

**ASX Release**

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**ASX Symbol:** AVB, AVBOB



**Avanco is building on important relationships in the Carajas.**

# VALE ACQUIRES OPTION OVER AVANCO IRON ORE PROPERTY

The Company is very pleased to advise that its subsidiary AVB Mineracao Ltda has entered into a binding agreement with Brazilian major **Vale S.A. (Vale)**, to provide them an option to acquire the Trindade North 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 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.

## KEY PROVISIONS OF THE AGREEMENT

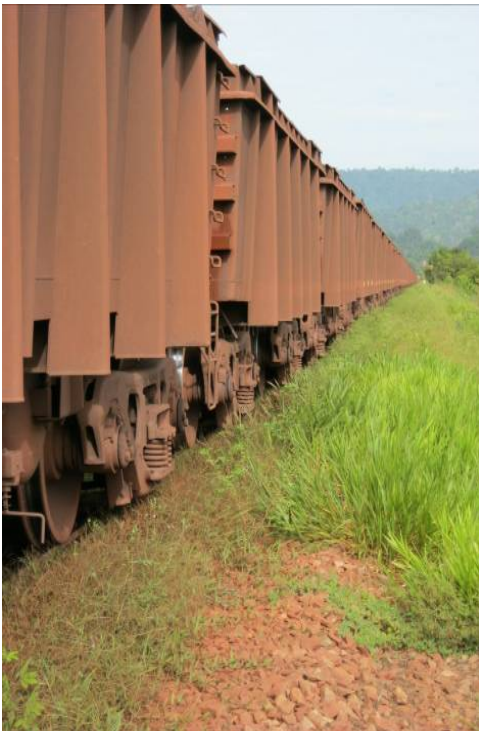
- 1. For a two year option term, Vale will pay Avanco a non-refundable fee of US\$350,000 on signing and receipt of regulatory permissions to drill.**
- 2. Vale should drill at least 2,500m at Trindade North within the first year.**
- 3. After one year Vale must pay Avanco US\$600,000 for the second 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.**
- 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



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



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

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.

The Company has moved quickly to close the agreement with Vale and progress in obtaining the exploration permissions is already well advanced. Communication from Vale detailing the exploration programme is expected soon. Under the terms of the transaction Vale have committed to undertake more than 2,500m of drilling within the first year. The Company intends to exercise its right to appoint an Avanco representative to oversee the activities.

## **CORPORATE**

The Company is extremely pleased to have agreed to terms with Vale on the Trindade North Property. This transaction has the potential to deliver significant cash flows to Avanco through in-situ iron ore royalty payments. This would shift Avanco to a new operating level as a self funded explorer and developer of copper and nickel projects in the Carajas. The Company remains committed to growing its position in copper and nickel sulphides, whilst being ideally placed to benefit from any Vale iron ore drilling success.



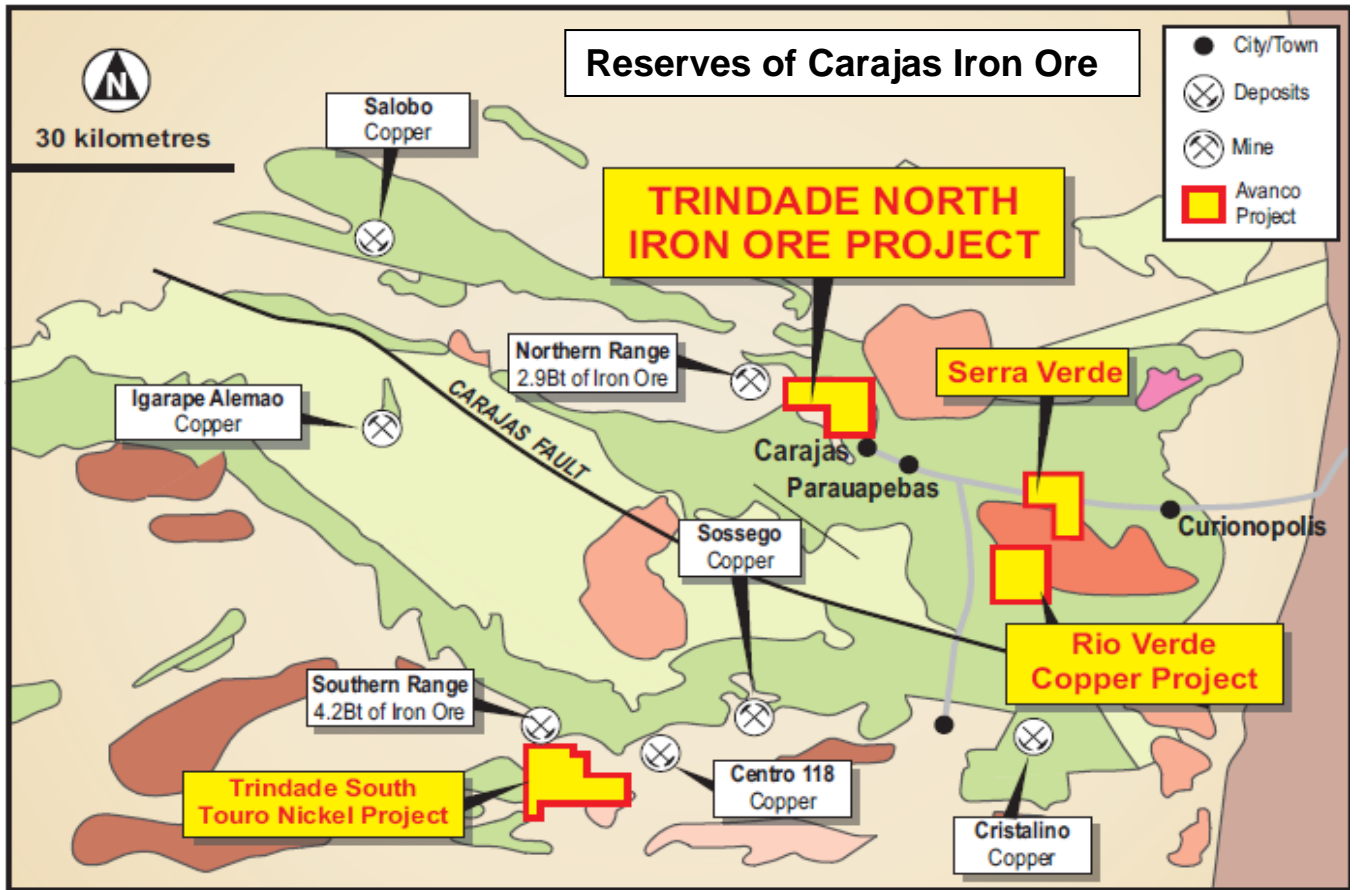
The Vale agreement is the first in a number of corporate activities to be successfully closed. It follows a strategy of seeking growth and realising greater value from Avanco's high quality Carajas project portfolio. Further strong news flow from drilling at the Rio Verde Copper Project and new Carajas transactions are expected over the coming months.

Tony Polglase  
Executive Director

**Proceeds from the Vale iron ore option agreement will contribute towards Avanco's growth in copper and nickel sulphides.**



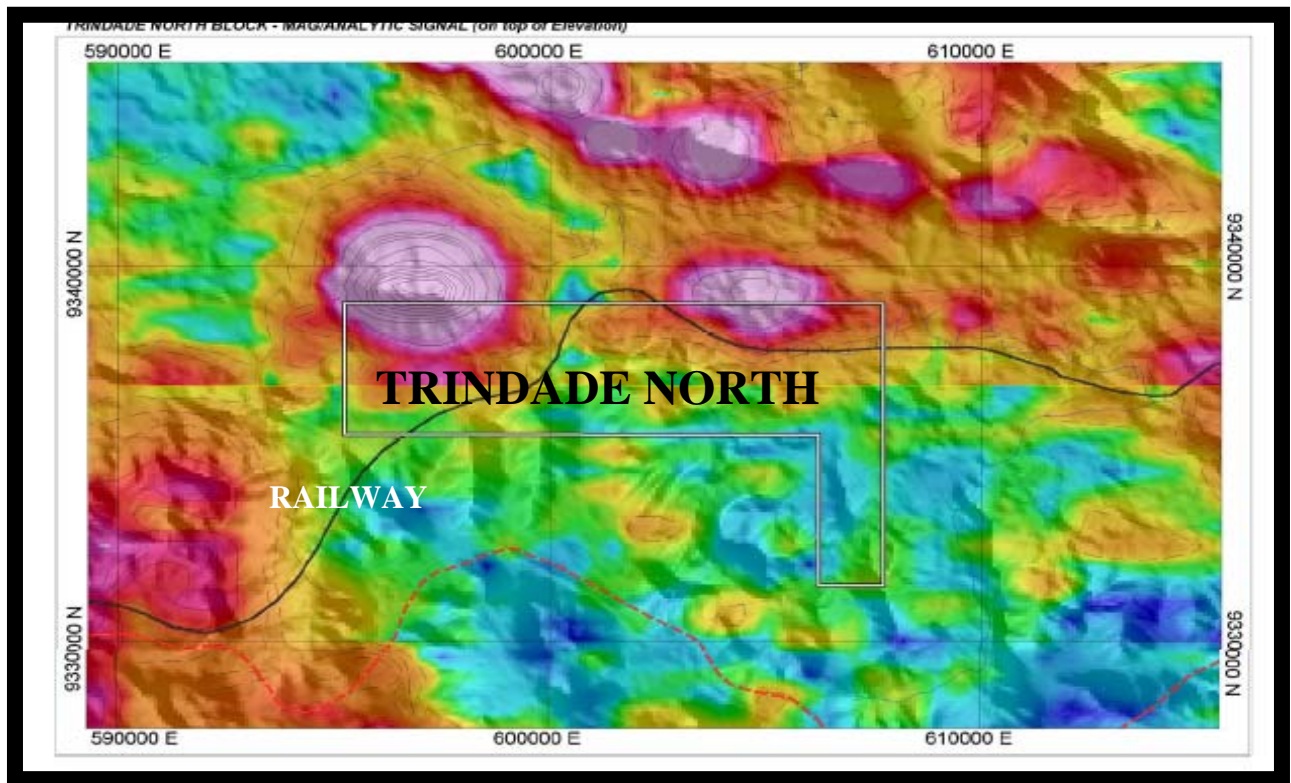
**Avanco will appoint its own representative to participate in Vale's exploration programme at Trindade North.**



**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).**

*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.*