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Avanco is focused on Carajas Copper

AGREEMENT WITH MAJOR COPPER MINER BRINGS THREE FOLD INCREASE TO THE RIO VERDE PROJECT

The Company is very pleased to announce the closure on a transaction which provides Avanco 100% of an extensive tenement package adjacent to the Rio Verde Project. The new tenure hosts an extremely prospective 14km long copper trend which clearly justifies a significant increase and widening of the Rio Verde drill programme. Additional rigs have been sourced and are mobilising.

HIGHLIGHTS

- **Transaction completed for 100% interest in an extensive land package which secures additional ground along strike from the Rio Verde Project.**
- **The new tenements include an extremely prospective 14km long anomalous copper trend hosting immediate and high priority drill targets.**
- **The potential for a large discovery is underscored by Xstrata Copper (Xstrata) who have elected to carry an “option” to “back-in” and form a joint-venture with Avanco.**
- **New tenure is adjacent to Rio Verde and comprises:**
 - **Three exploration licenses for a total of 16,000ha**
 - **Two exploration applications for a total of 10,000ha**
- **The three fold increase in the Rio Verde land holding increases Avanco’s total copper footprint to a massive 38,800ha (approximately 388sq km’s).**
- **Three rigs are currently drilling at Rio Verde and Serra Verde with another mobilising in the coming days. The ramp-up is ongoing with a total of six rigs expected before the end of May 2011.**

RIO VERDE EXPANSION

This transaction has secured a 100% interest in the remaining strike potential of the Rio Verde Project¹ in both the east and west directions. The new tenure comprises three exploration licenses for 16,000ha and two exploration applications² for 10,000ha. The substantial expansion represents a three-fold increase in the size of the Rio Verde Project and increases Avanco’s copper footprint to 38,800ha (approximately 388sqkm’s) including the neighbouring Serra Verde Project³.

The transaction recognises the significant exploration potential associated with the area and is subject to an “option agreement” with Xstrata wherein the main provisions include:

1. In the event Avanco discovers a copper resource with potential to support the production of 80,000⁴ tonnes per annum of copper metal for a life-of-mine greater than 8 years, Xstrata can exercise the right to “back-in” up to 70% (this excludes pre-existing Rio Verde and Serra Verde tenure).
2. On exercising the “back-in”, Xstrata and Avanco will form a joint venture company on a 70% - 30% equity basis respectively.
3. As part of the back-in conditions, Xstrata will, reimburse the Company two times the value of exploration expenditures and offer a favourable financing facility to assist Avanco in funding its contribution to project development capital.
4. Should the back-in not occur, Xstrata Copper will be entitled to a 0.5% NSR production royalty from Avanco.
5. A 1.5% NSR copper production royalty is payable to a former owner.

Former explorers including Noranda (now Xstrata Copper) completed⁵: stream sediment sampling, geological mapping, airborne Magnetic/Electromagnetic surveying, soil geochemistry, Induced Polarisation (IP) surveying (80m and 100m dipole-dipole), 10 auger holes and 12 diamond drill holes for a total of 3,339m. From within the new tenement package the Company has identified a number of exploration priorities including the following immediate drill targets:-

- The **northern copper soil anomaly (>4km in strike)** which includes 3 historical drill holes, shows exceptional potential for sulphide mineralisation with significant mineralisation already intersected. The soil anomaly is the strongest on the property and is also coincident with a strong magnetic anomaly associated with magnetite alteration typical of Carajas style IOCG mineralisation.
- The **central copper soil anomaly (>2km in strike)** shows strong IOCG related alteration in 7 historic drill holes. Numerous holes justify immediate follow up, particularly where primary copper mineralisation has already been intersected. Additionally 2 significant chargeability anomalies (+15 mv/v) were detected in the IP survey and remain untested.
- The very extensive **southern copper soil anomaly (>5km in strike)**, historical IP surveying produced coincident targets with copper soil anomalies which have not been drill tested.

- Strike continuation of the **Lazinho Prospect** which is already supported by historical anomalous soils and limited historical drilling.

The Company believes that the above priorities clearly justify drilling and have allocated 5,000m from Avanco's 2011 drill programme. Additional rigs will mobilise to Rio Verde over the coming weeks and months with six rigs expected to be operational before the end of May.

CORPORATE

This latest transaction by the Company captures a further 14km of extremely prospective copper ground which will be drill tested as part of an expanded Rio Verde drill programme.

Exploration success across the new tenements has the potential to trigger the formation of a joint-venture partnership with major copper miner Xstrata Copper.

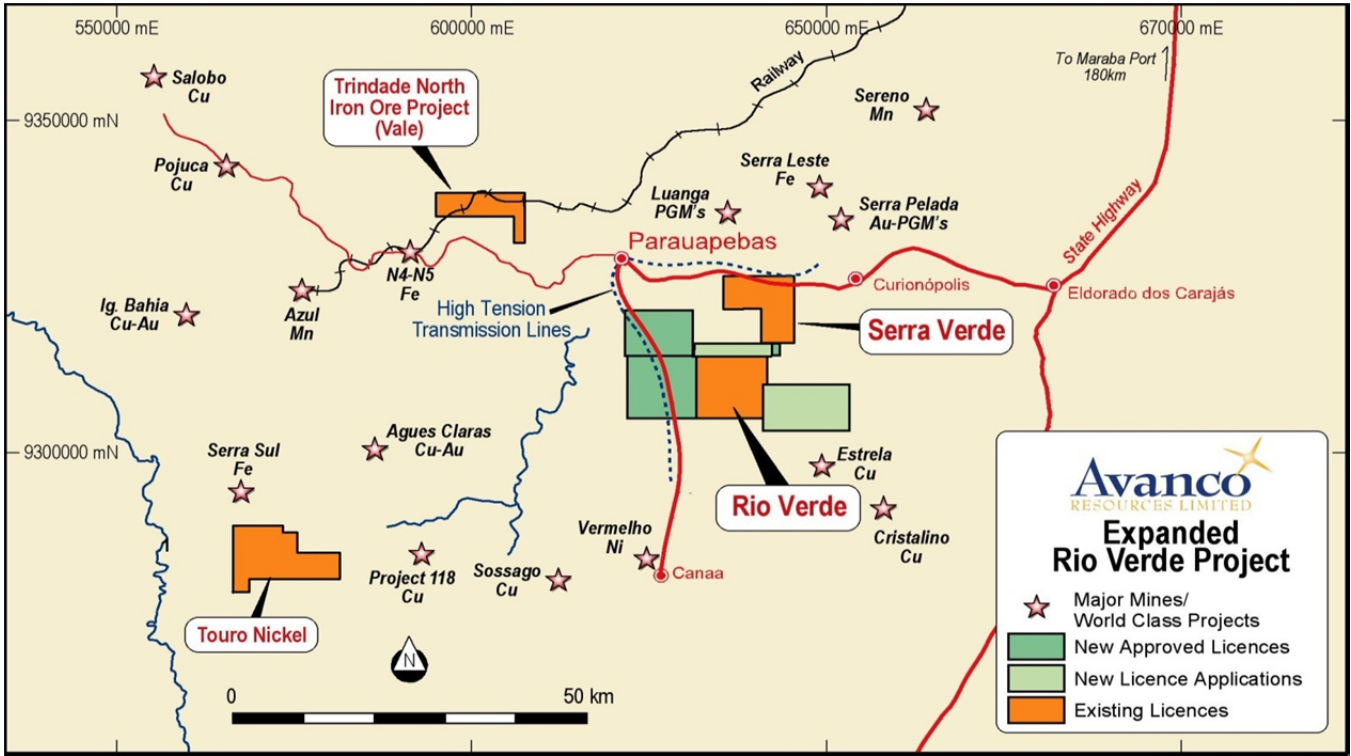
Confident of continuing exploration success, the Company has secured additional drilling rigs and expects six rigs to be operational by end of May.

With greater than \$20m cash, Avanco is in a very strong financial position to aggressively explore and pursue new high profile copper acquisitions.

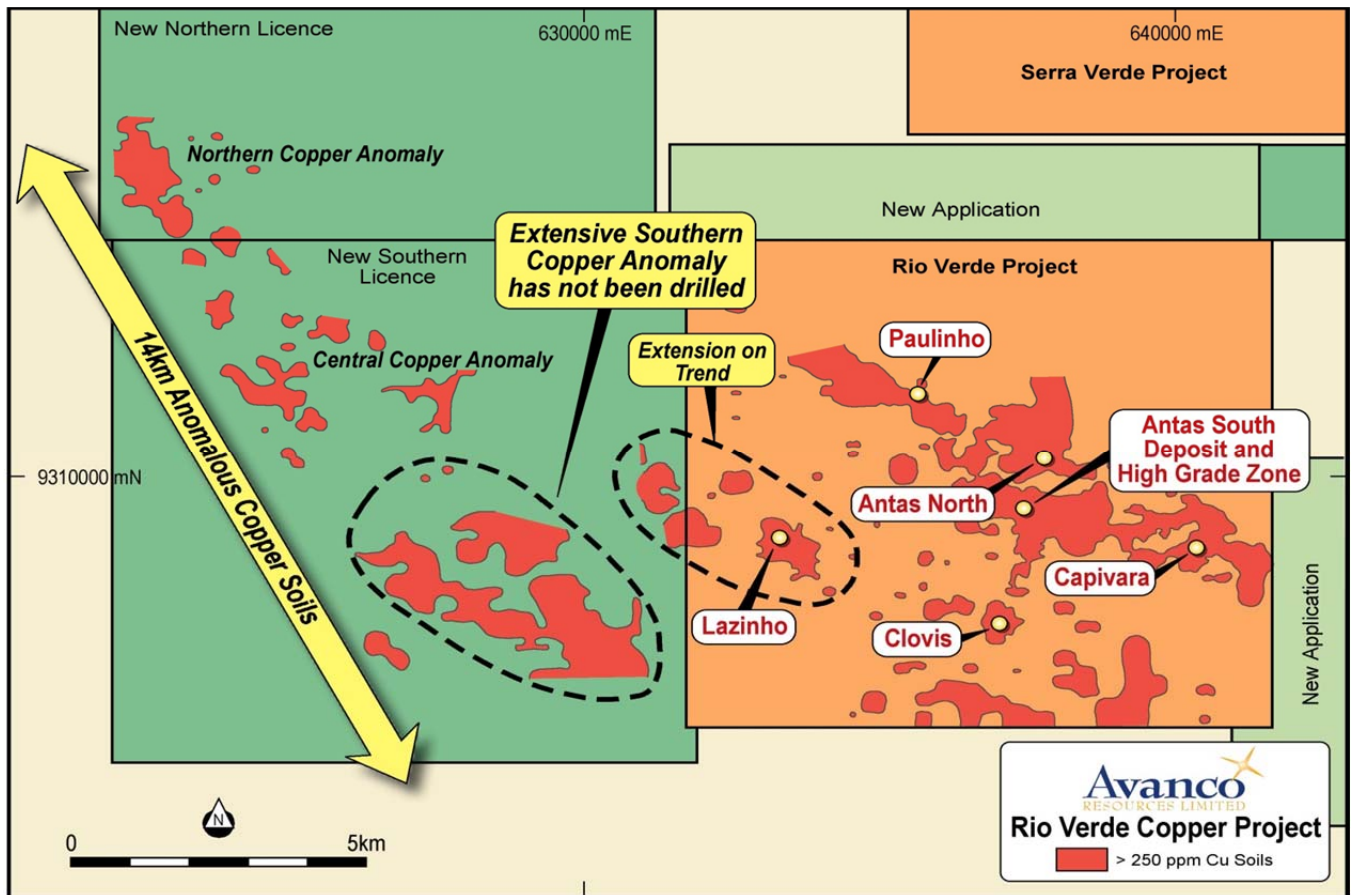
Tony Polglase
Managing Director

1. Existing Rio Verde Project - 9,300ha
2. Exploration license applications can be subject to re-shaping and or size reduction before approval.
3. Serra Verde Project - 7,500ha
4. To satisfy Xstrata's back-in criteria and to realise 80,000 tonnes of copper metal per year for 8 years, as an example (assuming a typical Carajas copper run-of-mine head grade of 0.75%Cu and metallurgical process recovery of 90%) around 100 million tonnes of ore would need to be available for extraction. Of this 100million tonnes, ownership of a minimum of 30 million tonnes of ore (or 24,000tpa of copper metal production) would be retained by Avanco.
5. As reported in former explorers confidential historical reports.

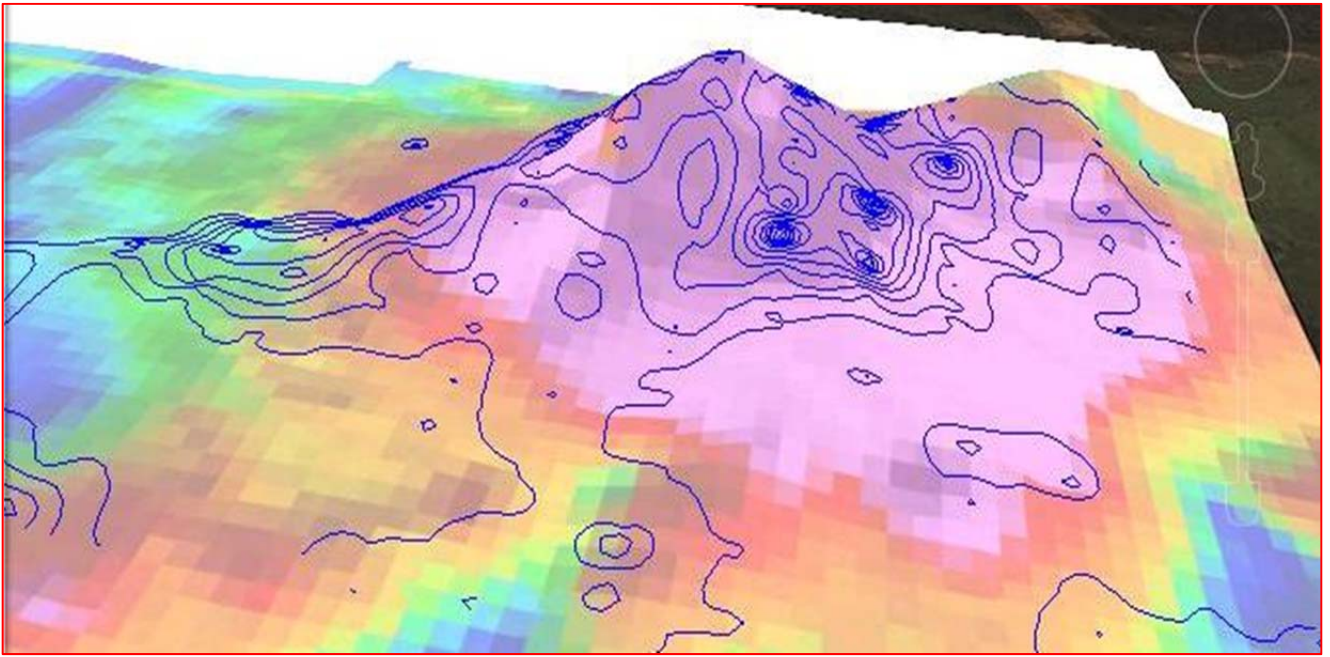
The information in this report that relates to Mineral Resources and Exploration Results are based on information compiled by Mr Simon Mottram who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Mottram is a Director of Avanco Resources Limited. Mr Mottram has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Mottram consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



Avanco's Rio Verde and Serra Verde Copper Projects are located in the World Class Carajas Mineral Province, northern Brazil.



The new tenements have consolidated the Company's position by securing prospective ground around the Rio Verde Project to the east and to the west.



Magnetics, topography and +200ppm copper contours covering the **northern copper anomaly** illustrate favourable coincident magnetic and copper geochemistry and represents characteristics often associated with other world class iron-oxide-copper-gold deposits situated within the Carajas region.