHTS

- Over 2,137,817 man-hours without a lost time injury;
- Copper and gold production exceeded expectations with half-year production of 7,095t of copper and 5,744oz of gold;
- Average copper spot price increased by 4.2% from the previous year to an average of US$2.61/lb for the period;
- Plant recoveries of approximately 97% for copper and 84% for gold;
- Commencement of development works at Pedra Branca at an advanced stage; and
- Board strengthened with appointment of Paul Chapman as Independent Non-Executive Director.

2. ANTAS OPERATION

The Antas Mine had a strong 2017 start and continued an excellent performance during the half-year, notably with copper and gold production ahead of the upper-end of the annual guidance range. This performance is exceptional when it is considered that mining experienced higher strip-ratios and lower grades due to the Stage 2 cutback in the Antas Pit, and the plant completed an extended maintenance shutdown.

(a) Safety and environment

During the half-year, construction and continuous operation reached 2,137,817 man-hours without a lost time accident and the LTIFR (Lost Time Injury Frequency Rate) remains at zero.

(b) Mining

Total material movement for the half-year was 3.56 million tonnes of material mined for 0.32 million tonnes of ore.

The first-half of the year experienced a transition with the Stage One pit close to depletion and the majority of ore production being sourced from the top of the Stage Two cut back. The Stage Two pit goes behind and underneath the Stage One pit, which aligns with the continuation of the same high-grade zone that was mined in the Stage One pit. Mining during the period focused on the Stage Two cut back, with pre-stripping of overburden preparing the mine for transition to Stage Two.

Mining and Civil Australia (MACA) continues to show progress with the mechanical availability of the mining fleet, following the problems encountered with the primary excavator at the beginning of the year. To resolve this, MACA mobilised a seventh Volvo A40F truck slightly ahead of schedule, compensating for the longer haulage times as the pit deepens and haulage distances increase.

The half-year mine reconciliation continues to reflect the positive improvements to the ore mined compared to the original geological model as the Antas mine deepens. Variances in copper metal remain consistent, showing a slight upswing in the monthly reconciliations. The gold variance marginally weakened for the period, but remains positive against the reserve model. The gold geological settings at Antas is increasingly being understood and will be incorporated in the upcoming resource update.

(c) Processing and Production

During the half-year ended 30 June 2017 a total of 339,026 tonnes of ore was milled, at an average grade of 2.16% copper and achieving an average recovery of 97%.

Enhancements to the plant were initiated during the period, notably:

- Purchase and implementation of an automatic control system for the crushing circuit, with commissioning on schedule for the third quarter of 2017;
- Installation of additional guarding for moving parts protection on the conveyor belts;
- Installation of hydraulic lift facilitating removal of oversize rocks from the jaw crusher; and
- Installation of cameras to improve the control of the flotation circuit.

During the six-month period the Antas Mine[1] increased production quarter-on-quarter, and slightly above the upper-end of annualised guidance with 7,095 tonnes of copper and 5,744 ounces of gold in 25,288 tonnes of concentrate. Consequently, management is confident that it will achieve its full year production guidance range of 135,500-14,000 tonnes.

(d) Antas exploration

During the half-year work commenced on a 5,000-metre drill program with three objectives:

1. Upgrade confidence in existing probable reserves deeper in the pit;
2. Grow the existing resources and reserves at Antas; and
3. Target extension to the mine life.

At the end of the period, three diamond drill rigs were in operation at Antas. Approximately 4,000 metres of the original 5,000 metres were completed, though an additional 1,500 metres of new drilling added to the program following up on positive results to date.

During the six-month period, the Company's EM (electromagnetic) equipment facilitated the discovery of two new EM conductors 400 metres northeast of the Antas Pit.

A first drill hole, AAND-100 returned positive results. The intersection of mineralisation in the maiden drill hole on this new target, located close to the operating Antas Mine, was an encouraging start. The best result was returned from the lower part of the mineralised zone[2] with 8.60m @ 1.30% Cu, 1.36g/t Au from 75.55m (downhole depth) in AAND-100[3].

Follow up drilling commenced immediately with three holes planned in total, the first of which AAND-114 was completed in July. This drill hole confirmed the continuation of significant copper mineralisation 25 metres along strike from AAND-100 with the intersection of a variably mineralised zone approximately 44 metres wide, from approximately 59 metres to 103 metres (downhole widths and depths)[3].

Assays from all drill holes are expected in the third quarter.

(e) Sale of concentrate

A total of 14,855,000 pounds of copper and 5,113 ounces of gold (payable, net of finalisations) were sold during the half-year ended 30 June 2017,which together with the revaluation of provisional sales and other sales resulted in total sales revenue of $46,117,000..

3. PEDRA BRANCA

(a) Pre-feasibility study

During the half-year, the Pedra Branca Project passed a significant development milestone with the release of the Pedra Branca East Pre-Feasibility Study[17].

The pre-feasibility study demonstrated potential for a large-scale standalone underground mining operation in the eastern orebody. The main conclusions of the PFS are:

- 1,200,000 tonnes production for 24,000 tonnes of copper and 16,000 ounces of gold per annum;
- NPV estimate at $200 million with a 34% IRR;
- Estimated $368 million life-of-mine cashflow;
- Pre-production capex of $158 million; and
- Estimated C1 costs approximately $1.30/lb assuming a conservative copper price of $2.65 to $2.95/lb and BRL: USD rate of 3.20.

Following the positive outcomes of the pre-feasibility study, the definitive feasibility study commenced immediately to advance the project.

The application for the full environmental licence for Pedra Branca was submitted in June 2017. The grant of the environmental licence is the pre-cursor to the issue of a full mining licence. Approval is anticipated during the second half of 2018. In the meantime, approval of a trial mining licence (small scale) is anticipated during the third quarter of 2017.

(b) Resource extension and reserve definition

Resource extension and reserve definition drilling at the Pedra Branca Project has commenced. The drill program complements the current Definitive Feasibility Study (DFS), and initiates evaluation of the neighbouring Pedra Branca West orebody.

The 5,000 metres program is targeting:

- Strike extension:

- Increasing resources: and
- Infill drilling of inferred resources - intended to upgrade to higher JORC category, and support the Pedra Branca East DFS.

(c) Pedra Branca East drill program

Drilling will initially target potential extensions of the orebody along strike by following-up on hole APBD-15-39[4], one of the best drill intersections from previous drilling: 40.00m at 1.60% Cu, 0.26g/t Au from 436.00m, including: 18.80m at 2.89% Cu, 0.89g/t Au from 437.60m.

4. CENTROGOLD PROJECT

(a) Scoping study

Following the upgrade of the JORC Resource estimates[5] for the Cipoeiro Deposit[6] hosted within CentroGold, work has focused on the Scoping Study. Preliminary observations are encouraging with studies being expanded to include a number of new scenarios and sizing variants that could identify upside potential.

(b) Licensing update

Resolution of issues surrounding the existing Environmental licence continue to make satisfactory progress, while community support for mine development is encouraging.

The environmental permit is key to obtaining the mining lease and the implementation licence, which allow for construction of the mine. The environmental licence had been previously granted, but later suspended. Avanco aims to have this suspension removed, to be able to move the project directly to mine construction activities.

If Avanco is unable to remove the suspension, the Company would simply follow the normal process of applying for a new environmental licence (as is the case with Pedra Branca).

The Company anticipates that the environmental licence suspension will be lifted during the second half of 2017. The mineral rights remain in good standing with the Agência Nacional de Mineração (ANM), previously Departamento Nacional de Produção Mineral (DNPM).

In parallel with permitting, the Company continues to cultivate the good relationships with the local community and municipality.

(c) Forward program

Confident of a positive outcome with the environmental permit and mining license, management is at an advanced stage of planning for a resource infill and reserve definition drill program.

5. REGIONAL AND NEAR MINE EXPLORATION

(a) Pending near mine targets

The Antas mining lease area is believed to be fertile for new copper-gold discoveries for three reasons, namely:

1. The producing high grade Antas Mine;
2. The current EM led discovery; and
3. Historical soil geochemistry and scout drilling over numerous targets.

The exploration of the prioritised areas is an exciting opportunity, especially having now demonstrated the ability of EM to accelerate exploration and define conductors that potentially represent massive sulphide chalcopyrite

IOCG mineralisation. Management expect that EM surveying over these areas will be completed over the coming months.

(b) Pending regional exploration targets

With the additional EM unit having arrived in Brazil, work is expected to commence on regional exploration targets. It is likely that work will commence initially on targets to the east of Pedra Branca, and from there expand to cover the Canaã West Project[8], situated along strike from Pedra Branca.

The Company continues to be presented with new regional opportunities, some of which are being investigated.

6. CORPORATE

The Company moved towards greater board independence with the appointment of Mr Paul Chapman as a new Independent Non-Executive Director. The Board of Directors now comprises a majority of Independent Non-Executive Directors. Founding Director and Independent Chairman, Mr Colin Jones announced his intention to retire at the end of August 2017. The search for a new Independent Non-Executive Chairman is underway.

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

7. FINANCIAL REVIEW

(a) Income statement

The Company recorded a net profit for the half-year ended 30 June 2017 of $1,120,000, representing US0.05 cents per share, in comparison to a net loss for the half-year ended 30 June 2016 of $2,719,000 million or US0.11 cents per share.

The Antas Mine recorded a gross profit for the period of $7,068,000 (30 June 2016: gross profit of $2,774,000). A total of 14,855,000 pounds of copper and 5,113 ounces of gold (payable, net of finalisations) were sold during the half-year, which together with the revaluation of provisional sales and other sales resulted in total sales revenue of $46,117,000. Treatment, refining and transport charges associated with the sale of concentrate totalled $6,884,000. Cost of sales for the period of $32,165,000 comprised production costs, royalties and movement in stockpiles and depreciation charge. The higher cost of sales during the period is mainly due to operational costs reflective of the Company's ramp-up to full production.

The Company's net profit of $1,120,000 for the period was mainly driven by gross profit and favourable change in the financial liability, as well as general and administrative expenses, financial expenses, income tax and other expenses. Financial expenses included accretion of the effective interest rate of the BlackRock royalty ($1,549,000) and accretion of rehabilitation cost ($580,000). Other expenses of $1,212,000 primarily comprised of exploration expenditure incurred on projects not pursued, business development opportunities and indirect taxes.

(b) Balance sheet

Total assets decreased by $780,000 to $124,928,000 from 31 December 2016. The net decrease in total assets was driven by property, plant and equipment ($6,651,000), mainly due to depreciation of assets and impairment of no longer usable equipment, together with a decrease in current trade and other receivables due to the utilisation of federal tax credits to offset tax liabilities. The decrease in assets was offset by a net increase in cash and cash equivalents of $3,422,000 due to net cashflows from operations, increase in deferred exploration and evaluation assets ($3,170,000) connected with the Pedra Branca and CentroGold projects, increase in non-current trade and other receivables ($1,139,000) on recoverable federal taxes incurred at Antas Mine, and a build-up of inventories ($437,000) associated with the Company's ramp-up to full production.

Total liabilities were $35,133,000, a decrease of $576,000 from 31 December 2016. The reduction in total liabilities was driven by a decrease in trade and other payables ($606,000) and financial liability ($465,000). This was offset by an increase in provision for rehabilitation ($580,000) and current tax liability ($450,000).

(c) Cash flow

During the half-year ended 30 June 2017, cash and cash equivalents increased by $3,422,000.

Free cash inflows from operating activities for the period were $9,490,000. Cash receipts of $42,866,000 reflect the sale of copper in concentrate and associated by-products. This was offset by cash outflows of $33,526,000, driven by higher operational costs resulting from the Company's ramp-up to full production.

Net cash outflows from investing activities for the period were $4,078,000, reflecting sustaining and growth capital on the plant and mine, as well as development cost associated with the Pedra Branca and CentroGold projects.

The net cash used in financing activities of $1,927,000 reflects the quarterly BlackRock royalty repayments.

8. MINERAL RESOURCE ESTIMATE

CARAJAS COPPER – Mineral Resources [7,8,9,10,11]						
DEPOSIT	**JORC Category**	**Million Tonnes**	**Copper (%)**	**Gold (g/t)**	**Copper Metal (T)**	**Gold Metal (Oz)**
PEDRA BRANCA EAST[12]	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
	Sub-total	**10.48**	**2.80**	**0.70**	**289,000**	**221,000**
PEDRA BRANCA WEST[12]	Indicated	4.46	2.04	0.61	91,000	87,000
	Inferred	2.74	1.72	0.56	47,000	49,000
	Sub-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[12]	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[13]	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 –Mineral Reserves [14, 15]							
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[16]				
DEPOSIT	**JORC Category**	**Million Tonnes**	**Gold (g/t)**	**Gold Metal (Oz)**
CONTACT ZONE[16]	Indicated	2.1	2.5	168,000
	Inferred	5.9	2.2	424,000
	Total	**8.1**	**2.3**	**592,000**
BLANKET ZONE[16]	Indicated	10.8	1.7	597,000
	Inferred	1.4	2.2	97,000
	Total	**12.2**	**1.8**	**694,000**
TOTAL		**20.20**	**2.0**	**1,286,000**

The resources and reserve estimate is stated at 31 December 2016, and includes an update to the CentroGold resources announced on 26 April 2017.

9. SUBSEQUENT EVENTS

There are no subsequent events.

10. 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 half-year ended 30 June 2017. This Independence Declaration is set out on page 11 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
25 August 2017

Competent Persons Statement

The information in this report that relates to Exploration Results and Mineral Resources 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 Antas copper mine, Pedra Branca (PB) deposit, and their surrounding targets are all defined as Iron Oxide Copper Gold (IOCG) style deposits/targets, typical of that found in the Carajas Province of Brazil, and well documented in respected geological texts
2. See, ASX Announcement "Antas and Near Mine Exploration Update: Electromagnetic Equipment Yields Positive Results", 19 June 2017, for details
3. See, ASX Announcement "Positive Assay Results from First Drill Hole", 4 July 2017, for details
4. See ASX Announcement "Pedra Branca Resource Upgrade Delivers Substantial Increase in Both Contained Copper and Confidence", 13 July 2015, for Competent Person's Consent, material assumptions, and technical parameters underpinning the Pedra Branca West resource estimate
5. See ASX Announcement CentroGold- Improved Mineral Resource Confidence Advances Scoping Study", 26 April 2017, for Competent Person's Consent, material assumptions, and technical parameters underpinning the Pedra Branca West resource estimate
6. Gold mineralisation within the CentroGold project is typical of mesothermal vein-style, or orogenic-style gold deposits
7. 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
8. See ASX Announcement "Pedra Branca Resource Upgrade Delivers Substantial Increase in Both Contained Copper and Confidence", 13 July 2015, for Competent Person's Consent, material assumptions, and technical parameters underpinning the Pedra Branca West resource estimate
9. 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
10. 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
11. 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
12. Grade Tonnage Reported above a Cut-off Grade of 0.9% Copper
13. Grade Tonnage Reported above a Cut-off Grade of 0.3% Cu for Oxide Resources
14. 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
15. Measured and Indicated Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves
16. Grade Tonnage Reported above a Cut-off Grade of 1.0g/t Gold
17. See ASX Announcement "Positive Pre-Feasibility Study for Pedra Branca", 26 May 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 Members of Avanco Resources Ltd

As lead auditor for the review of Avanco Resources Ltd for the half-year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Avanco Resources Ltd and the entities it controlled during the half-year.

Ernst & Young

G H Meyerowitz
Partner
25 August 2017

Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 30 June 2017

		Consolidated Half-year ended	
	Notes	30 June 2017 US$'000	30 June 2016 US$'000
Sales revenue	3	46,117	16,250
Treatment, refining and transport charges		(6,884)	(2,860)
Net sales revenue		**39,233**	**13,390**
Production costs		(21,562)	(7,954)
Royalties		(3,259)	(1,111)
Change in stockpile		(228)	2,053
Depreciation, amortisation and depletion		(7,116)	(3,604)
Cost of sales		**(32,165)**	**(10,616)**
Gross profit		**7,068**	**2,774**
Expenses			
General and administration	4	(2,195)	(1,415)
Financial income	5	150	216
Financial expense	5	(2,140)	(1,387)
Net foreign exchange gain/(loss)		124	(189)
Impairment of exploration projects		-	(676)
Impairment of property, plant and equipment	12	(443)	-
Change in financial liability	15	2,094	(1,405)
Share-based payments	21	(236)	(465)
Other expenses		(1,212)	(172)
Total expenses		**(3,858)**	**(5,493)**
Profit/ (loss) before income tax		**3,210**	**(2,719)**
Income tax expense	6	(2,090)	**-**
Profit/ (Loss) for the half-year		**1,120**	**(2,719)**
Other Comprehensive income/(loss)			
Other comprehensive profit/ (loss) for the half-year		-	**-**
Total comprehensive profit/ (loss) for the half-year		**1,120**	**(2,719)**
Profit/ (loss) per share attributable to shareholders			
Basic and diluted profit/ (loss) per share (cents per share)	7	**0.05**	**(0.11)**

Condensed Interim Consolidated Statement of Financial Position
As at 30 June 2017

		Consolidated	
	Note	30 June 2017 US$'000	31 December 2016 US$'000
Assets			
Current Assets			
Cash and cash equivalents	8	26,288	22,866
Trade and other receivables	9	6,318	7,786
Inventories	10	9,469	9,032
Total Current Assets		**42,075**	**39,684**
Non-Current Assets			
Trade and other receivables	9	3,340	2,201
Deferred exploration and evaluation expenditure	11	24,373	21,203
Property, plant and equipment	12	54,409	61,060
Deferred taxation	17	731	-
Total Non-Current Assets		**82,853**	**84,464**
Total Assets		**124,928**	**124,148**
Liabilities			
Current Liabilities			
Trade and other payables	13	9,618	10,382
Current tax liability	14	3,070	2,620
Financial liability	15	4,138	4,861
Total Current Liabilities		**16,826**	**17,863**
Non-current Liabilities			
Trade and other payables	13	1,101	943
Financial liabilities	15	9,440	9,182
Provisions	16	7,766	7,186
Deferred taxation	17	-	535
Total Non-Current Liabilities		**18,307**	**17,846**
Total Liabilities		**35,133**	**35,709**
Net Assets		**89,795**	**88,439**
Equity			
Issued capital	18	132,282	132,282
Reserves		(29,007)	(29,243)
Accumulated losses		(13,480)	(14,600)
Total Equity		**89,795**	**88,439**

Condensed Interim Consolidated Statement of Changes in Equity for the half-year ended 30 June 2017

Consolidated							
	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 2017		**132,282**	**(14,600)**	**(37,339)**	**493**	**7,603**	**88,439**
Profit for the half-year		-	1,120	-	-	-	1,120
Other comprehensive loss		-	-	-	-	-	-
Total comprehensive profit for the period		**-**	**1,120**	**-**	**-**	**-**	**1.120**
Transactions with owners in their capacity as owners							
Share-based payments	21	-	-	-	-	236	236
Balance at 30 June 2017		**132,282**	**(13,480)**	**(37,339)**	**493**	**7,839**	**89,795**
Balance at 1 January 2016		**132,282**	**(11,938)**	**(37,339)**	**493**	**5,817**	**89,315**
Loss for the half-year		-	(2,719)	-	-	-	(2,719)
Other comprehensive loss		-	-	-	-	-	-
Total comprehensive loss for the period		**-**	**(2,719)**	**-**	**-**	**-**	**(2,719)**
Transactions with owners in their capacity as owners							
Share-based payments	21	-	-	-	-	465	465
Balance at 30 June 2016		**132,282**	**(14,657)**	**(37,339)**	**493**	**6,282**	**87,061**

Condensed Interim Consolidated Statement of Cash Flows
for the half-year ended 30 June 2017

		Consolidated Half-year ended	
		30 June 2017 US$'000	30 June 2016 US$'000
Cash flows from operating activities			
Cash received from customers		42,866	14,191
Payments to suppliers and employees		(33,526)	(11,887)
Financial income received		150	216
Net cash flows from operating activities		**9,490**	**2,520**
Cash flows from investing activities			
Payments for deferred exploration and evaluation expenditure		(3,191)	(1,082)
Payments for property, plant and equipment		(887)	(15,544)
Net cash used in investing activities		**(4,078)**	**(16,626)**
Cash flows from financing activities			
Proceeds from Royalty Agreement	15	-	4,000
Repayment of Royalty Agreement	15	(1,927)	-
Net cash (provided by)/utilised in financing activities		**(1,927)**	**4,000**
Net increase/(decrease) in cash and cash equivalents		3,485	(10,106)
Cash and cash equivalents at beginning of period		22,866	31,700
Exchange rate differences on cash and cash equivalents		(63)	(552)
Cash and cash equivalents at the end of the period	8	**26,288**	**21,042**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Condensed Interim Consolidated Financial Statements of Avanco Resources Limited and its controlled entities (the Group) for the half-year ended 30 June 2017 were authorised for issue in accordance with a resolution of the Directors on 25 August 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 Condensed Interim Consolidated Financial Statements for the half-year ended 30 June 2017 have been prepared in accordance with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Act 2001.

The accounting policies applied by the Group in these 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 2016, except for the adoption of new standards effective as of 1 January 2017, described below.

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 2016 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.

The presentation currency is US Dollars, unless otherwise stated and have been rounded to the nearest thousand under the option available to the group under Australian Securities and Investments Commission (ASIC) Instrument 2016/191 dated 24 March 2016, unless otherwise stated.

1.2 New and revised Standards and Interpretations

The Group has reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the half-year ended 30 June 2017. The nature and the effect of these changes are disclosed below. It has been determined by the Group that there is no material impact of the new and revised Standards and Interpretations on its business.

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

AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses

This Standard makes amendments to AASB 112 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. This application has no effect on the Group's financial position and performance as the Group does not have debt instruments measured at fair value.

AASB 2016-2 Amendments to Australian Accounting Standards–Disclosure Initiative: Amendments to AASB 107

The amendments to AASB 107 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

AASB 2017-2 Amendments to Australian Accounting Standards–Further Annual Improvements 2014-2016 Cycle

This Standard clarifies the scope of AASB 12 Disclosure of Interests in Other Entities by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations. This application has no effect on the Group's financial position and performance as the Group does not have interests in held for sale or discontinued operations.

2. 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 and corporate and exploration activities. 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 half-year ended 30 June 2017				
Total segment revenue	46,117	-	-	46,117
Total segment expense	(40,207)	(2,849)	149	(42,907)
Segment net profit/ (loss) before tax	5,910	(2,849)	149	3,210
At 30 June 2017				
Total segment assets	88,077	94,748	(57,897)	124,928
Total segment liabilities	(104,710)	(14,744)	84,321	(35,133)
For the half-year ended 30 June 2016				
Total segment revenue	16,250	-	-	16,250
Total segment expense	(17,347)	(3,844)	2,222	(18,969)
Segment net loss before tax	(1,097)	(3,844)	2,222	(2,719)
At 31 December 2016				
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.

3. SALES REVENUE

	Half-year ended	
	30 June 2017 US$'000	30 June 2016 US$'000
Copper sales	39,913	13,800
Gold sales	6,108	2,450
Other sales	96	-
Total Sales Revenue	**46,117**	**16,250**

Copper and gold sales for half-year ended 30 June 2016 comprised of only provisional sales. Sales for the half-year ended 30 June 2017 comprise of:

	Copper US$'000	Gold US$'000	Other sales US$'000	Total US$'000
Provisional sales	40,614	6,754	69	47,437
Finalised sales adjustments	902 [(b)]	(519)	27	410
Revaluation of provisional sales [(a)]	(1,603)	(127)	-	(1,730)
Total Sales Revenue	**39,913**	**6,108**	**96**	**46,117**

[(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 an unfavourable US$1,730,000 fair value adjustment to profit or loss for the half-year ended 30 June 2017 (30 June 2016: Nil).

[(b)] Finalised copper sales for the half-year ended 30 June 2017 comprised reconciled assays, weights and pricing adjustments of 20,843 klb of copper (30 June 2016: Nil), being payable at an average final copper price of US$2.39/Ib (30 June 2016: Nil) in comparison to an average provisional copper price of US$2.34/Ib (30 June 2016: Nil)

4. GENERAL AND ADMINISTRATION

	Half-year ended	
	30 June 2017 US$'000	30 June 2016 US$'000
Public company costs	(4)	(2)
Directors' fees and corporate salaries	(698)	(457)
Legal and compliance fees	(1,242)	(626)
Rent and outgoings	(33)	(150)
Travel expenses	(218)	(180)
	(2,195)	**(1,415)**

5. FINANCIAL INCOME/(EXPENSE)

	Half-year ended	
	30 June 2017 US$'000	30 June 2016 US$'000
Interest received	150	216
Financial income	**150**	**216**
Other financial expense	(11)	(17)
Accretion of financial liability (refer to note 15)	(1,549)	(1,098)
Accretion of rehabilitation costs (refer to note 16)	(580)	(272)
Financial expense	**(2,140)**	**(1,387)**

6. INCOME TAX EXPENSE

	Half-year ended	
	30 June 2017 US$'000	30 June 2016 US$'000
Income tax expense		
Major component of tax expense for the period:		
Current tax	3,356	-
Deferred tax	(1,266)	-
	2,090	**-**
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/ (loss) from continuing operations before income tax expense	3,210	(2,719)
Tax at Brazilian tax rate of 34% (30 June 2016: Australian tax rate of 30%) [(a)]	1,091	(816)
Share-based payments non-deductible	71	140
Other non-deductible expenses in Australia	128	1
ARO amortisation non-deductible	229	-
Other non-deductible expenses	583	362
Other deductible expenses	(4)	-
Deferred tax on prior year timing differences arising from elected tax regime	(277)	-
Deferred tax asset not recognised [(b)]	213	313
Effect of differential rate in Australia	56	-
Income tax expense	**2,090**	**-**

	Half-year ended	
	30 June 2017	**30 June 2016**
	US$'000	**US$'000**
Unused tax losses		
Unused tax losses	29,684	25,708
Potential tax benefit not recognised at 30% [b]	**8,905**	**7,712**

[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;
ii. the Group continues to comply with the conditions for deductibility imposed by tax legislation in Australia; and
iii. there are no changes in tax legislation in Australia adversely affecting the Group in realising the benefit from utilising the losses.

7. 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.

	Half-year ended	
	30 June 2017	**30 June 2016**
Net profit/ (loss) from continuing operations (US$'000)	1,120	(2,719)
Weighted average number of ordinary shares for basic and dilutive earnings per share (number)	2,456,906,443	2,456,906,443
Basic and diluted profit/ (loss) per share (cents per share)	0.05	(0.11)

For fully diluted profit/ (loss) per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of dilutive potential ordinary shares. The Group's potentially dilutive securities consist of share options. There is no impact from 192,000,000 options outstanding at 30 June 2017 on the profit per share calculation because they are anti-dilutive. These options could potentially dilute basic EPS in the future.

8. CASH AND CASH EQUIVALENTS

	30 June 2017	**31 December 2016**
	US$'000	**US$'000**
Cash comprises of:		
Cash at bank	23,269	15,871
Short term deposits	3,019	6,995
Cash and cash equivalents	**26,288**	**22,866**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are invested over varying periods between one day and three months, depending on the immediate cash requirements of the Group. These deposits earn interest at the respective short-term deposit rates.

9. TRADE AND OTHER RECEIVABLES

	30 June 2017 US$'000	31 December 2016 US$'000
Current		
Trade receivables[(a)]	3,369	3,261
Recoverable taxes[(b)]	2,284	4,041
Prepayments	650	473
Security bond	15	11
	6,318	**7,786**
Non-current		
Other receivables	2	-
Recoverable taxes[(b)]	3,338	2,201
	3,340	**2,201**

[(a)] Trade receivables includes a fair value adjustment of US$44,000 (31 December 2016: US$1,686,000) 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. During the half-year ended 30 June 2017, the Group used its federal tax credits to offset income tax liabilities.

10. INVENTORIES

	30 June 2017 US$'000	31 December 2016 US$'000
Run of mine (ROM) ore - at cost	3,722	3,865
Broken ore – at cost	1,282	1,475
Concentrate – at cost	2,551	2,444
Stores, spares and consumables – at cost	1,914	1,248
	9,469	**9,032**

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

11. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	30 June 2017 US$'000	31 December 2016 US$'000
Carrying amount at the beginning of period	21,203	16,850
Exploration expenditure during the period	3,191	5,666
Transferred to plant and equipment	(21)	(280)
Impairment loss	-	(1,033)
Carrying amount at the end of period	**24,373**	**21,203**

During the year ended 31 December 2016, the Group impaired the carrying amount of exploration and evaluation of assets totalling US$1,030,000. These costs were associated with projects where no further exploration work was planned.

12. PROPERTY, PLANT AND EQUIPMENT

	Mine Properties US$'000	Plant, buildings and equipment US$'000	Other assets US$'000	Total US$'000
Cost				
Balance at 1 January 2017	15,344	56,162	1,175	72,681
Additions	200	547	140	887
Transferred from exploration and evaluation expenditure (refer to note 11)	21	-	-	21
Impairment [(a)]	-	(551)	-	(551)
Balance at 30 June 2017	**15,565**	**56,158**	**1,315**	**73,038**
Depreciation				
Balance at 1 January 2017	(2,732)	(8,659)	(230)	(11,621)
Depreciation charge for the period	(1,347)	(5,643)	(126)	(7,116)
Impairment [(a)]	-	108	-	108
Balance at 30 June 2017	(4,079)	(14,194)	(356)	(18,629)
Net book value at 30 June 2017	**11,486**	**41,964**	**959**	**54,409**

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

CARRYING VALUE

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

The Group is a copper and gold producer focussed 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$2.62/lb and Gold price of US$1,274/oz – future commodity prices were based on the 2017 consensus views from market participants in the period;
- Copper and Gold production – future copper and gold production was based on the Life of Mine Plan (LOM);
- Current (LOM) - based only on Proven and Probable reserves;
- 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 half-year ended 30 June 2017.

	Mine Properties US$'000	Plant, buildings and equipment US$'000	Other assets US$'000	Assets under construc-tion US$'000	Total US$'000
Cost					
Balance at 1 January 2016	**-**	**-**	**485**	**63,144**	**63,629**
Additions	483	3,599	337	12,574	16,993
Transfers	16,513	52,563	353	(69,429)	-
Transferred to inventory – ore	-	-	-	(3,644)	(3,644)
Transferred to recoverable taxes	-	-	-	(2,925)	(2,925)
Transferred from exploration and evaluation expenditure (refer to note 11)	-	-	-	280	280
Rehabilitation change in estimate (refer to note 16)	(1,652)	-	-	-	(1,652)
Balance at 31 December 2016	**15,344**	**56,162**	**1,175**	**-**	**72,681**
Depreciation					
Balance at 1 January 2016	**-**	**-**	**(204)**	**-**	**(204)**
Depreciation charge for the period	(2,732)	(8,659)	(26)	-	(11,417)
Balance at 31 December 2016	**(2,732)**	**(8,659)**	**(230)**	**-**	**(11,621)**
Net book value at 31 December 2016	**12,612**	**47,503**	**945**	**-**	**61,060**

13. TRADE AND OTHER PAYABLES

	30 June 2017 US$'000	31 December 2016 US$'000
Current		
Trade payables	4,337	4,220
Other payables and accrued expenses [a]	5,281	6,162
	9,618	**10,382**
Non-current		
Taxes payable [b]	857	862
Other payables	244	81
	1,101	**943**

[a] Other payables and accrued expenses mainly comprise of royalties, Brazilian federal taxes, social security obligation and employee leave accruals.

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

14. CURRENT TAX LIABILITY

	30 June 2017 US$'000	31 December 2016 US$'000
Opening balance	2,620	-
Tax credits utilised to set-off tax liability	(2,688)	-
Income tax charge for the period (refer to note 6)	3,356	3,172
Withholding taxes available for set-off	-	(727)
Foreign exchange (gain)/ loss arising from Brazilian tax liability	(218)	175
	3,070	**2,620**

15. FINANCIAL LIABILITY

	30 June 2017 US$'000	31 December 2016 US$'000
Opening balance	14,043	8,000
Fair value of proceeds from royalty agreements	-	4,000
Change in financial liability [a]	(2,094)	(1,800)
Royalty expense	2,007	2,728
Royalty payments made	(1,927)	(1,583)
Accretion (refer to note 5)	1,549	2,698
Closing balance	**13,578**	**14,043**

	30 June 2017 US$'000	31 December 2016 US$'000
Disclosed as:		
Royalty agreements current	4,138	4,861
Royalty agreements non-current	9,440	9,182
	13,578	**14,043**

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).

During July 2015, the Group satisfied all conditions precedent associated with the royalty agreement. This triggered the prorated construction expenditure payments of US$12 million during 2015 and 2016. The effective interest rate for the BlackRock royalty agreement is 21%.

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

16. PROVISIONS

	30 June 2017 US$'000	31 December 2016 US$'000
Provision for rehabilitation		
Opening balance	7,186	7,991
Change in estimate (refer to note 12)	-	(1,652)
Accretion (refer to note 5)	580	847
Closing balance	**7,766**	**7,186**

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 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.

17. DEFERRED TAXATION

	30 June 2017 US$'000	31 December 2016 US$'000
Deferred tax		
Deferred tax relating to Profit or Loss		
Deferred tax liabilities		
Trade and other receivables	52	639
	52	**639**
Deferred tax assets		
Accrued expenses	(165)	(78)
Decommissioning provision	(485)	-
Other provision	(56)	-
Unrealised fair value losses	(15)	-
Unrealised foreign exchange losses arising from the Brazilian operations	(175)	-
Deferred tax asset arising from available tax losses (refer to note 6)	(8,905)	(8,722)
Deferred tax assets not brought to account as realisation is not regarded as probable	9,018	8,696
	783	**(104)**
Deferred tax (asset)/ liability	**(731)**	**535**
Deferred tax relating to equity		
Share issue costs deductible over five years	(367)	(477)
Deferred tax assets not brought to account as realisation is not regarded as probable	367	477
Deferred tax balance	**-**	**-**

18. ISSUED CAPITAL

	30 June 2017		31 December 2016	
	No.	US$'000	No.	US$'000
Issued and fully paid	**2,456,906,443**	**132,282**	**2,456,906,443**	**132,282**

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.

19. CAPITAL AND OTHER COMMITMENTS

	30 June 2017 US$'000	31 December 2016 US$'000
Operating lease commitments[(a)]		
Non-cancellable operating lease rentals:		
Within one year	217	90
One year or later and no later than five years	159	13
	376	**103**
Capital commitments		
Contracted but not provided for and payable:		
Within one year	-	828
One year or later and no later than five years	-	-
	-	**828**

a) **Operating lease commitments**

The Group has entered into various leases primarily for office and operational use. These leases expire between 2 to 36 months. There are no restrictions placed upon the lessee by entering into these leases.

b) **Commitments in relation to exploration projects**

In the previous year ended 31 December 2016, the Group entered into agreements to acquire CentroGold Project from Jaguar Mining Inc. and Canaã West Project from Codelco do Brasil Mineraçao. The Group has made progress in terms of the conditions attached to the acquisitions. Based on the assessments of the progress of these contracts, no provisions or contingencies are required as at 30 June 2017.

c) **Sales commitments**

The Group is exposed to changes in the price of copper on its forecast copper sales and have therefore entered in various agreements with the offtake partner to fix the price. As at 30 June 2017, the Company has sold forward 2,450 tonnes of copper at an average price of $5,783 per tonne ($2.62/lb) (30 June 2016: Nil). The Company has the option to reallocate these tonnes to months with more favourable pricing.

The Group has applied the 'own use scope exemption' under AASB 139 to these agreements and therefore recognises these as executory contracts.

20. RELATED PARTY TRANSACTIONS

During the period, the total aggregate related party transactions for directors' fees, consulting services, services office costs and reimbursements as provided by key management personnel and their related parties for the half-year ended 30 June 2017 totalled US$1,212,031 (half-year ended 30 June 2016: US$971,179). The outstanding balance relating to the above transactions at 30 June 2017 was US$233,258 (30 June 2016: US$149,071).

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 15 for further details.
These transactions have been entered on normal commercial terms.

21. SHARE BASED PAYMENT PLAN

21.1 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:

	Half-year ended	
	30 June 2017 US$'000	**30 June 2016 US$'000**
Operating expenses		
Employee share based payment	**236**	465

21.2 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 2016 Number	Granted Number	Balance at 30 June 2017 Number	Vested and exercisable at 30 June 2017 Number
23 January 2017	31 December 2019	A$0.10	-	42,000,000	42,000,000	-
1 May 2016	30 June 2018	A$0.10	10,000,000	-	10,000,000	10,000,000
26 June 2015	30 June 2018	A$0.10	5,000,000	-	5,000,000	5,000,000
26 June 2015	30 June 2018	A$0.10	135,000,000	-	135,000,000	135,000,000
			150,000,000	**42,000,000**	**192,000,000**	**150,000,000**
Weighted remaining contractual life (years)			1.4			
Weighted average exercise price			A$0.10			

There were no options exercised, forfeited or cancelled during the period.

The inputs on the Black Scholes model for options expensed during the half-year ended 30 June 2017 are as follows:

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

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

[(b)] As at 30 June 2017, 100% of these options have vested.

22. FAIR VALUE MEASUREMENT

The fair value of a financial asset or a financial liability 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 values of cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying values, as a result of their short maturity. The financial liability also approximates its fair value with changes to macro-economic environment being considered in the carrying value of the financial liability.

The valuation techniques used have not changed for each of these financial instruments from the prior period.

23. DIVIDENDS

No dividends have been paid or provided for during the half-year ended 30 June 2017 (half-year ended 30 June 2016: Nil).

24. SUBSEQUENT EVENTS

There are no subsequent events to reporting date.

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 12 to 29, 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 2017 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
25 August 2017

Building a better working world

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 review report to the Members of Avanco Resources Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Avanco Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed interim consolidated statement of financial position as at 30 June 2017, the condensed interim consolidated statement of profit or loss and other comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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 control as the directors determine is 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*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 30 June 2017 and its consolidated financial 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 the Group, 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*.

Ernst & Young

G H Meyerowitz
Partner
Perth
25 August 2017