



ABN 85 126 379 646

Financial Report for the half-year ended
31 December 2010

CORPORATE DIRECTORY

Directors

Mr Matthew Wood (Chairman)
Mr Anthony Polglase (Managing Director)
Mr Scott Funston (Executive Director)
Mr Simon Mottram (Executive Director)
Mr Colin Jones (Non-Executive Director)

Company Secretary

Mr Scott Funston

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Share Registry

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Telephone: + 61 8 9323 2000
Facsimile: + 61 8 9323 2033

Auditors

Ernst & Young
11 Mounts Bay Road
PERTH WA 6000 Australia

Stock Exchange

Australian Stock Exchange
(Home Exchange: Perth, Western Australia)
ASX Code: AVB and AVBOB

Contents	Page
Directors' Report	1
Auditor's Independence Declaration	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Comprehensive Income	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	8
Notes to the Financial Statements	9
Directors' Declaration	13
Independent Auditor's Report	14

DIRECTORS' REPORT

The directors of Avanco Resources Limited submit the financial report of the consolidated entity for the half-year ended 31 December 2010. 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 Matthew Wood (Chairman)	Chairman
Mr Anthony Polglase	Executive Director
Mr Scott Funston	Executive Director
Mr Simon Mottram	Executive Director (appointed 18 January 2011)
Mr Colin Jones	Non-Executive Director (appointed 7 October 2010)

Results

The loss after tax for the half year ended 31 December 2010 was \$2,031,189 (31 December 2009 loss of \$441,593).

Review of Operations

HIGHLIGHTS

- 2,000m drill program at the Rio Verde Copper Project completed with the discovery of an exceptionally high grade copper zone confirmed and justifies further drilling.
- Agreed terms to acquire rights to earn into 75% of the Conceicao Nickel Platinum Project.
- Major 50,000m copper and nickel platinum drilling program launched.
- Drilling recommenced at the Rio Verde Copper Project targeting high grade copper. High concentrations of copper already logged in drill core. Ramp up of drilling programme started with additional people in place and additional rigs mobilising.
- Iron Ore Project drilling approvals obtained and Vale SA expected to start drilling within weeks. The Trindade North option agreement has the potential to generate payments of between \$10m to \$40m for Avanco.
- Key appointments made, including Mr Simon Mottram appointed to Avanco Board as Executive Director for Exploration and Colin Jones as a Non-Executive Director.
- Successfully raised \$20 million to fund an aggressive exploration and acquisition strategy in the Carajas.

EXPLORATION – COPPER AND NICKEL PLATINUM PROJECTS

At Rio Verde the Company completed a 2,000m drilling program with results confirming the discovery of an exceptionally high grade copper zone at the Antas South Deposit. The high grade mineralisation extends over 300m laterally and remains open along strike and at depth. Interpretation also indicates the presence of a second as yet undiscovered highly mineralised structure existing to the north of the current high grade zone.

The Company launched a major 50,000m exploration drilling programme over its Copper and Nickel Platinum Projects:

Antas South Copper Deposit (drill out and extensions):	25,000m
Rio Verde Project (new copper targets):	10,000m
Serra Verde Project (copper targets):	5,000m
Regional copper targets (new projects):	5,000m
Nickel and platinum targets:	5,000m

The comprehensive and multi target programme has been planned to realise maximum value from the Company's assets with early focus continuing to be directed at drilling out and extending the high grade copper discovery at the Antas South Deposit.

To date approximately 8 holes for 475m has been completed since recommencement of drilling in late November 2010. High concentrations of copper mineralisation have been logged in some holes. A second diamond drilling rig has now arrived at the Antas South Copper Deposit and has commenced drilling immediately.

With additional staff now in place and the arrival of additional drilling rigs in the coming months, the Company will drill test the neighbouring Serra Verde copper property. Avanco will likely increase drilling capability to include additional diamond and reverse circulation rigs as it steps out to test deeper mineralisation, new regional copper targets and the Nickel Platinum Project.

IRON ORE PROJECT

Avanco ceded the exploration of Trindade North to Vale SA (Vale) and also agreed to vendé Vale an option to acquire the property after satisfying certain conditions precedent. Having obtained all the approvals required for exploration at the Trindade North Iron Ore Project the area is now ready for Brazilian major Vale to commence drilling.

Trindade North is believed to be highly prospective for iron ore and is situated proximal to Vale's giant N4-N5 iron ore mine in the Carajas, Brazil. The option agreement has been signed and will be executed as a partnership with Vale being granted exclusive exploration rights for up to 3 years. On satisfying conditions precedent, Vale will have earned the right to exercise an option to acquire sole ownership of the property. Remaining key provisions include:

1. Vale to pay Avanco US\$350,000 on signing and obtaining drilling approvals.
2. Vale should drill at least 2,500m within the first year.
3. After one year, Vale must pay Avanco US\$600,000 for the second year. To retain and extend the option for a third year, Vale must make a further payment of US\$1,000,000 to Avanco.
4. Based on drilling results Vale will pay Avanco a royalty for any in-situ. JORC compliant iron ore resources in the measured and indicated categories.
5. On Avanco receiving funds from Vale inclusive of 2 and 3 (above) estimated at US\$10,000,000 or more, Vale will have satisfied conditions precedent and will have earned the right to complete the acquisition for sole ownership of Trindade North. The total sum of all qualifying payments to Avanco is capped at a maximum value of US\$40,000,000.
6. In the event economic mineralisation other than iron ore is discovered, both parties will renegotiate terms with Vale retaining preferential rights to first refusal.
7. Avanco can elect a representative to participate in the exploration programme.

Vale has already communicated details of its proposed drilling programme and the Company expects to provide more information on this and the start of Vale drilling in the coming weeks. The Vale transaction has the potential to deliver significant payments to Avanco of between US\$10m to US\$40m.

Corporate

The Company successfully completed a \$20m capital raising through a placement to local and overseas sophisticated and institutional investors. Avanco is now in a strong and enviable financial position to undertake the substantial exploration and development programmes over its copper and nickel-platinum projects.

The Company has appointed Mr Simon Mottram as Executive Director for Exploration, Mr Colin Jones as a Non-Executive Director and Mr Jailson Araujo as Project Manager for Rio Verde. Mr Mottram has a solid track record in executing large scale drill programmes and takes on responsibility for directing all exploration activities. Mr Jones is an outstanding minerals industry professional with a wealth of mine building and operational experience. Mr Araujo is a Brazilian geologist with much local knowledge and assumes responsibility for the management and supervision of drill programmes at the Rio Verde and neighbouring properties.

The Vale agreement is the first in a number of expected corporate activities to be successfully closed. It follows a strategy of seeking growth and realising greater value from Avanco's high quality Carajas project portfolio.

With drilling activity expanding and a number of new Carajas transactions at an advanced stage of negotiation, significant news flow is anticipated over the coming months.

Subsequent Events

There have been no significant events subsequent to the half-year to the date of this report.

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 half-year financial report. This Independence Declaration is set out on page 4 and forms part of this directors' report for the half-year ended 31 December 2010.

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



Matthew Wood
Chairman

Perth, Western Australia
1 March 2011

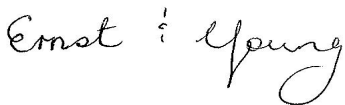
Competent Person Statements

The information in this report that relates to mineral resources or ore resources is based on information compiled by Mr. Peter Ball who is a member of the Australian Institute of Mining and Metallurgy. Mr. Ball is the manager of Data Geo. Mr. Ball 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 as defined in the 2004 edition of the Australian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves. Mr. Ball consents to the inclusion in the report of the matter based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources and Exploration Results are based on information compiled by Mr Matthew Wood who is a Member of the Australian Institute of Mining and Metallurgy. Mr Wood is the Chairman of Avanco Resources Limited. Mr Wood 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 as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Wood consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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

In relation to our review of the financial report of Avanco Resources Limited and its controlled entities for the half year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'F Drummond'.

F Drummond
Partner
Perth
1 March 2011

Consolidated Statement of Financial Position

As at 31 December 2010

	Note	31 December 2010 \$	30 June 2010 \$
Assets			
Current Assets			
Cash and cash equivalents		22,579,760	4,519,184
Trade and other receivables		150,325	73,326
Total Current Assets		22,730,085	4,592,510
Non-Current Assets			
Plant and equipment		137,058	95,341
Deferred exploration and evaluation expenditure		5,461,527	4,753,389
Total Non-Current Assets		5,598,585	4,848,730
Total Assets		28,328,670	9,441,240
Current Liabilities			
Trade and other payables		300,640	184,778
Total Current Liabilities		300,640	184,778
Total Liabilities		300,640	184,778
Net Assets		28,028,030	9,256,462
Equity			
Issued capital	3	29,986,290	11,309,380
Reserves		4,221,454	2,095,607
Accumulated losses		(6,179,714)	(4,148,525)
Total Equity		28,028,030	9,256,462

Consolidated Statement of Comprehensive Income
for the half-year ended 31 December 2010

	Notes	2010 \$	2009 \$
Revenue			
Interest income		122,185	16,978
Total revenue		122,185	16,978
Public company costs		(103,391)	(45,415)
Professional fees		(42,738)	(30,068)
Consultants and Directors fees		(194,365)	(204,471)
Share based payments	5	(1,650,000)	(33,129)
Depreciation		(10,077)	(9,428)
Other expenses	2	(152,803)	(136,060)
Loss from continuing operations before income tax		(2,031,189)	(441,593)
Income tax expense		-	-
Loss from continuing operations after income tax		(2,031,189)	(441,593)
Net loss for the half year		(2,031,189)	(441,593)
Other Comprehensive Income			
Foreign currency translation difference		(404,153)	10,921
Other comprehensive (loss) / income for the half-year		(404,153)	10,921
Total comprehensive loss for the half-year		(2,435,342)	(430,672)
Loss per share attributable to owners of Avanco Resources Limited			
Basic loss per share (cents per share)		(0.36)	(0.15)
Diluted loss per share (cents per share)		(0.36)	(0.15)

Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2010

	Issued capital \$	Accumulated Losses \$	FX Reserves \$	Option Reserves \$	Share based payment Reserves \$	Total \$
Balance at 1 July 2010	11,309,380	(4,148,525)	38,306	549,200	1,508,101	9,256,462
Loss for the half-year	-	(2,031,189)	-	-	-	(2,031,189)
Other comprehensive loss	-	-	(404,153)	-	-	(404,153)
Total comprehensive loss for the half-year	-	(2,031,189)	(404,153)	-	-	(2,435,342)
Transactions with owners in their capacity as owners						
Equity issued by placement	20,000,000	-	-	-	-	20,000,000
Equity issued through option conversion	819,282	-	-	-	-	819,282
Costs of issue	(2,142,372)	-	-	-	-	(2,142,372)
Share based payment	-	-	-	-	2,530,000	2,530,000
Balance at 31 December 2010	29,986,290	(6,179,714)	(365,847)	549,200	4,038,101	28,028,030
Balance at 1 July 2009	6,933,420	(3,345,737)	(41,711)	549,200	784,765	4,879,937
Loss for the half-year	-	(441,593)	-	-	-	(441,593)
Other comprehensive income	-	-	10,921	-	-	10,921
Total comprehensive income / (loss) for the half-year	-	(441,593)	10,921	-	-	(430,672)
Transactions with owners in their capacity as owners						
Share based payment	-	-	-	-	33,129	33,129
Balance at 31 December 2009	6,933,420	(3,787,330)	(30,790)	549,200	817,894	4,482,394

Consolidated Statement of Cash Flows
for the half-year ended 31 December 2010

	2010	2009
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(417,986)	(464,166)
Interest received	122,185	16,978
Net cash flows used in operating activities	(295,801)	(447,188)
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	(1,124,563)	(473,959)
Payments for property, plant and equipment	(7,093)	-
Net cash used in investing activities	(1,131,656)	(473,959)
Cash flows from financing activities		
Proceeds from issue of shares	20,819,282	-
Payments for share issue costs	(1,328,798)	-
Net cash provided by financing activities	19,490,484	-
Net increase / (decrease) in cash and cash equivalents	18,063,027	(921,147)
Cash and cash equivalents at beginning of period	4,519,184	1,710,324
Foreign exchange variance on cash	(2,451)	-
Cash and cash equivalents at the end of the period	22,579,760	789,177

Notes to the Financial Statements

for the half-year ended 31 December 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial report of Avanco Resources Limited and its controlled entities (the Group) for the half-year ended 31 December 2010 was authorised for issue in accordance with a resolution of the directors on 1 March 2011.

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

These condensed general purpose financial statements for the half-year reporting period ended 31 December 2010 have been prepared in accordance with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Act 2001.

These half-year 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 30 June 2010 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 half-year report has been prepared on an accruals basis and is based on historical costs.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial statements.

Changes in accounting policies

From 1 July 2010, the Group has adopted the Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2010. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

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

Notes to the Financial Statements

for the half-year ended 31 December 2010

NOTE 2: OTHER EXPENSES

	Consolidated	
	31 December 2010	31 December 2009
	\$	\$
Bank fees	1,705	1,443
Conferences and seminars	1,591	-
General office expenses	30,441	11,325
Rent and outgoings	60,000	60,000
Travel and accommodation	19,241	42,922
Other	39,825	20,370
Total other expenses	152,803	136,060

NOTE 3: ISSUED CAPITAL

	31 December 2010	30 June 2010
	\$	\$
<i>Ordinary shares</i>		
Issued and fully paid	29,986,290	11,309,380

	No.	\$
<i>Movements in ordinary shares on issue</i>		
At 1 July 2010	511,652,972	11,309,380
Equity issued by placement	200,000,000	20,000,000
Equity issued through option conversion	54,618,819	819,282
Costs of issue	-	(2,142,372)
At 31 December 2010	766,271,791	29,986,290

NOTE 4: SEGMENT REPORTING

For management purposes, the Company is organised into one main operating segment, which involves mineral exploration for copper and other minerals. All of the Company's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Makers) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole. The accounting policies used in reporting segments internally are the same as those contained in note 1 to the accounts.

Notes to the Financial Statements

for the half-year ended 31 December 2010

NOTE 5: SHARE BASED PAYMENT

Share based payment transactions recognised either as operation expenses in the statement of comprehensive income or as capital raising expenses in the equity during the year were as follows:

	31 December 2010	31 December 2009
	\$	\$
<i>Operating expenses</i>		
Employee share based payment (a)	1,650,000	33,129
<i>Capital raising expenses</i>		
Share based payment to supplier (b)	880,000	-

(a) Employee share based payment

The table below summarises options granted to Directors, employees and consultants during the half-year period:

Grant Date	Expiry date	Exercise price	Granted during the period Number	Exercisable at end of the period Number
30 November 2010	30 September 2013	\$0.18	25,000,000	25,000,000
			25,000,000	25,000,000

The weighted average of the fair value of the options issued at the grant date is \$0.066.

(b) Capital raising expenses

The table below summarises options granted to suppliers during the half-year period

Grant Date	Expiry date	Exercise price	Granted during the period Number	Exercisable at end of the period Number
13 December 2010	14 December 2013	\$0.15	10,000,000	10,000,000
			10,000,000	10,000,000

The options were issued to suppliers for management services for placements made during the period. The weighted average fair value of options granted during the period was \$0.088. The fair value of the options at the date of receiving the services was used to record the transactions as the fair value of the underlying services could not be measured reliably.

NOTE 6: DIVIDENDS

No dividends have been paid or provided for during the half-year (2009: nil).

NOTE 7: CONTINGENT LIABILITIES

There has been no change in contingent liabilities or contingent assets since the last annual reporting date.

NOTE 8: SUBSEQUENT EVENTS

There have been no significant events subsequent to the half-year to the date of this report.

DIRECTORS' DECLARATION

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

1. The financial statements and notes thereto of the consolidated entity, as set out on pages 5 to 12, 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 31 December 2010 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.



Matthew Wood
Director
Perth, Western Australia
1 March 2011

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 statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes 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 and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, 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 31 December 2010 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.

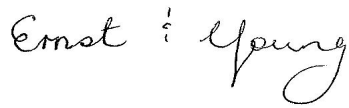
Independence

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 half-year financial report of Avanco Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the six months ended on that date; and
- (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script, appearing to be 'F Drummond'.

F Drummond
Partner
Perth
1 March 2011