

ASX Release
16 October 2013

Level 1 / 33 Richardson Street
West Perth , Australia WA 6872

Tel: +61 8 9321 6600
Fax: +61 8 9200 4469

Contact:

Tony Polglase
Managing Director

E-mail:

info@avancoresources.com

For the latest news:

www.avancoresources.com

Directors / Management:

Matthew Wood
Tony Polglase
Simon Mottram
Scott Funston
Wayne Philips
Colin Jones
Luis Azevedo
David McEntaggart
Antonio Madalosso
Jailson de Araujo

ASX Symbol: AVB



**The leading copper junior
in the world class Carajas,
Brazil**

ANTAS NORTH FULLY FUNDED & PEDRA BRANCA FAST TRACKED TO PURSUE A “DECISION TO MINE” FOLLOWING AN \$18.1M PLACEMENT

The Company is pleased to announce the completion of an \$18.1M Placement at \$0.075 per share to Avanco's existing major shareholders, along with domestic and international institutions and sophisticated investors.

Having announced US\$70M of Project Finance for Antas North (Stage 1)¹, the Company subsequently received significant investor inquiry relating to Pedra Branca (Stage 2) and the prospectivity of Avanco's Regional Exploration programmes (Stage 3). This level of enthusiasm was gauged as warranting further financing to facilitate an immediate resumption of main field activities at Stage 1 and Stage 2 and planning an exploration programme for Stage 3.

Following completion of the Placement the Company will commence the early works at Stage 1 including, infill drilling, definitive studies and securing long-lead equipment. As previously announced, Stage 1 is already fully financed into production¹ and whilst Project Finance is subject to conditions it is anticipated that these additional monies will facilitate seamless transition through to the drawdown of the Senior Debt facility¹. And BlackRock funds. These new funds allow procurement, construction and commissioning of Stage1 to be expedited² more efficiently, with start-up targeted for Quarter 1 2015³.

In parallel with Stage 1, finance has been allocated for infill drilling and mining studies at Stage 2. Management aims to reach a "Decision to Mine" at Pedra Branca by mid 2015, a timely milestone coincident with early cash flows from Stage 1. On reaching a positive “Decision to Mine” the Company anticipates opening the Box Cut, establishing the portal and commencing the ramp attack into Pedra Branca East.

This financing also provides for continuation of Avanco's regional exploration programme. The Company owns 100% of an extensive and highly prospective Carajas Copper exploration portfolio Drill testing seeking the next discovery at Stage 3 will be ongoing throughout 2014.

THE ANTAS NORTH COPPER MINE (Stage 1)

Stage 1 is Avanco's first mine development project in the Worlds Class Carajas Mineral Province, Brazil. A second much bigger copper development (Stage 2) is located within the same district.

Avanco has 100% of both the projects and retains ownership of any off-take. Timely implementation of the high grade, low cost Stage 1 Project is being pursued with aim of financing Stage 2 from early Stage 1 cash flows.⁴

A feasibility study projected a mining operation with low technical risk, low cost and attractive economics⁵.

Copper Production	~12,000tpa
Gold	~7,000ozpa
Start-up capital	US\$50m ³
Direct Operation Costs	US\$0.75lb/Cu
NPV ^{7%}	US\$224m
Annual Cash flow	~US\$55m EBITDA

PLACEMENT DETAILS

Bell Potter Securities Limited acted as the Sole Lead Manager to the Placement. The Company will issue 241,015,219 fully paid ordinary shares at an issue price of \$0.075

per share to raise approximately \$18.1M.

The Placement was oversubscribed and subsequently trimmed to fit within the placement capacity of the Company, in accordance with ASX Listing Rules 7.1 and 7.1A.

The Offer Price of \$0.075 per share represents a 9.6% discount to the last closing price of AVB shares on 11 October 2013.

Settlement of the Placement is expected to occur on Tuesday 22 of October 2013, with the new shares expected to be allocated and commencing trading on the ASX, Wednesday 23 October 2013. The new shares will rank equally in all respects with the existing fully paid ordinary shares.

USE OF PROCEEDS⁶

Item	Proceeds from the Placement	(\$)
1.	Field Work including in fill drilling and geotechnical studies – Stage 1	1,500,000
2.	Engineering Studies – Stage 1	3,000,000
3.	Deposits on Mine Equipment – Stage 1	3,000,000
5.	Drilling Programme – Stage 2	4,000,000
6.	Feasibility Studies – Stage 2	2,000,000
7.	Drilling Programme - Stage 3	2,500,000
8.	Working Capital	2,100,000
	Total	18,100,000

CORPORATE

As a result of these two capital raising events over the last week both the Board and Avanco's major shareholders are comfortable that the Company is well positioned and fully funded for:-

- Design, Construction and Commissioning of Stage 1
- Reaching a "Decision to Mine" at the much larger Pedra Branca Stage 2
- Exposure to potential for new regional discoveries (Stage 3).

Avanco is an emerging mid-tier copper producer targeting ~ 40,000tpa of Copper and associated Gold credits from its Carajas Stage 1 and Stage 2⁷ Projects.

Tony Polglase
Managing Director

1. See ASX announcement “Key Terms Agreed on US\$58m debt facility for Antas North Copper Mine”, 13 June 2013 & ASX Announcement “US\$12,000,000 Agreement reached with Blackrock World Mining Trust”, 8 October 2013
2. Whilst most of the Stage 1 equipment has been sourced within Brazil, import of a plate and frame pressure filter with a 10month lead time is on critical path. This financing facilitates securing supply of the filter ahead of the Senior Debt
3. The Company has previously indicated dates for the start of Construction however markets conditions beyond Avanco’s control have negated financing and introduced unexpected delays
4. Assumed on the basis that cash flows from Stage I will be sufficient to support a bridging loan to finance Stage 2 into production
5. See ASX release “Stage I Assessment Supports Fast Track Development”, 4 March 2013
6. Indicative and may change, for simplicity assumes costs associated with the Placement are paid from existing cash at bank
7. Indicatively ~12,000tpa Stage 1, ~17,000tpa Stage 2 East and ~11,000tpa Stage 2 West

Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr. Simon Mottram who is a Fellow 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.