

## ASX Release

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ASX Symbol: AVB, AVBOB



Avanco is building on important relationships in the Carajas while exploring and developing copper and nickel sulphide projects

# IRON ORE PROJECT UP-DATE

The Company is very pleased to advise that it has taken receipt from Vale S.A. (Vale) of an initial US\$100,000 payment in consideration of the previously reported option agreement wherein Vale can exercise the right to acquire Trindade North from Avanco for up to US\$40,000,000 arising from in-situ iron ore royalties and other qualifying fees.

The Company considers the timely payment represents a significant milestone in implementing the Vale agreement and serves well to illustrate the intentions of both parties to move quickly with the planned drill programme.

The balance of the US\$350,000 non-refundable sum is payable by Vale on Avanco obtaining the exploration permissions which are already well advanced.

Vale has provided information regarding their proposed drill collar locations at Trindade North and Avanco is undertaking all the necessary work to facilitate an early start to iron ore exploration.

## TRINDADE NORTH IRON ORE PROPERTY

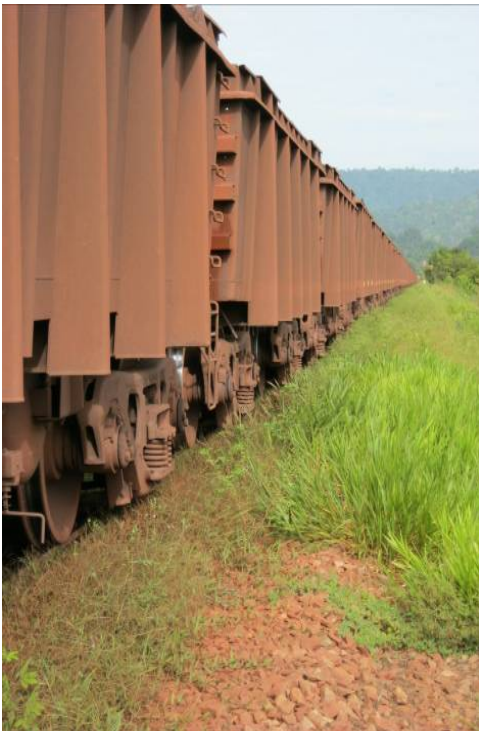
Trindade North is believed to be highly prospective for iron ore and is situated proximal to Vale's giant N4-N5 iron ore mine in the Carajas, Brazil. The agreement is a partnership with Vale being granted exclusive exploration rights for up to three years. On satisfying conditions precedent, Vale will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

## KEY PROVISIONS OF THE AGREEMENT WITH VALE

1. For a two year option term, Vale will pay Avanco a non-refundable fee of US\$350,000 on signing and receipt of regulatory permissions to drill. (Vale has advanced Avanco US\$100,000 in part payment)
2. Vale should drill at least 2,500m at Trindade North within the first year.
3. 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.
4. 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.



**Avanco has identified BIF at the Trindade North Property.**



**Vale's iron ore railway traverses Trindade North and will render any future exploitation of iron ore favourable.**

5. On Avanco receiving funds from Vale inclusive of 1, 3 and 4 (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.
6. In the event economic mineralisation other than iron ore is discovered, both parties will renegotiate terms with Vale retaining preferential rights to first refusal.
7. Avanco can elect a representative to participate in the exploration programme.

### **THE TRINDADE NORTH IRON ORE PROPERTY**

The Serra dos Carajas region in the state of Para, northern Brazil, hosts the largest resources of high grade iron ore in the world. Known reserves of Carajas iron ore have been reported as 7.2Bt at an average grade of ~65% Fe. Reserves in the region include the Northern Range (2.9Bt) and the world's largest unexploited high grade deposit Serra Sul (4.2Bt) within the Southern Range. The Carajas region is dominated by Brazilian major Vale, the largest global iron ore producer.

Avanco's project portfolio includes the Trindade North and Trindade South Properties which are located close to the Northern and Southern iron ore ranges respectively. Avanco holds the rights to 100% of both properties through its wholly owned Brazilian subsidiary, AVB Mineracao Ltda.

Trindade North is believed to be highly prospective for the discovery of economic iron ore. It comprises a single contiguous exploration license of ~4,966ha and is largely land locked by Vale tenure. Studies of regional airborne magnetics show two potential Banded Iron Formation (BIF) targets with a combined strike of ~7km located towards the northern boundary. Field reconnaissance has discovered elevated terrains with oxide facies, BIF outcrops and subcrops enriched in magnetite-hematite. The mineralisation has the appearance of typical Carajas style high grade iron ore with two rock chip samples returning results of 50.2%Fe and 54.2%Fe.

The prospectivity of Trindade North is much enhanced by its proximity to Vale's N4-N5 open cut which is the world's largest high grade iron ore mine. Excellent infrastructure is a feature of the area with a rail system running through the property connecting Trindade North with the Atlantic sea port of Sao Luis, some 900km's away. The railway is owned by Vale and will favour low cost mining and carriage of any future iron ore production from Trindade North.



**Avanco has recently confirmed the existence of very high grade copper mineralisation at the Rio Verde Project**

## **CORPORATE**

Avanco is an explorer developer of copper and nickel sulphide projects in the World Class Carajas Mineral Province, a region which is dominated by Brazilian major, Vale SA.

The Vale transaction has the potential to deliver significant cash flow to Avanco of between US\$10,000,000 and US\$40,000,000 and will shift the Company to a new operating level as a self funded junior in the Carajas. This process has begun with receipt from Vale of an initial payment illustrating the intension of both parties to quickly advance the exploration at Trindade North.

The Company has three additional high quality projects in the Carajas for which it also wholly owns, or holds the rights to 100%:

- **Rio Verde – Copper**
- **Serra Verde - Copper-Gold**
- **Trindade South – Touro Nickel Sulphide**

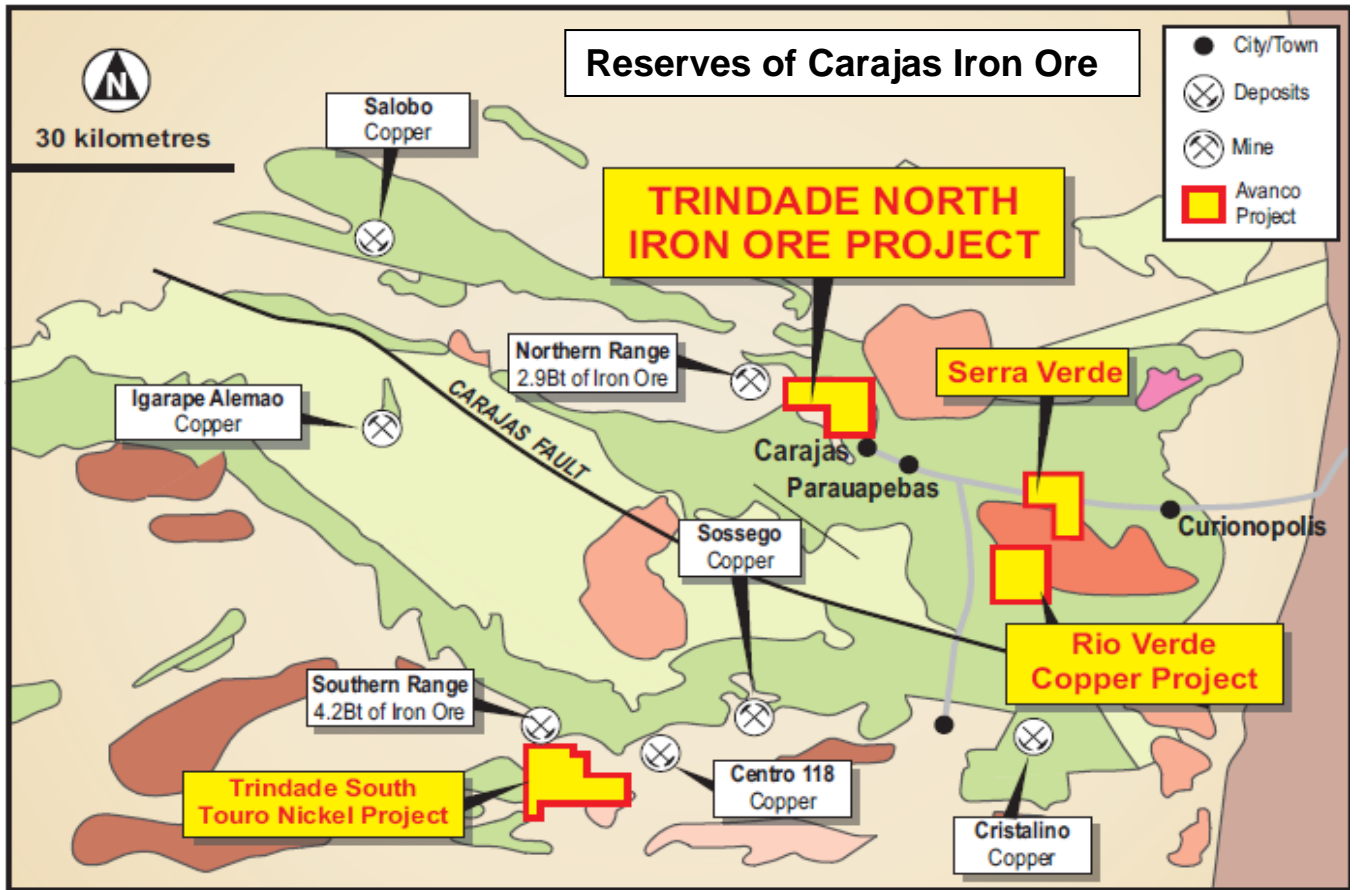
Avanco has recently completed a 2,000m drill programme at the Rio Verde Copper Project. Recently reported results confirmed the existence of an exceptionally high grade copper zone and include a spectacular intercept of:

**9 metres at 50.49% copper from 18 metres.**

The results for the pending drill holes assays are expected soon, **with abundant copper mineralization having been already logged for many of these holes. The Company is anticipating to be able to report further results in the coming weeks.**

Tony Polglase  
Managing Director

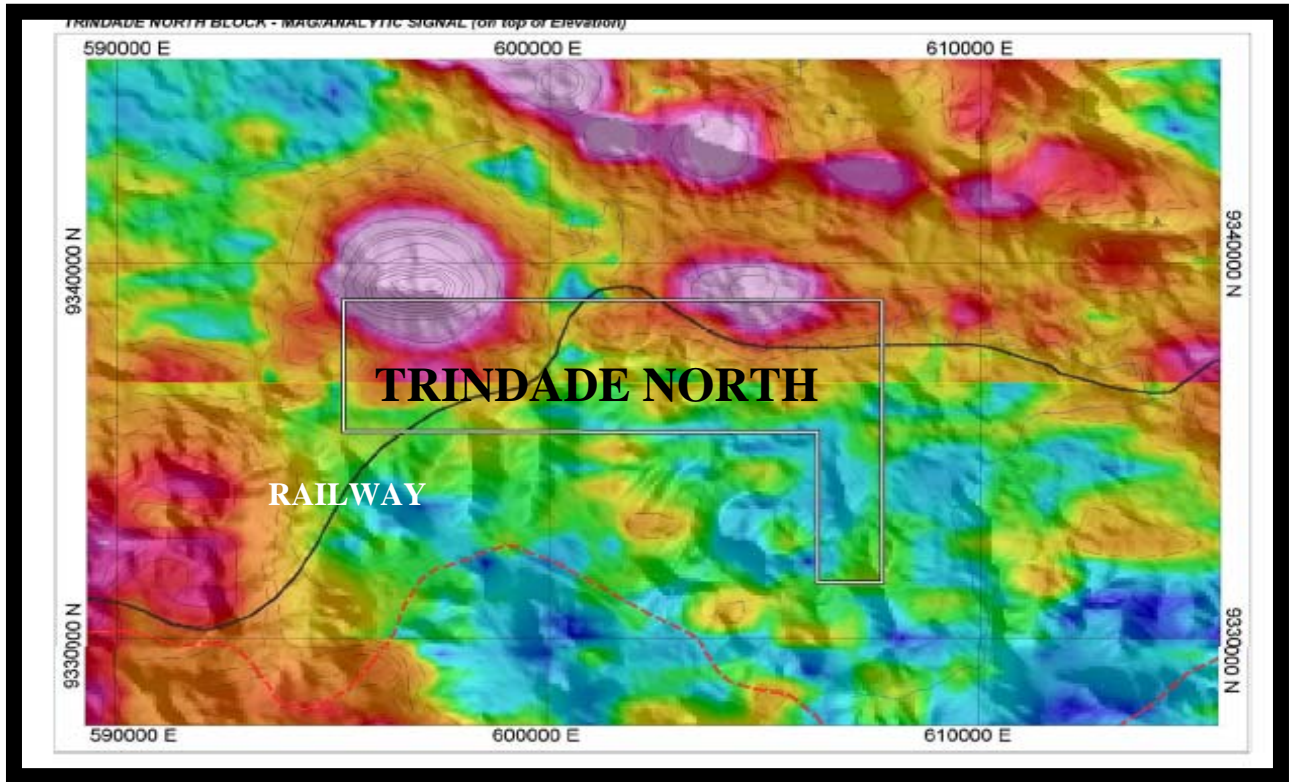
*The information in this report that relates to Mineral Resources and Exploration Results are based on information compiled by Mr Matthew Wood who is a Member of the Australian Institute of Mining and Metallurgy. Mr Wood is the Chairman of Avanco Resources Limited. Mr Wood has sufficient experience which 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 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Wood consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*



**The Carajas Mineral Province hosts the highest concentration of high quality iron ore globally, Vale SA. dominates the region.**



**Land satellite image showing the boundaries of Avanco's Trindade North Iron Ore Property.**



**Regional magnetic analytical signal map indicating two geophysical anomalies interpreted to be due to the presence of Banded Iron Formation (BIF).**