Avanco
RESOURCES LIMITED

ABN 85 126 379 646

Financial Report for the half-year ended 31 December 2009

CORPORATE DIRECTORY

Directors
Mr Matthew Wood (Chairman)
Mr Anthony Polglase (Executive Director)
Mr Scott Funston (Executive Director)

Company Secretary
Mr Scott Funston

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Auditors
Ernst & Young
11 Mounts Bay Road
PERTH WA 6000 Australia

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

Contents

DIRECTORS' REPORT

The directors of Avanco Resources Limited submit the financial report of the consolidated entity for the half-year ended 31 December 2009. 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

Results

The loss after tax for the half year ended 31 December 2009 was $441,593 (31 December 2008 loss of $1,652,871).

Review of Operations

Touro Nickel Project

In October the Company completed its first diamond drill hole for 430.1 metres at the Touro Nickel Project in the Carajas region of northern Brazil. TSD-01 intersected:

130 metres at 0.09% Nickel from 282 metres.

The drill intercept is hosted within a meta-pyroxenite and indicates that significant widths of nickel mineralisation are present within the Touro Sill. The Company considered this early drilling result as highly encouraging and continued with geophysical and geochemical activities.

An extensive program of geophysical and geochemical surveys have now been completed with results interpreted to be extremely positive.

The Touro Sill was covered by a 200 metre line spaced dipole-dipole IP survey. In most lines, very strong chargeabilities, coincident with low resistivities were detected. The majority of the stronger IP anomalies are coincident with anomalous nickel and platinum in soils. Evaluation of this data suggests that the IP responses may be related to the existence of sulphide mineralization. These are considered high priority drill targets.

A ground magnetic survey was undertaken across the entire Touro Sill. This has defined a four kilometre long magnetic anomaly trending east-west to east-northeast.

The project area was sampled on a 200m x 50m grid with samples being assayed for multi-elements by ICP analysis. The extensive nickel anomalous trend was also assayed for platinum group metals by fire assay. The results from the geochemistry indicate the existence of an extensive nickel soil anomaly with values >1,000ppm nickel and peaks of up to 2,000ppm nickel. The anomalous area extends for over four kilometres along the same east-west to east-northeast orientation and aligns well with the magnetic trend. Evaluation of the platinum results show that 33% of the samples were >9 ppb platinum, with peaks of up to 38 ppb platinum. This outlines a major east-northeast platinum anomaly 3,200m long x 200m - 400m wide. Platinum shows a strong correlation with nickel. It is also evident that the higher platinum values are coincident with the higher IP chargeability anomalous trend. This further supports the Company view that the IP anomalies may reflect the presence of underlying nickel sulphide mineralisation and continues to highlight the geological similarities to Mirabela Nickel's giant Santa Rita Nickel Project in the northeast of Brazil. The Company is expediting drilling rigs in anticipation of drill testing these targets in the coming months.

The Touro Nickel Project is located within the boundaries of the Trindade South property which comprises four contiguous tenements amounting to ~15,000 ha held by AVB Mineracao Ltda, a Brazilian subsidiary of Avanco Resources Limited. The property is located within a very prospective part of the Carajas region approximately half way between Vale's Ounca-Puma nickel mine and the Vermelho nickel deposit. One of the worlds largest undeveloped iron ore deposit, Vale's Serra Sul, is just a few km's north of the Trindade South property.

Rio Verde High Grade Copper Project

Development of the Rio Verde high grade copper project was continued in the December quarter with considerable progress in metallurgical testing and advancing the scoping study.

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Recent metallurgical test work has demonstrated that the Antas South Deposit (210,000t at 11.6% copper) is amenable to the application of traditional flotation processes for the production of commercial concentrates.

A typical sample of high grade copper ore has been tested at independent metallurgical facilities in Perth WA. Sighter flotation test work confirmed a recovery of 76.7% copper into a 20.5% copper concentrate using a conventional rougher scavenger flotation flow sheet. The mass represented by the final combined concentrate was 43% of flotation feed, the grind size in preparation for flotation was 80% passing 100 microns.

The flow sheet simulated comprised a typical rougher scavenger configuration to produce sequential copper sulphide and copper oxide concentrates. Recovery of the copper oxides followed pre-flotation of sulphide copper minerals. The recovery of copper oxides was affected using a common industrial sulphidising flotation reagent as practiced in the Zambian Copper Belt. The Company is highly encouraged by the results and believes that with optimisation, including the option to introduce cleaner flotation stages, that copper recovery and concentrate grades can be improved further.

The metallurgical process route adopted has the advantage of producing separate copper sulphide and oxide concentrates which can be combined or marketed separately to maximise returns. This is important for domestic off-take opportunities which can offer premiums on LME prices. Floatation tailings containing approximately 2% copper will be stockpiled and retreated in the expanded heap-leach SX-EW project.

A scoping study on the high grade starter project is nearing completion. With improving copper prices the Company has re-examined resource data to evaluate the feasibility of producing early parcels of "out of the pit" saleable ore that can be directly transported to smelters. Avanco is currently talking to a number of domestic and international parties interested in direct ship copper off-take. This strategy applied at the early stages of the starter project offers a low cost start-up scenario and potentially provides the Company with an alternative to seeking project funding. The direct-ship component of Antas South resource has been delineated to extend from surface to more than 30m depth and is open on strike. Open cut mining will be largely free digging with a minimal pre-strip requirement.

The Company has previously completed 8,500m of drilling at the Antas South Deposit and outlined a JORC resource of 210,000t at 11.6%Cu. This high grade zone is open along strike and at depth. Further drilling will be required to upgrade the resource into the measured and indicated categories as well as expanding the size of the resource. Additional proximal high grade zones are also known to exist at Rio Verde and remain to be adequately drill tested.

The JORC resource at the Antas South Deposit, has been reported previously as:

- **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.**

Corporate

Avanco maintains a strong technical presence in Brazil and a base in Parauapebas, Carajas. The Company is well positioned to manage the Touro Nickel Project and the proximal Rio Verde High Grade Copper Project.

Subsequent Events

On 19 February 2010 the Company announced to the market the allotment of 4,333,333 shares in lieu of a cash payment to a consultant as approved by shareholders at the Company's Annual General Meeting on the 23rd November 2009.

On 9 March 2010 the Company lodged with Australian Securities and Investments Commission a Prospectus for the following:

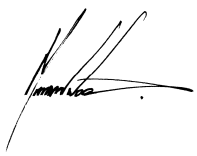
- a pro rata non-renounceable entitlement issue of two (2) Share for every three (3) Shares held by Shareholders at an issue price of 2.5 cents per Share to raise approximately $5,112,324 together with one (1) free attaching Option for every five (5) shares allotted (Entitlement Issue).

The Entitlement Issue is fully underwritten by CPS Securities

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 2009.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.295A of the Corporations Act 2001.



Matthew Wood
Chairman

Perth, Western Australia
16 March 2010

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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 2009, 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
16 March 2010

Statement of Financial Position
for the Half Year Ended 31 December 2009

	Consolidated	
	31 December 2009 $	**30 June 2009 $**
Assets		
Current Assets		
Cash and cash equivalents	789,177	1,710,324
Trade and other receivables	23,034	21,505
Other current assets	7,682	-
Total Current Assets	**819,893**	**1,731,829**
Non-Current Assets		
Plant and equipment	102,338	111,466
Deferred exploration and evaluation expenditure	3,644,682	3,233,229
Total Non-Current Assets	**3,747,020**	**3,344,695**
Total Assets	**4,566,913**	**5,076,524**
Current Liabilities		
Trade and other payables	84,519	196,587
Total Current Liabilities	**84,519**	**196,587**
Total Liabilities	**84,519**	**196,587**
Net Assets	**4,482,394**	**4,879,937**
Equity		
Issued capital	6,933,420	6,933,420
Reserves	1,336,304	1,292,254
Accumulated losses	(3,787,330)	(3,345,737)
Total Equity	**4,482,394**	**4,879,937**

Statement of Comprehensive Income
for the half-year ended 31 December 2009

	Note	Consolidated 2009 $	2008 $
Continuing operations			
Interest revenue		16,978	22,588
Listing and share registry expenses		(45,415)	(36,128)
Professional fees		(30,068)	(189,559)
Consultants and Directors fees		(204,471)	(371,313)
Exploration expenditure impairment loss		-	(632,575)
Fixed asset impairment loss		-	(54,480)
Depreciation		(9,428)	(10,761)
Other expenses	2	(169,189)	(380,643)
Loss from continuing operations before income tax		**(441,593)**	**(1,652,871)**
Income tax expense		**-**	-
Loss from continuing operations after income tax		**(441,593)**	**(1,652,871)**
Net loss for the half year		**(441,593)**	**(1,652,871)**
Other Comprehensive Income			
Foreign currency translation		10,921	(159,235)
Other comprehensive income for the half-year		**10,921**	**(159,235)**
Total comprehensive income for the half-year		**(430,672)**	**(1,812,106)**
Loss per share attributable to owners of Avanco Resources Limited			
Basic loss per share (cents per share)		(0.15)	(2.83)
Diluted loss per share (cents per share)		(0.15)	(2.83)

Statement of Changes in Equity

for the half-year ended 31 December 2009

	Consolidated					
	Issued capital $	Accumulated Losses $	FX Reserves $	Option Reserves $	Share based payment Reserves $	Total $
Balance at 1 July 2008	**4,226,601**	**(1,022,710)**	**34,409**	**549,200**	**68,602**	**3,856,102**
Total comprehensive income for the half-year						
Loss for the half-year	-	(1,652,871)	-	-	-	(1,652,871)
Other comprehensive income						
Foreign currency translation difference	-	-	(159,235)	-	-	(159,235)
Total comprehensive income for the half-year	**-**	**(1,652,871)**	**(159,235)**	**-**	**-**	**(1,812,106)**
Transactions with owners in their capacity as owners						
Equity issued by placement	770,759	-	-	-	-	770,759
Costs of issue	(32,105)	-	-	-	-	(32,105)
Share based payment	-	-	-	-	220,154	220,154
Balance at 31 December 2008	**4,965,255**	**(2,675,581)**	**(124,826)**	**549,200**	**288,756**	**3,002,804**
Balance at 1 July 2009	**6,933,420**	**(3,345,737)**	**(41,711)**	**549,200**	**784,765**	**4,879,937**
Total comprehensive income for the half-year						
Loss for the half-year	-	(441,593)	-	-	-	(441,593)
Other comprehensive income						
Foreign currency translation difference	-	-	10,921	-	-	10,921
Total comprehensive income 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**

Statement of Cash Flows
for the half-year ended 31 December 2009

	Consolidated 2009 $	2008 $
Cash flows from operating activities		
Payments to suppliers and employees	(464,166)	(464,139)
Interest received	16,978	22,588
Net cash flows used in operating activities	**(447,188)**	**(441,551)**
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	(473,959)	(1,478,252)
Payments for property, plant and equipment	-	(39,353)
Net cash used in investing activities	**(473,959)**	**(1,517,605)**
Cash flows from financing activities		
Proceeds from issue of shares	-	770,759
Payments for share issue costs	-	(32,105)
Net cash provided by financing activities	**-**	**738,654**
Net decrease in cash and cash equivalents	(921,147)	(1,220,502)
Cash and cash equivalents at beginning of period	1,710,324	1,687,524
Cash and cash equivalents at the end of the period	**789,177**	**467,022**

Notes to the Financial Statements
for the half-year ended 31 December 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES
The consolidated financial report of Avanco Resources Limited (the Company) for the half-year ended 31 December 2009 was authorised for issue in accordance with a resolution of the directors on 16 March 2010.

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 2009 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 2009 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 adopted are consistent with those of the previous financial year and corresponding interim reporting period.

New and amending Accounting Standards and Interpretations
From 1 July 2009 The Group has adopted all Accounting Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2009; including:

AASB 8 and *AASB 2007-3*	*Operating Segments and consequential amendments to other Australian Accounting Standards* AASB8 is a disclosure standard requiring disclosure of information about the Consolidated Entity's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Consolidated Entity.
AASB 101 (Revised) *AASB 2007-8 and* *AASB 2007-10*	*Presentation of Financial Statements (revised 2007) and other consequential amendments to other Australian Accounting Standards* The revised standard introduces a number of terminology changes, and introduces the statement of comprehensive income. The revised standard has resulted in a number of changes in presentation and disclosure.

Adoption of the new Accounting Standards and Interpretations had no impact on the financial position or performance of the Company.

The Company has not elected to early adopt any new Standards or Interpretations.

Going concern

The condensed half-year financial report has been prepared on a going concern basis.

During the half-year ended 31 December 2009, the consolidated entity incurred net losses of $441,593 (2008: $1,652,871), a net cash outflow from operations of $447,188 (2008: $441,551) and a net cash outflow from investing activities of $473,959 (2008: $1,517,605). As disclosed in the 30 June 2009 financial report, the consolidated entity has expenditure commitments due within one year of $244,254 which has not changed in the current half-year. The cash position of the consolidated entity as at 31 December 2009 is $789,177.

In arriving at their belief that the company and the consolidated entity is a going concern and therefore able to realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the condensed half-year financial report, the directors have considered the following:

- On the 9 March 2010 a prospectus for a rights issue was lodged with the ASIC. The rights issue is expected to raise approximately $5,112,324;
- the rights issue is fully underwritten;
- the current net asset position of the company at balance date is $704,658; and
- the Company's projects contain an exceptionally high grade JORC compliant resource of approximately 210,000 tonnes at 11.65% Copper containing 24,400t of Copper, as previously announced to the market.

Having regard to the factors and uncertainties discussed above, the Directors believe they can meet all liabilities as and when they fall due and the group will continue as a going concern.

Should the consolidated entity not achieve the matters set out above, 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 amounts stated in the financial report.

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

NOTE 2: OTHER EXPENSES

	Consolidated	
	31 December 2009	**31 December 2008**
	$	**$**
Bank fees	1,443	2,719
Conferences and seminars	-	9,393
General office expenses	11,325	34,740
Rent and outgoings	60,000	107,668
Travel and accommodation	42,922	107,019
Other employee expenses	33,129	63,590
Other	20,370	55,514
Total other expenses	**169,189**	**380,643**

NOTE 3: 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.

NOTE 4: DIVIDENDS

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

NOTE 5: CONTINGENT LIABILITIES

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

NOTE 6: SUBSEQUENT EVENTS

On 19 February 2010 the Company announced to the market the allotment of 4,333,333 shares in lieu of a cash payment to a consultant as approved by shareholders at the Company's Annual General Meeting on the 23rd November 2009.

On 9 March 2010 the Company lodged with Australian Securities and Investments Commission a Prospectus for the following;

- a pro rata non-renounceable entitlement issue of two (2) Share for every three (3) Shares held by Shareholders at an issue price of 2.5 cents per Share to raise approximately $5,112,324 together with one (1) free attaching Option for every five (5) shares allotted (Entitlement Issue).

The Entitlement Issue is fully underwritten by CPS Securities.

DIRECTORS' DECLARATION

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

1. The financial statements and notes thereto, 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; and

    b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 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 made pursuant to s.303(5) of the Corporations Act 2001.

Matthew Wood
Director
Perth, Western Australia
16 March 2010

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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 2009, 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 2009 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 2009 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*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial report. As a result of these matters 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 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 2010