

27 October 2008

Bonanza grades in Brazil

Investment Highlights

- Carnivale!** AVB continues to build momentum at its 100% owned Rio Verde project in the Carajas Region of Brazil. Recent drilling has confirmed extensive near-surface copper oxide mineralisation, with the latest holes at Antas South intersecting bonanza copper grades including:
 - 38m @ 7.49% Cu from surface (inc. 14m @ 18.99% Cu from 22m)
 - 26m @ 5.47% Cu from 18m (inc. 6m @ 21.02% Cu from 32m)
 - 20m @ 5.12% Cu from 13m (inc. 4m @ 21.53% Cu from 17m)
- First mover on oxide strategy.** The Carajas is dominated by global majors (Cudelco, Xstrata, Anglo, Teck Cominco) exploring/developing large copper sulphide projects with little consideration paid to oxide resources. AVB strategy is focussed on development of proximal near-surface oxide potential and is targeting first copper cathode production in CY10.
- Growing a presence.** In addition to four additional and untested targets at Rio Verde, AVB has secured 'priority rights' to a suite of exploration properties prospective for gold, iron ore, manganese and base metals.
- Board and management central to our investment thesis.** AVB has assembled an impressive, the majority are Brazilian based and all have production experience. We consider this has been central to AVB's success in rapidly assembling a quality asset portfolio and bodes well for future production.
- Drivers.** Maiden oxide resource at Antas South in late CY08; the evolution of the recently discovered high grade zone which appears to be +300m strike and grading ~5%; potential for additional advanced copper oxide acquisitions and the recommencement of exploration at Rio Verde following a capital injection.
- Risks.** With no resource, AVB is yet to confirm project parameters, future funding requirements, commodity and FX risk, macro headwinds.

Company	
Stock code:	AVB
Share price:	\$0.07
Recommendation:	Speculative

S&P/ASX 300 = 3973

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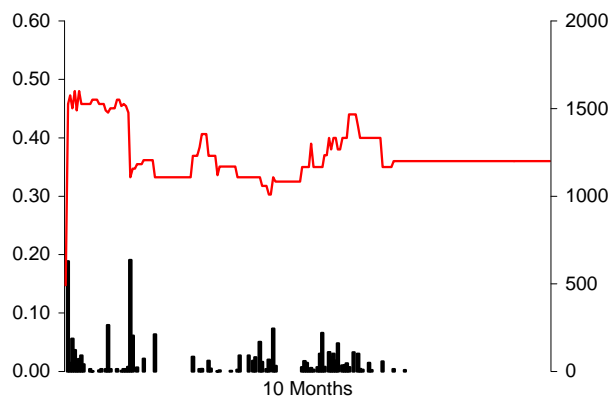
Disclosure: Patersons Securities Limited is acting as Lead Manager to the 4:5 renounceable rights issue at 5cents per share. It is entitled to fees for this service.

This analyst declares a beneficial interest in AVB securities

Company Statistics & Performance

Shares on Issue	99.0m	Debt	\$0.0m
Options	99.0m	Cash (est)	\$2.4m
52 Week Range	\$0.15 - \$0.48	Market Cap.*	\$9.9m
Daily Vol.	25,073	Ent. Value*	\$7.5m

*Based on nominal 5c post issue price (fully diluted)



Investment Summary

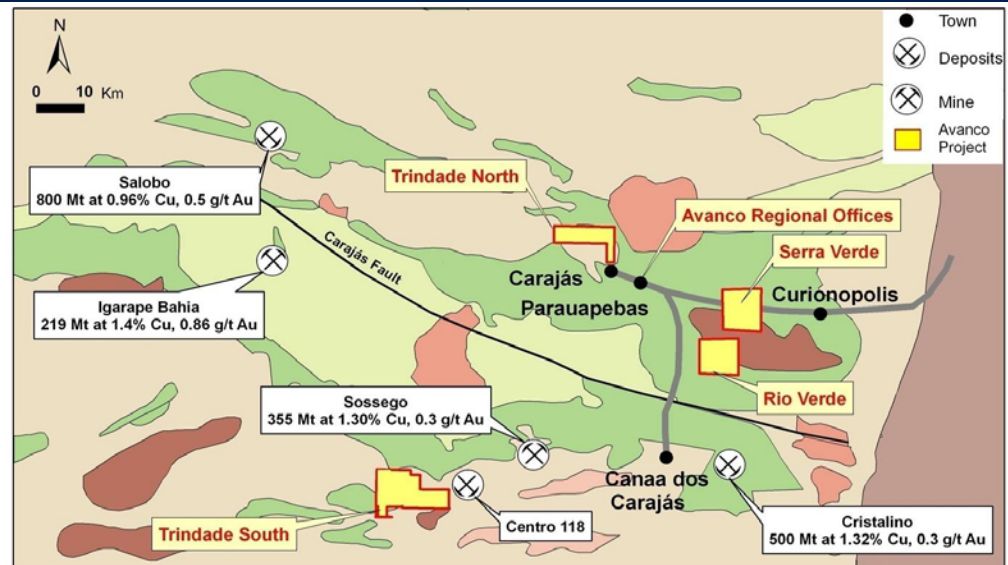
Name	Position
Matthew Wood	Chairman
Tony Polglase	Managing Director
Colin Jones	Non-Executive Director
Wayne Phillips	Non-Executive Director
Antonio Madalosso	Exploration Manager

Substantial Shareholders	%
Directors	26
Top 20	70
Resources	
Nil	

The Carajas

The Carajas is in Para State, Brazil and while highly prospective, remains a relatively under developed region. Total copper endowment (+1%) is 25mt in-situ with the majors controlling the bulk of tenure and several large copper sulphide projects including Vale's 355mt Sossego Copper Mine in operation and its 800mt Salobo Copper Project subject to development studies.

Figure 1: Carajas Mineral Endowment



Source: AVB

Avanco Properties

Rio Verde (100% AVB) Area of 9,300ha which contains the Antas Project, subject of recent exploration with +70 diamond drill holes and +60 RC/AC holes now completed (for 8,500m of drilling). AVB has defined a further six prospective targets from regional soil geochemistry however, no drilling has yet been undertaken.

AVB has established a regional office and services and we note extensive local infrastructure (sealed roads, grid power) bodes well for future development via low-cost power, resident work force and favourable logistics all within 30km of the project.

Trindade South (100% AVB) Little project generation work has been undertaken however, AVB considers the project prospective for IOCG style mineralisation with preliminary soil geochemistry identifying anomalous Cu-Ni values.

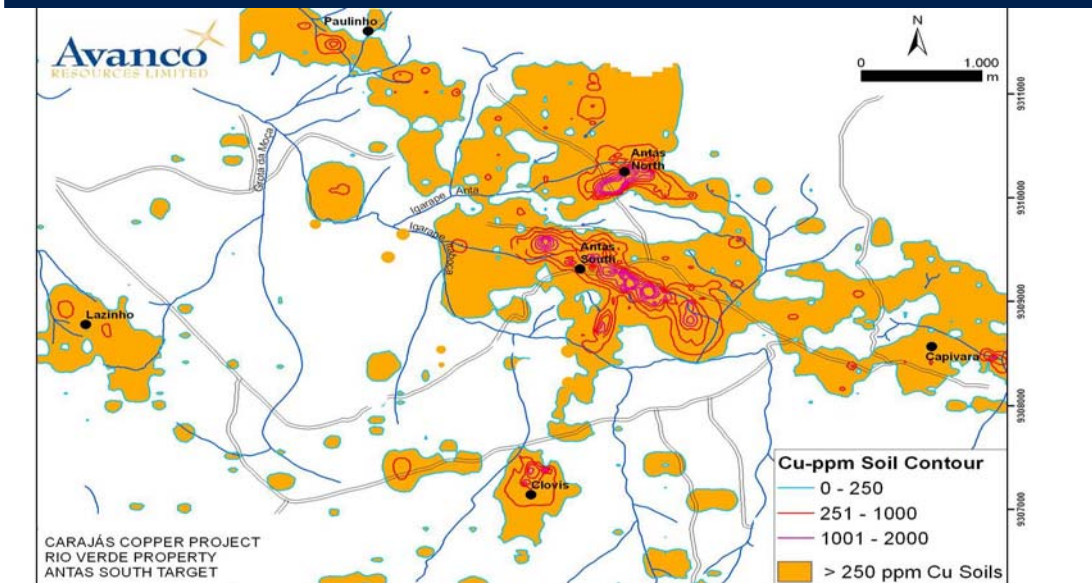
Trindade North Property (100% AVB) Prospective for iron ore with Fe mineralisation identified peripheral to the world class Vale N4 & N5 Iron Ore Mines. Recent soil geochemistry has also defined a large copper anomaly which requires infill soils and subsequent drilling.

Serra Verde Property (100% AVB) Drill ready with numerous near-surface copper targets identified proximal to Rio Verde.

Antas South Deposit

Antas was discovered by Noranda which was targeting primary basement sulphides - the potential of the oxide zone was never appreciated. AVB drilling has now confirmed oxide mineralisation over strike length of +2,000m, typically flat lying zones to a depth of 50m, open in all directions, and indications from recent drilling that there are discrete enriched zones of +5% copper.

Figure 2: Rio Verde Project



Source: AVB

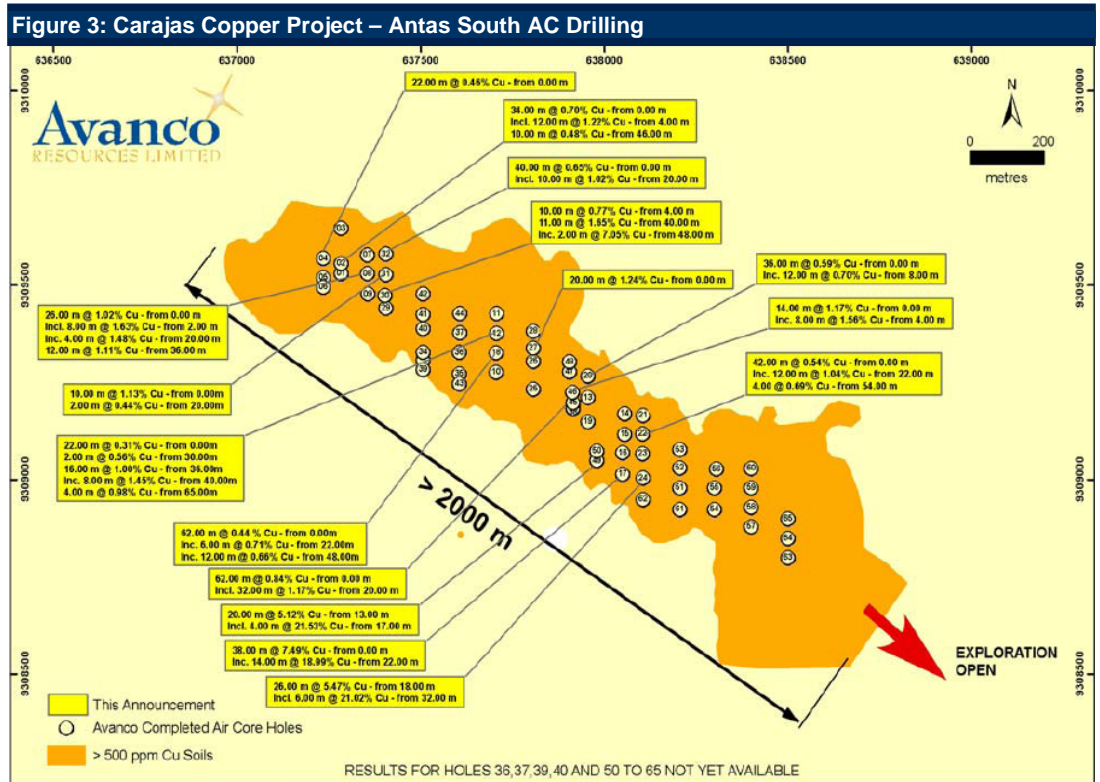
Awaiting more detail. While more than 100 drill holes have been completed, there is still insufficient data available regarding geometry, mineralogy and continuity to make an informed comment on ultimate development potential. We anticipate a maiden resource in the current Q to shed a little more light on the significance of the discovery.

High grade zones look impressive. The last round of RC drilling intersected a bonanza zone interpreted to be circa 300m in strike and open in all directions. We await confirmation on mineralogy with management confident high grades are associated with Chalcocite as opposed to metallurgically problematic native copper.

Development potential. Assuming no show-stoppers are identified, delineation of a discrete high grade zone within the broader oxide profile (which we estimate as 0.5-0.6% Cu) would materially enhance the economics of the project. The near surface and free digging nature of the mineralisation defined to date also bodes well for potential development with AVB committed to advancing metallurgical testwork, mining lease applications and scoping studies targeting copper cathode production at ~10,000tpa from 2010 onwards.

Upside potential. Field reconnaissance has delineated additional outcropping copper mineralisation adjacent to the main Antas South soil anomaly, recent drilling has confirmed 'ore grade' hits at Antas North (located 1km north of Antas South) however, poor core recovery has necessitated a transition from diamond to RC drilling for the next program.

Beyond Antas – Regional Projects - AVB has established a subsidiary (Estrela Minerals Limited) with a view to divesting its bulk minerals portfolio when market conditions permit. This will enable the Company to focus on the development of its Copper projects and realise value from its first mover status in tying up a large exploration portfolio in Brazil.



Source: AVB

While the high-grade zone potentially adds another dimension to the project more typically, Antas South comprises broad oxide zones grading 0.5-0.6% Cu. The bulk of mineralisation is from surface and exhibits 'mantos' style supergene enrichment (+1% Cu) at varying RL within the broader ore zone. Typical results are listed below.

Figure 4: Antas South – Typical Intersections

Hole ID	From (m)	To (m)	Interval (m)	Grade (%Cu)
ARVD-32	0	57	57	1.07
including	36	55	19	1.91
AVRD-01	0	53	53	0.89
AVRD-04	0	58	58	0.66
including	50	58	8	2.92
AVRD-09	0	12	12	1.36
and	28	48	20	0.66
AVRD-19	0	69	69	0.45
ARVC-21	0	56	56	1.26

Source: AVB

Early stage but grade looks spectacular. While the significance of the high grade zone is yet to be quantified, confirmation of spatial extent would provide a significant boost to project parameters. To date three RC holes have confirmed near surface mineralisation at +5% over a strike length of ~300m, with immediate focus on determining continuity, depth potential and structural controls with a view to building on the discovery.

Figure 5: High-grade Zone – Antas South

Holed ID	From (m)	To (m)	Interval (m)	Grade (%Cu)
ARVA-24	18	44	26	5.47
including	32	38	6	21.02
ARVA-17	0	38	38	7.49
including	22	36	14	18.99
ARVA-49	13	33	20	5.12
including	17	21	4	21.53

Source: Patersons estimates

Development Plan

AVB plans to release a maiden JORC compliant resource in the current Q at which time we expect to get a better feel for development strategy. As it stands today, AVB has scoped a conventional SX-EW process route producing 10,000t of cathode annually (throughput of ~2.5mtpa assuming 75% recovery) from CY10 onwards. We envisage the market meltdown will translate to slippage on this timeframe however, AVB has many milestones ahead to achieve production. The key attraction for us revolves around AVB's board and management team which we consider readily able to execute the project to development should studies confirm economics.

Colin Jones - Non-Executive Director: Mr Jones is Rio Tinto's preeminent block caving consultant and currently overseeing development of its +600ktpa Cu in concentrate Resolution Copper Project (reserves of 1.5bt @ 1.5% Cu), as well as incumbent consultant at Rio's Argyle Diamond Mine underground expansion project. Mr Jones resides in Rio de Janeiro and speaks fluent Portuguese.

Wayne Philips - Non-Executive Director: Mr Philips is currently Technical Director – Kinross Gold South America and involved with the US\$470m expansion of the Paracatu gold operation in Brazil. Mr Philips is a Chemical Engineer (with extensive copper oxide/SX-EW experience), has resided in Brazil since 1977, and speaks fluent Portuguese.

Antonio Madalosso - Exploration Manager: Mr Madalosso is a Brazilian national and has held senior roles with Cudelco, Barrick, Santa-Fe, and WMC. Mr Madalosso has worked in the Carajas for more than a decade and was credited with the discovery of Rio Verde and Serra Verde. Most recently Mr Madalosso was Cudelco's most senior in-country geologist, technical director for all Codelco-Anglo American JV's in the Carajas, and is undeniably one of the most prominent geologists in Brazil.

Tony Polglase - Managing Director: Mr Polglase is a metallurgist and mechanical/electrical engineer with 30 years multi-commodity mining experience. Mr Polglase has previously worked for Rio Tinto, Iberian Resources, Ivernia Corporation, and Ashanti Goldfields, resides in Brazil and speaks fluent Portuguese.

Matthew Wood - Chairman: Mr Wood is a geologist with 15 years experience in Australia and overseas and was most recently the Managing Director of Iberian Resources prior to it being acquired by Tamaya Resources in 2006.

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