Avanco
RESOURCES LIMITED

ABN 85 126 379 646

Financial Statements

for the Half-year ended 31 December 2008

CORPORATE DIRECTORY

Directors

Mr Matthew Wood (Chairman)
Mr Anthony Polglase (Managing Director)
Mr Colin Jones (Non Executive Director)
Mr Wayne Phillips (Non Executive Director)

Company Secretary

Mr Scott Funston

Registered Office

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675 Murray Street
West Perth WA 6005

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Facsimile: +61 8 9226 2027
Website: www.avancoresources.com

Share Registry

Computershare Investor Services Pty Ltd
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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

The Company's securities are quoted
on the official list of the Australian Securities
Exchange Limited, the home branch being Perth.
ASX Code: AVB

Contents

DIRECTORS' REPORT

The directors of Avanco Resources Limited submit the financial report for the half-year ended 31 December 2008.

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	Managing Director
Mr Colin Jones	Non Executive Director
Mr Wayne Phillips	Non Executive Director

REVIEW OF OPERATIONS

HIGHLIGHTS

- The Company reported its maiden JORC resource estimate for the Antas South Deposit in the Carajas Province of Brazil. This was an exceptional result for the Company in the year since listing on the ASX. Antas South is only the first of six copper targets planned to be drilled on the Company's 100% owned Rio Verde Property.
- Exceptionally high grade JORC resource of:

  210,000t at 11.65% copper, containing 24,400t of copper.

- At a 0.3% copper cut-off the global copper oxide JORC resource is:

  8.0 Mt at 0.83% copper, containing 66,100t of copper.

- At a 0.1% copper cut-off the global copper oxide JORC resource increases to:

  17.6 Mt at 0.48% copper, containing 84,400t of copper.

- The very high grade zone resource is open on strike and at depth. The Company is now targeting 500,000t of very high grade zone mineralisation and 20Mt of global copper oxide resources on the Rio Verde Property. Additional up-side associated with sulphide and precious metals mineralisation is under review.
- Avanco is currently investigating the potential associated with the high grade resource to support a "starter" copper project. Initial evaluation of the starter project indicates potential for strong cash flows at prevailing low copper prices.
- The Company has taken appropriate measures to conserve cash and reduce costs.

AVANCO'S JORC MAIDEN COPPER RESOURCE ESTIMATE FOR THE ANTAS SOUTH DEPOSIT

The resource estimate for the Antas South Deposit is based on the results of 73 diamond core (DD) holes for ~5,200m and 65 Reverse circulation (RC) holes for ~3,200m. The aforementioned holes were drilled by Avanco during the period January to August 2008.

Detailed resource modeling was completed and has comprised:

- Geological modeling
- Data base validation
- Wire-framing and resource estimation

The copper grade was estimated into a block model by mineralisation domain using inverse distance (to the power of 2) techniques from composited drill hole data. Both uncut and top-cut estimates were made. The Mineral Resource has been classified as Indicated and Inferred based on geological continuity, error of estimation and number of composites/holes used in the estimation. A series of cut-off grades were applied to simulate various potential mining head grades allowing for dilution, ore loss and metal recovery. Density has been accessed by position in the weathering profile and with reference to the mineralogy.

The Indicated and Inferred maiden JORC Resource reported for the Antas South Deposit is shown in Table 1.

Table 1 Maiden JORC Resource Estimate - Carajas Copper Project

Antas South Deposit* - Oxide and Transitional							
All Material	**Indicated**		**Inferred**		**Total Resource**		
Cu Cut %	**Tonnes**	**Cu%**	**Tonnes**	**Cu%**	**Tonnes**	**Cu%**	**Cu Tonnes**
0.1	**12,662,000**	**0.45**	**4,961,000**	**0.56**	**17,622,000**	**0.48**	**84,400**
0.3	**6,254,000**	**0.71**	**1,723,000**	**1.27**	**7,977,000**	**0.83**	**66,100**
HGZ**	**89,000**	**12.72**	**121,000**	**10.87**	**210,000**	**11.65**	**24,500**

Antas South is part of the Carajas Copper Project - Rio Verde Property. The* HGZ *(High Grade Zone) is included within the overall estimation and no top-cut has been applied to the resource in this zone*

Copper mineralisation at the Antas South Deposit is delineated to extend over a strike length of two kilometres and is open to the north west and south east. Drill results returned from the Antas South Deposit show intersections of continuous copper oxide mineralisation extending from surface to 80 metres down hole.

The JORC resource of **210,000t at 11.65% Copper (HGZ)** extends from surface and has been modelled over a strike length of two hundred and fifty meters. The HGZ is open to the north west where high grade copper showings outcrop at surface (not included in the resource calculation). Additional surface showings of high grade copper were discovered by the Company at Antas South, Antas North and other Rio Verde targets. These surface expressions are potential indicators for the location of further high grade resources.

Deeper drill intersections in fresh rock at both Antas South and Antas North are interpreted to indicate the existence of high grade sulphide copper mineralisation underlying the oxide zone. This sulphide mineralisation is believed to be closely associated with the Antas North Deposit (currently no JORC resource calculated) where early work returned drill results including **49.3m at 2.4% copper** in the fresh rock. The high grade sulphide zone at the Antas North Deposit is overlain by a significant copper oxide zone which has also not yet been fully explored.

The Company is confident that with further drilling significant additional resources will be delineated on the Rio Verde Property. The Company is targeting an increase in HGZ mineralisation to 500,000t and the global oxide copper resource expanding to 20Mt at +0.8% Cu. Further resource growth potential, associated with precious metals and sulphide mineralisation is under review.

DEVELOPMENT OF CARAJAS COPPER PROJECT

The calculation of the maiden resource has established a strong and viable project with considerable potential to increase resources through further drilling. The JORC resource of **210,000t at 11.65% copper** has the potential to support a robust stand alone "starter" project with: minimal capital needs, low risk and high returns. Considerable opportunity exists for the discovery of additional HGZ resources proximal to Antas South to increase the longevity of the HGZ project. Evaluation of the HGZ "starter" project suggests that (given current low commodity prices) significant revenues can be generated by treating the exceptionally high copper grade. The Company envisages that revenues from the exploitation of the HGZ will be sufficient to fund the development and implementation of the 10,000tpa copper cathode heap-leach SX-EW project.

A review of metallurgical options for treating the HGZ mineralisation is progressing. The Company foresees the use of second hand mining equipments assembled on skids to minimise cost, facilitate implementation and improve mobility. Considerable project up sides are now apparent following the recent down turn in the resources sector, advantages foreseen include: lower capital expenditure, reduced operational / consumables cost and shorter supply lead times.

The Rio Verde Property is located in a premier location for the development of a mining project and is close to sealed roads and power supplies. The Antas South Deposit is located approximately 30 kilometres from Parauapebas, the Carajas regional capital with a population in excess of 180,000 and growing. The Company envisages a fast-track approach to the implementation and exploitation of the HGZ starter project.

CORPORATE

Avanco's Carajas Copper Project is located in the World Class Carajas Province of northern Brazil. By virtue of the known mines and recent discoveries, the Carajas is regarded as one of the most prospective regions in the world for the discovery of copper, gold, nickel, manganese and iron ore deposits.

Avanco has a clear strategy aimed at building low cost, low risk copper mining operations in the Carajas. The Company listed on the ASX in December 2007 and has made great progress towards the development of its first copper project with the publication of the Maiden JORC resource for Antas South.

Exploitation of the HGZ will allow Avanco to operate economically throughout times of week commodity prices while maintain considerable up-side exposure to any improvements in copper prices. Avanco is steadfast in its objective to become a mid-tier producer in the Carajas Province and anticipates being well positioned to take advantage of new Carajas opportunities.

The Company is examining funding options and is talking with a number of interested parties in this regard.

In recognition of the current economic climate and the need to conserve cash the Company has taken measures to reduce expenditure. This exercise is on-going and will include some rationalisation of Avanco's non-core projects.

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 5 and forms part of this directors' report for the half-year ended 31 December 2008.

This report is made in accordance with a resolution of the directors.

Matthew Wood
Chairman

Perth, Western Australia
16th March 2009.

Competent Person Statement

The information in this report that relates to mineral resources or ore resources is based on information complied 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.

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

In relation to our review of the financial report of Avanco Resources Limited for the half-year ended 31 December 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

F Drummond
Partner
Perth
16 March 2009

Consolidated Income Statement *for the half-year ended 31 December 2008*

	Notes	31/12/2008 $	04/07/2007 to 31/12/2007 $
Continuing Operations			
Interest revenue		22,588	31,462
Revenue		**22,588**	**31,462**
Listing and share registry expenses		(36,128)	(10,051)
Accounting and audit fees		(46,860)	(26,522)
Legal fees		(142,699)	(346)
Consultants and Directors fees		(371,313)	(82,169)
Exploration expenditure impairment loss	10	(632,575)	-
Fixed asset impairment loss	11	(54,480)	-
Depreciation		(10,761)	-
Other expenses	3	(380,643)	(114,095)
Loss before income tax from continuing operations		(1,652,871)	(201,721)
Income tax expense		-	-
Net loss attributable to members of parent entity		**(1,652,871)**	**(201,721)**
Basic loss per share (cents per share)		(2.83)	(0.53)
Diluted loss per share (cents per share)		(2.83)	(0.53)

Consolidated Balance Sheet *as at 31 December 2008*

	Note	31/12/2008	30/06/2008
		$	$
CURRENT ASSETS			
Cash and cash equivalents		467,022	1,687,524
Trade and other receivables		22,452	45,428
TOTAL CURRENT ASSETS		**489,474**	**1,732,952**
NON-CURRENT ASSETS			
Property, plant and equipment		124,809	152,869
Deferred exploration and evaluation expenditure		3,003,488	2,352,454
TOTAL NON-CURRENT ASSETS		**3,128,297**	**2,505,323**
TOTAL ASSETS		**3,617,771**	**4,238,275**
CURRENT LIABILITIES			
Trade and other payables		614,967	382,173
TOTAL CURRENT LIABILITIES		**614,967**	**382,173**
TOTAL LIABILITIES		**614,967**	**382,173**
NET ASSETS		**3,002,804**	**3,856,102**
EQUITY			
Issued capital	4	4,965,255	4,226,601
Reserves		713,130	652,211
Accumulated losses		(2,675,581)	(1,022,710)
TOTAL EQUITY		**3,002,804**	**3,856,102**

Consolidated Statement of Changes in Equity *for the half-year ended 31 December 2008*

31 December 2008	**Issued Capital**	**Accumulated Losses**	**Other Reserves**	**Total**
	$	**$**	**$**	**$**
At 1 July 2008	4,226,601	(1,022,710)	652,211	3,856,102
Exchange differences on translation of foreign operations	-	-	(159,235)	(159,235)
Total income and expense recognised directly in equity	-	-	(159,235)	(159,235)
Loss for the period	-	(1,652,871)	-	(1,652,871)
Total income and expense for the period	-	(1,652,871)	(159,235)	(1,812,106)
Equity Transactions:				
Equity issued by placement	770,759	-	-	770,759
Costs of issue	(32,105)	-	-	(32,105)
Share based payment	-	-	220,154	220,154
At 31 December 2008	**4,965,255**	**(2,675,581)**	**713,130**	**3,002,804**

4 July 2007 to 31 December 2007	**Issued Capital**	**Accumulated Losses**	**Other Reserves**	**Total**
	$	**$**	**$**	**$**
At 4 July 2007	-	-	-	-
Exchange differences on translation of foreign operations	-	-	3,884	3,884
Total income and expense recognised directly in equity	-	-	3,884	3,884
Loss for the period	-	(201,721)	-	(201,721)
Total income and expense for the period	-	(201,721)	3,884	(197,837)
Equity Transactions:				
Equity issued by placement	4,503,003	-	-	4,503,003
Costs of issue	(236,358)	-	-	(236,358)
At 31 December 2007	**4,266,645**	**(201,721)**	**3,884**	**4,068,808**

Consolidated Cash Flow Statement *for the half-year ended 31 December 2008*

	31/12/2008 $	04/07/2007 to 31/12/2007 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(464,139)	(79,474)
Interest received	22,588	31,462
NET CASH USED IN OPERATING ACTIVITIES	(441,551)	(48,012)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditure	(1,478,252)	(529,499)
Acquisition of property, plant and equipment	(39,353)	-
NET CASH USED IN INVESTING ACTIVITIES	(1,517,605)	(529,499)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	770,759	4,503,003
Cost associated with issue of shares	(32,105)	(108,551)
NET CASH PROVIDED BY FINANCING ACTIVITIES	738,654	4,394,452
Net (decrease) / increase in cash and cash equivalents	(1,220,502)	3,816,941
Cash and cash equivalents at beginning of period	1,687,524	-
CASH AT THE END OF THE HALF-YEAR	**467,022**	**3,816,941**

Notes to the Financial Statements
for the half-year ended 31 December 2008

1. Corporate Information

The condensed financial report of Avanco Resources Limited (the Company) for the half-year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 16th March 2009.

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.

2. Basis of Preparation and Accounting Policies

(a) Basis of Preparation

This general purpose condensed financial report for the half-year ended 31 December 2008 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

The half-year financial report does not include all notes of the type normally included within the annual financial report 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 report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2008 and considered together with any public announcements made by Avanco Resources Limited during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations of the ASX listing rules.

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 report.

(b) Changes in accounting policy

From 1 July 2008 The Group has adopted the Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2008. 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, amended standard or interpretations.

(c) Going Concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The group incurred a net loss after tax for the half-year ended 31 December 2008 of $1,652,871 and experienced net cash outflows from operating activities of $441,551. At 31 December 2008, the consolidated entity's net current liability position is as follows:

Description	31-Dec-08
	$
Cash and cash equivalents	467,022
Other receivable	22,452
Total current assets	489,474
Payable to directors, the Company Secretary and their related entities (*)	133,531
Payable to external parties	481,436
Total current liabilities	614,967
Net current liabilities	**125,493**
Net current assets before payable to directors, the Company Secretary and their related entities (*)	**8,038**

(*) On 28 November 2008 the Directors resolved that the Non Executive Directors' and the Non Executive Chairman will not receive cash payments for consulting fees from 1 August 2008 and the Company Secretary will not receive cash payments for consulting fees from 1 December 2008. Additionally, the Managing Director has agreed not to receive any cash payments for consulting fees from 1 December 2008. All Directors' and the Company Secretary have determined that they will consider receiving fully paid ordinary shares, subject to shareholder approval at the next Annual General Meeting of the group, in lieu of the cash payments and they will not demand payment of the fees from the group until such time that the group is in a financial position that enables the payment of the fees.

Subsequent to period end the consolidated entity issued 4,083,000 fully paid ordinary shares, raising $204,150. This has improved the working capital at the reporting date.

The group is negotiating with existing creditors settlement of payables to be in ordinary fully paid shares of the group or a reduction in cash payable on existing amounts to be paid. These negotiations are expected to allow additional cash to be preserved in the short term.

Operations on the group's exploration and evaluation assets have now been temporarily suspended and expenditures are being minimised to conserve remaining cash.

An exceptionally high grade JORC compliant resource of approximately 210,000 tonnes at 11.65% Copper containing 24,400t of Copper was announced to the market on 12 January 2009. The group continues to assess a number of options with the aim of bringing these assets into a commercial and profitable mining operation. These options include corporate negotiations, Joint Venture arrangements and additional equity raisings. For the group to continue as a going concern the Directors recognise that these options need to be pursued and finalised in order to continue significant operations and for future economic benefits to be realised for the exploration and evaluation assets recorded in the Balance Sheet.

On the basis outlined above, the Directors believe they can meet all liabilities to unrelated parties as and when they fall due. The directors have reviewed the assets and liabilities of the consolidated entity and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe they will be successful in securing additional funds through current ongoing corporate negotiations or an equity issue. Should the directors not achieve this then there is significant uncertainty whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amount stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

	Consolidated	
	2008	04/07/2007 to 31/12/2007
	$	$

3. OTHER EXPENSES

Bank fees	2,719	2,079
Conferences and seminars	9,393	2,609
General office expenses	29,924	6,158
Printing and Stationery	4,816	1,434
Rent and outgoings	107,668	52,518
Telephone	9,732	2,118
Travel and accommodation	107,019	34,321
Other employee expenses	63,590	-
Other	45,782	12,858
Total other expenses	**380,643**	**114,095**

4. ISSUED CAPITAL

	31/12/2008	30/06/2008
	$	$
Ordinary shares		
Issued and fully paid	**4,965,255**	**4,226,601**

Fully paid ordinary shares carry one vote per share and the right to dividends.

Movements in ordinary shares on issue	No.	$
At 1 July 2008	55,000,003	4,226,601
Issued by placement (*)	15,415,186	770,759
Costs of issue	-	(32,105)
At 31 December 2008	70,415,189	4,965,255

(*) Attached to the shares issued are 15,415,186 options exercisable at 20 cents on or before 30 June 2010. This increased the number of options on issue to 72,460,189 at 31 December 2008.

5. DIVIDENDS

No dividends have been paid or provided for during the half-year.

6. CONTINGENT ASSETS AND LIABILITIES

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

7. SUBSEQUENT EVENTS

Subsequent to period end the consolidated entity issued 4,083,000 fully paid ordinary shares at 5 cents per share, raising $204,150.

There are no other significant events subsequent to reporting date.

8. SEGMENT REPORTING

The Group operates in one business segment being mineral exploration. The Group explores in Brazil. As the majority of revenue from these geographical operations is earned from bank deposits, not sales to external customers, they do not constitute reportable segments.

9. EXPENDITURE COMMITTMENTS

The group entered into contracts under terms and conditions that require payments to third parties that previously held the tenements. The contracts have pre-emptive rights that allow Avanco Resources Limited to relinquish the tenements after providing the required notice period, the longest notice periods being 60 days. The terms of the licenses vary according to exploration milestones being met. The agreements have additional royalty payments based on production rates. The royalty amounts have not been included as the timing and amounts remain uncertain as at 31 December 2008. During the reporting period a majority of exploration projects were relinquished.

Commitments contracted for at reporting date but not recognised as liabilities are as follows:

	31/12/2008	30/06/2008
	$	$
Within one year	144,780	650,026
After one year but not longer than 5 years	-	988,040
Greater than 5 years	-	-
	144,780	1,638,066

10. EXPLORATION EXPENDITURE IMPAIRMENT LOSS

Exploration and evaluation expenditure written off during the half year relates to the withdrawal from various projects held in Brazil that the Group has made a decision not to continue exploration.

11. FIXED ASSET IMPAIRMENT LOSS

During the financial period, the Group has written some of its fixed assets (mainly furniture and motor vehicles) to their fair value less cost to sell due to their limited operational use following the closure of the Group’s Rio administration office. This resulted in an asset impairment loss of $54,480.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Avanco Resources Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

   (i) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date.

(b) subject to the achievement of the matters set out in note 2 (c) "Going Concern" of the financial report, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Matthew Wood
Director

Perth, Western Australia
16th March 2009

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To the members of Avanco Resources Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Avanco Resources Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement 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 31 December 2008 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 2008 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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the condensed 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 2008 and of its performance for the half-year ended on that date; and

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

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the review opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 2 (c) to the financial report, there is significant uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they become due and payable and realise its assets and extinguish its liabilities in the normal course of operations and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Ernst & Young

Ernst & Young

F Drummond
Partner
Perth
16 March 2009