

ASX Release

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ASX Symbol: AVB, AVBOB



DECEMBER 2010 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

- **Major 50,000m copper and nickel platinum drilling programme launched.**
- **Drilling recommenced at the Rio Verde Copper Project targeting high grade copper. High concentrations of copper already logged in drill core. Ramp up of drilling programme started with additional people in place and additional rigs mobilising.**
- **Iron Ore Project drilling approvals obtained and Vale SA expected to mobilise within weeks. Trindade North has the potential to generate between \$10m to \$40m for Avanco.**
- **Key appointments made, including Mr Simon Mottram appointed to Avanco Board as Executive Director for Exploration.**
- **Successfully raised \$20 million to fund an aggressive exploration and acquisition strategy in the Carajas.**

EXPLORATION

The Company launched a major 50,000m exploration drilling programme over its Copper and Nickel Platinum Projects:

Antas South Copper Deposit (drill out and extensions):	25,000m
Rio Verde Project (new copper targets):	10,000m
Serra Verde Project (copper targets):	5,000m
Regional copper targets (new projects):	5,000m
Nickel and platinum targets:	5,000m

The comprehensive and multi target programme has been planned to realise maximum value from the Company's assets with early focus continuing to be directed at drilling out and extending the high grade copper discovery at the Antas South Deposit.



Core from new hole ARVD-106A has been logged as containing high concentrations of massive chalcocite Cu_2S copper mineralisation.

To date approximately 475m for 8 holes has been completed since recommencement of drilling in late November 2010. High concentrations of copper mineralisation have been logged in some holes. A second diamond drilling rig has now arrived at the Antas South Copper Deposit and has commenced drilling immediately.

With additional staff now in place and the arrival of the third and fourth drilling rigs in the coming months, the Company will drill test the neighbouring Serra Verde copper property. Avanco will likely increase drilling capability to include additional diamond and reverse circulation rigs as it steps out to test deeper mineralisation, new regional copper targets and the Nickel Platinum Project.

NICKEL PLATINUM PROJECT

The terms have been agreed for Avanco to earn into 75% of the Nickel Platinum Project located in southern Carajas and closure on the final agreement is expected in coming days. Pending assays for rock chip and soils geo-chemistry surveys are expected soon and the Company anticipates results will support the belief that the property is highly prospective for nickel sulphides and platinum group metals. Additional nickel platinum news flow will increase in coming weeks as exploration has now commenced.

IRON ORE PROJECT

Having obtained all the approvals required for exploration at the Trindade North Iron Ore Project the area is now ready for Brazilian major Vale SA (Vale) to commence drilling.

Trindade North is believed to be highly prospective for iron ore and is situated proximal to Vale's giant N4-N5 iron ore mine in the Carajas, Brazil. The final agreement has been signed and will be executed as a partnership with Vale being granted exclusive exploration rights for up to 3 years. On satisfying conditions precedent, Vale will have earned the right to exercise an option to acquire sole ownership of the property. Remaining key provisions include:

1. Vale should drill at least 2,500m within the first year.
2. After one year, Vale must pay Avanco US\$600,000 for the second year. To retain and extend the option for a third year, Vale must make a further payment of US\$1,000,000 to Avanco.
3. Based on drilling results Vale will pay Avanco a royalty for any in-situ. JORC compliant iron ore resources in the measured and indicated categories.

THE CARAJAS REGION

- **Vale dominates the Carajas in copper, nickel and iron ore.**
- **Vale's Carajas N4-N5 open cut is the world's largest high grade iron ore mine.**
- **The giant Salobo Copper Mine is under construction with the Sossego Copper Mine already in production.**
- **Other giant developments in Carajas include: the Cristalino Copper Mine, Serra Sul Iron Mine and the Onca Puma Nickel Mine.**
- **Major explorers in the region include: Vale, Codelco, Xstrata, Anglo, Teck and Avanco.**

4. On Avanco receiving funds from Vale inclusive of 2 and 3 (above) estimated at US\$10,000,000 or more, Vale will have satisfied conditions precedent and will have earned the right to complete the acquisition for sole ownership of Trindade North. The total sum of all qualifying payments to Avanco is capped at a maximum value of US\$40,000,000.
5. In the event economic mineralisation other than iron ore is discovered, both parties will renegotiate terms with Vale retaining preferential rights to first refusal.
6. Avanco can elect a representative to participate in the exploration programme.

Vale has already communicated details of its proposed drill programme and the Company expects to provide more information on this and the start of Vale drilling in the coming weeks. The Vale transaction has the potential to deliver significant cash flow to Avanco of between US\$10m to US\$40m.

CORPORATE

The Company successfully completed a \$20m capital raising through a placement to local and overseas sophisticated and institutional investors. Avanco is now in a strong and enviable financial position to undertake the substantial exploration and development programmes over its copper and nickel-platinum projects.

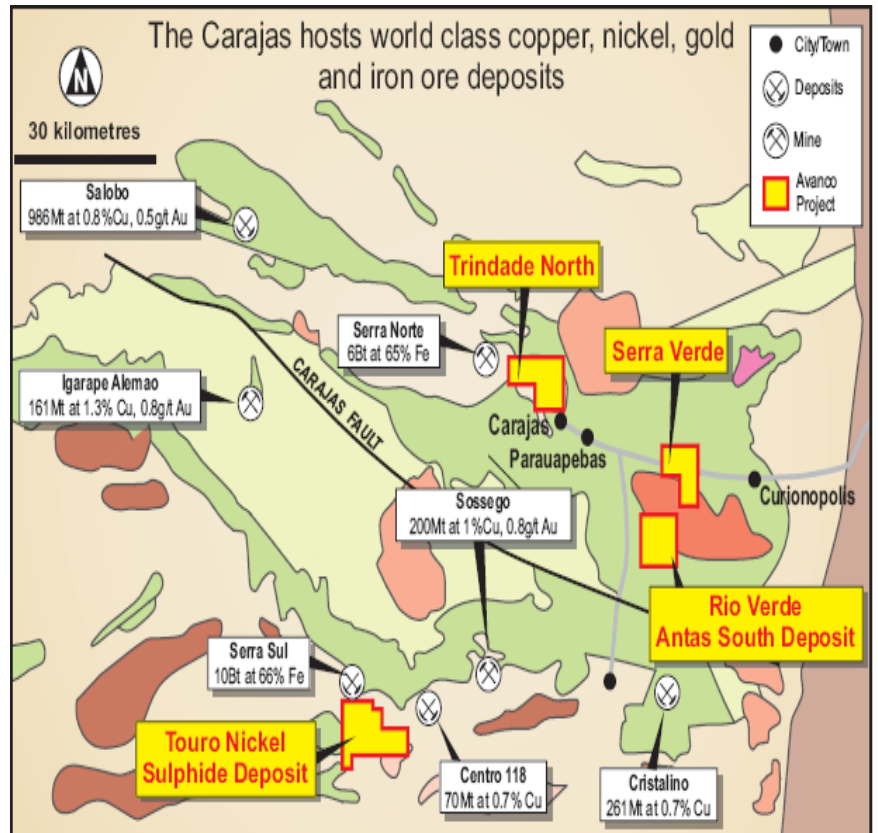
The Company has appointed Mr Simon Mottram as Executive Director for Exploration and Mr Jailson Araujo as Project Manager for Rio Verde. Mr Mottram has a solid track record in executing large scale drill programmes and takes on responsibility for directing all exploration activities. Mr Araujo is a Brazilian geologist with a wealth of local knowledge and assumes responsibility for the management and supervision of drill programmes at the Rio Verde and neighbouring properties.

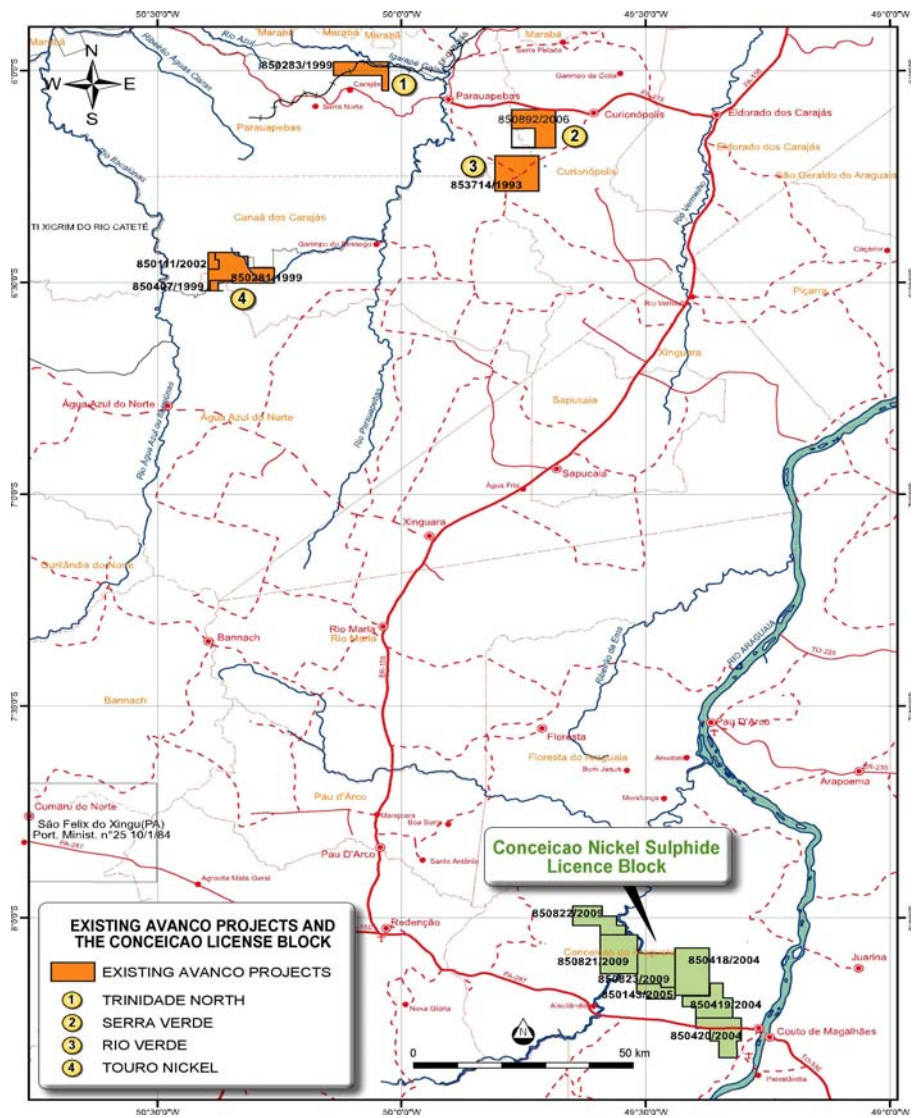
The Vale agreement is the first in a number of expected corporate activities to be successfully closed. It follows a strategy of seeking growth and realising greater value from Avanco's high quality Carajas project portfolio.

With drilling activity expanding and a number of new Carajas transactions at an advanced stage of negotiation, significant news flow is anticipated over the coming months.

Tony Polglase
Managing Director

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.





ANTAS SOUTH DEPOSIT - HIGH GRADE COPPER PROJECT - DIAMOND DRILLING PROGRESS

Hole ID	Status	UTM-E	UTM-N	Dip	Azimuth	Depth (m)
ARVD-103	Finished	638032.0	9309025.0	-60	360	60.45
ARVD-104	Finished	638032.0	9309015.0	-60	360	44.10
ARVD-105	Finished	638032.0	9309035.0	-60	360	70.05
ARVD-106	Finished	638156.8	9308975.5	-60	360	39.00
ARVD-106-A	Finished	638156.8	9308976.0	-60	360	74.90
ARVD-107	Finished	638305.0	9309038.0	-60	360	50.00
ARVD-108	In Progress	638305.0	9309018.0	-60	360	54.50
ARVD-109	In Progress	637650	9309610	-50	180	82.80

Nb, all results pending & hole ARVD-106 aborted due to loss of core