

Avanco off to a flying start

PERTH-BASED Avanco Resources has got off to a flying start to life as a listed company.

The Brazilian gold/copper exploration specialist only joined the ASX lists in 2007, raising A\$4 million (US\$3.61 million) to accelerate work on its key properties.

The potential for some early exploration success by the tightly-held explorer (55 million shares) has seen the stock well supported since its ASX debut on December 13. Despite the heavy sell-off in global equity markets that followed Avanco's debut, shares from its IPO have more than doubled (A\$0.49 on February 1).

While Avanco's corporate head in Perth is a long way from Brazil, the group's board and management are no newcomers to the rich mineral fields of the South American powerhouse. Avanco's managing director, Tony Polglase, is based in Brazil. He is fluent in Portuguese and has more than 30 years' mining experience in ten countries.

Mr Polglase recently secured the services of Brazilian national Antonio Madalosso as exploration manager. Previously chief geologist for Barrick gold in Brazil, Mr Madalosso is another 30-year veteran, including a stint in Australia.

Avanco's focus on Brazil reflects its assessment that it offers plenty of opportunities for junior base and precious metals explorers thanks to its mining culture (it is the world's fifth biggest producer of minerals) and the fact that its massive land mass (it is bigger than Australia) has vast areas that remain under-explored.

Avanco came to the market with two key projects – the Carajas copper project in the iron-rich Carajas region of northern Brazil, and its Rio Uru property in the gold terrains of central Brazil.

While Carajas is home to Brazil's famed iron ore deposits, it is also home to a number of world-class iron oxide-copper-gold (IOCG) deposits, including Sossego (355Mt grading 1.3% copper and 0.3g/t gold), Salobo (800Mt at 0.96% copper and 0.5g/t gold) and Igarape-Bahai (219Mt at 1.4% copper and 0.86g/t gold).

Avanco's Carajas project includes the Rio Verde and Serra Verde properties, with Rio Verde the most advanced. According to the independent geologist's report in the prospectus for the Avanco IPO, Rio Verde sits within the same metallogenic belt.

"The drilling to date on the Rio Verde property has been mostly shallow and scarcely more than reconnaissance," the report said.

Garimpeiros (artisanal miners) have scratched the ground over the years but it was not until Barrick arrived in 1999 that Rio Verde was the subject of some modern-day exploration.

Noranda Inc followed in 2001 and conducted a 57-hole (13,000m) drilling programme. Best results came

from the Antas North prospect, one of seven prospects defined to date on the Rio Verde mineral license (10km by 9.5km). The 10 holes drilled at Antas North tested a soil anomaly 700m in length and 200-400m wide. Best results included 49.3m at 2.04% copper and 0.4g/t gold from 76m and 19.4m at 1.63% copper and 0.43g/t gold from 125m.

The mineralisation was open at depth and along strike. The sharp increase in copper and gold prices since that campaign has made Antas North a high priority target for more drilling under Avanco.

A diamond core drilling programme at Rio Verde kicked off in late January 2008. Its aim is to define near surface oxide copper mineralisation as well as testing for extensions to known mineralisation.

The Serra Verde property (10km by 10km) sits 2km to the north of Rio Verde. Barrick was again the first to subject the license area to modern-day exploration methods in 1999.

Barrick's work focussed on three prospects – Garimpo Serra Verde, Alagoano and Pedro.

The base of an historic open pit (250m by 50m by 30m) at Garimpo Serra Verde, which was developed to extract large lenses of chalcopryite sulphide mineralisation, was channel-sampled and returned some impressive results.

Best results included 20m at 3.28% copper and 0.3g/t gold and 9m at 5.81% copper and 2.48g/t gold.

Barrick followed up with a limited shallow drilling program. Results from that program included 20.5m grading 0.61% copper and 0.14g/t gold from 109m and 12.5m at 0.97% copper from 4.7m.

The independent geologist's report said that higher grade mineralisation at Garimpo Serra Verde is now believed to be "strongly structurally controlled."

It is thought that the structural

Avanco's 1st Hole in the Carajas



THE TEAM

MATTHEW WOOD

Chairman

Mr Wood is a geologist (University of New South Wales) and holds a graduate certificate in mineral economics from the Western Australian School of Mines. He has more than 15 years' experience in the resources sector with both junior and major resource companies. Mr Wood's speciality is in project identification, negotiation, acquisition and corporate development. He has been involved in the discovery teams that uncovered the high-grade Challenger gold deposit in South Australia and the Fortitude and Rosemont gold deposits in Western Australia. He was managing director of Iberian Resources and is a director of Black Range Minerals, Signature Brands, Overland Resources and Bellamel Mining.

ANTHONY POLGLASE

Managing director

Mr Polglase is a mechanical and electrical engineer and has an honours degree in metallurgy from the Camborne School of Mines. He has more than 30 years' multi-disciplined mining experience covering projects in 10 countries. Mr Polglase has previously held senior management positions with Iberian Resources, Ivernica Corp, Rio Tinto, TVX and Ashanti Goldfields.

COLIN JONES

Non-executive director

Mr Jones has more than 40 years' mining industry experience, starting out with British Coal in South Wales. Mr Jones was project manager and later production director for Rio Tinto's Neves Corvo copper mine in Portugal. He was also involved in the development of the Fortaleza nickel mine in Brazil and was a consultant to the underground development at the Palabora

copper mine in South Africa. Mr Jones is an authority in block caving methods for the economic mining of low grade ore deposits. He is fluent in Portuguese and maintains a residence in Brazil.

WAYNE PHILIPS

Non-executive director

A chemical engineering graduate from the University of Rhodesia, Mr Philips migrated to Brazil in 1977 and has since become a Brazilian national. He spent several years working with consulting groups, including SNC Lavalin, Kvaerner and Minproc. Mr Phillips is the current technical director of Kinross South America.

controls were poorly understood in previous drilling programs, raising the potential for additional high-grade mineralisation to be found below or along strike from the open pit.

At the Alagoano prospect, garimpeiros left behind two shallow shafts from which they mined copper ores. The shafts are both within a 1,500m-long soil anomaly and drilling in 2005 encountered extensive low grade copper mineralisation.

Pedro is another extensive soil anomaly which extends for more than 2,500m. It connects with the open pit at Garimpo Serra Verde but has yet to be tested by the drill bit.

Avanco managing director Tony Polglase told WMS that Avanco's drilling program at its Carajas area copper project areas is set to be closely watched by investors in 2008.

Their Carajas location has also prompted some initial investigation for iron ore. Four rock chip samples collected from the southern area of Avanco's copper project areas returned samples with 42-67% iron content. While encouraging, Avanco acknowledges that further work will be required before it could claim to have an iron ore prospect on its hands.

"The other beauty of operating in the Carajas region is that juniors like Avanco will be able to leverage off the region's major infrastructure support when it comes to considering a mine development," Mr Polglase says.

Rio Verde and Serra Verde sit between the towns of Parauapebas and Curionopolis and some 35km from a regional airport. The electricity grid is close by, local rivers flow year round and the bulk rail system of iron ore producer Vale runs within easy striking distance, providing a 900km rail link to the Atlantic port of Sao Luis.

Avanco's Rio Uru gold project in central Brazil is also serviced by good infrastructure. Rio Uru is the most advanced of a number of gold prospects on tenements and applications for tenements held by Avanco close to the town of Heitorai.

Heitorai itself is 140km north of Goiania, the capital of Goias state. It is a part of the world known to Australian gold mining investors thanks to the success ASX-listed and Perth-based Troy Resources had at the now mined-out Sertao high-grade gold mine, some 50km from Avanco's tenements.

Rio Uru was the subject of limited exploration by



Matthew Wood and Tony Polglase in the Carajas

Australia's Western Mining Corporation (acquired by BHP Billiton in 2005) in the 1980s. WMC also discovered Sertao which Troy acquired in 2001.

WMC's work at Rio Uru delineated a gold-in-soil anomaly with a strike length of more than 8,000m and 300-1,100m width. Despite the infill soil sampling outlining three prospects – Pilar, Barro Alto and Mambuca – no drilling was undertaken.

Mr Polglase anticipates a busy period ahead for the junior. "Avanco's plan is to undertake a programme aimed at identifying the source of the gold anomaly while also determining the full extent of the Mambuca prospect".

However, Avanco has made clear that its Carajas copper project and central Brazilian gold project areas will not be the end of its excursion in the country.

Reporting on its activities for the December quarter, Avanco tipped that it had identified a number of high-quality opportunities to expand and diversify its project portfolio.

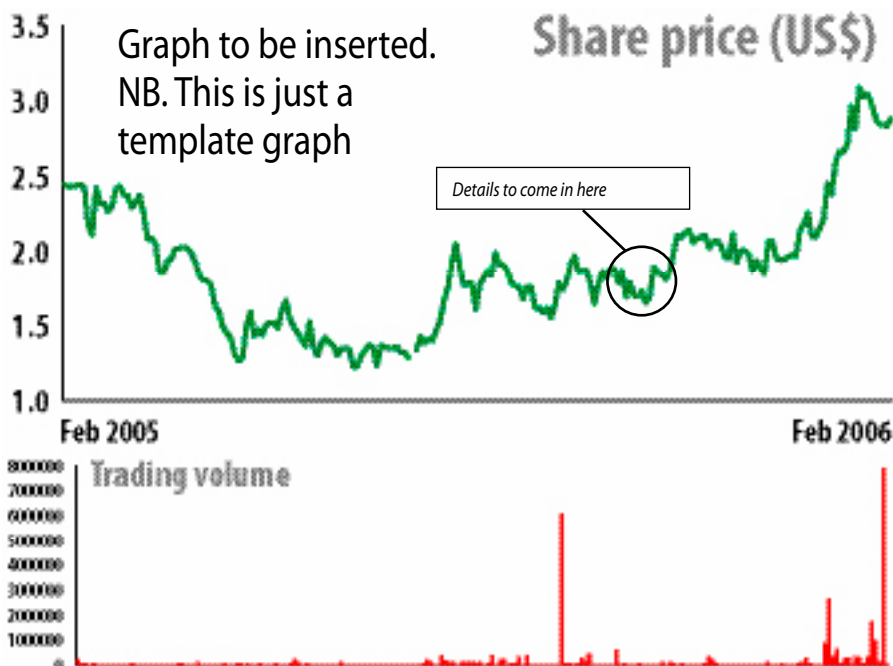
"Whilst we have said previously that copper and gold will be our "initial focus", with three of our directors

fluent in Portuguese, and with our strong local contact network it is already apparent that we are going to be well positioned to tap into new regional opportunities," Mr Polglase says.

Mr Polglase told WMS that Avanco was close to completing a review of potential acquisitions and land applications within the Carajas province and other prospective regions in Brazil.

On the corporate front, Avanco is also working on the undertaking made in the prospectus to have a "loyalty" rights issues of options on a one-for-one basis 16 weeks after trading in its shares began on the ASX.

The options will be issued at A\$0.01 each and will be exercisable at A\$0.20 each, expiring on June 30, 2010. Given the oversubscribed IPO, the strong support for the stock at listing and the continued interest in the company shown by investors, Avanco should expect the successful rights issue to further bolster the aspirations of the junior miner and its plans for South America.



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Shareholders: directors and management 25%

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