



ABN 85 126 379 646

Financial Report for the half-year ended  
31 December 2012

## **CORPORATE DIRECTORY**

### **Directors**

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

### **Company Secretaries**

Mr Scott Funston  
Mr David McEntaggart

### **Registered Office**

Level 1  
33 Richardson Street  
WEST PERTH WA 6005

Telephone: +61 8 9321 6600  
Facsimile: +61 8 9200 4469  
Website: [www.avancoresources.com](http://www.avancoresources.com)

### **Share Registry**

Computershare Investor Services Pty Ltd  
Level 2, Reserve Bank Building  
45 St Georges Terrace  
Perth WA 6000 Australia

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

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## DIRECTORS' REPORT

The directors of Avanco Resources Limited submit the financial report of the consolidated entity for the half-year ended 31 December 2012. 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
Mr Anthony Polglase	Executive Director
Mr Scott Funston	Executive Director
Mr Simon Mottram	Executive Director
Mr Wayne Phillips	Executive Director (appointed 10 January 2013)
Mr Colin Jones	Non-Executive Director
Mr Luis Azevedo	Non-Executive Director (appointed 17 December 2012)

### Results

The loss after tax for the half year ended 31 December 2012 was \$737,963 (31 December 2011 loss of \$271,507).

### Review of Operations

#### Stage 1 (Antas North Deposit)

Progress continues to be made on the Stage I (Antas North Deposit) Feasibility Study. The study currently envisages a 400,000t/pa open pit operation with a head grade of +3.0% Copper and +0.7g/t Gold over the first 5 years of operation (2.86% Copper over the life of mine), producing approximately 11,000t/pa of Copper in concentrate over a mine life of approximately 10 years<sup>1</sup>.

The Company is encouraged by early study observations which point to low capital requirements, and low mine operating costs. Current feasibility work is focused on a number of potential enhancements, including the evaluation and possible use of second-hand crushing, grinding and flotation equipment.

Preliminary metallurgical testing of Stage I ore demonstrates that Antas North is very amenable to conventional Froth Flotation. Copper recoveries of +97% were achieved in rougher-scavenger flotation, even at coarse grind sizes. Test work also demonstrated the ability to produce saleable quality copper concentrates with low deleterious elements.

#### Stage II (Pedra Branca Deposit)

Pedra Branca is the Company's Stage II Project located 50km southwest of the Stage I (Antas North Deposit). Stage II is much bigger and has the potential to feature both open-pit and underground mining operations.

As previously reported, drilling in the Western Zone (APBCD-14 and APBD-18) shows the near surface multiple lenses merge to form a single broad mineralised structure with a distinct high grade core developing. Recent work clearly points to the possibility that the Western Zone may develop at depth to be similar to the Eastern Zone, a single large sub vertical ore-body with a higher grade and thus introducing underground potential in the Western Zone.

The Company expects to deliver a resource upgrade for Stage II during the first quarter of 2013.

Regional exploration drilling has commenced in the Company's Western Leases<sup>3</sup> in the Pedra Branca block.

### **Nickel PGM's**

Nineteen holes were completed for 1,500m at the Conceicao Project<sup>6</sup>. Drilling intersected prospective layered mafic-ultramafic intrusions with assays to date returning low levels of Nickel and Copper related to sulphide mineralisation.

The Company completed the purchase of the outstanding 25% of the Project increasing Avanco ownership to 100%. The Company is evaluating a number of options to progress its nickel interests without compromising its increasing copper focus.

### **Iron Ore**

Avanco and Vale are committed to and are continuing negotiating an acceptable outcome.

### **Corporate**

Avanco is the leading explorer in the world class Carajas Mineral Province in northern Brazil. The Company owns 100% of some of the most prospective copper ground in the region and new opportunities are being evaluated on a regular basis.

Avanco increased its JORC Reported Mineral Resources by ~1,000%<sup>7</sup> in 2012, and in 2013 expects to aggressively pursue the Company's production agenda. Further and substantial resource growth is also anticipated.

To better support the Company's development plans for Stage I, two outstanding industry professionals were appointed to the board. Non-executive Director Mr Luis Azevedo is a Brazilian national with a geology degree from the University of Rio de Janeiro, a Law degree from the University of Candido Mendes and an MBA in Law from Pontifice Catholic University of Rio de Janeiro. With over 35 years international experience, Mr Azevedo has held senior positions with major mining companies including Western Mining and Barrick Gold. Mr Azevedo is an expert in Brazilian Regulatory Law and founded a very successful legal practise in Rio de Janeiro, which provides specialist legal and technical support to both junior and major exploration/mining companies in matters of mineral tenure, regulatory approvals and local finance.

Mr Wayne Phillips was appointed as full time executive Director of Operations, Mr Phillips is a Brazilian national with an outstanding track record of project management and implementation. With a degree in Chemical Engineering from the University of Rhodesia, he migrated to Brazil and established a very successful metallurgical consulting business. Mr Phillips has acquired significant international experience working with engineering groups including SNC Lavalin, Kvaerner and Minproc. As an expert in sulphide flotation Mr Phillips has participated in more than a dozen feasibility studies and adjudicated the award of and supervision of numerous construction projects. For the last ten years Mr Phillips was the Technical Director for Kinross Gold, South America. Mr Phillips will assume immediate responsibility for development, construction and production from Avanco's Carajas Copper Projects.

### **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 2012.

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



**Scott Funston**

**Director**

Perth, Western Australia

27 February 2013

1. Stage I Feasibility Study relates to Antas North Deposit Copper Sulphide ore. The objective of this "in-house" study is to develop a preliminary view as to the economic performance of the project, to support the decision to undertake further studies and consequently a decision to mine. The Feasibility Study is not complete and are best estimates at this time and are likely to vary with continued work.
2. Down-hole length.
3. Advanced exploration target to the west of Pedra Branca.
4. See complete JORC Reported Mineral Resource table below.
5. Grade Tonnage Reported above a Cut-off Grade of 0.4% Cu for Sulphide Resources, and 0.3% Cu for Oxide resources.
6. AVB was obliged to complete 1,500m of drilling before the end of November 2012, for the earn-in to 75% of the project.
7. Compared to the previous comparable 0.3% Cu Cut-off resource prior to 2012 (containing 66,100t Copper), in ASX Announcement "Maiden JORC Resource Carajas Copper Project", 12 January 2009.
8. RC pre-collar, ready for completion by diamond drill tail.

CARAJAS - TOTAL JORC Mineral Resources September 2012 Update <sup>5</sup>						
DEPOSIT	Category	Million Tonnes	Cu (%)	Au (ppm)	Copper Metal (T)	Gold Metal (Oz)
PEDRA BRANCA	Inferred	30.99	1.27	0.33	393,000	327,000
	<b>Total</b>	<b>30.99</b>	<b>1.27</b>	<b>0.33</b>	<b>393,000</b>	<b>327,000</b>
ANTAS NORTH	Indicated	6.56	1.87	0.46	122,000	98,000
	Inferred	4.48	1.35	0.26	60,000	38,000
	<b>Total</b>	<b>11.04</b>	<b>1.65</b>	<b>0.38</b>	<b>183,000</b>	<b>135,000</b>
ANTAS SOUTH	Measured	0.59	1.34	0.18	8,000	3,000
	Indicated	7.5	0.7	0.2	53,000	49,000
	Inferred	1.99	1.18	0.2	24,000	13,000
	<b>Total</b>	<b>10.08</b>	<b>0.83</b>	<b>0.2</b>	<b>85,000</b>	<b>65,000</b>
<b>GLOBAL TOTAL</b>		<b>52.11</b>	<b>1.27</b>	<b>0.32</b>	<b>661,000</b>	<b>527,000</b>

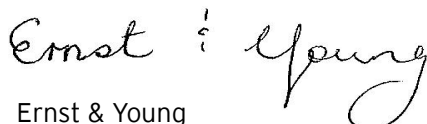
## Competent Person Statements

The information in this report that relates to Mineral Resources and Exploration Results are based on information compiled by Mr Simon Mottram who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Mottram is a Director of Avanco Resources Limited. 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 as defined in the 2004 Edition of the '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.

The information in this report that relates to Mineral Resources is based on information compiled by Dr. Bielin Shi, who is a member of the Australasian Institute of Mining and Metallurgy and Australian Institute of Geoscientists. Dr. Shi is an employee of CSA Global Pty. Ltd. Dr. Shi has sufficient experience 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 "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr. Shi 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 for the half-year ended 31 December 2012, 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 appears to be 'F Drummond'.

F Drummond  
Partner  
Perth  
27 February 2013

**Consolidated Statement of Comprehensive Income**  
for the half-year ended 31 December 2012

	Notes	2012 \$	2011 \$
<b>Revenue</b>			
Interest income		238,448	473,789
Other income		-	1,916
<b>Total revenue</b>		<b>238,448</b>	<b>475,705</b>
Public company costs		(67,574)	(77,501)
Professional fees		(168,477)	(157,853)
Consultants and Directors fees		(144,367)	(230,902)
Share based payments		(201,568)	-
Depreciation		(37,358)	(38,214)
Other expenses	2	(357,067)	(242,742)
<b>Loss before income tax</b>		<b>(737,963)</b>	<b>(271,507)</b>
Income tax expense		-	-
<b>Loss after income tax</b>		<b>(737,963)</b>	<b>(271,507)</b>
<b>Net loss for the half year</b>		<b>(737,963)</b>	<b>(271,507)</b>
<b>Other Comprehensive Income</b>			
<i>Items in other comprehensive income that may be reclassified through profit and loss</i>			
Foreign currency translation difference		(80,421)	(1,323,717)
<b>Other comprehensive (loss) / income for the half-year</b>		<b>(80,421)</b>	<b>(1,323,717)</b>
<b>Total comprehensive loss for the half-year</b>		<b>(818,384)</b>	<b>(1,595,224)</b>
<b>Loss per share attributable to owners of Avanco Resources Limited</b>			
Basic and diluted loss per share (cents per share)		(0.07)	(0.03)



**Consolidated Statement of Financial Position**

As at 31 December 2012

	Note	31 December 2012 \$	30 June 2012 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		7,463,491	12,083,174
Trade and other receivables		141,747	166,225
<b>Total Current Assets</b>		<b>7,605,238</b>	<b>12,249,399</b>
<b>Non-Current Assets</b>			
Plant and equipment		88,350	122,245
Deferred exploration and evaluation expenditure	3	34,633,744	30,964,686
<b>Total Non-Current Assets</b>		<b>34,722,094</b>	<b>31,086,931</b>
<b>Total Assets</b>		<b>42,327,332</b>	<b>43,336,330</b>
<b>Current Liabilities</b>			
Trade and other payables		269,024	661,206
<b>Total Current Liabilities</b>		<b>269,024</b>	<b>661,206</b>
<b>Total Liabilities</b>		<b>269,024</b>	<b>661,206</b>
<b>Net Assets</b>		<b>42,058,308</b>	<b>42,675,124</b>
<b>Equity</b>			
Issued capital		48,135,377	48,135,377
Reserves		2,639,438	2,518,291
Accumulated losses		(8,716,507)	(7,978,544)
<b>Total Equity</b>		<b>42,058,308</b>	<b>42,675,124</b>

**Consolidated Statement of Changes in Equity**

for the half-year ended 31 December 2012

	Issued capital \$	Accumulated Losses \$	FX Reserves \$	Option Reserves \$	Share based payment Reserves \$	Total \$
<b>Balance at 1 July 2012</b>	<b>48,135,377</b>	<b>(7,978,544)</b>	<b>(3,129,826)</b>	<b>549,200</b>	<b>5,098,917</b>	<b>42,675,124</b>
Loss for the half-year	-	(737,963)	-	-	-	(737,963)
Other comprehensive loss	-	-	(80,421)	-	-	(80,421)
<b>Total comprehensive loss</b>	<b>-</b>	<b>(737,963)</b>	<b>(80,421)</b>	<b>-</b>	<b>-</b>	<b>(818,384)</b>
<b>Transactions with owners in their capacity as owners</b>						
Share based payments	-	-	-	-	201,568	201,568
<b>Balance at 31 December 2012</b>	<b>48,135,377</b>	<b>(8,716,507)</b>	<b>(3,210,247)</b>	<b>549,200</b>	<b>5,300,485</b>	<b>42,058,308</b>
<b>Balance at 1 July 2011</b>	<b>30,319,832</b>	<b>(6,513,855)</b>	<b>(246,320)</b>	<b>549,200</b>	<b>4,305,470</b>	<b>28,414,327</b>
Loss for the half-year	-	(271,507)	-	-	-	(271,507)
Other comprehensive loss	-	-	(1,323,717)	-	-	(1,323,717)
<b>Total comprehensive loss</b>	<b>-</b>	<b>(271,507)</b>	<b>(1,323,717)</b>	<b>-</b>	<b>-</b>	<b>(1,595,224)</b>
<b>Transactions with owners in their capacity as owners</b>						
Equity issued through option conversion	261,275	-	-	-	-	261,275
<b>Balance at 31 December 2011</b>	<b>30,581,107</b>	<b>(6,785,362)</b>	<b>(1,570,037)</b>	<b>549,200</b>	<b>4,305,470</b>	<b>27,080,378</b>

**Consolidated Statement of Cash Flows**

for the half-year ended 31 December 2012

	2012 \$	2011 \$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(760,526)	(687,746)
Interest received	263,669	514,760
<b>Net cash flows used in operating activities</b>	<b>(496,857)</b>	<b>(172,986)</b>
<b>Cash flows from investing activities</b>		
Payments for deferred exploration and evaluation expenditure	(4,121,410)	(6,323,925)
Receipt of funds in relation to the Trindade project	-	585,995
Payments for plant and equipment	(1,416)	(62,494)
<b>Net cash used in investing activities</b>	<b>(4,122,826)</b>	<b>(5,800,424)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	261,275
Payments for share issue costs	-	-
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>261,275</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,619,683)</b>	<b>(5,712,135)</b>
Cash and cash equivalents at beginning of period	12,083,174	19,615,848
<b>Cash and cash equivalents at the end of the period</b>	<b>7,463,491</b>	<b>13,903,713</b>

**Notes to the Financial Statements**

for the half-year ended 31 December 2012

**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 2012 was authorised for issue in accordance with a resolution of the directors on 27 February 2013.

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 2012 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 2012 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.

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 2012, the Group has adopted the Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2012. 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 2012

**NOTE 2: OTHER EXPENSES**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
General office expenses	7,773	24,700
Rent and outgoings	93,002	91,124
Travel and accommodation	204,658	67,376
Other	51,634	59,542
<b>Total other expenses</b>	<b>357,067</b>	<b>242,742</b>

**NOTE 3: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2012</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Carrying amount at the beginning of period	30,964,686	8,972,663
Exploration expenditure during the period	3,750,981	9,947,263
Acquisition of Pedra Branca Project <sup>1</sup>	-	15,467,928
Receipt of funds in relation to the Trindade project	-	(557,108)
Net exchange difference on translation	(81,923)	(2,840,937)
Impairment	-	(25,123)
Carrying amount at the end of period	34,633,744	30,964,686

<sup>1</sup> During the 30 June 2012 financial year the Company acquired the Pedra Branca Copper Project through the issue of 167,099,095 fully paid ordinary shares. The fair value of the shares issued was determined by reference to the market value on the Australian Securities Exchange at issue date.

**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.

**NOTE 5: DIVIDENDS**

No dividends have been paid or provided for during the half-year (2011: nil).

**NOTE 6: CONTINGENT LIABILITIES**

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

**NOTE 7: 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 11, 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 2012 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.



**Scott Funston**

**Director**

Perth, Western Australia

27 February 2013

To the members of Avanco Resources Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying condensed half-year financial report of Avanco Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated statement of 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*, 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 2012 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

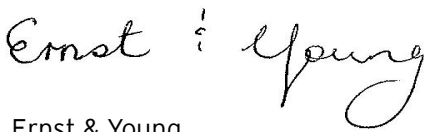
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.



## 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:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its 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*.

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

Ernst & Young

A handwritten signature in cursive script that appears to read 'F Drummond'.

F Drummond  
Partner  
Perth  
27 February 2013