Avanco
RESOURCES LIMITED

ABN 85 126 379 646

Condensed Interim Consolidated Financial Report

for the six months ended

30 June 2016

CORPORATE DIRECTORY

Directors
Mr Colin Jones (Independent 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 (Executive Director)
Mr Vernon Tidy (Independent Non-Executive Director)
Mr Luiz Ferraz (Independent Non-Executive Director)

Company Secretary
Mr Scott Funston

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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 2016. 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 Colin Jones	Independent 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	Executive Director
Mr Vernon Tidy	Independent Non-Executive Director
Mr Luiz Ferraz	Independent Non-Executive Director (appointed on 5 July 2016)

Results

The loss after tax for the six months ended 30 June 2016 was US$2.719 million (six months ended 30 June 2015 profit after tax of US$3,410). For financial reporting purposes production at the Antas operation commenced on 1 April 2016. The current period result includes an underlying EBITDA[i] of US$4.244 million:

	US$'000
Sales revenue	16,250
Treatment, refining and transport charges	(2,860)
Net sales revenue	**13,390**
Direct production costs	(6,259)
Royalties	(1,111)
Gross profit, before depreciation and amortisation	**6,020**
General, administration and other expenses	(1,587)
Net foreign exchange gain/(loss)	(189)
Underlying EBITDA	**4,244**

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

	US$'000
Underlying EBITDA	**4,244**
Financial income	216
Financial expense	(17)
Non-cash expenses included in loss after tax:	
Depreciation, amortisation and depletion	(3,246)
Accretion of rehabilitation and royalty liabilities	(1,370)
Impairment of exploration projects	(676)
Change in financial liability	(1,405)
Share-based payments	(465)
Total non-cash expenses	***(7,162)***
Loss after tax	**(2,719)**

[i] Underlying earnings before interest, taxes, depreciation and amortization (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.

Review of Operations

HIGHLIGHTS

- Commercial production declared on 1 July 2016 following exceptional commissioning and ramp-up performance
- Copper and gold production exceeds expectations
- Plant recoveries of approximately 94% for copper and 85% for gold
- 11,146 tonnes of concentrate sold
- C1 cash cost of US$1.03/lb payable copper produced
- Over 1,187,000 man-hours without a lost time injury
- Higher confidence Mineral Resource at Pedra Branca East - 10.48mt at 2.8% copper and 0.7g/t gold[ii]
- Commencement of development works at Pedra Branca at an advanced stage
- Board strengthened with appointment of Luis Ferraz as Independent Non-Executive Director
- US$21.042 million cash on hand and on deposit at half-year end

[ii]Refer Total JORC Reported Mineral Resources on page 6

1. ANTAS OPERATION

STATISTICS	Units	Six months ended 30 June 2016
Total Material Mined	t	3,171,361
Ore Mined	t	260,883
Copper Grade	Cu %	1.93
Gold Grade	g/t	0.70
Tonnes Processed	t	177,263
Copper Grade	Cu %	2.32
Gold Grade	g/t	0.55
Copper Recovery	%	94
Gold Recovery	%	85
Concentrate	DMT	13,988
Contained Copper	t	3,848
Contained Gold	Oz	2,694
Concentrate Copper Grade	Cu %	27
Concentrate Gold Grade	g/t	6

SAFETY AND ENVIRONMENT

During the half-year, construction and continuous operation of the plant reached ~1,200,000 man-hours without a lost time accident and the LTIFR (Lost Time Injury Frequency Rate) remains at zero up to the date of this report.

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

MINING

Consistent production from the Antas open pit has been maintained for the half-year with a total of 3,171,361 tonnes mined from all stages as per the 2016 schedule.

Highlights for the period included:

- Good reconciliation between the grade control model and plant production
- Commencement of the Stage 3 pit cut back
- Improvements in drill performance and blasting fragmentation
- Establishment of final walls for the Life of Mine (LOM) pit

This first half-year saw the commencement of the Stage 3 final cut back. Stage 3 is the most elevated area of the mine and significant work was completed to establish access, including preparation of all weather haul roads.

Antas Mine- Stage 3 development
Drilling performance by mining contractor, Mining and Civil Australia (MACA) has improved with the average drill meter per hour increasing by 19%, resulting from changes in supervision and scheduled maintenance. Several operational factors, including blasting parameters, have been improved as the mine encounters more consistent material.

Grade Control Drilling –Stage 2 pit
Grade control drilling on a 5m x10m pattern continues to maintain consistent production rates, aligned with mining and QA/QC requirements.

Construction of the onsite emulsion storage facility has been completed. Regulatory representatives inspected and approved the facility during May.

PROCESSING

Commissioning of the fully integrated plant was completed during the second quarter with commercial production declared on 1 July 2016. Several operational settings were optimised resulting in the plant performance exceeding expectations. The flotation circuit is achieving recoveries of approximately 94% for copper and 85% for gold, a performance above expectations for the commissioning phase.

A new tertiary crusher will be added to the circuit during the fourth quarter to reinforce the crushing circuit.

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

OPERATING COSTS

Operating costs came within budget despite the strengthening of the Brazilian Real to the United States Dollars during the period. This was largely offset by an increase in gold credits due to a higher gold price.

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

Costs should remain largely in line with those currently reported in Brazilian Real terms, with the USD / BRL currency expected to remain volatile in the foreseeable future.

SALES

Shipped sales of concentrate were slightly below planned due to minor shipment delays.

Provisional sales have been reported since final settlement has not been completed. Quotation period and final assay adjustments will be made when finalised. The Government royalty (CFEM) was paid during the quarter, with all other royalties becoming due in the following quarter and continuing for the LOM.

2. PEDRA BRANCA

INTRODUCTION

With Pedra Branca East (PBE) and Pedra Branca West (PBW) having the potential to produce approximately 35,000tpa of copper, evaluation of the proposed Pedra Branca East[1] (“PBE”) fast start-up pre-commercial mine continues to progress.

A Scoping Study for the full scale development of Pedra Branca East (PBE) was released on 12 September 2016 with the results considered very positive. Please refer to the full Scoping Study announcement on our website.

Management undertook the Scoping Study in conjunction with the yet to be completed Pre-Feasibility Study on the ‘Development Stage’ of the Pedra Branca East Hanging Wall High Grade Zone. The Pre-Feasibility Study is well advanced and is expected to be finalised during the fourth quarter 2016.

The pre-commercial development strategy will target extraction of ore from the PBE hangingwall high grade zone (“HW-HGZ”). The HW-HGZ[2] is the largest and most prominent of the high grade zones within PBE, and contains approximately 60% of the total copper metal. The substantial thickness of the HW-HGZ will help reduce mining dilution and underscores the selection of “sub-level open stoping” as the preferred low cost mining method.

2. PEDRA BRANCA (continued)

The Board approved the commencement of the development of Pedra Branca East, which will be funded from existing cash reserves in the near term. Planned activities include construction of the box cut, portal and starting a decline access.

Current planning and design for the above access is the same as that required for the fully expanded PBE mine, therefore capital is being more efficiently deployed. Information from the strategy will feed into a Definitive Feasibility Study (DFS) to support future funding.

The updated resource estimate for PBE announced during the half year represents a key input for mine design, costings and economics. A number of implementation schedules are being examined. The most aggressive plan assumes advancing the decline and first ore extraction during the second or third quarters 2017.

Haulage contractors seeking to transport ore from Pedra Branca to Antas have submitted tenders to haul to Antas.

Management considers the development decision at PBE an important milestone for the future growth the Company. The mine concept and all future expenditure in conjunction with the copper and foreign exchange markets will be monitored and prudently managed.

PBE is still open down plunge and along strike to the East and thus the Company believes there is further resource upside. The proximal PBW prospect (with Inferred resources of 8.12Mt @ 1.77% copper, 0.63g/t gold) remains at an earlier stage of resource/study evolution but hosts significant upside.

Together, Antas plus Pedra Branca East, coupled with Pedra Branca West, have the potential to increase Avanco's total production to ~50,000tpa of copper.

RESOURCE BLOCK MODELLING[3]

The Mineral Resource estimate at PBE was updated during the half year, following the completion of near surface infill drilling, successfully achieving the objective of upgrading the confidence of near surface resources to the Measured category. The updated PBE Mineral Resource estimate is comparable in size to the July 2015 estimate with over 70% now reporting to the higher confidence Measured and Indicated categories.

Pedra Branca East: May 2016 Mineral Resource Estimate (above a cut-off grade of 0.9% Cu)						
DEPOSIT	**Category**	**Million Tonnes**	**Cu (%)**	**Au (g/t)**	**Copper Metal (T)**	**Gold Metal (Oz)**
Pedra Branca East	Measured	1.98	2.7	0.7	53,000	43,000
	Indicated	5.72	2.8	0.7	161,000	123,000
	M + I	**7.70**	**2.8**	**0.7**	**214,000**	**166,000**
	Inferred	2.78	2.7	0.6	75,000	55,000
	Total	**10.48**	**2.8**	**0.7**	**289,000**	**221,000**

The Measured and Indicated Resource for the HW-HGZ is 4.5mt at 2.8% copper and 0.7g/t gold and is the targeted portion of the deposit for the proposed pre-commercial trial underground mine.

Pedra Branca East HW-HGZ: May 2016 Mineral Resource Estimate (above a cut-off grade of 0.9% Cu)						
DEPOSIT	**Category**	**Million Tonnes**	**Cu (%)**	**Au (g/t)**	**Copper Metal (T)**	**Gold Metal (Oz)**
Pedra Branca East	Measured	1.3	2.90	0.70	38,000	30,000
	Indicated	3.2	2.80	0.70	91,000	76,000
	M + I	**4.5**	**2.8**	**0.70**	**129,000**	**106,000**
	Inferred	1.6	2.40	0.50	37,000	27,000
	Total	**6.1**	**2.7**	**0.70**	**166,000**	**133,000**

RESOURCE BLOCK MODELLING[3] (continued)

There has been a marginal decrease in global tonnage compared to the July 2015 PBE estimate resulting from more accurate definition of the plunging orebody geometry, and removal of some low confidence Inferred Resource zones. The overall copper grade remains unchanged at 2.8%, while the gold grade has increased by 13% to 0.7g/t. The following table provides a comparison between the July 2015 and May 2016 resource estimates for PBE.

	PBE: July 2015 Mineral Resource estimate			PBE: May 2016 Mineral Resource estimate			Comparison		
	Tonnes (mt)	Grade (Cu %)	Grade (Au g/t)	Tonnes (mt)	Grade (Cu %)	Grade (Au g/t)	Tonnes	Grade (Cu %)	Grade (Au g/t)
TOTAL	**11.39**	**2.78**	**0.62**	**10.48**	**2.8**	**0.7**	-8%	0%	+13%

GEOLOGY

The updated PBE long section, following the last phase of drilling and resource modelling, indicates that the plunge of the orebody is shallower than previously interpreted. This indicates that further growth potential exists along strike to the east, as well as down plunge. Furthermore, a shallower plunge indicates the orebody extension is closer to surface.

INFRASTRUCTURE

Access studies relating to the proposed transport route from PBE to the Antas Mine have focussed on the upgrade of 10km of dirt road between the project and the asphalt highway.

PERMITTING

Approval for the excavation of the box-cut has been issued and the Company continues towards the receipt of a Trial Mining Licence in parallel with the application for the full environmental and mining licenses.

GEOTECHNICAL / HYDROLOGY

Results from the independent geotechnical and hydrological study have been incorporated into the progression of the Scoping Study and Prefeasibility Study, refining the underground design.

Geotechnical drilling at the preferred box-cut/ramp location has been completed, and a final box-cut/portal/ramp design produced.

An independent peer review of the proposed mine design was completed by a third party.

3. EXPLORATION

Exploration work during the half-year focused on detailed mapping northwest of Pedra Branca, soil sampling at Serra Roxa, and field reconnaissance work at the Trindade North and Xinguarinha licenses.

The Company has purchased new state-of-the-art EM geophysical equipment. This technology will be employed to identify sulphide bodies at depth, greatly assisting and expediting the exploration for new discoveries around Antas and within the Company's substantial tenement package.

At Trindade North, a new Banded Iron Formation (BIF) was mapped in the northeast of the license, containing high grade iron mineralisation. IOCG alteration assemblages were also noted suggesting potential for copper mineralisation.

4. CORPORATE

Avanco has successfully made the transition from junior explorer to producer status. The Antas mine was brought into commercial production on schedule and on budget. This achievement has increased the Company's credibility within Brazil's resources sector opening up opportunities for new copper and gold acquisitions.

4. CORPORATE (continued)

The Company announced the appointment of Mr Luiz Ferraz as an Independent Non-Executive Director effective 5 July 2016. With commercial production achieved, the engagement of Mr Ferraz continued the on-going restructuring of Avanco's Board towards greater independence and compliance with ASX Corporate Governance Guidelines. Mr Ferraz brings unparalleled Brazilian industry and corporate expertise to the Company which will bolster Avanco's standing within the business and financial sectors of Brazil.

The Company's Registered Office and Principal Place of Business in Australia has changed, with the postal address, telephone and facsimile numbers remaining the same.

5. MINERAL RESOURCE ESTIMATE

CARAJAS - TOTAL JORC Reported Mineral Resources[3,4,5,6]						
DEPOSIT	**Category**	**Million Tonnes**	**Cu (%)**	**Au (ppm)**	**Copper Metal (T)**	**Gold Metal (Oz)**
PB East[7]	Measured	1.98	2.70	0.70	53,000	43,000
	Indicated	5.72	2.80	0.70	161,000	123,000
	Inferred	2.78	2.70	0.60	75,000	55,000
	Total	**10.48**	**2.80**	**0.70**	**289,000**	**221,000**
PB West[7]	Indicated	4.46	2.04	0.61	91,000	87,000
	Inferred	2.74	1.72	0.56	47,000	49,000
	Total	**7.19**	**1.92**	**0.59**	**138,000**	**136,000**
PEDRA BRANCA	**Total**	**17.67**	**2.44**	**0.65**	**427,000**	**357,000**
ANTAS NORTH[7]	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
	Total	**6.38**	**2.38**	**0.50**	**152,000**	**102,000**
ANTAS SOUTH[8,9]	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
	Total	**10.08**	**0.83**	**0.2**	**85,000**	**65,000**
TOTAL		**34.13**	**1.95**	**0.49**	**664,000**	**524,000**

ANTAS NORTH – JORC Reported Ore Reserves[10,11]							
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
PROVEN + PROBABLE ROM ORE			**2.649**	**3.19**	**0.66**	**84,518**	**56,277**
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
TOTAL PROVEN + PROBABLE			**3.63**	**2.53**	**0.55**	**91,621**	**64,294**

6. SUBSEQUENT EVENTS

The Antas North (Stage 1) copper project was declared to be in commercial production effective 1 July 2016.

On 1 September 2016, the Group settled a disputed claim for an immaterial amount. Refer to note 14 in the notes to the Condensed Interim Consolidated Financial Statements for further details of the claim.

Subsequent to reporting date, the Board approved the commencement of the development of Pedra Branca East, which will be funded from existing cash reserves in the near term.

7. 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 2016. This Independence Declaration is set out on page 8 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
13 September 2016

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. The Pedra Branca (PB) deposit 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
2. The announcement includes an updated Mineral Resource estimate for the PBE orebody, which hosts the hangingwall high grade zone (HW-HGZ) within it. The HW-HGZ is defined as a geologically distinct zone of higher grade mineralisation that sits on the hangingwall contact of PBE. It is the widest and most prominent high grade zone within PBE and persists throughout the entire deposit
3. Refer ASX Announcement "Resource Upgrade Advances Pedra Branca Development Strategy", 26 May 2016, for Competent Person's Consent, material assumptions, and technical parameters underpinning the Pedra Branca East Mineral Resource Estimate
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 resource estimates
5. 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
6. 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
7. Grade Tonnage Reported above a Cut-off Grade of 0.9% Copper
8. 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
9. Grade Tonnage Reported above a Cut-off Grade of 0.3% Cu for Oxide Resources
10. See ASX Announcement "Maiden Reserves Exceed Expectations for Antas Copper", 17 September 2014, for Competent Person's Consent, material assumptions, and technical parameters underpinning the Antas North JORC (2012) Reported Reserve estimate
11. Measured and Indicated Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves

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Auditor's independence declaration to the directors of Avanco Resources Limited

As lead auditor for the review of Avanco Resources Limited for the half-year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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 Limited and the entities it controlled during the financial period.

Ernst & Young

G H Meyerowitz
Partner
13 September 2016

GHM:JT:AVANCO:010

Condensed Interim Consolidated Statement of Profit or loss and Other Comprehensive Income for the six months ended 30 June 2016 [(1)]

	Notes	Consolidated 6 months ended 30 June 2016 US$'000	6 months ended 30 June 2015 [(2)] US$'000
Sales revenue		16,250	-
Treatment, refining and transport charges		(2,860)	-
Net sales revenue		**13,390**	**-**
Direct costs		(6,259)	-
Royalties		(1,111)	-
Depreciation, amortisation and depletion		(3,246)	-
Cost of sales		**(10,616)**	**-**
Gross profit		**2,774**	**-**
Expenses			
General and administration	3	(1,415)	(442)
Financial income		216	113
Financial expense		(1,387)	-
Net foreign exchange gain/(loss)		(189)	762
Impairment of exploration projects	6	(676)	-
Change in financial liability	9	(1,405)	-
Share-based payments	15	(465)	(212)
Other expenses		(172)	(218)
Total expenses		**(5,493)**	3
(Loss)/Profit before income tax		**(2,719)**	3
Income tax expense		**-**	-
Net (loss)/profit for the half year		**(2,719)**	**3**
Other Comprehensive income/(loss)			
Items that may be reclassified subsequently to profit and loss			
Foreign currency translation		-	(6,665)
Other comprehensive loss for the half-year		**-**	**(6,665)**
Total comprehensive loss for the half-year		**(2,719)**	**(6,662)**
Loss per share attributable to shareholders			
Basic and diluted (loss)/ profit per share (cents per share)		**(0.111)**	0.001

(1) The Group has changed the presentation of the Statement of Profit or Loss and Other Comprehensive Income. Refer to Note 1b)(vi) for further details.

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

Condensed Interim Consolidated Statement of Financial Position
As at 30 June 2016

	Note	Consolidated 30 June 2016 US$'000	31 December 2015[1] US$'000
Assets			
Current Assets			
Cash and cash equivalents		21,042	31,700
Inventories	4	6,320	-
Trade and other receivables	5	4,098	768
Total Current Assets		**31,460**	**32,468**
Non-Current Assets			
Trade and other receivables	5	1,634	1,168
Deferred exploration and evaluation expenditure	6	17,575	16,850
Property, plant and equipment	7	71,058	63,425
Total Non-Current Assets		**90,267**	**81,443**
Total Assets		**121,727**	**113,911**
Current Liabilities			
Trade and other payables	8	10,466	4,758
Financial liability	9	5,780	1,952
Provisions	10	678	3,270
Deferred revenue		-	577
Total Current Liabilities		**16,924**	**10,557**
Non-current Liabilities			
Financial liabilities	9	9,478	6,048
Provisions	10	8,264	7,991
Total Non-current Liabilities		**17,742**	**14,039**
Total Liabilities		**34,666**	**24,596**
Net Assets		**87,061**	**89,315**
Equity			
Issued capital	11	132,282	132,282
Reserves		(30,564)	(31,029)
Accumulated losses		(14,657)	(11,938)
Total Equity		**87,061**	**89,315**

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

Condensed Interim Consolidated Statement of Changes in Equity
for the six months ended 30 June 2016

	Notes	Issued capital US$'000	Accumulated Losses US$'000	Foreign Currency Translation Reserve US$'000	Option Reserves US$'000	Share-based payment Reserves US$'000	Total US$'000
Balance at 1 January 2016 (1)		**132,282**	**(11,938)**	**(37,339)**	**493**	**5,817**	**89,315**
Loss for the 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		**-**	**-**	**-**	**-**	**-**	**-**
Shares issued during the period		-	-	-	-	-	-
Transaction costs		-	-	-	-	-	-
Share based payments	15	-	-	-	-	465	465
Balance at 30 June 2016		**132,282**	**(14,657)**	**(37,339)**	**493**	**6,282**	**87,061**
Balance at 1 January 2015 (1)		**85,104**	**(13,162)**	**(17,103)**	**493**	**5,581**	**60,913**
Profit for the half-year		-	3	-	-	-	3
Other comprehensive loss		-	-	(6,665)	-	-	(6,665)
Total comprehensive loss year		**-**	**3**	**(6,665)**	**-**	**-**	**(6,662)**
Transactions with owners in their capacity as owners							
Shares issued during the period		49,092	-	-	-	-	49,092
Transaction costs		(1,914)	-	-	-	-	(1,914)
Share based payments	15	-	-	-	-	212	212
balance at 30 June 2015 (1)		**132,282**	**(13,159)**	**(23,768)**	**493**	**5,793**	**101,641**

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

Condensed Interim Consolidated Statement of Cash Flows for the six months ended 30 June 2016

	Consolidated	
	6 months ended 30 June 2016 US$'000	6 months ended 30 June 2015[1] US$'000
Cash flows from operating activities		
Cash received from customers	14,191	-
Payments to suppliers and employees	(11,887)	(745)
Financial income received	216	113
Net cash flows from/(used in) operating activities	**2,520**	**(632)**
Cash flows from investing activities		
Payments for deferred exploration and evaluation expenditure	(1,082)	(9,471)
Payments for property, plant and equipment	(15,544)	(515)
Net cash used in investing activities	**(16,626)**	**(9,986)**
Cash flows from financing activities		
Proceeds from Royalty agreement	4,000	-
Proceeds from issue of shares	-	49,092
Payments for share issue costs	-	(1,914)
Net cash provided by financing activities	**4,000**	**47,178**
Net (decrease)/increase in cash and cash equivalents	(10,106)	36,560
Cash and cash equivalents at beginning of period	31,700	16,153
Exchange on cash and cash equivalents	(552)	(380)
Cash and cash equivalents at the end of the period	**21,042**	**52,333**

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

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 2016 were authorised for issue in accordance with a resolution of the Directors on 13 September 2016.

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 Condensed Interim Consolidated Financial Statements for the six months ended 30 June 2016 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 2015, with the exception of the following and are further described under the change in accounting policy and new accounting policy notes below:

- Change in functional and presentation currency, refer to note a); and
- Inclusion of mine properties policy and revision of depreciation, trade receivable, inventory and revenue policies to provide for the commencement of operational activities at Antas North mine, refer to note b).

The Group has determined the production start date to be 1 April 2016 on the basis that the ability to produce metal in a saleable form within customer specification and completion of the testing period of the mine plant and equipment were achieved on that date.

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 2015 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.

a) Changes in accounting policies

Change in functional and presentation currency

As the Group has progressed from the development and construction phase to producer of the Antas North (Stage 1) project, major cash inflows and outflows are now denominated in US Dollars. Revenue from the Antas mine is denominated in US Dollars and it is anticipated that future debt and capital raisings will be denominated in US Dollars. On this basis, the parent entity and all the subsidiaries have changed their functional currency to US Dollars, and the Group and the parent entity have changed their presentation currency from Australian Dollars to US Dollars, effective 1 January 2016. Financial information for prior periods has been restated from Australian Dollars to US Dollars in accordance with *AASB 121 The effects of changes in foreign exchange rates*. Assets and liabilities were translated into US Dollars using the closing rate as at 31 December 2015.

a) Changes in accounting policies (continued)

Change in functional and presentation currency (continued)

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

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

- Income and expenses for the six months ended 30 June 2015 at a rate of A$1 = US$0.7820, approximating actual exchange rates for the date of transactions;
- Balance sheet at 31 December 2015 at a rate of A$1 = US$0.7298, being the exchange rate of 31 December 2015.
- Equity and reserves (except foreign currency translation reserve) have been restated using historical rates, approximating the date of the transactions with rates in the range of A$1 = US$0.7298 to US$1.0595, with the translations differences recorded in the foreign currency translation reserve.

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

	Consolidated	
	6 months ended 30 June 2015 A$000	6 months ended 30 June 2015 US$'000
Sales revenue	-	-
Treatment, refining and transport charges	-	-
Net sales revenue	**-**	**-**
Direct costs	-	-
Royalties	-	-
Depreciation, amortisation and depletion and indirect costs	-	-
Cost of sales	**-**	**-**
Gross profit	**-**	**-**
Expenses		
General and administration	(565)	(442)
Financial income	144	113
Net foreign exchange gain	975	762
Share-based payments	(272)	(213)
Other net expenses	(278)	(217)
Profit before income tax	**4**	**3**
Income tax expense	**-**	-
Net profit for the half year	**4**	**3**
Other Comprehensive loss		
Items that may be reclassified subsequently to profit and loss		
Foreign currency translation	(3,332)	(6,665)
Other comprehensive loss for the half-year	**(3,332)**	**(6,665)**
Total comprehensive loss for the half-year	**(3,318)**	**(6,662)**
Loss per share attributable to shareholders		
Basic and diluted profit per share (cents per share)	0.001	0.001

a) Changes in accounting policies (continued)

Change in functional and presentation currency (continued)

Consolidated Statement of Financial Position			
	Notes	31 December 2015 A$000	31 December 2015 US$'000
Assets			
Current Assets			
Cash and cash equivalents		43,446	31,700
Trade and other receivables	5	1,043	768
Total Current Assets		**44,489**	**32,468**
Non-Current Assets			
Deferred exploration and evaluation expenditure	6	23,088	16,850
Property, plant and equipment	7	86,908	63,425
Trade and other receivables	5	1,600	1,168
Total Non-Current Assets		**111,596**	**81,443**
Total Assets		**156,085**	**113,911**
Current Liabilities			
Trade and other payables	8	6,519	4,758
Financial liability	9	2,675	1,952
Provisions	10	4,481	3,270
Deferred revenue		790	577
Total Current Liabilities		**14,465**	**10,557**
Non-current Liabilities			
Financial liability	9	8,287	6,048
Provisions	10	10,950	7,991
Total Non-current Liabilities		**19,237**	**14,039**
Total Liabilities		**33,702**	**24,596**
Net Assets		**122,383**	**89,315**
Equity			
Issued capital	11	148,001	132,282
Reserves		(13,044)	(31,029)
Accumulated losses		(12,574)	(11,938)
Total Equity		**122,383**	**89,315**

b) New accounting policies

(i) Depreciation

The carrying amounts of property, plant and equipment (including initial and subsequent capital expenditure) are depreciated to their estimated residual value over the estimated life to the associated mine. Depreciation is calculated using units of production basis over the life of the economically recoverable reserves. Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets from the date that the assets are completed and ready for use. Depreciation is not charged on plant and equipment under construction.

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(ii) Mine Properties

Once the technical feasibility and commercial viability of the extraction of mineral resources in a particular area of interest become demonstrable, the deferred exploration and evaluation expenditure and assets-under-construction costs attributable to that area of interest are transferred to mine properties. All development costs subsequently incurred within that area of interest are capitalised and carried at cost.

Amortisation of capitalised mine properties is provided on the unit-of-production method resulting in an amortisation charge proportional to the depletion of the economically recoverable mineral resources. Costs are amortised from the commencement of commercial production.

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

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

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

(iii) Inventories

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

Quantities of run of mine (ROM) ore, broken ore and concentrate stocks are assessed primarily through surveys and assays. Inventories are categorised as follows:

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

b) New accounting policies (continued)

(iv) Trade receivables

Trade receivables include actual invoiced sales of copper concentrate as well as sales not yet invoiced for which deliveries have been made and the risks and rewards of ownership have passed. The receivable amount calculated for the copper concentrate delivered but not yet invoiced is recorded at the fair value of the consideration receivable at the date of delivery.

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

(v) Revenue

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

For copper concentrate sales the sales price is determined on a provisional basis at the date of delivery. Adjustments to the sale price occur based on movements in the metal market price up to the date of final pricing. Final pricing is based on the monthly average market price in the month of settlement. The period between provisional invoicing and final pricing is typically between 2 and 4 months. Revenue on provisionally priced sales is initially recorded at the estimated fair value of the consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the characteristics of a commodity derivative. Accordingly, the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value recognised as an adjustment to revenue in the statement of profit or loss and other comprehensive income and trade debtors in the statement of financial position. In all cases, fair value is determined with reference to LME forward prices.

(vi) Change in presentation of components in the Consolidated Statement of Profit or Loss

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

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

(vii) New and revised Standards and Interpretations

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 six months ended 30 June 2016. 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.

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.

				Consolidated
	Brazilian mining operation US$'000	Unallocated US$'000	Consolidation adjustments US$'000	Total Group results US$'000
For the six months 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)
Total segment assets	92,148	100,660	(71,081)	121,727
Total segment liabilities	(116,872)	(15,140)	97,346	(34,666)

As there were no operational mines in the six months' comparative period ended 30 June 2015, all significant operating decisions were based upon analysis of the Group as one segment.

3. GENERAL AND ADMINISTRATION

	Consolidated	
	6 months ended 30 June 2016 US$'000	6 months ended 30 June 2015 US$'000
Public company costs	(2)	(15)
Directors' fees and corporate salaries	(457)	(173)
Legal and compliance fees	(626)	(48)
Rent and outgoings	(150)	(117)
Travel expenses	(180)	(89)
	(1,415)	**(442)**

4. INVENTORIES

	Consolidated	
	30 June 2016 US$'000	31 December 2015 US$'000
Run of mine (ROM) ore - at cost	2,656	-
Broken ore – at cost	715	-
Concentrate – at cost	2,326	-
Stores, spares and consumables – at cost	623	-
	6,320	**-**

5. TRADE AND OTHER RECEIVABLES

	Consolidated	
	30 June 2016 US$'000	31 December 2015 US$'000
Current asset		
Trade receivables	1,012	576
Recoverable taxes[a]	1,556	34
Prepayments [b]	1,496	137
Security bond	34	21
	4,098	**768**
Non-current asset		
Recoverable taxes[a]	1,634	1,168
	1,634	**1,168**

a) Recoverable taxes mainly relate to Brazilian federal and state taxes arising from the construction stage of the Antas North project.
b) Prepayments include payments in advance for consumables not yet delivered.

6. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	30 June 2016 US$'000	31 December 2015 US$'000
Carrying amount at the beginning of period	16,850	41,010
Exploration expenditure during the period	1,439	14,729
Transferred to plant and equipment	(38)	(27,063)
Impairment loss [a]	(676)	-
Net exchange difference on translation	-	(11,826)
Carrying amount at the end of period	**17,575**	**16,850**

a) During the half-year ended 30 June 2016, the Group impaired the carrying amount of exploration and evaluation of assets totalling US$0.676 million. These costs were associated with projects where no further exploration work is currently planned.

7. PROPERTY, PLANT AND EQUIPMENT

Consolidated						
	Plant, equipment and mine properties US$'000	Computer and software US$'000	Furniture, Fixtures and Fittings US$'000	Motor vehicles US$'000	Assets under construction US$'000	Total US$'000
Cost						
Balance at 1 January 2016	**147**	**188**	**116**	**34**	**63,144**	**63,629**
Additions	1,178	56	110	97	13,451	14,892
Transfers	76,633	-	-	-	(76,633)	-
Transferred from exploration and evaluation expenditure (see note 6)	-	-	-	-	38	38
Transferred to inventory - ore	(3,693)	-	-	-	-	(3,693)
Balance at 30 June 2016	**74,265**	**244**	**226**	**131**	**-**	**74,866**
Depreciation						
Balance at 1 January 2016	(107)	(35)	(47)	(15)	-	(204)
Depreciation charge for the period	(3,544)	(12)	(11)	(37)	-	(3,604)
Balance at 30 June 2016	**(3,651)**	**(47)**	**(58)**	**(52)**	**-**	**(3,808)**
Net book value at 30 June 2016	**70,614**	**197**	**168**	**79**	**-**	**71,058**
Cost						
Balance at 1 January 2015	**144**	**57**	**81**	**49**	**6,277**	**6,608**
Additions	23	150	61	-	27,700	27,934
Transferred from exploration and evaluation expenditure (see note 6)	-	-	-	-	27,063	27,063
Rehabilitation cost (see note 10)	-	-	-	-	7,991	7,991
Net effect of movement in exchange rates	(20)	(19)	(26)	(15)	(5,887)	(5,967)
Balance at 31 December 2015	**147**	**188**	**116**	**34**	**63,144**	**63,629**
Depreciation						
Balance at 1 January 2015	(95)	(29)	(51)	(11)	-	(186)
Depreciation charge for the period	(23)	(12)	(6)	(8)	-	(49)
Net effect of movement in exchange rates	11	6	10	4	-	31
Balance at 31 December 2015	**(107)**	**(35)**	**(47)**	**(15)**	**-**	**(204)**
Net book value at 31 December 2015	**40**	**153**	**69**	**19**	**63,144**	**63,425**

8. TRADE AND OTHER PAYABLES

	Consolidated	
	30 June 2016 US$'000	31 December 2015 US$'000
Trade payables	5,513	3,479
Other payables and accrued expenses	4,953	1,279
	10,466	**4,758**

Other payables and accrued expenses as at 30 June 2016 mainly comprise of royalties, Brazilian federal taxes and social security obligation.

9. FINANCIAL LIABILITY

	Consolidated	
	30 June 2016 US$'000	31 December 2015 US$'000
Opening balance	8,000	-
Fair value of proceeds from royalty agreements	4,000	8,000
Change in financial liability [(a)]	1,405	-
Royalty payment due	756	-
Accretion	1,097	-
Closing balance	**15,258**	**8,000**
Disclosed as:		
Royalty agreements current	5,780	1,952
Royalty agreements non-current	9,478	6,048
	15,258	**8,000**

In 2014 the Group executed a binding agreement with BlackRock World Mining Trust PLC (BlackRock) for up to US$12 million non-dilutive production royalty investment subject to satisfying certain conditions precedent and in return for Net Smelter Return (NSR) royalty payments comprising 2% on copper, 25% on gold and 2% on all other metals that will be produced from Stage 1 (Antas North) and Stage 2 (Pedra Branca).

During July 2015 the Group satisfied all conditions precedent associated with the agreement. This triggered the prorated construction expenditure payments of US$4 million in July 2015, US$4 million in November 2015 and US$4 million in March 2016. The effective interest rate for the BlackRock royalty agreement is 21%.

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

10. PROVISIONS

	Consolidated	
	30 June 2016 US$'000	31 December 2015 US$'000
Current liability		
Provision for land access payments[(a)]	678	2,270
Provision for royalty payment[(b)]	-	1,000
	678	**3,270**

10. PROVISIONS (CONTINUED)

	Consolidated	
	30 June 2016	**31 December 2015**
	US$'000	**US$'000**
Non-current liability		
Provision for rehabilitation[c]		
Opening balance	7,991	-
Change in estimate	-	7,991
Accretion	273	-
Closing balance	**8,264**	**7,991**

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

b) In 1993 Britagem E Laminacao de Rochas SA ("Brilasa"), an industrial minerals firm, registered the Rio Verde property with the National Department of Mineral Production (DNPM). On 3 November 2005 Apoquindo Minerals Inc ("Apoquindo") entered into an agreement with Brilasa in which Brilasa granted Apoquindo a 100% interest in the Rio Verde project. In October 2007 the Group purchased Apoquindo and consequently 100% of the Rio Verde property and its associated commitments. The agreement specified a royalty payment of 0.7% of the net smelter return from production of gold, copper or other products from the Rio Verde project, payable every four months after deducting duties, taxes, legal contributions, fees, transport expenses and insurance related to the sale of the product. This royalty can be satisfied by the payment of US$1 million to Brilasa at any time. During the half-year ended 30 June 2016, the Group settled the royalty with the payment of US$1 million.

c) The provision for rehabilitation is an estimate of the value of future costs for dismantling, demobilisation, remediation and ongoing treatment and monitoring of the Antas Project in Brazil. This provision has been created based on the Group's internal estimates which are reviewed over time as the operation develops. The 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.

11. ISSUED CAPITAL

	Consolidated	
	30 June 2016	**31 December 2015**
	US$'000	**US$'000**
Issued and paid up capital		
Issued and fully paid	**132,282**	**132,282**

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

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

12. CAPITAL AND OTHER COMMITMENTS

	Consolidated	
	30 June 2016	**31 December 2015**
	US$'000	**US$'000**
Operating lease commitments[a]		
Non-cancellable operating lease rentals:		
Within one year	199	192
One year or later and no later than five years	199	82
	398	**274**
Capital commitments[b]		
Contracted but not provided for and payable:		
Within one year	-	3,664
One year or later and no later than five years	-	961
	-	**4,625**

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

b) **Capital commitments**
During the year ended 31 December 2015, the Group entered into land access agreements, civil works, dam construction and supply of materials, services and steel works for the Antas North project. During the half-year ended 30 June 2016, the Group successfully completed the construction of the processing plant, therefore there is no outstanding capital commitment as at reporting date.

13. 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 six months totalled US$971,179 (six months ended 30 June 2015: US$612,600). The outstanding balance relating to the above transactions at 30 June 2016 was US$149,071 (30 June 2015:US$72,927).

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 9 for further details.

These transactions have been entered into on normal commercial terms.

14. CONTINGENT LIABILITIES

In the previous year the Group received a writ from Bell Potter Securities Limited claiming a fee in relation to funds received by the Group pursuant to the BlackRock Royalty. The Group denied it was obliged to pay the fee and lodged a defence accordingly. Subsequent to the balance sheet date the Group made an offer of settlement to Bell Potter Securities Limited which was accepted. The settlement amount is immaterial and fully recognised as a liability as at 30 June 2016.

There are no other known contingent liabilities.

15. SHARE BASED PAYMENT PLAN

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:

	Consolidated	
	6 months ended 30 June 2016 U$000	6 months ended 30 June 2015 U$000
Operating expenses		
Employee share based payment	465	212

During the six months ended 30 June 2016, 10 million new share options were issued to independent non-executive directors. These options vested on 30 May 2016 and are exercisable on 30 June 2018 at a price of A$0.10 per share.

The following options were outstanding at 30 June 2016:

Grant date	Expiry date	Exercise price	Balance at 30 June 2016
30 May 2016	30 June 2018	A$0.10	10,000,000
26 June 2015	30 June 2018	A$0.10	140,000,000
30 July 2014	31 December 2016	A$0.15	12,550,000
			162,550,000

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 pricing volatility of the underlying share and the risk free interest rate of the term of the option.

16. 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, financial liabilities and trade and other payables approximate their carrying values, as a result of their short maturity.

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

17. DIVIDENDS

No dividends have been paid or provided for during the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

18. SUBSEQUENT EVENTS

The Antas North (Stage 1) copper project was declared to be in commercial production effective 1 July 2016.

On 1 September 2016, the Group settled a disputed claim for an immaterial amount. Refer to note 14 for further details of the claim.

Subsequent to reporting date, the Board approved the commencement of the development of Pedra Branca East, which will be funded from existing cash reserves in the near term.

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 9 to 24, 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 2016 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
13 September 2016

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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 2016, 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 2016 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 2016 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 2016 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
Perth
13 September 2016