



ABN 85 126 379 646

Annual Report

30 June 2011

CONTENTS	PAGE NO
Corporate Directory	1
Directors' Report	2
Corporate Governance Statement	13
Statement of Comprehensive Income	17
Statement of Financial Position	18
Statement of Cash Flows	19
Statement of Changes in Equity	20
Notes to the Financial Statements	21
Directors' Declaration	49
Auditor's Independence Declaration	50
Independent Audit Report	51
ASX Additional Information	53
Tenement Table	55

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

Registered Office

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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

The Company's securities are quoted

on the official list of the Australian Securities

Exchange Limited, the home branch being Perth.

ASX Code: AVB and AVBOB

Directors' Report

The Directors present their report for Avanco Resources Limited ("Avanco" or "the Company") and its subsidiaries for the year ended 30 June 2011 ("the Group").

DIRECTORS

The names, qualifications and experience of the Company's Directors in office during the period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr Matthew Wood

Non-executive Director, Chairman

Mr Wood has over 18 years experience in the resource sector with both major and junior resource companies and has extensive experience in the technical and economic evaluation of resource projects throughout the world. Mr. Wood's expertise is in project identification, negotiation, acquisition and corporate development. Mr Wood has an honours degree in geology from the University of New South Wales in Australia and a graduate certificate in mineral economics from the Western Australian School of Mines.

Mr. Wood was a Director of Bellamel Mining Limited (appointed 16 May 2007, resigned 31 December 2008), Black Range Minerals Limited (appointed 27 June 2005, resigned 15 May 2009) and Laguna Resources NL (appointed 6 August 2009, resigned 8 December 2010). Mr. Wood is currently a director of Signature Metals Limited (appointed 19 February 2007), Copper Range Limited (appointed 29 May 2009), Voyager Resources Limited (appointed 12 June 2009), Hunnu Coal Limited (appointed 19 August 2009), Haranga Resources Limited (appointed 2 February 2010) and Lindian Resources Limited (appointed 5 May 2011).

Mr Anthony Polglase

Managing Director

With 30 years multi-disciplined mining experience across ten different countries, Mr Polglase is qualified in mechanical and electrical engineering with an honours degree in Metallurgy from the Camborne School of Mines, UK and is fluent in Portuguese. Mr. Polglase has acquired detailed knowledge relating the development and operation of gold, copper, lead, zinc and tin projects and has either been responsible for or closely involved with the commissioning of more than seven mining projects. Project management including critical evaluation, implementation and commissioning are Mr Polglase's strengths. Mr Polglase has a demonstrated ability of successfully bringing projects on line in the most challenging of environments.

Mr. Polglase is a Non-Executive Director of Overland Resources Limited (appointed 17 January 2008) and Oakland Resources Limited (appointed 1 April 2010). He has not held any other listed Directorships over the past three years.

Mr Scott Funston

Executive Director

Mr Funston is a qualified Chartered Accountant and Company Secretary with more than 10 years experience in the mining industry and the accounting profession. His expertise is financial management, regulatory compliance and corporate advice. Mr Funston possesses a strong knowledge of the Australian Securities Exchange requirements and currently assists a number of resources companies operating throughout Australia, South America, USA and Canada with financial accounting, stock exchange compliance and regulatory activities.

Mr. Funston is currently a Director of Lindian Resources Limited (appointed 5 May 2011). He has not held any other listed Directorships over the past three years.

Directors' Report

Mr Simon Mottram (appointed 18 January 2011)

Executive Director

Mr Mottram is a geologist with over 17 years experience in predominantly nickel sulphide, iron-oxide-copper-gold (IOCG) and precious metals. Having held senior management positions with a number of successful mining companies both in Australia and overseas Mr Mottram has extensive knowledge in base and precious metal evaluations and has seen a number of discoveries advanced through to commercial mine development. His exploration experience aligns extremely well with Avanco's projects and is an expert in the application of modern exploration techniques.

Mr Mottram has a solid track record in executing large scale drill programmes including a 100,000m drill programme which he concluded in 18 months and to budget. Mr Mottram has a BSc degree in Applied Geology from RMIT University in Melbourne and is a Member of AusIMM.

Mr Mottram has not held any other listed Directorships over the past three years.

Mr Colin Jones (appointed 7 October 2010)

Non-Executive Director

Mr Jones started his mining career with British Coal in South Wales and following Coal Mine certification, completed a mining degree at Cardiff University in the UK. Several years of contract management followed with Thyssens, supervising development, including mechanised mine development and shaft sinking activities. His executive mine management experience culminated at Rio Tinto's world class Copper Mine in Portugal where he was the Project Manager and later became the Director of Production. Mr Jones consulting expertise includes 15 years with Rio Tinto Technical Services where, as Principal Consultant, he consulted globally. Mr Jones was responsible for the underground development of the Fortaleza Nickel Mine in Brazil and was a core consultant for the underground development at the Palabora mine in South Africa. Mr Jones is an independent consultant, has an MBA, speaks Portuguese and maintains a residence in Brazil.

Mr Jones has not held any other listed Directorships over the past three years.

COMPANY SECRETARY

Mr. Funston is a Director and the Company Secretary of the company.

INTERESTS IN THE SECURITIES OF THE COMPANY

As at the date of this report, the interests of the Directors in the securities of Avanco Resources Limited are:

Director	Ordinary Shares	Options over Ordinary Shares exercisable at 1.5 cents each	Options over Ordinary Shares exercisable at 18 cents each	Options over Ordinary Shares exercisable at 20 cents each
M. Wood	15,945,001	6,203,000	10,000,000	
A. Polglase	5,200,001	80,000	10,000,000	-
S. Funston	686,439	371,288	5,000,000	-
S. Mottram	-	-	5,000,000	-
C. Jones	270,000	-	-	500,000

RESULTS OF OPERATIONS

The Group's net loss after taxation attributable to the members of Avanco Resources for the year to 30 June 2011 was \$2,365,330 (2010: \$802,788).

DIVIDENDS

No dividend was paid or declared by the Group in the year and up to the date of this report.

Directors' Report

CORPORATE STRUCTURE

Avanco Resources Limited is a company limited by shares, which is incorporated and domiciled in Australia.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

During the financial year, the principal activity was mineral exploration. The Group currently holds base metal projects in Brazil.

EMPLOYEES

The Group has 21 employees at 30 June 2011 (2010: 3).

REVIEW OF OPERATIONS

Highlights

- At Rio Verde the High Grade Zone ("HGZ") remains open on strike and now exceeds 520m, having increased by 100% since drilling commenced. ARVD-141 intersected the HGZ 150m further West along strike, over a 3.9m interval, followed by 22m of copper oxide mineralisation (*assay results pending*).
- Antas South, hole ARVD-133 on the most Easterly section intersected two distinct HGZ's, 0.6m at 14.45% Cu and 3.8m at 4.57% Cu respectively, interpreted to represent a new HGZ opportunity.
- A deep drilling programme commenced below the Antas South Deposit, where hole ARVD-146 intersected a sulphide ore zone 32m wide averaging approximately 4% Chalcopyrite from 171m.
- The alteration and sulphide ore intersection observed in ARVD-146 shows convincing evidence of the existence of a primary mineralised system at depth.
- At the Serra Verde Project, drill holes ASVD-02, ASVD-03, ASVD-05, ASVD-06 and ASVD-21 intersected continuous mineralisation on section 645200E at the Pedro Prospect. Three drill holes were completed on a section 200m to the East, with all three holes also intersecting mineralisation.
- At the Agua Boa Prospect drilling has intersected greater than 100m wide zones of alteration, interspersed with mineralisation, indicating the potential close proximity of a significant *iron-oxide-copper-gold* "IOCG" system.
- Vale completed a maiden drill programme at the Trindade North Iron Ore Project. A resource estimate has been prepared and is being validated by the Company.
- At the Conceicao Nickel Project the latest soil results defined another new Ni-Cu anomaly extending for 1.5km over a prospective magmatic mafic-ultramafic intrusion.

RIO VERDE COPPER PROJECT

Drilling at the Rio Verde HGZ has increased the strike of the high grade mineralisation by more than 100% since the commencement of the current program in late 2010.

Drill holes ARVD-114, ARVD-116 collared to the east and ARVD-115, ARVD-117 located to the west, returned exceptional results adding a further ~75m to the known strike of the HGZ. This was followed by ARVD-141 on section 637700mE which added a further 150m on the western extension of the HGZ, to take the known strike to more than 520m. The hole intersected the HGZ over a 3.9m interval, followed by 22m of copper oxide mineralisation (*assay results pending*). The HGZ remains open on strike in both directions.

Hole ARVD-133 is located at the eastern most extent of Antas South drilling to date. The hole intersected two distinct HGZ's, 0.6m at 14.45% Cu, and 3.8m at 4.57% Cu respectively. These are interpreted to represent a new high grade opportunity since these zones have not been intersected in intermediate sections. The geology of the area supports the high probability of a number of discrete HGZ's running through the deposit.

Directors' Report

Drilling in the extension to the oxide resource also continued to show excellent results. Additional substantial intersects of proximal and near surface oxide copper mineralisation included:

- 38.0m at 1.53% Copper from surface (ARVD-113)
- 30.0m at 1.31% Copper from 1.0m (ARVD-121)
- 16.0m at 1.00% Copper from 27.0m (ARVD-123)

Deep drilling has commenced at Antas South, testing for the primary source of the copper HGZ and oxide mineralisation seen at surface. This work was quickly rewarded by hole ARVD-146 on section 637350mE, which intersected a sulphide ore zone 32m wide averaging approximately 4% Chalcopyrite from 171m. This highlights the potential presence of a large primary mineralised system underlying the existing copper oxide resource.

Alteration associated with mineralisation extends for than 200m in hole ARVD-146. Within the alteration there is a more intensely altered zone 150m wide, and this hosts the 32m intersection of ore. Zonation of alteration in this style of mineralisation is highly encouraging. Typical Chlorite/Epidote alternation is observed from 23.3m down hole. However, strong amphibole/magnetite alteration (*not seen previously in shallow drilling*) is visible from 79m, through the ore zone and continues to end of hole at 245m. The transition to a higher grade of alteration is a good indication of proximity to a source of primary mineralisation.

Section 637350mE is proximal to a 1.1km long magnetic anomaly which is below the western end of the Antas South deposit. (*This magnetic feature is situated within the 9km long regional structure which is host to the Antas South, the HGZ, and Antas North Deposits*). Coincident with the magnetic anomaly is an Electro-Magnetic (EM) anomaly which although identified by previous explorers, appears not to have been modelled or subsequently tested.

The Company has since obtained historical ground magnetic and EM data which is currently being reprocessed. Modern interpretation methods, particularly 3D modelling and depth-slicing will assist in defining the interpretation at depth. In conjunction with observations from ARVD-146 and the pending 3D geophysical analysis, the exercise is expected to provide a greater degree of confidence in targeting further drilling.

The early deep drilling result represents an extremely encouraging outcome and reinforces the substantial exploration potential of the Rio Verde Project to host a large IOCG discovery.

Drilling (2 holes for 286m to date) has also very recently commenced at the Antas North Deposit¹ where historical drilling delineated copper oxides and primary sulphide Cu/Au mineralisation. To date two holes AAND-12 and AAND-13 have been completed and show immediate encouragement with significant intersections of the known ore zone, both substantiating the historical occurrence and pointing to continuation along strike.

AAND-12 intersected 48m of mineralised hydrothermal breccia, while AAND-13 intersected 40m of mineralized hydrothermal breccia with both intersections containing zones of very intense matrix chalcopyrite mineralisation.

At the Agua Boa Prospect (*formally Xstrata ground*) 9 holes for 1,070m have been completed with adverse ground conditions contributing to the low productivity. Early scout holes were not overly encouraging but later drilling has shown zones of IOCG related alteration greater than 100m wide in some holes, interspersed with moderate mineralisation. This is considered a strong indication of the potential presence of a large IOCG system within the area. Drilling continues to target the most prospective areas within the 14km long Agua Boa trend.

The Capivara Prospect is situated 2.5km from the main HGZ at Antas South, on the same south-easterly highly anomalous soils trend. Two scout holes were collared to test outcropping copper mineralisation. Results include 5.30m at 1.30% Copper from 0.7m which confirms Capivara as having the potential to host shallow, open-pit and free digging oxide copper resources. Further drilling is planned in the future.

Directors' Report

SERRA VERDE COPPER PROJECT

Drill testing is well advanced across a number of copper anomalies with the most promising results coming from an area located 1.8km northwest of the Pedro Prospect.

The Pedro Prospect is situated at the eastern end of the 2.5km long trend defined by +500ppm copper geochemistry and coincident gold in soil/auger sampling. Results from the Pedro Prospect include:

- 4.00m at 1.31% Copper from 72.9m (ASVD-02)
- 2.50m at 2.86% Copper from 46.2m (ASVD-03)
- 10.80m at 1.84% Copper from 100.2m (ASVD-05), including 0.75m at 18.94% Copper from 108.8m
- 1.00m at 7.28% Copper from 60.0m (ASVD-06) and 2.53m at 1.38% Copper from 72.0m, including 0.93m at 3.26% Copper from 72.0m
- 4.15m at 2.33% Copper, from 126.2m (ASVD-14)
- 11.20m at 0.57% Copper, from 95.8m (ASVD-18)
- 23.15m at 0.78% Copper, from 0.85m (ASVD-20), including 3.25m at 1.23% Copper from 19.0m
- 8.50m at 0.90% Copper, from 21.5m (ASVD-21) including 0.50m at 5.58% Copper from 26.5m, 2.00m at 2.91% Copper from 48.0m, 3.00m at 2.05% Copper from 133.0m and 0.50m at 2.45% Copper from 146.0m

ASVD-05 has returned the best results from Pedro to date, while ASVD-21 down dip contained four narrow zones of mineralisation in comparison to the single wider zone seen in ASVD-05. Three drill holes were completed on a section 200m to the East, with all three also intersecting mineralisation.

On section 645400mE, hole ASVD-20 is mineralised from surface, with a zone of mineralisation that is intersected again in adjoining holes ASVD-18, and ASVD-14 at depth. Drilling continues along to the west of ASVD-05 and ASVD-21. 1.8km north-east of Pedro, on section 643,900mE a narrow zone of mineralisation was intersected in holes ASVD-19 and ASVD-22 with results including:

- 14.8m at 0.64% Copper, from 44.7m (ASVD-19) including 4.30m at 1.55% Copper, from 44.7m
- 0.75m at 2.99% Copper, from 23.2m (ASVD-22) and 0.95m at 3.66% Copper, from 79.0m

Results from Serra Verde demonstrate that copper mineralisation is pervasive across the trend and that results associated with Pedro and section 645400mE justify further drill testing along strike in both directions.

IRON ORE

Vale completed a maiden drill programme at the Trindade North Iron Ore Project. 15 diamond drill holes for 2,600m have been concluded, exceeding the minimum drilling obligations.

Significant widths of highly magnetic, magnetite rich, Banded Iron Formation ("BIF") were intersected, from which Vale has prepared a resource estimate. This is currently being validated by the Company.

The BIF situated within Avanco's tenement makes up the southern portion of a much larger mineralised structure which straddles the common Vale-Avanco tenement boundary. To facilitate any future exploitation of the iron ore, the Company believes that practicalities will dictate that the Vale and Avanco ore resources will have to be mined concurrently.

Avanco has submitted the "Final Exploration Report" to the regulatory authorities and approval is pending. On the first anniversary in August 2011, Vale advanced Avanco USD\$600,000 to retain the Option. As announced previously, Vale have been granted exclusive exploration rights and an Option to acquire the Trindade North Property, which could potentially generate payments in the order of USD\$10m to USD\$40m for the Company.

Directors' Report

NICKEL SULPHIDE-PGM PROJECTS

Good progress continues to be made at the recently acquired Conceição Nickel-Platinum Group Metals Project ("Nickel-PGMs") where high priority drill targets continue to be delineated by soil geochemistry.

This latest soil survey has defined an additional nickel-copper anomaly extending for 1.5km over a prospective magmatic mafic-ultramafic intrusion. This new outcome strongly supports the case for drill testing of at least three nickel prospects at Conceição.

Conceição shows clear and increasing evidence of a cluster of magmatic intrusions considered highly prospective for the discovery of nickel sulphides. This is substantiated by the presence of visible nickel-sulphides in outcrops and the results of surface rock-chip analysis.

At the Touro Nickel Project, Avanco has previously defined a 5km x 1.5km differentiated mafic sill in a region regarded as highly prospective for further nickel sulphide discoveries. Limited scout drilling by Avanco in 2009/10 returned values of up to 0.38% Nickel with anomalous PGMs confirming the Touro sill as a fertile nickel host.

Following the pending approval of a new exploration license the Company will implement the next phase of exploration which will likely begin with geophysics before commencing to drill test the footwall contact along the Touro sill.

At the Company's Serra Verde Project, newly found historic data has drawn attention to the potential for Nickel-PGMs mineralisation situated in the northeast of the license. Soil sampling and auger drilling undertaken by former explorers indicates the existence of mafic-ultramafic rocks under cover which is coincident with Nickel-PGM anomalism.

Results reported from historical auger drilling at Serra Verde include:

- 8m at 4000ppm Ni, 600 ppm Cu, 40ppb Pt+Pd (NSVT-06)
- 4m at 2600ppm Ni, 1100ppm Cu, 48ppb Pt+Pd (NSVT-23)
- 7m at 700ppm Ni, 3800ppm Cu, 199ppb Pt+Pd (NSVT-05)

These results are considered highly anomalous and are being validated by current field work.

CORPORATE

Avanco's main business is copper and the Company's 50,000m drill programme continues with 11,456m completed to date across its 38,000ha copper projects. The HGZ zone has increased by 100% since the start of drilling and continues to grow the more it is drilled. Deep drilling at Rio Verde has provided an extremely encouraging start in searching for the primary source and reinforces the substantial exploration potential of the Rio Verde Project to host a large IOCG discovery.

To complement exploration at Rio Verde, a number of new copper opportunities are being evaluated. With greater than \$19m cash at bank at year end, Avanco is in a very strong financial position to pursue new high profile copper acquisitions.

The Company is also investigating a number of options to further advance the nickel projects without compromising the Company's increasing commitment to copper. Ideas being considered include assignment of the nickel-platinum exploration rights into "Estrela Metals Ltd" a wholly owned subsidiary of Avanco Resources Ltd. Estrela would, (depending on market conditions and ASIC compliance) possibly provide a suitable vehicle for the spin-out of a new and dedicated Nickel-Platinum company.

Directors' Report

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 8 November 2010, the Company announced a placement to institutional and sophisticated investors at \$0.10 to raise \$20 million.

During the year the Company raised \$1,158,308 through the exercise of listed options.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There were no known significant events from the end of the financial year to the date of this report.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Directors have excluded from this report any further information on the likely developments in the operations of the Company and the expected results of those operations in future financial years, as the Directors believe that it would be speculative and prejudicial to the interests of the Company.

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The Group carries out operations that are subject to environmental regulations under legislation in Brazil. The Group has formal procedures in place to ensure regulations are adhered to. The Group is not aware of any breaches in relation to environmental matters.

SHARE OPTIONS

As at the date of this report, there were 210,331,430 unissued ordinary shares under options (211,911,430 at the reporting date). The details of the options at the date of this report are as follows:

Number	Exercise Price \$	Expiry Date
1,500,000	0.20	30 April 2013
545,000	0.35	12 May 2013
158,926,430	0.015	30 April 2012
25,000,000	0.18	30 September 2013
10,000,000	0.15	14 December 2013
5,000,000	0.18	10 January 2014
1,000,000	0.18	4 February 2014
8,360,000	0.15	27 June 2014
210,331,430		

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

The following options were issued during the year:

- 25,000,000 options with an exercise price of 18 cents expiring on 30 September 2013;
- 10,000,000 options with an exercise price of 15 cents expiring on 14 December 2013;
- 5,000,000 options with an exercise price of 18 cents expiring on 10 January 2014;
- 1,000,000 options with an exercise price of 18 cents expiring on 4 February 2014; and
- 8,360,000 options with an exercise price of 15 cents expiring on 27 June 2014.

77,220,545 options with an exercise price of 1.5 cents, expiring on 30 April 2012 were exercised during the financial year. 1,580,000 options with an exercise price of 1.5 cents, expiring on 30 April 2012 have been exercised since year end.

Directors' Report

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has made an agreement indemnifying all the Directors and officers of the Company against all losses or liabilities incurred by each Director or officer in their capacity as Directors or officers of the Company to the extent permitted by the Corporation Act 2001. The indemnification specifically excludes wilful acts of negligence. The Company paid insurance premiums in respect of Directors' and Officers' Liability Insurance contracts for current officers of the Company, including officers of the Company's controlled entities. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group. The total amount of insurance premiums paid has not been disclosed due to confidentiality reasons.

DIRECTORS' MEETINGS

During the financial year, in addition to regular Board discussions, the number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

Director	Number of Meetings Eligible to Attend	Number of Meetings Attended
Mr. Matthew Wood	3	3
Mr. Anthony Polglase	3	3
Mr. Scott Funston	3	3
Mr. Simon Mottram	1	1
Mr. Colin Jones	2	1

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Avanco Resources Limited support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that Avanco Resources is in compliance with those guidelines to the extent possible, which are of importance to the commercial operation of a junior listed resources company. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company. The Company's Corporate Governance Statement and disclosures are contained elsewhere in the annual report.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors of Avanco Resources with an Independence Declaration in relation to the audit of the full year financial report. A copy of that declaration is included at page 50 of this report.

There were no non audit services provided by the Company's auditor.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors and executives of Avanco Resources Limited in accordance with the requirements of the *Corporation Act 2001* and its Regulations. For the purpose of this report, Key Management Personnel (KMP) of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group, and includes the executives in the Company receiving the highest remuneration.

Directors' Report

Details of Key Management Personnel

Mr. Matthew Wood	Chairman
Mr. Anthony Polglase	Managing Director
Mr. Scott Funston	Executive Director, Company Secretary
Mr. Simon Mottram	Executive Director (appointed 18 January 2011)
Mr. Colin Jones	Non-Executive Director (appointed 7 October 2010)

Remuneration Policy

The Board is responsible for determining and reviewing compensation arrangements for the Directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The Group does not link the nature and amount of the emoluments of such officers to the Group's financial or operational performance. The expected outcome of this remuneration structure is to retain and motivate Directors.

As part of its Corporate Governance Policies and Procedures, the board has adopted a formal Remuneration Committee Charter. Due to the current size of the Group and number of directors, the board has elected not to create a separate Remuneration Committee but has instead decided to undertake the function of the Committee as a full Board under the guidance of the formal charter.

The rewards for Directors' have no set or pre-determined performance conditions or key performance indicators as part of their remuneration due to the current nature of the business operations. The Board determines appropriate levels of performance rewards as and when they consider rewards are warranted. The Group has no policy on executives and directors entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package.

The table below shows the performance of the Group as measured by loss per share since incorporation in July 2007:

As at 30 June	2011	2010	2009	2008
Loss per share (cents)	(0.35)	(0.24)	(1.45)	(1.10)

Details of the nature and amount of each element of the emolument of each Director and Executive of the Group for the financial year are as follows:

2011 Director	Short term			Options	Post employment	Total \$	Option Related %
	Base Salary \$	Directors Fees \$	Consulting Fees \$	Share based Payments \$	Superannuation \$		
Mr. M Wood	-	-	120,000	660,000	-	780,000	85%
Mr. A Polglase	-	-	275,000	660,000	-	935,000	71%
Mr. S Funston	-	-	120,000	330,000	-	450,000	73%
Mr. S Mottram *	127,676	-	-	197,945	11,491	337,112	59%
Mr. C Jones *	-	30,000	-	-	-	30,000	-
	127,676	30,000	515,000	1,847,945	11,491	2,532,112	

* Mr. Mottram was appointed on 18 January 2011 and Mr. Jones was appointed on 7 October 2010.

Directors' Report

2010 Director	Short term			Options	Post employment	Total \$	Option Related %
	Base Salary \$	Directors Fees \$	Consulting Fees \$	Share based Payments \$	Superannuation \$		
Mr. M Wood	-	-	120,000	-	-	120,000	-
Mr. A Polglase	-	-	140,000	-	-	140,000	-
Mr. S Funston	-	-	92,500	-	-	92,500	-
	-	-	352,500	-	-	352,500	

There were no other executive officers of the Group during the financial years ended 30 June 2011 and 30 June 2010. No remuneration is performance related. The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

2011	Grant date	Grant number	First exercise date	Expiry date / last exercise date	Value per option at grant date	Value of options	Exercise price	No. Vested
Mr. M. Wood	30/11/2010	10,000,000	30/11/2010	30/9/2013	\$0.066	660,000	\$0.18	10,000,000
Mr. A. Polglase	30/11/2010	10,000,000	30/11/2010	30/9/2013	\$0.066	660,000	\$0.18	10,000,000
Mr. S. Funston	30/11/2010	5,000,000	30/11/2010	30/9/2013	\$0.066	330,000	\$0.18	5,000,000
Mr. S Mottram	10/1/2011	2,500,000	10/1/2012	10/1/2014	\$0.112	280,000	\$0.18	-
	10/1/2011	2,500,000	10/1/2013	10/1/2014	\$0.116	290,000	\$0.18	-

The share options issued were not subject to a performance hurdle as these options were issued as a form of retention bonus and incentive package. On resignation, any unvested options will be forfeited. There were no options issued to KMPs as part of remuneration during the year ended 30 June 2010.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date. There were no forfeitures during the period. No remuneration options were exercised for the year ended 30 June 2011 or for the year ended 30 June 2010.

Options granted as part of remuneration have been valued using the Black-Scholes option pricing model, which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option. Options granted under the plan carry no dividend or voting rights. Options granted to Mr. Mottram vest 50% after twelve months and 50% after two years from the commencement of employment. The remaining options vested on the grant date.

Executive Directors

Mr. Mottram is paid an annual fee of \$250,000 per annum, including superannuation. The agreement commenced on 10 January 2011 and is for a term of two years unless extended by both parties. Mr. Mottram may terminate the agreement by giving three months written notice. The Company may terminate the agreement by giving three months written notice or by paying an amount equivalent to three months fees (based on agreed consulting fee) or without notice in the case of serious misconduct.

The Executive Directors, Mr. Anthony Polglase and Mr. Scott Funston are paid an annual consulting fee on a monthly basis. Their services may be terminated by either party at any time.

Directors' Report

Non Executive Director

The Non Executive Directors, Mr. Matthew Wood and Mr. Colin Jones are paid an annual consulting fee on a monthly basis. Their services may be terminated by either party at any time.

The aggregate fee remuneration for non-executive Directors has been set at an amount not to exceed \$500,000 per annum. This amount may only be increased with the approval of Shareholders at a general meeting.

Service Agreements

The Group has entered a service agreement for certain administrative services and office space for a term of two years with Garrison Capital Pty Ltd, a company of which Mr. Wood is a Director. The Group is required to give three months written notice to terminate the agreement.

Signed on behalf of the board in accordance with a resolution of the Directors.



Matthew Wood
Chairman
12 September 2011

Competent Person Statement

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.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Avanco Resources Limited (“Avanco Resources” or “the Company”) is responsible for corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

Upon listing the Company established a set of corporate governance policies and procedures. These were based on the Australian Securities Exchange Corporate Governance Council’s (the Council’s) “Principles of Good Corporate Governance and Best Practice Recommendations” (the Recommendations). In accordance with the Council’s recommendations, the Corporate Governance Statement must now contain certain specific information and must disclose the extent to which the company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. For further information on corporate governance policies adopted by the Company, refer to our website: www.avancoresources.com.

Structure of the Board

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report is included in the Directors’ Report. Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

The Board has accepted the following definition of an Independent Director:

“An Independent Director is a Director who is not a member of management, is a Non-executive Director and who:

- is not a substantial shareholder (under the meaning of Corporations Law) of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Company member, or been a Director after ceasing to hold any such employment;
- is not a principal of a professional adviser to the Company or another Company member;
- is not a significant consultant, supplier or customer of the Company or another Company member, or an officer of or otherwise associated, directly or indirectly, with a significant consultant, supplier or customer;
- has no significant contractual relationship with the Company or another Company member other than as a Director of the Company;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director’s ability to act in the best interests of the Company.”

In accordance with the definition of independence above, Mr. Colin Jones is an Independent Director. Accordingly, a majority of the board is not considered independent.

There are procedures in place, as agreed by the board, to enable Directors to seek independent professional advice on issues arising in the course of their duties at the company’s expense. The term in office held by each Director in office at the date of this report is as follows:

Name	Term in office
Matthew Wood	4 years 3 months
Anthony Polglase	4 years 3 months
Scott Funston	2 years 6 months
Simon Mottram	7 months
Colin Jones	10 months

CORPORATE GOVERNANCE STATEMENT

Nomination Committee

The Board has formally adopted a Nomination Committee Charter but given the present size of the Company, has not formed a separate Committee. Instead the function will be undertaken by the full Board in accordance with the policies and procedures outlined in the Nomination Committee Charter. At such time when the Company is of sufficient size a separate Nomination Committee will be formed.

Audit and Risk Management Committee

The Board has formally adopted an Audit and Risk Management Committee Charter but given the present size of the Company, has not formed a separate Committee. Instead the function of the Committee will be undertaken by the full Board in accordance with the policies and procedures outlined in the Audit and Risk Management Committee Charter. At such time when the Company is of sufficient size a separate Audit and Risk Management Committee will be formed.

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes both internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial and non financial-information. It is the Board's responsibility for the establishment and maintenance of a framework of internal control of the Company.

Performance

The Board of Avanco Resources conducts its performance review of itself on an ongoing basis throughout the year. The small size of the company and hands on management style requires an increased level of interaction between directors and executives throughout the year. Board members meet amongst themselves both formally and informally. The Board considers that the current approach that it has adopted with regard to the review of its performance provides the best guidance and value to the Company.

Remuneration

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality board by remunerating directors fairly and appropriately with reference to relevant employment market conditions. The company does not link the nature and amount of executive and directors' emoluments to the company's financial and operational performance.

For details of remuneration of Directors and Executives please refer to the Directors' Report.

The Board is responsible for determining and reviewing compensation arrangements for executive directors. The Board has formally adopted a Remuneration Committee Charter however given the present size of the Company, has not formed a separate Committee. Instead the function will be undertaken by the full Board in accordance with the policies and procedures outlined in the Remuneration Committee Charter. At such time when the Company is of sufficient size a separate Remuneration Committee will be formed.

There is no scheme to provide retirement benefits, other than statutory superannuation.

Trading Policy

Under the Company's securities trading policy, an executive or director must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

Before commencing to trade, an executive must first obtain the approval of the Managing Director to do so and a Director must first obtain approval of the Chairman. Only in exceptional circumstances will approval be forthcoming inside of the

CORPORATE GOVERNANCE STATEMENT

period commencing on the tenth day of the month in which the Company is required to release its Quarterly Activities Report and Quarterly Cashflow Report and ending two days following the date of that release.

Assurance

The CEO and CFO (or equivalent) periodically provide formal statements to the Board that in all material aspects:

- the company's financial statements present a true and fair view of the company's financial condition and operational results; and
- the risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively.

This assurance forms part of the process by which the Board determines the effectiveness of its risk management and internal control systems in relation to financial reporting risks.

Shareholder Communication Policy

Pursuant to Principle 6, the Company's objective is to promote effective communication with its shareholders at all times.

Avanco Resources Limited is committed to:

- Ensuring that shareholders and the financial markets are provided with full and timely information
- Complying with continuous disclosure obligations contained in the ASX listing rules and the *Corporations Act* in Australia
- Communicating effectively with its shareholders and making it easier for shareholders to communicate with the Company

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

- Through the release of information to the market via the ASX
- Through the distribution of the annual report and notices of annual general meeting
- Through shareholder meetings and investor relations presentations
- Through letters and other forms of communications directly to shareholders
- By posting relevant information on the Company's website: www.avancoresources.com

The external auditors are required to attend the annual general meeting and are available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

CORPORATE GOVERNANCE STATEMENT

Corporate Governance Compliance

During the financial year Avanco Resources has complied with each of the 8 Corporate Governance Principles and the corresponding Best Practice Recommendations, other than in relation to the matters specified below:

Best Practice Recommendation	Notification of Departure	Explanation of Departure
2.1	The Company does not have a majority of independent directors	The Directors consider that the current structure and composition of the Board is appropriate to the size and nature of operations of the Company.
2.2	The Chairman is not an independent director	The Directors consider that the current structure and composition of the Board is appropriate to the size and nature of operations of the Company.
2.4	The Group does not have a Nomination Committee	The role of the Nomination Committee has been assumed by the full Board operating under the Nomination Committee Charter adopted by the Board.
4.1 and 4.2	The Group does not have an Audit and Risk Management Committee	The role of the Audit and Risk Management Committee has been assumed by the full Board operating under the Audit and Risk Management Committee Charter adopted by the Board.
8.1	The Group does not have a Remuneration Committee	The role of the Remuneration Committee has been assumed by the full Board operating under the Remuneration Committee Charter adopted by the Board.
8.2	Non-executive directors receive options as a part of remuneration.	To attract and retain an independent Non-executive director with sufficient skills and experience to the Company, incentive options were required as part of the remuneration package.

Avanco Resources Limited

Statement of Comprehensive Income *for the year ended 30 June 2011*

	Notes	Consolidated	
		2011 \$	2010 \$
Revenue			
Interest income		624,093	48,732
Revenue		624,093	48,732
Public company costs		(156,862)	(66,485)
Consulting fees		(469,667)	(338,776)
Legal fees		(8,458)	(34,389)
Share based payments	23	(1,917,369)	(56,283)
Rent and outgoings		(120,000)	(120,000)
Travel expenses		(54,096)	(63,019)
Impairment of exploration expenditure	10	(5,687)	(26,952)
Other expenses	4	(257,284)	(145,616)
Loss from continuing operations before income tax		(2,365,330)	(802,788)
Income tax expense	5	-	-
Loss from continuing operations after income tax		(2,365,330)	(802,788)
Net loss for the year		(2,365,330)	(802,788)
Other Comprehensive Income/(loss)			
Foreign currency translation		(284,626)	80,017
Other comprehensive income/(loss) for the year		(284,626)	80,017
Total comprehensive income/(loss) for the year		(2,649,956)	(722,771)
Loss per share attributable to owners of Avanco Resources Limited			
Basic and diluted loss per share (cents per share)	20	(0.35)	(0.24)

Avanco Resources Limited

Statement of Financial Position *as at 30 June 2011*

	Notes	Consolidated	
		2011	2010
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	6	19,615,848	4,519,184
Trade and other receivables	7	262,129	73,326
TOTAL CURRENT ASSETS		19,877,977	4,592,510
NON-CURRENT ASSETS			
Plant and equipment	9	142,369	95,341
Deferred exploration and evaluation expenditure	10	8,972,663	4,753,389
TOTAL NON-CURRENT ASSETS		9,115,032	4,848,730
TOTAL ASSETS		28,993,009	9,441,240
CURRENT LIABILITIES			
Trade and other payables	11	578,682	184,778
TOTAL CURRENT LIABILITIES		578,682	184,778
TOTAL LIABILITIES		578,682	184,778
NET ASSETS		28,414,327	9,256,462
EQUITY			
Issued capital	12	30,319,832	11,309,380
Reserves	13	4,608,350	2,095,607
Accumulated losses	14	(6,513,855)	(4,148,525)
TOTAL EQUITY		28,414,327	9,256,462

Avanco Resources Limited

Statement of Cash Flows for the year ended 30 June 2011

	Notes	Consolidated	
		2011	2010
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(972,318)	(837,234)
Interest received		463,371	48,732
		<hr/>	<hr/>
NET CASH USED IN OPERATING ACTIVITIES	6	(508,947)	(788,502)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(91,887)	(1,206)
Receipt of funds in relation to the Trindade project		356,376	-
Expenditure on exploration		(4,549,330)	(1,175,345)
		<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES		(4,284,841)	(1,176,551)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		21,158,308	5,119,706
Share issue costs		(1,267,856)	(345,793)
		<hr/>	<hr/>
NET CASH FROM FINANCING ACTIVITIES		19,890,452	4,773,913
Net increase in cash held		15,096,664	2,808,860
Cash and cash equivalents at beginning of period		4,519,184	1,710,324
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	6	19,615,848	4,519,184

Avanco Resources Limited

Statement of Changes in Equity for the year ended 30 June 2011

Consolidated	Issued capital \$	Accumulated losses \$	Foreign Currency Translation Reserve \$	Option reserves \$	Share based payment reserves \$	Total \$
At 1 July 2010	11,309,380	(4,148,525)	38,306	549,200	1,508,101	9,256,462
Loss for the year	-	(2,365,330)	-	-	-	(2,365,330)
Other comprehensive income	-	-	(284,626)	-	-	(284,626)
Total comprehensive loss	-	(2,365,330)	(284,626)	-	-	(2,649,956)
Transactions with owners in their capacity as owners						
Issue of ordinary shares	21,158,308	-	-	-	-	21,158,308
Share based payments	-	-	-	-	2,797,369	2,797,369
Transaction costs on share issue	(2,147,856)	-	-	-	-	(2,147,856)
At 30 June 2011	30,319,832	(6,513,855)	(246,320)	549,200	4,305,470	28,414,327
At 1 July 2009	6,933,420	(3,345,737)	(41,711)	549,200	784,765	4,879,937
Loss for the year	-	(802,788)	-	-	-	(802,788)
Other comprehensive income	-	-	80,017	-	-	80,017
Total comprehensive loss	-	(802,788)	80,017	-	-	(722,771)
Transactions with owners in their capacity as owners						
Issue of ordinary shares	5,119,706	-	-	-	-	5,119,706
Share based payments	269,100	-	-	-	723,336	992,436
Transaction costs on share issue	(1,012,846)	-	-	-	-	(1,012,846)
At 30 June 2010	11,309,380	(4,148,525)	38,306	549,200	1,508,101	9,256,462

Avanco Resources Limited

Notes to the financial statements at and for the year ended 30 June 2011

1. Corporate Information

The financial report of Avanco Resources Limited (“Avanco Resources” or “the Company”) and its controlled entities (“the Group”) for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 12 September 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 the principal activities of the Group are described in the Directors’ Report.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis. The presentation currency is Australian dollars.

(b) Compliance statement

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) New accounting standards and interpretations issued but yet effective

The following applicable accounting standards and interpretations have been issued or amended but are not yet effective. These standards have not been adopted by the Group for the year ended 30 June 2011, and no change to the Group’s accounting policy is required:

Reference	Title	Summary	Impact on Group’s financial report	Application date for Group
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB’s project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.</p> <p>(a) Financial assets are classified based on (1) the objective of the entity’s business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.</p> <p>(b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments</p>	<p>The Group has not yet determined the impact on the Group’s financial statements.</p>	1 July 2013

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
		<p>that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p>		
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	<ul style="list-style-type: none"> ▶ These amendments arise from the issuance of AASB 9 <i>Financial Instruments</i> that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i>. ▶ This Standard shall be applied when AASB 9 is applied. 	The Group has not yet determined the impact on the Group's financial statements.	1 July 2013
AASB 124 (Revised)	Related Party Disclosures (December 2009)	<p>The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:</p> <ul style="list-style-type: none"> (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other <p>A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.</p>	The Group has not yet determined the impact on the Group's financial statements.	1 July 2011

Avanco Resources Limited

Notes to the financial statements at and for the year ended 30 June 2011

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
AASB 2011-7	Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards	Consequential amendments to AASB 127 <i>Separate Financial Statements</i> and AASB 128 <i>Investments in Associates</i> as a result of the adoption of AASB 10 Consolidated Financial Statements, AASB 11 <i>Joint Arrangements</i> and AASB 12 <i>Disclosure of Interests in Other Entities</i>.	The Group has not yet determined the impact on the Group's financial statements.	1 July 2013
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and Interpretation 112 Consolidation – Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.	AASB 10	1 July 2013
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 Interests in Joint Ventures and Interpretation 113 Jointly-controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.	The Group has not yet determined the impact on the Group's financial statements.	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	The Group has not yet determined the impact on the Group's financial statements.	1 July 2013

Avanco Resources Limited

Notes to the financial statements at and for the year ended 30 June 2011

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
*	Fair Value Measurement	Consequential amendments to AASB 127 <i>Separate Financial Statements</i> and AASB 128 <i>Investments in Associates</i> as a result of the adoption of AASB 10 <i>Consolidated Financial Statements</i>, AASB 11 <i>Joint Arrangements</i> and AASB 12 <i>Disclosure of Interests in Other Entities</i>.	The Group has not yet determined the impact on the Group's financial statements.	1 July 2013

* The AASB has not issued this standard, which was finalised by the IASB in May 2011

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

(d) Changes in accounting policies and disclosures

In the year ended 30 June 2011, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

(e) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Avanco Resources Limited and its subsidiaries as at 30 June each year ('the Company').

Subsidiaries are all those entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Company controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-company transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Company and cease to be consolidated from the date on which control is transferred out of the Company.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

(f) Foreign Currency Translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional and presentation currency of Avanco Resources Limited is Australian dollars. The functional currency of the overseas subsidiaries is Brazilian Rias.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

(iii) Group entities

The results and financial position of all the Company entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to foreign currency translation reserve.

When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of comprehensive income, as part of the gain or loss on sale where applicable.

(g) Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance expenditure is charged to the statement of comprehensive income during the financial period in which it is incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and equipment	25% – 50%
Furniture, Fixtures and Fittings	15%
Computer and software	25%
Motor Vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Derecognition

Additions of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in the statement of comprehensive income.

(h) Impairment of non financial assets other than goodwill

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Group and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in the statement of comprehensive income.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(i) Exploration expenditure

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Expenditure which fails to meet the conditions outlined above is written off, furthermore, the directors regularly review the carrying value of exploration and evaluation expenditure and make write downs if the values are not expected to be recoverable.

Identifiable exploration assets acquired are recognised as assets at their cost of acquisition, as determined by the requirements of AASB 6 Exploration for and evaluation of mineral resources. Exploration assets acquired are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions referred to in AASB 6 is met.

Exploration and evaluation expenditure incurred subsequent to acquisition in respect of an exploration asset acquired, is accounted for in accordance with the policy outlined above for exploration expenditure incurred by or on behalf of the entity.

Acquired exploration assets are not written down below acquisition cost until such time as the acquisition cost is not expected to be recovered.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

Expenditure is not carried forward in respect of any area of interest/mineral resource unless the Group's rights of tenure to that area of interest are current.

(j) Trade and Other Receivables

Trade receivables, which generally have 30 – 90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(k) Cash and Cash Equivalents

Cash and cash equivalent in the statement of financial position include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown as current liabilities in the statement of financial position. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as described above and bank overdrafts.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(m) Trade and other payables

Liabilities for trade creditors and other amounts are measured at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received that are unpaid, whether or not billed to the Group.

(n) Income Tax

Deferred income tax is provided for on all temporary differences at balance date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

No deferred income tax will be recognised from the initial recognition of goodwill or of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

No deferred income tax will be recognised in respect of temporary differences associated with investments in subsidiaries if the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the near future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is charged or credited in the statement of comprehensive income except where it relates to items that may be charged or credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance date and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. The carrying amount of deferred tax assets is reviewed at each balance date and only recognised to the extent that sufficient future assessable income is expected to be obtained.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(o) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue is capable of being reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(q) Segment Information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Avanco Resources Limited.

(r) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than dividends, by the weighted average number of ordinary shares, adjusted for any bonus elements.

Diluted earnings per share

Diluted earnings per share is calculated as net profit attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus elements.

(s) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Tax Office is included as part of receivables or payables in the statement of financial position.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which is receivable from or payable to the ATO, are disclosed as operating cash flows.

(t) Share based payment transactions

The group provides benefits to individuals acting as, and providing services similar to employees (including Directors) of the group in the form of share based payment transactions, whereby individuals render services in exchange for shares or rights over shares ('equity settled transactions').

There is currently an Employee Share Option Plan (ESOP) in place, which provides benefits to Directors and individuals providing services similar to those provided by an employee.

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in note 23.

In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Avanco Resources Limited ('market conditions').

The cost of the equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of the market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of the modification.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the award is recognised immediately. However if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The cost of equity-settled transactions with non-employees is measured by reference to the fair value of goods and services received unless this cannot be measured reliably, in which case the cost is measured by reference to the fair value of the equity instruments granted.

The dilutive effect, if any, of outstanding options is reflected in the computation of loss per share (see note 20).

(u) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

Share based payment transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in note 23.

Functional currency translation reserve

Under the Accounting Standards, each entity within the Group is required to determine its functional currency, which is the currency of the primary economic environment in which the entity operates. Management considers the Brazilian subsidiaries to be foreign operations with Brazilian Rias as the functional currency. In arriving at this determination, management has given priority to the currency that influences the labour, materials and other costs of exploration activities as they consider this to be a primary indicator of the functional currency.

3. Segment Information

For management purposes, the Group is organised into one main operating segment, which involves mining exploration for iron ore, copper and nickel. All of the Group'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 Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole. Total revenue earned by the Group is generated in Australia and all of the Group's non-current assets reside in Brazil.

Avanco Resources Limited

Notes to the financial statements at and for the year ended 30 June 2011

	Consolidated	
	2011	2010
	\$	\$
4. Other Expenses		
Accounting and audit fees	86,516	68,251
Bank fees	15,305	3,800
Computer and website expenses	3,630	3,008
Courier	478	973
General office expenses	9,847	7,361
Insurance	13,288	13,990
Printing and stationary	17,567	11,493
Repairs and maintenance	-	4,536
Subscriptions	516	-
Communications	20,469	5,089
Conferences and seminars	15,292	5,428
Marketing	5,877	-
Wages and salaries	19,570	-
Depreciation	38,534	18,803
Other	10,395	2,884
Total other expenses	257,284	145,616

5. Income Tax

(a) Income tax expense

Major component of tax expense for the year:

Current tax	-	-
Deferred tax	-	-
	-	-

Consolidated	
2011	2010
\$	\$

(b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate.

A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable tax rate is as follows:

Loss from continuing operations before income tax expense	(2,365,330)	(802,788)
Tax at the group rate of 30%	(709,599)	(240,836)
Expense of remuneration options	575,211	16,885
Income tax benefit not brought to account	134,388	223,951
Income tax expense	-	-

(c) Deferred tax

The following deferred tax balances have not been brought to account:

Liabilities

Capitalised exploration and evaluation expenditure	2,691,799	1,426,017
Offset by deferred tax assets	(2,691,799)	(1,426,017)
Deferred tax liability recognised	-	-

Assets

Losses available to offset against future taxable income	4,094,080	2,562,814
Share issue costs deductible over five years	415,385	164,568
Accrued expenses	5,400	5,250
Deferred tax assets offset against deferred tax liabilities	(2,691,799)	(1,426,017)
Deferred tax assets not brought to account as realisation is not regarded as probable	(1,823,066)	(1,306,615)
Deferred tax asset recognised	-	-

(d) Unused tax losses

Unused tax losses	6,076,886	4,355,383
Potential tax benefit not recognised at 30%	1,823,066	1,306,615

The benefit for tax losses will only be obtained if:

- (i) the Group derives future assessable income in Australia of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, and
- (ii) the Group continues to comply with the conditions for deductibility imposed by tax legislation in Australia and
- (iii) no changes in tax legislation in Australia, adversely affect the Group in realising the benefit from the deductions for the losses.

Avanco Resources Limited

Notes to the financial statements at and for the year ended 30 June 2011

Consolidated
2011 2010
\$ \$

6. Cash and Cash Equivalents

Reconciliation of Cash and Cash Equivalents

Cash comprises of:

Cash at bank	4,478,970	4,519,184
Short term deposits	15,136,878	-
Cash at bank	19,615,848	4,519,184

Reconciliation of operating loss after tax to the cash flows from operations

Loss from ordinary activities after tax	(2,365,330)	(802,788)
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Non cash items

Share based payment	1,917,369	56,283
Depreciation and impairment charges	38,534	18,803
Exploration expenditure written off	5,687	26,952

Change in assets and liabilities

Decrease / (increase) in trade and other receivables	(175,650)	(44,140)
Increase / (decrease) in trade and other payables	70,443	(43,612)

Net cash outflow from operating activities	(508,947)	(788,502)
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Non-cash financing activities are as follows:

- Share-based payments (to directors, employees and placement lead manager) as discussed in note 23;

7. Trade and Other Receivables – Current

GST receivable	21,969	25,313
Accrued interest	180,952	-
Other	59,208	48,013
	262,129	73,326

Trade debtors, other debtors and goods and services tax are non-interest bearing and generally receivable on 30 day terms. They are neither past due nor impaired. The amount is fully collectible. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

8. Investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2 (e).

Name of Entity	Country of Incorporation	Equity Holding
Avanco Holdings Pty Ltd	Australia	100%
Estrela Metals Pty Ltd	Australia	100%
Estrela do Brasil Mineracao Ltda	Brazil	100%
AVB Mineracao Ltda	Brazil	100%
Avanco Brazil Mineracao Ltda	Brazil	100%

Avanco Resources Limited**Notes to the financial statements at and for the year ended 30 June 2011**

	Consolidated	
	2011	2010
	\$	\$
9. Plant and Equipment		
Plant and Equipment		
Cost	56,568	3,358
Accumulated depreciation and impairment	(15,147)	(823)
Net carrying amount	<u>41,421</u>	<u>2,535</u>
Computer Equipment and Software		
Cost	49,094	41,417
Accumulated depreciation and impairment	(20,711)	(13,377)
Net carrying amount	<u>28,383</u>	<u>28,040</u>
Furniture, Fixtures and Fittings		
Cost	75,686	50,214
Accumulated depreciation and impairment	(49,069)	(46,748)
Net carrying amount	<u>26,617</u>	<u>3,466</u>
Motor Vehicles		
Cost	72,549	78,256
Accumulated depreciation and impairment	(26,601)	(16,956)
Net carrying amount	<u>45,948</u>	<u>61,300</u>
Total Plant and Equipment	<u>142,369</u>	<u>95,341</u>

Avanco Resources Limited**Notes to the financial statements at and for the year ended 30 June 2011**

	Consolidated	
	2011	2010
	\$	\$
Plant and Equipment		
At beginning of the period	2,535	2,819
Additions	58,356	-
Disposals	-	-
Net exchange differences on translation	(237)	61
Depreciation charge for the year	(19,233)	(345)
	<u>41,421</u>	<u>2,535</u>
Computer Equipment and Software		
At beginning of the period	28,040	33,747
Additions	9,683	-
Disposals	-	-
Net exchange differences on translation	(2,006)	515
Depreciation charge for the year	(7,334)	(6,222)
	<u>28,383</u>	<u>28,040</u>
Furniture, Fixtures and Fittings		
At beginning of the period	3,466	7,031
Additions	28,758	1,206
Disposals	-	-
Net exchange differences on translation	(3,286)	890
Depreciation charge for the year	(2,321)	(5,661)
	<u>26,617</u>	<u>3,466</u>
Motor Vehicles		
At beginning of the period	61,300	67,869
Additions	-	-
Net exchange differences on translation	(5,706)	1,422
Depreciation charge for the year	(9,646)	(7,991)
	<u>45,948</u>	<u>61,300</u>
Total Plant & equipment	<u>142,369</u>	<u>95,341</u>

Consolidated

2011 2010
\$ \$

10. Deferred Exploration and Evaluation Expenditure

At beginning of the period	4,753,389	3,233,229
Exploration expenditure during the year	4,854,728	1,469,984
Receipt of funds in relation to the Trindade project	(356,376)	-
Impairment loss	(5,687)	(26,952)
Net exchange differences on translation	(273,391)	77,128
Total exploration and evaluation	8,972,663	4,753,389

The ultimate recoupment of costs carried forward for exploration expenditure is dependent on the successful development and commercial exploitation or sale of the respective mining areas. The impairment loss relates to the withdrawal from various projects held in Brazil that the Group has made a decision not to continue exploration and wrote down the carrying value to nil.

11. Trade and Other Payables

Trade payables	520,301	161,352
Accruals	58,381	23,426
	578,682	184,778

Trade creditors, other creditors and goods and services tax are non-interest bearing and generally payable on 60 day terms. Due to the short term nature of these payable, their carrying value is assumed to approximate their fair value.

12. Issued Capital

(a) Issued capital

Ordinary shares fully paid	30,319,832	11,309,380
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	2011		2010	
	Number of shares	\$	Number of shares	\$
(b) Movements in shares on issue				
At beginning of the period	511,652,972	11,309,380	298,072,756	6,933,420
Issue to exploration consultant	-	-	8,666,666	269,100
Placement at \$0.025	-	-	204,600,282	5,115,007
Placement at \$0.10	200,000,000	20,000,000	-	-
Exercise of options	77,220,545	1,158,308	313,268	4,699
less fundraising costs	-	(2,147,856)	-	(1,012,846)
At 30 June	788,873,517	30,319,832	511,652,972	11,309,380

(c) Ordinary shares

The Company does not have authorised capital nor par value in respect of its issued capital. Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the Company.

Avanco Resources Limited

Notes to the financial statements at and for the year ended 30 June 2011

(d) Capital risk management

The Group's capital comprises share capital, reserves less accumulated losses amounting to \$28,414,327 at 30 June 2011 (2010: \$9,256,462). The Group manages its capital to ensure its ability to continue as a going concern and to optimise returns to its shareholders. The Group was ungeared at year end and not subject to any externally imposed capital requirements. Refer to note 21 for further information on the Group's financial risk management policies.

(e) Share options

At 30 June 2011, there were 211,911,430 unissued ordinary shares under options (2010: 239,771,975 options). The details of the options are as follows:

Number	Exercise Price \$	Expiry Date
1,500,000	0.20	30 April 2013
545,000	0.35	12 May 2013
160,506,430	0.015	30 April 2012
25,000,000	0.18	30 September 2013
10,000,000	0.15	14 December 2013
5,000,000	0.18	10 January 2014
1,000,000	0.18	4 February 2014
8,360,000	0.15	27 June 2014
211,911,430		

The following options were issued during the year:

- 25,000,000 options with an exercise price of 18 cents expiring on 30 September 2013;
- 10,000,000 options with an exercise price of 15 cents expiring on 14 December 2013;
- 5,000,000 options with an exercise price of 18 cents expiring on 10 January 2014;
- 1,000,000 options with an exercise price of 18 cents expiring on 4 February 2014; and
- 8,360,000 options with an exercise price of 15 cents expiring on 27 June 2014.

77,220,545 options with an exercise price of 1.5 cents, expiring on 30 April 2012 were exercised during the financial year. No options have expired since the end of the financial year.

No option holder has any right under the options to participate in any other share issue of the company or any other entity. Information relating to the Avanco Resources Limited Employee Share Option Plan, including details of options issued under the plan, is set out in note 23.

	Consolidated	
	2011	2010
	\$	\$
13. Reserves		
Share based payment reserve	4,305,470	1,508,101
Option reserves	549,200	549,200
Foreign currency translation reserve	(246,320)	38,306
	4,608,350	2,095,607
Movements in Reserves		
<i>Share based payment reserve</i>		
At beginning of the period	1,508,101	784,765
Share based payment expense	2,797,369	723,336
At 30 June	4,305,470	1,508,101

Avanco Resources Limited

Notes to the financial statements at and for the year ended 30 June 2011

The share based payment reserve is used to record the value of equity benefits provided to directors and executives as part of their remuneration and non-employees for their services. Refer to note 23 for further details of the options issued during the financial year.

	Consolidated	
	2011	2010
	\$	\$
<i>Option reserves</i>		
At beginning of the period	549,200	549,200
Options issued	-	-
Options exercised	-	-
At 30 June	<u>549,200</u>	<u>549,200</u>

The option reserves are used to record the premium paid on the issue of listed options on 30 April 2008, which expired on 30 June 2010, less any of those options exercised.

Foreign currency translation reserve

At beginning of the period	38,306	(41,711)
Foreign currency translation	<u>(284,626)</u>	<u>80,017</u>
At 30 June	<u>(246,320)</u>	<u>38,306</u>

The Foreign Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in note 2(f). The reserve is recognised in profit and loss when the net investment is disposed of.

14. Accumulated losses

Movements in accumulated losses were as follows:

At beginning of the period	(4,148,525)	(3,345,737)
Loss	<u>(2,365,330)</u>	<u>(802,788)</u>
At 30 June	<u>(6,513,855)</u>	<u>(4,148,525)</u>

15. Expenditure Commitments

(a) Rental and services agreement

The Group entered a service agreement for certain administrative services and office space for a term of two years. The lease expired during the financial year and was renewed for a further two year period. The Group is required to give three months written notice to terminate the agreement.

Within one year	165,000	60,000
After one year but not longer than 5 years	<u>195,000</u>	<u>-</u>
	<u>360,000</u>	<u>60,000</u>

(b) Expenditure commitments

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 30 June 2011.

Avanco Resources Limited

Notes to the financial statements at and for the year ended 30 June 2011

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

	Consolidated	
	2011	2010
	\$	\$
Within one year	132,610	156,111
After one year but not longer than 5 years	-	-
Greater than 5 years	-	-
	<u>132,610</u>	<u>156,111</u>

16. Auditors Remuneration

The auditor of Avanco Resources Limited is Ernst & Young (Australia)

Amounts received or due and receivable by Ernst & Young (Australia) for:

- an audit or review of the financial report of the entity and any other entity in the Consolidated group

	<u>32,000</u>	<u>29,460</u>
	32,000	29,460

17. Key Management Personnel Disclosures

(a) Details of Key Personnel

M. Wood	Chairman
A. Polglase	Managing Director
S. Funston	Executive Director
S. Mottram	Executive Director (appointed 18 January 2011)
C. Jones	Non-Executive Director (appointed 7 October 2010)

(b) Remuneration of Key Management Personnel

Details of the nature and amount of each element of the emolument of each Director and Executive of the Group for the financial year are as follows:

Short term employee benefits	672,676	352,500
Post employment benefits	11,491	-
Share based payments	<u>1,847,945</u>	<u>-</u>
Total remuneration	<u>2,532,112</u>	<u>352,500</u>

(c) Shareholdings of Key Management Personnel

Share holdings

The number of shares in the company held during the financial year by each director of Avanco Resources Limited, including their personally related parties, is set out below. There were no shares granted during the reporting period as compensation.

Avanco Resources Limited

Notes to the financial statements at and for the year ended 30 June 2011

2011	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at the end of the year
Mr. M. Wood	31,735,001	-	-	(15,790,000)	15,945,001
Mr. A. Polglase	5,000,001	-	-	200,000	5,200,001
Mr. S. Funston	2,186,439	-	-	(1,500,000)	686,439
Mr. S. Mottram*	-	-	-	-	-
Mr. C. Jones*	-	-	-	270,000	270,000

* Mr. Mottram was appointed on 18 January 2011 and Mr. Jones was appointed on 7 October 2010.

2010	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at the end of the year
Mr. M. Wood	19,895,001	-	-	11,840,000	31,735,001
Mr. A. Polglase	4,600,001	-	-	400,000	5,000,001
Mr. S. Funston	1,580,001	-	-	606,438	2,186,439

All equity transactions with key management personnel other than arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

(d) Option holdings of Key Management Personnel

The numbers of options over ordinary shares in the company held during the financial year by each director of Avanco Resources Limited and specified executive of the group, including their personally related parties, are set out below:

2011	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested options	
						Exercisable	Non-exercisable
Mr. M. Wood	7,503,000	10,000,000	-	(1,300,000)	16,203,000	16,203,000	-
Mr. A. Polglase	80,000	10,000,000	-	-	10,080,000	10,080,000	-
Mr. S. Funston	371,288	5,000,000	-	-	5,371,288	5,371,288	-
Mr. S. Mottram	-	5,000,000	-	-	5,000,000	-	5,000,000
Mr. C. Jones	-	-	-	500,000	500,000	500,000	-

* Mr. Mottram was appointed on 18 January 2011 and Mr. Jones was appointed on 7 October 2010.

2010	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested options	
						Exercisable	Non-exercisable
Mr. M. Wood	14,850,001	-	-	(7,347,001)	7,503,000	7,503,000	-
Mr. A. Polglase	4,690,001	-	-	(4,610,001)	80,000	80,000	-
Mr. S. Funston	1,240,000	-	-	(868,712)	371,288	371,288	-

There were no other alterations to the terms and conditions of options granted as remuneration since their grant date. There were no forfeitures during the years ended 30 June 2011 and 30 June 2010.

Options granted as part of remuneration have been valued using the Black-Scholes option pricing model, which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option. Options granted under the plan carry no dividend or voting rights. For details on the valuation of options, including models and assumptions used, please refer to note 23.

Other transactions with Key Management Personnel

Garrison Capital Pty Ltd, a company of which Mr. Wood is a director, provided the Group with a fully serviced office including administration and information technology support totalling \$120,000 (2010: \$120,000) and reimbursement of payments for courier, accounting and other minor expenses, at cost \$24,124 (2010: \$9,511). \$14,748 (2010: \$14,130) was outstanding at year end.

Mineral Quest Pty Ltd, a company of which Mr. Wood is a director, charged the Group consulting fees of \$120,000 (2010: \$120,000) and reimbursement of payments for secretarial expenses, at cost for \$5,750 (2010: \$8,755) during the year. This amount is included in Note 17(b) "Remuneration of key management personnel". \$11,495 (2010: 11,880) was outstanding at year end.

Resourceful International Consulting Pty Ltd, a company of which Mr. Funston is a director, charged the Group consulting fees of \$120,000 (2010: \$92,500). This amount is included in Note 17(b) "Remuneration of key management personnel". \$11,000 (2010: \$11,000) was outstanding at year end.

Kernow Mining Consultants Pty Ltd, a company of which Mr. Polglase is a director, charged the Group consulting fees of \$275,000 (2010: \$140,000). This amount is included in Note 17(b) "Remuneration of key management personnel". \$27,500 (2010: \$16,500) was outstanding at year end.

These transactions have been entered into on normal commercial terms.

18. Events Subsequent to Balance Date

There have been no events that have arisen since the balance date that has affected or may significantly affect the operation of Group.

19. Related Party Disclosures

For Director related party transactions please refer to Note 17 "Key Management Personnel Disclosures". The ultimate parent entity is Avanco Resources Limited. Refer to note 8 for list of all subsidiaries within the group. There were no other related party transactions during the year.

	Consolidated	
	2011	2010
	\$	\$
20. Loss per Share		
Loss used in calculating basic and dilutive EPS	(2,365,330)	(802,788)
	Number of Shares	
Weighted average number of ordinary shares used in calculating basic earnings / (loss) per share :	667,808,824	333,732,613
Effect of dilution:		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share:	667,808,824	333,732,613

There is no impact from 211,911,430 options outstanding at 30 June 2011 (2010: 239,771,975 options) on the earnings per share calculation because they are anti-dilutive. These options could potentially dilute basic EPS in the future. There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

21. Financial Risk Management

Exposure to interest rate, liquidity, commodity price risk and credit risk arises in the normal course of the Group's business. The Group does not hold or issue derivative financial instruments.

The Group uses different methods as discussed below to manage risks that arise from these financial instruments. The objective is to support the delivery of the financial targets while protecting future financial security.

(a) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk by maintaining sufficient cash facilities to meet the operating requirements of the business and investing excess funds in highly liquid short term investments. The responsibility for liquidity risk management rests with the Board of Directors.

Alternatives for sourcing our future capital needs include our cash position and the issue of equity instruments. These alternatives are evaluated to determine the optimal mix of capital resources for our capital needs. We expect that, absent a material adverse change in a combination of our sources of liquidity, present levels of liquidity along with future capital raising will be adequate to meet our expected capital needs.

Maturity analysis for financial liabilities

Financial liabilities of the Group comprise trade and other payables. As at 30 June 2011 and 30 June 2010 all financial liabilities are contractually matured within 60 days.

(b) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

Avanco Resources Limited

Notes to the financial statements at and for the year ended 30 June 2011

The Group's exposure to market risk for changes to interest rate risk relates primarily to its earnings on cash and term deposits. The Group manages the risk by investing in short term deposits.

	Consolidated	
	2011	2010
	\$	\$
Cash and cash equivalents	19,615,848	4,519,184

Interest rate sensitivity

The following table demonstrates the sensitivity of the Group's statement of comprehensive income to a reasonably possible change in interest rates, with all other variables constant.

Consolidated

Judgements of reasonably possible movements	Effect on Post Tax Earnings Increase/(Decrease)		Effect on Equity including accumulated losses Increase/(Decrease)	
	2011 \$	2010 \$	2011 \$	2010 \$
Increase 100 basis points	196,158	45,192	196,158	45,192
Decrease 100 basis points	(196,158)	(45,192)	(196,158)	(45,192)

A sensitivity of 100 basis points has been used as this is considered reasonable given the current level of both short term and long term Australian Dollar interest rates. The change in basis points is derived from a review of historical movements and management's judgement of future trends. The analysis was performed on the same basis in 2010.

(c) Credit Risk Exposures

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's maximum credit exposure is the carrying amounts on the statement of financial position. The Group holds financial instruments with credit worthy third parties.

At 30 June 2011, the Group held cash at bank. These were held with financial institution with a rating from Standard & Poors of AA or above (long term). The Group has no past due or impaired debtors as at 30 June 2011 (2010: nil).

22. Contingent Liabilities

There are no known contingent liabilities.

23. Share Based Payment Plan

(a) Recognised share based payment transactions

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:

Avanco Resources Limited

Notes to the financial statements at and for the year ended 30 June 2011

	Consolidated	
	2011	2010
	\$	\$
<i>Operating expenses</i>		
Employee share based payment	1,917,369	56,283
<i>Capital raising expenses</i>		
Share based payments to supplier	880,000	667,053
<i>Exploration Expenditure</i>		
Share based payments to supplier	-	269,100

(b) Employee share based payment plan

The Group has established an employee share option plan (ESOP). The objective of the ESOP is to assist in the recruitment, reward, retention and motivation of employees of Avanco Resources Limited. Under the ESOP, the Directors may invite individuals acting in a manner similar to employees to participate in the ESOP and receive options. An individual may receive the options or nominate a relative or associate to receive the options. The plan is open to executive officers, nominated consultants and employees of Avanco Resources Limited.

The fair value at grant date of options granted during the reporting period was determined using the Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share and the risk free interest rate for the term of the option.

The table below summaries options granted under ESOP:

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
30 April 2008	30 April 2013	\$0.20	1,500,000	-	-	-	1,500,000	1,500,000
12 May 2008	12 May 2013	\$0.35	545,000	-	-	-	545,000	545,000
30 November 2010	30 September 2013	\$0.18	-	25,000,000	-	-	25,000,000	25,000,000
10 January 2011	10 January 2014	\$0.18	-	5,000,000	-	-	5,000,000	-
4 February 2011	4 February 2014	\$0.18	-	1,000,000	-	-	1,000,000	500,000
27 June 2011	27 June 2014	\$0.15	-	8,360,000	-	-	8,360,000	-
			2,045,000	39,360,000	-	-	41,405,000	27,545,000
Weighted remaining contractual life (years)			3.84	2.9	-	-	2.43	2.23
Weighted average exercise price			\$0.24	\$0.17	-	-	\$0.18	\$0.18

The weighted average fair value of options granted during the year was \$0.067 (2010: Nil).

The model inputs, not included in the table above, for options granted during the year ended 30 June 2011 included:

- (a) options are granted for no consideration and vest over a range of immediately to two years;
- (b) Expected life of options is three years;
- (c) share price at grant date had a range of \$0.082 to \$0.185;
- (d) expected volatility of 100%;
- (e) expected dividend yield of Nil; and
- (f) a risk free interest rate from 4.90% to 5.5%.

No options were granted under the ESOP for the year ended 30 June 2010.

(c) Share-based payment to suppliers:

(i) *Capital raising expenses*

The table below summaries options granted to suppliers during the financial year:

2011		Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of the year	Exercisable at end of the year
Grant Date	Expiry date		Number	Number	Number	Number	Number	Number
13 December 2010	14 December 2013	\$0.15	-	10,000,000	-	-	10,000,000	10,000,000
Weighted remaining contractual life (years)			-	3	-	-	2.46	2.46
Weighted average exercise price			-	\$0.15	-	-	\$0.15	\$0.15

The options were issued to the lead manager of the placement in November 2010 as consideration for acting as lead manager and placing the placement shares.

The model inputs, not included in the table above, for options granted included:

- (a) options are granted for no consideration and vest immediately;
- (b) Expected life of options had a range of three years;
- (c) share price at grant date was \$0.14;
- (d) expected volatility of 100%;
- (e) expected dividend yield of Nil; and
- (f) a risk free interest rate of 5.13%.

Avanco Resources Limited

Notes to the financial statements at and for the year ended 30 June 2011

2010

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
7 May 2010	30 April 2012	\$0.015	-	40,673,944	-	-	40,673,944	40,673,944

Weighted remaining contractual life

(years) - 2 - - 2 2

Weighted average exercise price - \$0.015 - - \$0.015 \$0.015

The model inputs, not included in the table above, for options granted included:

- (g) options are granted for no consideration and vest immediately;
- (h) Expected life of options had a range of two years;
- (i) share price at grant date had a range of \$0.025;
- (j) expected volatility of 100%;
- (k) expected dividend yield of Nil; and
- (l) a risk free interest rate of 4.67%.

(ii) Exploration expenditure

During the financial year ended 30 June 2010 8,666,666 ordinary shares were issued for consultancy services. The fair value of the shares at the date of receiving the services was used to record the transactions as the fair value of the services could not be measured reliably. No ordinary shares were issued for consultancy services for the year ended 30 June 2011.

24. Dividends

No dividend was paid or declared by the Group in the period since the end of the financial year and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 30 June 2011.

The balance of the franking account is Nil as at 30 June 2011 (2010: Nil).

Avanco Resources Limited

Notes to the financial statements at and for the year ended 30 June 2011

25. Parent Entity Information

The following details information related to the parent entity, Avanco Resources Limited, at 30 June 2011. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

	2011	Parent 2010
	\$	\$
Current assets	19,136,420	4,512,283
Non current assets	9,436,028	4,820,855
Total Assets	28,572,448	9,333,138
Current liabilities	158,121	76,677
Non current liabilities	-	-
Total Liabilities	158,121	76,677
Net Assets	28,414,327	9,256,461
Issued capital	30,319,832	11,309,380
Share based payment reserve	4,305,470	1,508,101
Option reserves	549,200	549,200
Accumulated losses	(6,760,175)	(4,110,220)
Total Equity	28,414,327	9,256,461
Loss for the year	(2,649,955)	(722,772)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(2,649,955)	(722,772)

The Company entered a service agreement for certain administrative services and office space for a term of two years starting in 2009. The lease expired during the financial year and was renewed for a further two year period. The Company is required to give three months written notice to terminate the agreement. Total commitments at 30 June 2011 under the contract are \$360,000 (2010: \$60,000).

Directors' Declaration

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

1. In the opinion of the directors:

- (a) the financial statements and notes of the Group are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Group as at 30 June 2011 and of its performance, for the year ended on that date; and
 - (ii) complying with Accounting Standards (including the Australian Accounting Interpretation) and the Corporations Regulations 2001;
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
 - (c) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2 (b);
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections of 295A of the Corporations Act 2001 for the financial year ending 30 June 2011.

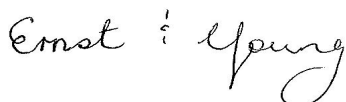
On behalf of the Board



Matthew Wood
Chairman
12 September 2011

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

In relation to our audit of the financial report of Avanco Resources Limited and its controlled entities for the financial year ended 30 June 2011, 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
12 September 2011

Independent auditor's report to the members of Avanco Resources Limited

Report on the financial report

We have audited the accompanying financial report of Avanco Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit 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.

Opinion

In our opinion:

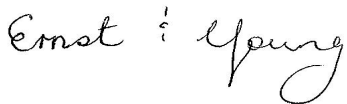
- a. the financial report of Avanco Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b).

Report on the remuneration report

We have audited the Remuneration Report included in pages 9 to 12 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Avanco Resources Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 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
12 September 2011

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows.

The information is current at 17 August 2011.

Distribution of Share Holders

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	119	10,923
1,001 - 5,000	269	1,074,194
5,001 - 10,000	543	4,580,413
10,001 - 100,000	2,990	139,013,092
100,001 - and over	1,231	645,274,895
TOTAL	5,152	789,953,517

There were 399 holders of ordinary shares holding less than a marketable parcel.

Top Twenty Share Holders

Name	Number of Ordinary Shares held	%
HSBC Custody Nominees Limited	27,168,029	3.44
National Nominees Limited	17,444,800	2.21
Citicorp Nominees Pty Limited	16,776,429	2.12
Mr Matthew Gaden Western Wood and Mrs Belinda Lucy Wood <Wood Family A/C>	15,000,001	1.90
Adziel Pty Ltd	10,150,000	1.28
Finot Pty Ltd	10,150,000	1.28
Nutsville Pty Ltd < Industrial Elec Co s/f>	5,897,250	0.75
Societe Generale (Canada branch)	5,645,000	0.71
Instinctive Vision	5,000,001	0.63
Select Yachts Pty Ltd	5,000,000	0.63
Ms Rosemarie Cremona	4,900,000	0.62
UBS Wealth Management Australia Nominees Pty Ltd	4,836,896	0.61
Mr Anthony Polglase	4,750,001	0.60
Mr Simon Robert Hosking	4,300,000	0.54
Celtic Capital Pty Ltd <The Celtic Capital A/C>	3,771,909	0.48
Mr Jessie Xuan Nguyen	3,607,647	0.46
Mr Anthony Gale	3,525,000	0.45
Mr Philip James Whitmont & Ms Amanda Jane Gale <EST Francis F Whitmont a/c>	3,500,000	0.44
Byron Carl Thomas	3,041,100	0.38
JP Morgan Nominees Australia Limited	3,038,538	0.38
Total ordinary shares	157,502,601	19.91

ASX Additional Information

Restricted Securities

The are no restricted securities:

On-Market Buy Back

There is no current on-market buy back.

Voting Rights

All ordinary shares carry one vote per share without restriction.

Top Twenty Option Holders Expiry 30 April 2012

Name	Number of Options held	%
Saltwater Cowboy Pty Ltd	13,124,686	8.23
Mr Dragoslav Jevtic & Mrs Nicole Jevtic	6,150,000	3.86
Perfect Fresh Pty Ltd	6,126,601	3.84
Mr David Wayne Austin & Mrs Christina Yit Ling Austin <Austin Super Fund A/C	5,000,000	3.14
Mr Matthew Gaden Western Wood and Mrs Belinda Lucy Wood <Wood Family A/C>	5,000,000	3.14
UBS Wealth Management Australia Nominees Pty Ltd	4,125,000	2.59
Mr Alfonso Bova	2,900,000	1.82
Mr Qing Long Yan	2,200,000	1.38
Mr Marat Basyrov	2,118,941	1.33
Forty Traders Limited	2,074,810	1.30
Mr Michael Matthew Moore & Mr Anthony John Thomas Moore <Michael M Moore Super a/c>	2,000,000	1.25
Yarandi Investments Pty Ltd <Griffith Family No2 a/c>	2,000,000	1.25
Adziel Pty Ltd	1,719,728	1.08
Ms Angela McGookin	1,500,000	0.94
Mr Craig Lancaster	1,460,500	0.92
Mr Marat Basyrov	1,432,400	0.90
Mr Peter Cossetto & Mr Lucio Cossetto & Mrs Annamaria Cossetto <Cossetto Family a/c>	1,364,000	0.86
31 May Pty Ltd	1,283,115	0.80
Mulloway Pty Ltd <Family a/c>	1,212,800	0.76
Mr James Broomhead	1,200,000	0.75
Total options	63,992,581	40.14

Tenement Table

Project	Property Name	Tenure Title Holder	Area Ha	DNPM No of Area	Status of Tenure
Carajas Copper Project	Rio Verde	AVB	9,300	853.714/93	*
	Serra Verde	AVB	7,359	850.892/06	^
	Agua Boa	ARM **	6,552	850.121/09	Granted to 2012
	Agua Boa	ARM **	8,907	850.823/05	Granted to 2012
	Agua Boa	ARM **	334	850.806/08	Granted to 2012
	Agua Boa	ARM **	1,829	850.824/05	Granted to 2013
	Agua Boa	ARM **	8,400	850.825/05	Application with 'priority rights'
Touro Nickel Project	Trindade South	AVB	9,797	850.569/11	#
	Trindade South	AVB	49	850.567/11	#
	Trindade South	AVB	49	850.568/11	#
Iron Ore Project (Vale Option agreement)	Trindade North	AVB	4,966	850.283/99	*
Nickel Sulphide PGM Projects	Conceicao Nickel	EST ~	2,806	850.143/05	Granted to 2014
	Conceicao Nickel	EST ~	9,548	850.418/04	Granted to 2014
	Conceicao Nickel	EST ~	6,482	850.419/04	Granted to 2014
	Conceicao Nickel	EST ~	6,928	850.420/04	Granted to 2014
	Conceicao Nickel	EST ~	8,478	850.821/09	Granted to 2014
	Conceicao Nickel	EST ~	5,530	850.822/09	Granted to 2014
AVB = AVB Mineracao ARM = Avanco Resources Mineracao EST = Estela do Brazil Mineracao * Renewable on approval of final exploration report by the National Department of Mineral Production, approval awaited. ** In the process of being transferred into respective subsidiary ~ Expected to be transferred into 'EST' once publications/approval obtained ^ Extension for further three year term awaiting approval # New application for exploration permit applied for with 'priority rights' (size of tenement may be reduced before approval)					