

21 July 2011

**AVANCO RESOURCES LIMITED**

Level 1 / 33 Richardson Street  
West Perth , Australia WA6872  
Tel: +61 8 9321 6600  
Fax: +61 8 9200 4469

**Contact:**

Tony Polglase  
Managing Director

E-mail: [info@avancoresources.com](mailto:info@avancoresources.com)

Tel: +61 8 9321 6600

For the latest news:

[www.avancoresources.com](http://www.avancoresources.com)

**Directors / Officers:**

Matthew Wood  
Tony Polglase  
Simon Mottram  
Scott Funston  
Colin Jones  
Antonio Madalosso

ASX Symbol: AVB, AVBOB



**Significant widths of magnetite rich BIF have been intersected at the Trindade North Project.**

# CARAJAS IRON ORE UPDATE

The Company is pleased to provide an up-date on Vale's activities at Avanco's Iron Ore Project and to inform that **the Company is currently validating a resource estimate.**

## HIGHLIGHTS

- **Vale has completed a maiden drill programme at the Trindade North Iron Ore Project in Carajas, Brazil.**
- **15 diamond drill holes for 2,600m have been concluded and exceeds the minimum drilling obligations.**
- **Significant widths of highly magnetic, magnetite rich, Banded Iron Formation ("BIF") have been intersected.**
- **Vale has received sufficient drill results to prepare a resource estimate which is being validated by the Company.**
- **The BIF situated within Avanco's tenement makes up the southern portion of a much larger mineralised structure which straddles the common Vale-Avanco tenement boundary.**
- **To facilitate any future exploitation of the iron ore, the Company believes that practicalities will dictate that the Vale and Avanco resources will have to be mined concurrently.**
- **Next month Vale will need to advance Avanco USD\$600,000 to retain the rights under the Option Agreement for an additional 12 months.**
- **The Vale-Avanco Iron Ore Agreement can potentially generate payments in the order of USD\$10m to USD\$40m for the Company.**

As announced previously<sup>1</sup>, Vale have been granted exclusive exploration rights and an Option to acquire the Trindade North Property.

Avanco has submitted the "Final Exploration Report"<sup>2</sup> to the regulatory authorities and approval is pending. In the interim and on the first anniversary<sup>3</sup> Vale is obliged advance Avanco USD\$600,000 to retain the Option.

Current provisions of the “Vale Iron Ore Option Agreement” include:

- 1- Vale must pay Avanco USD\$600,000 to secure the Option for a second year. To retain the Option for a third year, Vale must make payment of USD\$1,000,000 in August 2012.
  
- 2- On Avanco receiving total funds from Vale estimated at USD\$10,000,000 or more<sup>4</sup>, Vale will have earned the right to acquire sole ownership of Trindade North. The total sum of all qualifying payments is capped at USD\$40,000,000<sup>5</sup>.

Tony Polglase  
Managing Director

- 1- ASX Announcement “Vale Acquires Option over Avanco Iron ore Project”, 19 August 2010
- 2- A prescriptive periodic mandatory requirement
- 3- 12-August-2011
- 4- Based on JORC compliant iron ore resources
- 5- And inclusive of sums in Point 1

*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.*